

OCTOPUS TITAN VCT 1&2



PROSPECTUS WITH APPLICATION FORMS
SPONSORED BY HOWARD KENNEDY

This document comprising a prospectus dated 2 November 2007 in accordance with the Prospectus Rules made under Part 6 of the Financial Services and Markets Act 2000 has been approved for publication under section 87 of that Act. This document has also been approved by the Financial Services Authority as a prospectus under the Prospectus Rules on 2 November 2007. This document will be made available to the public in accordance with the provisions of the Prospectus Rules.

The Directors, whose names appear on page 39, and Octopus Titan 1 & 2, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Octopus Titan 1 & 2 (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the UK Listing Authority for all the Ordinary Shares in the capital of Octopus Titan 1 & 2 (issued and to be issued) pursuant to the Offer described herein to be admitted to the Official List of the UK Listing Authority. Application will also be made to the London Stock Exchange for such Ordinary Shares to be admitted to trading on its market for listed securities. Subject to the minimum subscription being raised by that date, it is expected that Admission will become effective, and that trading in the Ordinary Shares will commence, on 2 January 2008.

Persons receiving this document should note that, in connection with the Offer, Howard Kennedy is acting for each of Octopus Titan 1 & 2 and no-one else and will not be responsible to any other person for providing the protections afforded to customers of Howard Kennedy or providing advice in connection with the Offer.

The whole of this document should be read. In particular, your attention is drawn to 'Risk Factors' set out on pages 8 and 9 of this document.

Octopus Titan VCT 1 plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 6397764)
(ISIN number GB00B28V8Y81)

Octopus Titan VCT 2 plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 6397765)
(ISIN number GB00B28V9347)

Offer for Subscription of up to, in aggregate, 40,000,000 Ordinary Shares comprising up to 20,000,000 Ordinary Shares of 10p each of the capital of each of Octopus Titan 1 & 2 at an issue price of 100p per share payable in full on application

Sponsor

Howard Kennedy

Aggregate share capital of Octopus Titan 1 & 2 immediately following the Offer (assuming that it is fully subscribed)

<i>Authorised Aggregate nominal value of Octopus Titan 1 & 2</i>			<i>Issued and fully paid Aggregate nominal value of Octopus Titan 1 & 2</i>	
	<i>Number</i>			<i>Number</i>
£10,000,000	100,000,000	Ordinary Shares of 10p each	£4,000,000	40,000,000

40,000,000 Ordinary Shares are being offered to the public under the Offer. The Offer will be open from 8.00 am on 2 November 2007 until the earlier of 2.00 pm on 4 April 2008 (unless previously extended by the Directors in their absolute discretion) and the date on which the maximum subscription is reached. Dealings in respect of successful applications received on or before 14 December 2007 will commence on 2 January 2008 (or earlier if the minimum subscription level of £2,000,000 is achieved before 14 December 2007). The Offer is not underwritten. The terms and conditions of the Offer are set out in Part 5 of this document, followed by Application Forms for use in connection with the Offer. The minimum subscription per investor is £3,000. Completed Application Forms in respect of the Offer should be sent by post or delivered by hand to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP.

Copies of this document are available for inspection during normal business hours at the Document Viewing Facility at the Financial Services Authority, 25 The North Colonnade, London E14 5HS following the date of publication and may be obtained free of charge for the duration of the Offer, by collection from:

Howard Kennedy
19 Cavendish Square, London W1A 2AW

Octopus Investments Limited
8 Angel Court, London EC2R 7HP

CONTENTS

SUMMARY	05
EXPECTED TIMETABLE AND OFFER STATISTICS	07
RISK FACTORS	08
LETTER FROM THE CHAIRMEN	10
PART 1	
About Octopus Titan 1 & 2	11
Tax Benefits for Investors	12
Our Team	13
Investment Policy	16
Management Remuneration	18
Dividend Policy	18
Other Information	19
PART 2	
Taxation Considerations for Investors	22
PART 3	
Conditions to be met by Venture Capital Trusts	24
PART 4	
Additional Information	26
Directors and Advisers	39
Definitions	40
PART 5	
Terms and Conditions of Application	42
APPLICATION PROCEDURE	
APPLICATION FORMS	

SUMMARY

KEY INFORMATION

WHY INVEST IN A VENTURE CAPITAL TRUST ("VCT")?

VCTs offer two main advantages over other investment products in the market. First, the structure of a VCT provides investors with a combination of tax advantages unmatched by any other kind of investment product in the UK. Second, VCTs offer investors the opportunity to enjoy the higher returns that typically come from investing in UK smaller companies.

BACKGROUND

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. The Government achieved this by offering VCT investors a series of very attractive tax benefits.

As a result of these tax benefits, the total invested in VCTs between 1995 and 2007 was more than £3 billion (Source: Octopus Investments).

TAX BENEFITS

You will receive 30% upfront income tax relief on your VCT investment provided you hold your shares for five years. This means that if you invest £10,000 in a VCT, your income tax bill for the current tax year will be reduced by £3,000. Your investment of £10,000 therefore only costs you £7,000, providing you with an effective return after initial costs of 35% before the Fund makes its first investments.

WHY INVEST IN THE OCTOPUS TITAN 1 & 2?

The Fund is structured as a twin VCT which will invest identically in all opportunities. As such, your investment will be split equally between the two VCTs. This allows Octopus Titan 1 & 2 to invest in aggregate up to £2 million per company (i.e. twice the amount possible for single VCTs).

THE OFFER

It is proposed to allot pursuant to the Offer between 2 million and 40 million Ordinary Shares to the public. The Ordinary Shares will be offered at 100p per Share payable in full. The Offer will be open from 2 November 2007 until the earlier of 2.00 pm on 4 April 2008 and the date on which the maximum subscription is reached (or until such time as determined by the Directors). Application will be made to the UK Listing Authority for the Ordinary Shares issued pursuant to the Offer to be admitted to the Official List and to the London Stock Exchange for admission to trading on its market for listed securities.

INVESTMENT MANAGER

The Fund will be managed by the team at Octopus Ventures, who have an excellent track record of making investments into early stage unquoted companies over the last seven years. Over this time period, the Octopus Ventures team has invested £14.9m into 25 companies. The team has generated a return of 61% per annum (equivalent to 4x the amount invested) from 11 liquidity events. Across the entire portfolio (including those investments not yet sold), the team's annual rate of return is 27% (Source: Octopus Ventures (unaudited)).

Octopus Ventures is a subsidiary of Octopus Investments, which specialises in investing in smaller companies and is one of the UK's leading VCT fund managers. It currently manages eight other VCTs, including Eclipse VCT and Phoenix VCT which jointly won "VCT of the Year" in the 2007 Investor AllStars Awards. In addition, independent financial advisers voted Octopus "Best VCT Provider of the Year 2007" in the Professional Adviser Awards.

Members of the Octopus team have over 100 years of combined experience in successfully sourcing, making and maximising the value of investments. As at 1 October 2007, two of the VCTs managed by Octopus, Eclipse VCT and Eclipse VCT 2, were the top two performing VCTs out of 26 generalist VCTs that raised funds in the 2004/2005 tax year (Source: Tax Efficient Review). Please see the detailed performance data that is set out on page 14.

INVESTMENT POLICY

The Fund will focus on providing early stage, development and expansion funding to unquoted companies with a typical deal size of £0.5 million to £2 million. It is expected that the portfolio of holdings that will be built by Octopus Titan VCT 1 & 2 will encompass investments in 20-25 unquoted companies (assuming full subscription under the Offer), with a focus on the environmental, technology, media, telecoms and consumer lifestyle and wellbeing sectors.

It is envisaged that, at the end of the three year initial investment period, 75-85% of the proceeds of the Offer will be invested in a range of Qualifying Investments with 15-25% invested in a combination of cash, money market securities and OEICs managed by Octopus. Octopus Titan 1 & 2 will not borrow money for the purpose of making investments.

SERVICE

Investors are kept as involved and informed throughout the investment process as they want to be. As well as receiving regular investment updates, investors are invited to regional investment seminars that are held and are encouraged to speak directly to one of the fund managers who are investing their money.

CATEGORY OF POTENTIAL INVESTORS

A typical investor for whom the Offer is designed is a UK income tax payer 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 at the front of this document, considers the investment policy of the Fund to be attractive. This may include retail, institutional and sophisticated investors and high net worth individuals who may already have a portfolio of non-VCT investments.

HOW TO INVEST

An application form is attached at the end of this prospectus. The minimum investment is £3,000. Although there is no maximum size of investment, tax reliefs are available on a maximum VCT investment of £200,000 per individual in any one tax year.

KEY RISK FACTORS

Although the significant tax benefits available to investors in Octopus Titan 1 & 2 reduce the risk of the investment, there are a number of key risk factors of which investors should be aware:

- There can be no guarantee that Octopus Titan 1 & 2 will qualify as VCTs or that such status will be maintained which could lead to adverse tax consequences for investors, including a requirement to repay the 30% income tax relief.

- Investors may find it difficult to realise their investment in Octopus Titan 1 & 2 and the price at which the Ordinary Shares are traded may not reflect the net asset value of the Fund.
- There can be no assurances that Octopus Titan 1 & 2 will meet their objectives, identify suitable investment opportunities or be able to diversify their portfolios. Please remember that past performance of Octopus Ventures is no guide to future performance and that the value of an investment into Octopus Titan 1 & 2 may fall as well as rise and an investor may not receive back the full amount invested.
- Investments made by Octopus Titan 1 & 2 will be in companies which have a higher risk profile than larger “blue chip” companies and whose shares are not readily marketable and therefore may be difficult to realise.

This summary conveys the essential characteristics and risks associated with Octopus Titan 1 & 2 and the Ordinary Shares and should be read as an introduction to the Prospectus. Any decision to invest should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.

EXPECTED TIMETABLE

Offer opens	2 November 2007
First allotment	as soon as the minimum subscription of £2m is reached
First admission	within 10 business days of the first allotment
Dealings commence	within 10 business days of each allotment
Share and tax certificates sent out	within 15 business days of each allotment
Deadline for receipt of applications	4 April 2008

The deadline for receipt of applications is subject to the Offer not being fully subscribed by an earlier date. The final closing date of the Offer may be extended by the Directors in their absolute discretion. Details of any allotments will be announced via a Regulatory Information Service provider by no later than the end of the business day following the allotment. The Directors reserve the right to allot and issue Ordinary Shares at any time whilst the Offer remains open. Definitive share and tax certificates will be despatched and CREST accounts credited as soon as practicable following allotment of Ordinary Shares.

OFFER STATISTICS

Offer Price per Ordinary Share	100p
Maximum number of Ordinary Shares in issue following the Offer	40,000,000
Minimum number of Ordinary Shares in issue following the Offer	2,000,000
Initial Net Asset Value per Share	94.5p*
Maximum net proceeds of the Offer, after issue costs, at full subscription	£37,800,000
Maximum expenses of the Offer	£2,200,000

* Based on a 100p subscription price less expenses of the Offer of 5.5p per Ordinary Share.

RISK FACTORS

Although the significant tax benefits available to investors in Octopus Titan 1 & 2 reduce the risk of the investment, there are a number of risk factors of which investors should be aware. All material risk factors of which the Directors are aware are included.

As with most investment products, prospective investors should be aware that the value of Ordinary Shares, and the income from them, may go down as well as up and an investor may not receive back the full amount originally invested. The price at which the Ordinary Shares are traded may not reflect the net asset value of the Fund.

Having regard to the investment objectives of the Fund and the conditions upon which the tax reliefs are available, Octopus Titan 1 & 2 should be considered as a long term investment. Investing in Octopus Titan 1 & 2 carries particular risks, some of which are set out below:

- Past performance of Octopus Ventures and the Octopus Ventures team is no guide to the future performance of Octopus Titan 1 & 2.
- Levels and bases of, and relief from, taxation are subject to change. Such changes could be retrospective.
- Any change of governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of Octopus Titan 1 & 2 and/or their ability to achieve or maintain final VCT status.
- Investors must follow certain simple steps to receive the income tax relief. However, it is possible for investors to lose their tax reliefs by not taking these steps. Investors are therefore advised to take their own independent financial advice on the tax aspects of their investment.
- Octopus Titan 1 & 2 are seeking up to £40 million in aggregate under the Offer. To the extent that a relatively small level of funds is raised, Octopus Titan 1 & 2 may not be able to diversify their portfolios.
- Should only the minimum subscription of £2 million be raised, potential investors should be aware that the fixed costs of running Octopus Titan 1 & 2 will be proportionately higher and therefore a lower proportion of applicant's monies will be available to be invested in accordance with the stated investment strategy as set out in Part 1 of this document.
- There can be no assurances that Octopus Titan 1 & 2 will meet their objectives or that suitable investment opportunities will be identified.
- Whilst it is the intention of the Directors that Octopus Titan 1 & 2 will be managed so as to qualify as VCTs, there can be no guarantee that Octopus Titan 1 & 2 will qualify as VCTs or that such status will be maintained. A failure to meet the qualifying requirements could result in Octopus Titan 1 & 2 losing the tax reliefs previously or prospectively obtained, resulting in adverse tax consequences for investors, including a requirement to repay the 30% income tax relief.
- Investments made by Octopus Titan 1 & 2 will be in companies whose shares are not readily marketable and therefore may be difficult to realise. The fact that a share is traded on AIM or the PLUS market (formerly OFEX) or any other stock market does not guarantee its liquidity. The spread between the buying and selling price of such companies' shares may be wide.

- Octopus Titan 1 & 2 must invest in companies with gross assets of not more than £7 million prior to investment. Individually, such companies generally have a higher risk profile than larger companies. In addition, each company must have less than 50 employees at the time of investment.
- The performance of Octopus Titan 1 & 2 may be difficult to assess due to the frequency of their net asset valuations. Prospective investors should be aware that the net asset value of Octopus Titan 1 & 2 will be audited on an annual basis and, accordingly, the Ordinary Shares will frequently trade at a discount to net asset value. The audited full-year net asset values and the unaudited interim net asset values will be announced via a Regulatory Information Service.
- Early stage businesses may not have proved their business model and may have little or no revenue at the time of investment and investing in them may therefore involve greater risk than investing in companies at a more advanced stage of development.
- The growth of potential new markets may not be as rapid as forecast by an investee company, resulting in its failure to exploit an opportunity.
- Technology businesses frequently compete in global markets and it may not be possible to protect intellectual property or assess overseas competition.
- Although Octopus Titan 1 & 2's shares are to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities, VCTs are inherently illiquid and there is only a very limited secondary market for their shares, primarily because the initial tax relief is only available to those subscribing for newly issued shares. Consequently, investors may find it difficult to realise their investment in Octopus Titan 1 & 2.
- Investors should be aware that the sale of Shares within five years of their subscription will require repayment of the 30% income tax relief available upon investment to the extent of the amount received from such sale. Accordingly, investment in Octopus Titan 1 & 2 should be viewed as a longer term investment.
- The value of a VCT depends on the performance of its underlying assets. The value of investments and the dividend stream can rise and fall and an investor in Octopus Titan 1 & 2 may not get back the money they invest.
- Octopus Titan VCT 1 & 2 may invest in sectors which are subject to rapid change and where it may be difficult to form an accurate view of a company's prospects.

LETTER FROM THE CHAIRMEN

Octopus Titan VCT 1 plc
Octopus Titan VCT 2 plc
8 Angel Court
London EC2R 7HP
2 November 2007

Dear Investor

We are delighted to be writing to you as Chairmen of Octopus Titan VCT 1 plc and Octopus Titan VCT 2 plc.

We believe that VCTs are one of the most attractive investment opportunities currently available and provide you with two distinct advantages over other investment products. First, investing in a VCT allows you to take advantage of the 30% upfront income tax relief. This tax relief means that if you invest £10,000 in Octopus Titan 1 & 2, your income tax bill for the current tax year will be reduced by £3,000, provided you hold your shares for five years. Second, investing in a VCT provides you with the opportunity to enjoy the higher returns which typically come from investing in UK smaller companies.

ADVANTAGES OF OCTOPUS TITAN 1 & 2

The Fund is structured as a twin VCT which will invest identically in all opportunities. As such, your investment will be split equally between the two VCTs. This allows Octopus Titan 1 & 2 to invest in aggregate up to £2 million per company (i.e. twice the amount possible for single VCTs).

EXPERIENCED INVESTMENT MANAGER

Octopus Titan 1 & 2 will be managed by the Octopus Ventures team which has an excellent track record of investing in early-stage unquoted companies. Since its formation, the Octopus Ventures team has invested £14.9 million into 25 companies generating a realised annual rate of return of 61% from eleven liquidity events. Across the entire portfolio the unrealised annual rate of return is 27%.

Octopus Ventures is a subsidiary of Octopus Investments, which specialises in investing in smaller companies and is one of the UK's leading VCT fund managers, having been voted "Best VCT Provider of the Year 2007" in the Professional Adviser Awards.

Not only is Octopus' track record first-class but it also has a strong commitment to customer service. As such, all investors are kept involved and informed throughout the investment process. If you want to receive an update every time the Fund makes an investment, you will.

We look forward to welcoming you as a Shareholder.

Yours sincerely



Lewis Jarrett
Chairman
Octopus Titan VCT 1 plc



John Hustler
Chairman
Octopus Titan VCT 2 plc

ABOUT OCTOPUS TITAN 1 & 2

BACKGROUND

An investment in Octopus Titan 1 & 2 will provide individuals with the opportunity to enjoy the typically higher returns that come from investing in UK smaller companies. This sector of the market has consistently provided investors with superior long-term returns compared to investing in large companies based in the UK. In the ten year period to December 2006, the average total return (net of fees and before any tax advantages) to investors in UK venture capital funds that focused on investing in early stage companies was 17.8% per annum (Source: BVCA Performance Measurement Survey 2006). This compares to the FTSE 100 return over the same period of 7.3% per annum.

In other words, this means £10,000 invested in a typical venture capital fund focused on early stage companies in December 1996 would have been worth £51,458 by December 2006 (compared to £20,230 if it had been invested in the FTSE 100).

FTSE 100 COMPARED TO VENTURE CAPITAL LONG-TERM ANNUAL RETURNS*

	10 years to December 2006
FTSE 100	7.3% per annum
UK Early Stage Venture Capital	17.8% per annum

Source: PwC and BVCA Performance Measurement Survey 2006.

*Past performance is no guide to future performance.

A VCT provides a way for individuals to access what has historically been the UK's best performing asset class but in a diversified way that helps to lower risk.

TAX BENEFITS FOR INVESTORS

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. The Government achieved this by offering investors in VCTs a series of very attractive tax benefits. As a result of these tax benefits, the total invested in VCTs between 1995 and 2007 was more than £3 billion (Source: Octopus Investments).

To summarise, individual investors in Octopus Titan 1 & 2 are entitled to the following tax benefits:

- upfront income tax relief of 30% on amounts invested between £3,000 and £200,000 (provided that the Shares are held for at least five years)
- dividends paid out by Octopus Titan 1 & 2 are free of income tax
- capital gains on disposal of Shares in Octopus Titan 1 & 2 are tax-free

The following shows the effect of the tax reliefs for an individual who invests £10,000:

Initial investment	£10,000
Less income tax relief	£3,000
Effective cost to investor	£7,000

i.e. your investment of £10,000 effectively only costs you £7,000, providing you with an effective return after initial costs of 35% before the Fund makes its first investments.

Details of how to claim income tax relief are set out on page 19.

THE VCT MARKET

Last tax year, more than £260 million was raised by 26 VCTs. Of this money, £48 million, or around 18% of all inflows, was raised by VCTs that are managed by Octopus (Source: Tax Efficient Review). For investors in those VCTs which only raise a small amount of money, there are a number of disadvantages including higher running costs and less diversification within the portfolio.

OUR TEAM

Our team is made up of the Boards of Directors and the Investment Team. Each Board consists of 3 directors, 2 of whom are independent of Octopus Ventures, Octopus Investments and other VCTs that it manages. The Board of Octopus Titan 1 has overall responsibility for Octopus Titan 1 and its investment policy and the Board of Octopus Titan 2 has overall responsibility for Octopus Titan 2 and its investment policy. Both Boards have appointed Octopus Ventures as the Investment Manager of Octopus Titan 1 & 2.

The Directors of Octopus Titan 1 & 2 will be investing £70,000 in aggregate under the terms of the Offer and it is anticipated that employees of Octopus and the Manager, including the Investment Team, will invest at least £80,000 in aggregate under the Offer.

THE BOARD OF OCTOPUS TITAN 1

LEWIS JARRETT (NON-EXECUTIVE CHAIRMAN - AGE 59)

Lewis is the owner and Managing Director of Elite Investment Managers, a fund management company which manages the Elite Portfolio Funds. These multi-asset funds have a strong track record of performance within their relevant sectors. Elite has devised and implemented a rigorous process for the assessment and analysis of the performance of fund managers. Lewis is also the owner of Lewis Jarrett & Co, a successful firm of independent financial advisers which manages all client portfolios on a discretionary basis and a founding director of ITsquad Limited, a developer of a web business that services business to business and retail customers. He has an honours degree in applied biology.

KEVIN D'SILVA (NON-EXECUTIVE DIRECTOR - AGE 57)

Kevin has managed a number of quoted and unquoted companies, mainly in the medical technology industries, including acting as Group Managing Director of Ferraris Group plc from 1995 until 2003. He is currently chairman of several unquoted and AIM-listed businesses, a director of Electra Kingsway VCT 3 plc and an adviser to the Manchester Technology Fund. Kevin has a degree in chemical engineering from Leeds University and an MBA from Manchester.

MATT COOPER (NON-EXECUTIVE DIRECTOR - AGE 40)

Matt is the Chairman of Octopus Investments. Prior to joining Octopus, Matt was the Principal Managing Director of Capital One Bank (Europe) plc where he was responsible for all aspects of the company's strategic direction and day-to-day operations in Europe. He led the UK portion of the business from start-up to two million customers, generating revenues of over £275 million and employing over 2,000 people. Matt is also a non-executive director of eight other VCTs.

THE BOARD OF OCTOPUS TITAN 2

JOHN HUSTLER (NON-EXECUTIVE CHAIRMAN - AGE 61)

John joined Peat Marwick, now KPMG, in 1965 and became a Partner in 1983. Since leaving KPMG in 1993 to form Hustler Venture Partners Limited, he has advised and been a director of a number of growing companies. He is presently Chairman of Northern 3 VCT PLC, a director of Northern Venture Trust PLC and Hygea VCT plc, and Chairman of Spectrum Syndicate Management Limited. He is also a member of the Audit Committee of UCL and was 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. He has also been a member of the Council of the British Venture Capital Association.

MARK FAULKNER (NON-EXECUTIVE DIRECTOR - AGE 40)

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

MATT COOPER (NON-EXECUTIVE DIRECTOR - AGE 40)

Matt's biography is set out above under 'The Board of Octopus Titan 1'.

THE INVESTMENT MANAGER

The Investment Manager of Octopus Titan 1 & 2 is Octopus Ventures, a subsidiary of Octopus Investments.

OCTOPUS INVESTMENTS

Octopus Investments is one of the UK's leading smaller company fund managers, with 11,000 investors and almost £400 million under management across its range of products. Octopus currently manages eight other VCTs, including Eclipse VCT and Phoenix VCT which were jointly awarded "VCT of the Year" in the 2007 Investor AllStars Awards. In January 2007, independent financial advisers voted Octopus "Best VCT Provider of the Year" at the Professional Adviser awards.

The existing VCTs that are managed by Octopus have raised some £170 million and have an excellent track record. As at 1 October 2007, two of the VCTs managed by Octopus, Eclipse VCT and Eclipse VCT 2, were the top two performing VCTs out of 26 generalist VCTs that raised funds in the 2004/2005 tax year (Source: Tax Efficient Review).

The table below shows the most recent published net asset value ("NAV") per share for the five most mature VCTs managed by Octopus, as well as the total dividends paid by each VCT since launch, and the total return (which is the sum of the total dividends paid and the most recent NAV). Investors should note that it does not take into account the tax reliefs available to them. The table also shows the ranking of each VCT out of all VCTs of the same type that raised funds in the same tax year (Source: Tax Efficient Review).

VCT	NAV	Total Dividends	Total Return	Ranking
Eclipse VCT	123.2p	6.7p	129.9p	1st out of 26
Eclipse VCT 2	121.9p	2.25p	124.15p	2nd out of 26
Eclipse VCT 3 & 4	103.0p	0.7p	103.7p	4th out of 20
Phoenix VCT	107.4p	17p	124.4p	1st out of 2
Phoenix VCT C share	114.1p	4p	118.1p	4th out of 9

The above table does not include information on three other VCTs that are managed by Octopus (Apollo VCT 1, Apollo VCT 2, and Octopus Protected VCT) as these funds are still in the first year of investment.

Octopus also manages the CF Octopus Opportunities Fund (CF stands for Capita Financial, which has responsibility for carrying out all of the fund's administration), which was launched in July 2007. The CF Octopus Opportunities Fund invests into main-market and AIM-quoted smaller companies with a focus on companies with a market capitalisation at the time of investment of less than £100 million. The Octopus Smaller Companies Team has a strong record of generating attractive returns for its investors and the CF Octopus Opportunities Fund was the top performing fund in the UK Smaller Companies sector out of 58 funds in the three months to 16 October 2007 (Source: Lipper).

OCTOPUS VENTURES

The team at Octopus Ventures has an excellent track record of making investments into early stage unquoted companies over the last seven years. Over this time period, the Octopus Ventures team has invested £14.9 million into 25 companies. The team has generated a return of 61% per annum (equivalent to 4x the amount invested) from 11 liquidity events (Source: Octopus Ventures (unaudited)). Across the entire portfolio (including those investments not yet sold), the team's annual rate of return is 27%.

THE INVESTMENT TEAM

The investment team of Octopus Titan 1 & 2 is comprised of the following individuals:

ALEXANDER MACPHERSON

Alexander has extensive experience of investing into smaller companies. Within the Octopus Ventures team, he has particular responsibility for evaluating and assessing potential investee companies and negotiating transactions with a view to maximizing the returns that are generated. Earlier in his career, he spent ten years with SG Warburg Group and as a trader and risk manager in the equity derivatives department. He then worked with a number of small businesses assisting them with their financing requirements before moving into his current role.

GUY MYLES

Guy is the Head of Investment and one of the founders of Octopus Investments. Since the establishment of Octopus in 2000, it has grown its funds under management to almost £400 million. The number of investors has doubled year-on-year since inception and now stands at over 11,000. In his role as Head of Investment, Guy sits on the investment committees of a number of the existing VCTs that are managed by Octopus, including Phoenix VCT, which has generated a total return of 124.4p per share since launch in 2003, compared with the initial net asset value of 95p.

Prior to co-founding Octopus, Guy worked at Mercury Asset Management, one of Europe's leading fund management companies. His most recent position at Mercury was as one of the fund managers on the global equity team. Guy graduated with a BSc from Bristol University.

CHRIS ALLNER

Chris has over two decades of venture capital experience at some of Europe's leading venture capital houses and has an excellent track record of generating consistent returns for his investors. In the period 1990-2004, Chris was directly responsible for more than

30 deals, achieving an average annual rate of return of more than 35% for his investors. Chris joined Octopus Investments in April 2004 as head of the Private Equity team and is the lead manager of the Eclipse VCT, Eclipse VCT 2 and Eclipse VCT 3 & 4. The Eclipse VCT is the leading VCT out of 26 generalist VCTs that were launched in the 2004/2005 tax year, having delivered a total return of 129.9p per share, compared with the initial net asset value of 95p.

Prior to joining Octopus, Chris was a director at Proven and Bridgepoint as well as working at 3i and Charterhouse. Chris graduated from Oxford University with an MA in Politics, Philosophy and Economics and holds a Certified Diploma in Accounting and Finance.

ALAN WALLACE

Alan has more than seven years experience making investments into smaller companies. His role at Octopus Ventures involves a focus on deal flow, investment selection, monitoring and portfolio management.

Prior to moving into investment management, Alan had an extensive career that included senior management and marketing roles at a number of companies, including Sara Lee UK Ltd, Dairy Crest plc, and Great Universal Stores plc. Alan has a BA (Hons) in Economics. He also studied for an MSc in Management, subsequently graduating with a PhD in Management Sciences from the University of Manchester.

ANTHONY COLLINSON

Anthony's role within the Octopus Ventures team includes a particular focus on developing the Investor Network, which comprises high net worth individuals who invest into smaller companies investment opportunities sourced by Octopus Ventures. These individuals include senior executives from a range of companies and organisations.

Prior to joining Octopus Ventures, Anthony had a number of roles in senior management positions, including serving as Managing Director of Porvair International Limited.

INVESTMENT POLICY

The investment approach of Octopus Titan 1 & 2 is not designed to deliver a return that is measured against a stock market index, as most funds are. Instead, the focus of Octopus Titan 1 & 2 is on generating absolute returns over the medium-term. In order to achieve this, the Fund will focus on providing early stage, development and expansion funding to unquoted companies with a typical deal size of £0.5 million to £2 million. It is expected that the portfolio of holdings that will be built by Octopus Titan VCT 1 & 2 will encompass investments in 20-25 unquoted companies (assuming full subscription under the Offer).

In order to obtain venture capital trust status, Octopus Titan 1 & 2 must be approved by HM Revenue & Customs. The conditions which must be satisfied to obtain and retain such status are set out in full in Part 3 and they include the following:

- i. at least 70% by value of each of Octopus Titan 1 & 2's investments (including any uninvested funds held) must be represented by shares or securities in Qualifying Holdings, of which at least 30% by value must be represented by holdings of ordinary shares carrying no preferential rights; additionally at least 10% by value of investments in single companies or groups must be in ordinary shares which carry no preferential rights;
- ii. not more than 15% by value of Octopus Titan 1 & 2's investments can be held in a single company or group (other than a VCT) and Octopus Titan 1 & 2 must not control the companies in which they invest in such a way as to render them subsidiary undertakings;
- iii. each of Octopus Titan 1 & 2 are limited to investing up to £1 million per Income Tax Year per Qualifying Holding.

The Boards of Octopus Titan VCT 1 & 2 do not intend to vary the Fund's investment policy, which will be adhered to for at least three years following listing. However, should a change in the investment policy (including the conditions above) be deemed appropriate this will be done with shareholders' approval and in accordance with the Listing Rules. The Boards believe that the investment approach of the Fund is ideally suited to the new VCT rules that were announced in the Budget in March 2007.

RISK MANAGEMENT AND BORROWING

The Directors will control the overall risk of the portfolio by ensuring that it has exposure to a diversified range of unquoted companies from a number of different sectors. In order to limit the risk to the portfolio that is derived from any particular investment, no more than 10% of the proceeds of the Offer will be invested in any one unquoted company. It is not expected that investments will be made in other listed closed-ended investment funds. Details of the investment sourcing and management process, through which risk of the portfolio is further managed, are set out below at paragraphs 2 and 3 under "Qualifying Investments".

Octopus Titan VCT 1 & 2 will not borrow money for the purposes of making investments.

NON-QUALIFYING INVESTMENTS

Octopus Titan 1 & 2 will take an active approach to managing the cash raised through the Offer prior to investing in Qualifying Companies. Specifically, the majority of the funds raised will be invested by Goldman Sachs International in a range of money market securities.

In addition, up to 30% of the proceeds raised by Octopus Titan 1 & 2 will be invested in open-ended investment companies managed by Octopus, including the CF Octopus Opportunities Fund, further details of which are set out on page 14. By investing a small proportion of its assets into the CF Octopus Opportunities Fund, Octopus Titan 1 & 2 will gain some exposure to a broad range of AIM-quoted and main market listed smaller companies.

QUALIFYING INVESTMENTS

During its first three years, Octopus Titan 1 & 2 will invest in a range of Qualifying Investments.

At the end of the three year initial investment period, the Fund is expected to have the following investment profile:

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

1. WHAT KIND OF COMPANIES WILL OCTOPUS TITAN 1 & 2 INVEST IN?

Octopus Titan 1 & 2 will focus on businesses that have the potential to achieve a high level of profitability through the combination of:

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

Octopus Ventures will look to identify opportunities where the people involved – the entrepreneur, management team, investors, advisers and any other significant stakeholders – have a proven record of success.

Although the Fund will have the ability to invest across a wide range of industries, it is expected that the focus will be on several principal sectors:

- Environmental
- Technology
- Media
- Telecoms
- Consumer lifestyle and wellbeing

2. HOW WILL WE MAKE THE DECISION TO INVEST?

Initial Screening

If the initial review of the business plan is positive, the entrepreneurs are contacted in order to arrange a meeting. The next task is to assess the management team in terms of its ability to undertake and deliver against the business plan presented. The proposition is then discussed and reviewed with other members of the Investment Team and a decision is taken as to whether to continue discussions with the company with a view to making an investment.

Due Diligence

Prior to making an investment, due diligence is carried out on the potential investee company.

The Octopus Ventures due diligence process includes a review of the investee company's technology, discussions with customers and suppliers, competitive analysis, assessment of the capabilities of the management team, and financial analysis. In addition, the input of existing Octopus Ventures clients is also sought, where appropriate, as the client base includes individuals who have or have had senior roles in a range of organisations giving them industry knowledge and experience that is relevant to an assessment of the capabilities of the potential investee company.

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

3. HOW WILL WE MANAGE THE INVESTMENTS?

A director will usually be appointed to the board of each investee company by Octopus Ventures on behalf of the Fund.

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

4. WHAT IS THE EXPECTED RETURN?

The information contained below is not intended to be a dividend or profit forecast.

In the short-term you will receive upfront income tax relief equivalent to 30% of the money that you invest. This means that if you invest £10,000, your income tax bill for this tax year will be reduced by £3,000, providing you with an effective return after initial costs of 35% before the Fund makes its first investment.

In the medium-term, the focus of the Fund is on generating significant capital growth for investors.

MANAGEMENT REMUNERATION

MANAGEMENT FEES

Octopus Ventures has been appointed as the Investment Manager of Octopus Titan 1 & 2, under the terms of investment management agreements with each of the VCTs, further details of which are set out on page 34. Each agreement is for an initial period of five years from Admission, and may be terminated by either party on 12 months' notice expiring at the end of the fixed term or at any time thereafter.

Under each agreement the Investment Manager will receive:

- (a) an annual management fee of 2.0% of net assets (plus VAT at the applicable rate and payable quarterly in advance); and
- (b) a performance fee which is outlined in more detail below.

Assuming full subscription, annual running costs of Octopus Titan 1 & 2 are estimated to be no more than 3.0% of net assets (excluding irrecoverable VAT). The running costs of Octopus Titan 1 & 2 will include the management fees described above (excluding the performance fee), accounting and administration fees, Directors' fees, company secretarial fees, audit, taxation advice, sponsor's and registrar's fees and the costs of communicating with Shareholders. Total running costs of each of Octopus Titan 1 & 2 will be capped at 3.2% per annum of their net assets (excluding trail commissions and irrecoverable VAT).

The Investment Manager retains the right to charge arrangement and syndication fees to the unquoted companies in which the Fund invests. Such charges are in line with industry practice. The costs of all deals that do not proceed to completion will be borne by the Investment Manager and not by Octopus Titan 1 & 2. The Investment Manager may also receive ongoing directors'

fees and monitoring fees from the investee companies as appropriate and in line with market practice.

PERFORMANCE RELATED INCENTIVE FEE

In line with industry practice, the Investment Manager and Octopus will be entitled to performance related incentive fees.

The incentive fees are designed to ensure that there are significant tax-free dividend payments made to Shareholders as well as strong performance in terms of capital and income growth, before any performance related incentive fee payment is made. Therefore, only if by the end of a financial year (commencing no earlier than close of the 2011 financial year), declared distributions per Share have reached 40p in aggregate and if the Performance Value at that date exceeds 130p per Share, a performance incentive fee equal to 20% of the excess of such Performance Value over 100p per Share will be payable to Octopus Ventures and Octopus Investments, in equal proportions. If, on a subsequent financial year end, the Performance Values of Octopus Titan 1 & 2 falls short of the Performance Values on the previous financial year end, no incentive fee will arise. If, on a subsequent financial year end, the performance exceeds the previous best Performance Values of Octopus Titan 1 & 2, the Investment Manager and Octopus Investments will be entitled to 20% of such excess in aggregate.

ADMINISTRATION FEES

Octopus Investments has agreed to provide administrative and accounting services to Octopus Titan 1 & 2 for an annual fee of 0.3% (plus VAT, if any, at the applicable rate) of the net assets of the Fund and company secretarial services for an aggregate annual fee of £12,000 plus VAT. Each agreement is for an initial period of five years from Admission, and may be terminated by either party on 12 months' notice expiring at the end of the fixed term or at any time thereafter.

DIVIDEND POLICY

The information contained below is not intended to be a dividend or profit forecast.

In the short-term, dividends will be paid to Shareholders based on the surplus income generated by the Fund, as stipulated by VCT legislation.

The amount of these dividends depends, amongst other

things, on the amount raised by the Offer, the performance of the Non-Qualifying Investments and the level of income generated by the Qualifying Investments. In the medium-term, the size of dividends paid to shareholders will depend largely on the level of profits realised from the disposal of investments.

OTHER INFORMATION

THE OFFER FOR SUBSCRIPTION

It is proposed to allot pursuant to the Offer between 2 million and 40 million Ordinary Shares to the public. The Ordinary Shares will be offered at 100p per Share payable in full, by cheque or banker's draft, on application. Application will be made to the UK Listing Authority for the Ordinary Shares issued pursuant to the Offer to be admitted to the Official List. Application will also be made to the London Stock Exchange for admission to trading on the London Stock Exchange's market for listed securities.

The Offer will be open from 2 November 2007 until the earlier of 2.00 pm on 4 April 2008 and the date on which the maximum subscription is reached provided that the Directors can extend the closing date of the Offer in their absolute discretion. Confirmation will be sent to applicants that applications have been received. Applicants should note that dealings may begin in those shares allotted to them prior to confirmation of receipt of the application.

The Offer is conditional on a total minimum subscription of £2 million (before expenses) being achieved. If this minimum subscription level is not reached, application monies which have been received will be returned without interest by post at the risk of the applicant. In the event that the Offer is oversubscribed, allotment will be made to investors on a first come, first served basis. Any excess amounts paid by applicants will be refunded by cheque to the person named in Box 1 of the Application Form without delay.

The terms and conditions of the Offer are set out at the back of this document along with an Application Form, and details of the application procedure.

The Ordinary Shares will be issued on a fully paid up basis in registered form. It is intended that an initial allotment of Ordinary Shares will be made as soon as the minimum subscription of £2 million is reached. Further allotments will be made as and when appropriate. Details of any such allotments will be announced via a Regulatory Information Service provider by no later than the end of the business day following the allotment.

Dealings in the first allotment of shares are expected to commence on 2 January 2008, subject to the minimum subscription being achieved by that date (or earlier if the minimum subscription level of £2,000,000 is achieved before 14 December 2007).

In the event of any requirement for Octopus Titan 1 & 2 to publish a supplementary prospectus, subscribers who have yet to be entered into their respective register of members will be given two days to withdraw from their subscription. In the event that notification of withdrawal is given by post, such notification will be effected at the time the subscriber posts such notification rather than at the time of receipt by the Company.

MINIMUM AND MAXIMUM INVESTMENT

The minimum subscription level under the Offer will be £3,000. Applications in excess of £3,000 may be made for any higher amount in multiples of £1,000, subject to availability. There is no maximum investment but the maximum investment on which income tax relief can be claimed is £200,000 in any Income Tax Year. Husbands and wives may claim income tax relief separately for up to £200,000 each.

Applicants may make multiple applications to the Offer provided that the investor guidelines for VCTs are followed as advised or the investor takes appropriate independent advice.

CLAIMING THE INCOME TAX RELIEF

The process for obtaining the income tax relief is both quick and easy. First, Octopus will send you a share certificate and a tax certificate a few weeks after you make the investment. You then have two options on how to reclaim the tax relief:

Either

You can write to your HM Revenue & Customs office and ask them to change your tax coding under the PAYE system (this is the system that calculates how much tax you pay each month). You will then receive your income tax relief on a monthly basis through your pay cheques.

Or

You can wait until you fill in your tax return at the end of the year.

A more detailed explanation of the taxation considerations for investors is given in Part 2 of this document.

Any realised losses on disposal of shares in Octopus Titan 1 & 2 cannot be used to create an allowable loss for capital gains tax purposes.

The above information should be read in conjunction with the full text of this document, from which it is derived. Investors should read the whole document and not just rely on the summarised information set out above. If in doubt, investors are strongly advised to seek their own independent professional advice.

LAUNCH COSTS

The expenses of the Offer will be guaranteed by Octopus Investments to amount to 5.5p per Share such that the initial net assets of each of Octopus Titan 1 & 2 will be equal to 94.5p per Share. Whatever the level of subscription reached, the total launch costs will amount to 5.5% of total funds subscribed. Octopus Investments will be responsible for paying all of the costs of the Offer including listing expenses and any initial intermediary commissions.

INTERMEDIARY COMMISSION

Authorised financial intermediaries will usually be entitled to receive an initial commission of up to 2.5% on the amount invested by their clients. Additionally, provided that the intermediary continues to act for the client and the client continues to be the beneficial owner of the Ordinary Shares, intermediaries will be paid an annual trail commission of 0.5% of the initial net asset value.

VCT STATUS MONITORING

Octopus Titan 1 & 2 have retained PricewaterhouseCoopers LLP ("PwC") to advise on tax matters generally and, in particular, the maintenance of VCT status. HMRC has given provisional approval of Octopus Titan 1 & 2 as Venture Capital Trusts. Final approval will be sought as soon as possible, and in any event no later than the accounting period of Octopus Titan 1 & 2 beginning three years after provisional approval. PwC will assist the Investment Manager in establishing the status of investments as Qualifying Holdings and monitoring progress towards achieving full VCT approval, but will report directly to the Boards.

Whilst it is the intention of the Directors that each of Octopus Titan 1 & 2 will be managed so as to qualify as VCTs, there can be no guarantee that they will qualify or that such status will be maintained. A failure to meet the qualifying requirements could result in Octopus Titan 1 & 2 losing the tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the 30% income tax relief.

LIFE OF THE FUND

It is intended that Octopus Titan 1 & 2 should have unlimited lives, but Shareholders will have the opportunity to review the future of the Fund at appropriate intervals. Therefore, the Articles of Association of each of Octopus Titan 1 & 2 require their respective Directors to put a proposal for their continuation at the 10th annual general meeting of each of Octopus Titan 1 & 2, and, if passed, every fifth anniversary thereafter.

FUTURE ALLOTMENTS

Octopus Titan 1 & 2 are seeking to raise £40 million in aggregate under the Offer and the Directors have no present intention of expanding the Offer beyond that amount.

CO-CAPITALISATION POLICY

Investors' subscription monies will be allocated equally between Octopus Titan 1 and Octopus Titan 2 so that each investor will have identical shareholdings in each.

CO-INVESTMENT POLICY

Octopus Investments currently manages eight other VCTs. The Directors believe that the positioning of Octopus as a leading specialist investor in smaller companies provides investors in Octopus Titan 1 & 2 with a number of advantages, particularly in relation to the level of high quality deal flow that is received. The Boards of Octopus Titan 1 & 2 acknowledge that investment opportunities may be suitable for other Octopus funds ("Relevant Funds"). The Investment Manager will consult the Boards in relation to such investment opportunities, it being agreed that, in general, such opportunities should be initially offered to Octopus Titan 1 & 2 on a basis which is pro-rata to its size compared to the other Relevant Funds. In the event of a conflict of interest on the part of the Investment Manager (which shall include where an investment is proposed in a company in which a Relevant Fund already has an interest) or where co-investments are proposed to be made other than on a pro-rata basis, such an investment will require the approval of those members of the Boards who are independent of the Investment Manager.

REALISATION/DISPOSAL POLICY

It is intended that each of Octopus Titan 1 and Octopus Titan 2 will have identical portfolios. In situations where realisations and disposals occur it is intended that these would occur identically.

BUYBACK POLICY

In order to improve the liquidity of the shares of Octopus Titan 1 & 2, Octopus is developing strategies that it will use to increase the awareness of the attractions of buying shares in VCTs in the secondary market with the aim of creating a market for those Shareholders who want to dispose of their holdings. However, in order to underpin the ability of Shareholders to dispose of their holdings, it is also intended that Octopus Titan 1 & 2 will operate a buyback policy where (subject to having the requisite authorisations in place and having distributable reserves and sufficient financial resources) it is envisaged that purchases of Shares would happen at no more than a 10% discount to the prevailing net asset value. To facilitate this, it is expected that Octopus Titan 1 & 2 will conduct annual top-ups of up to 10% of the share capital.

WORKING CAPITAL

Octopus Titan 1 & 2 confirm that, based on the Minimum Net Proceeds being raised under the Offer, the working capital available to each of Octopus Titan 1 and Octopus Titan 2 is sufficient for their present requirements, that is for at least 12 months following the date of this document.

GROSS ASSETS

The Offer will have a positive impact on the gross assets of Octopus Titan 1 & 2 by increasing their gross assets by the same amount as the net funds raised.

CAPITALISATION AND INDEBTEDNESS

Since the date of incorporation and as at 2 November 2007, Octopus Titan 1 & 2 have incurred no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, indirect or contingent. Octopus Titan 1 & 2 have the power to borrow, details of which are set out in paragraph 4(f) of Part 4.

The capitalisation of each of Octopus Titan 1 and Octopus Titan 2 as at 2 November 2007 is as follows:

Shareholders' Equity	£
Share capital	12,502
Legal reserve	Nil
Other reserves	Nil
Total	12,502

Details of the share capital of each of Octopus Titan 1 and Octopus Titan 2 is set out in paragraph 2 of Part 4 of this document.

CATEGORY OF POTENTIAL INVESTORS

A typical investor for whom the Offer is designed is a UK income taxpayer over 18 years of age, who is professionally advised, with an investment range of between £3,000 and £200,000 and who, having regard to the risk factors set out at the front of this document, considers the investment policy as detailed in Part 1 of this document to be attractive. This may include retail, institutional and sophisticated investors and high net worth individuals who may already have a portfolio of non-VCT investments. Investment in a VCT may not be suitable for all investors and should be considered as a long term investment.

Before deciding whether to apply for Shares under the terms of the Offer you are recommended to consult a duly authorised independent financial adviser.

PART 2

TAXATION CONSIDERATIONS FOR INVESTORS

The following is a general guide to the position of investors under current taxation legislation. It does not set out any of the legislative provisions in full and investors should seek their own independent taxation advice.

1. TAX RELIEFS FOR INVESTORS

The tax reliefs set out below are available to UK residents aged 18 or over who invest in shares in a VCT. There is no specific limit on the amount an individual can invest in a VCT, but tax reliefs will only be given to the extent that the total of an individual's subscription or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Investors who intend to invest more than £200,000 in VCTs in any one tax year should take independent advice on this.

2. INCOME TAX

(a) *Relief on subscription*

An investor subscribing for shares in a VCT will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 in any tax year. The relief is given at the rate of up to 30% on the amount subscribed, subject to an amount which reduces the investors income tax liability to nil.

(b) *Dividend relief*

An investor who acquires, in any tax year, VCT shares up to a maximum of £200,000 will not be liable to income tax on dividends paid by the VCT on those shares.

(c) *Withdrawal of relief*

Income tax relief on subscription for shares in a VCT is withdrawn if the shares are disposed of (other than between spouses) within five years of issue or if the VCT loses its approval within this period.

3. CAPITAL GAINS TAX

(a) *Relief from capital gains tax on the disposal of shares*

Any gains made on VCT shares are not subject to capital gains tax. Similarly, any losses on shares held in a VCT will not be treated as an allowable loss. Both of the above apply to the extent that the shares have been acquired within the limit of £200,000 for any tax year.

(b) *Purchasers in the market*

An individual purchaser of existing shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 3(a) above) while still a VCT.

(c) *Withdrawal of relief*

If a VCT which has been granted approval subsequently fails to comply with the conditions for approval, any gains on the shares after the date on which loss of VCT status takes effect will be taxable. Where VCT status is treated as never having been given, all gains are taxable.

4. OBTAINING TAX RELIEFS

(a) *Income tax relief*

The Investment Manager will issue each investor with a certificate which should be used to claim the income tax relief, either by obtaining from HMRC an adjustment to his/her tax coding under the PAYE system, or by waiting until the end of the tax year and using his/her Self Assessment Tax Return to claim relief.

(b) *Investors not resident in the UK*

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

(c) *VCT reliefs may not be available if the investor takes out a loan specifically to subscribe in the VCT.*

5. CONSEQUENCES OF LOSS OF VCT STATUS

(a) *For the VCT*

If provisional approval is lost in the first three years, all gains realised over the period during which provisional approval was in force will be subject to corporation tax. Should tax status be lost under section 274 ITA 2007 the FSA will be notified as soon as possible.

(b) *For Qualifying Subscribers*

If VCT approval is treated as never having been given, or if it is withdrawn before the Shares have been held for five years, the income tax relief on investment will be withdrawn by the making of an assessment for the year of assessment for which the relief was originally given on an amount equal to that relief. Interest on overdue tax may arise.

(c) *For Qualifying Subscribers and Qualifying Purchasers*

i. *Dividend income*

Dividend income will not be exempt from tax in respect of profits or gains arising or accruing in any accounting period during which VCT status has been lost. A notional tax credit equal to 1/9th of the net dividend paid will be available to offset against income tax due on the dividend.

ii. *Capital gains*

If provisional VCT approval is withdrawn, approval is treated as never having been given. Gains and losses on shares in the VCT will be taxable and allowable in the ordinary way. If full VCT approval is withdrawn, the individual is treated as having disposed of his shares immediately before the status is lost, for market value at that time, and is treated as reacquiring them at that value immediately after the status is lost. Thus, any capital gains realised up to that date will be exempt from tax, but gains after that date will be taxable in the ordinary way.

PART 3

CONDITIONS TO BE MET BY VENTURE CAPITAL TRUSTS

The legislation relating to VCTs is contained in ITA 2007 which sets out the tests which a company has to satisfy to obtain the tax benefits for the VCT and its shareholders. Explanations of these tax benefits and the consequences of losing VCT status are set out in Part 2.

These summaries are not intended to be comprehensive and intending investors are strongly advised to seek their own independent professional advice.

1. QUALIFYING AS A VCT

A VCT must not be a close company and must be approved as a VCT by HMRC. The main conditions for approval are that throughout its most recent complete accounting period:

- (a) the company's income has been derived wholly or mainly from shares or securities (including loans to companies with a five year or greater maturity period);
- (b) at least 70% by value of its investments (including any uninvested funds held) are represented by shares or securities in "Qualifying Holdings" (see below), of which at least 30% by value are represented by holdings of ordinary shares carrying no preferential rights; additionally at least 10% by value of investments in single companies or groups must be in ordinary shares which carry no preferential rights;
- (c) not more than 15% by value of its investments has been held in a single company or group (other than a VCT) and the VCT must not control the companies in which it invests in such a way as to render them subsidiary undertakings;
- (d) it has not retained more than 15% of the income derived in that period from shares and securities; and

- (e) each class of its ordinary share capital has been quoted on the Official List of the London Stock Exchange.

Normally, HMRC cannot give approval of a VCT unless (a) to (e) above have all been met throughout the company's most recent accounting period and HMRC is satisfied that they will be met throughout its current accounting period at the time of application for approval. However, to facilitate the launch of VCTs, HMRC may give provisional approval if it is satisfied that conditions (a), (c), (d) and (e) will be met throughout the current or subsequent accounting period and condition (b) will be met in relation to an accounting period commencing no later than three years after the date of the provisional approval.

2. QUALIFYING HOLDINGS

Qualifying Holdings comprise new shares or securities (including loans with a five-year or greater maturity period) issued by unquoted trading companies which exist wholly for the purpose of carrying on one or more Qualifying Trades and are limited to investments of up to £1 million per Income Tax Year per investee company. At least 10% of the investment in a Qualifying Holding must be in eligible ordinary shares and this minimum percentage must be maintained for qualifying status to be continued. Most trades are Qualifying Trades other than certain activities which are regarded as inappropriate. The company invested in must not be controlled by the VCT or any other company and its gross assets must not exceed £7 million immediately prior to the investment or £8 million thereafter. In any twelve month period, the company can receive no more than £2 million from VCT funds raised after 5 April 2007, the Enterprise Investment Scheme or the Corporate Venturing Scheme. The company must have fewer than 50 full time (or equivalent) employees at the time of making the investment.

Companies whose securities are traded on AIM or Plus quoted and Plus traded markets count as unquoted companies for the purposes of determining Qualifying Holdings. Shares in an unquoted company which subsequently become quoted may still be regarded as part of a Qualifying Holding for a further five years following quotation. The company or a Relevant Qualifying Subsidiary (see below) must apply the money invested for the purpose of a Qualifying Trade within certain time periods. It must also have no subsidiary companies other than Qualifying Subsidiaries, and must not itself be controlled by another company.

3. QUALIFYING TRADES AND QUALIFYING SUBSIDIARIES

The company invested in must exist wholly for the purpose of carrying on one or more Qualifying Trades and/or be a holding company only of Qualifying Subsidiaries. The trade must either be carried on by, or be intended to be carried on by, the company invested in or by a Qualifying Subsidiary. In the case of a company intending to carry on a qualifying trade, the qualifying trade must begin within two years of the issue of shares or securities to a VCT and continue thereafter. The trade must be carried on wholly or mainly in the UK but the company need not be UK resident. Certain trades (for example, dealing in land or shares or providing financial services) are excluded.

A subsidiary will be a Qualifying Subsidiary if the majority of its issued share capital is owned by the company invested in and certain other tests are also satisfied.

A Relevant Qualifying Subsidiary can be a 90% directly held subsidiary of the company or a wholly owned subsidiary, or a wholly owned subsidiary of a 90% directly held subsidiary. The company or a Relevant Qualifying Subsidiary must spend at least 80% of the money invested within 12 months and the remainder in the following 12 months.

4. WITHDRAWAL OF APPROVAL

Approval of a VCT may be withdrawn if the conditions set out in paragraph 1 above are not met. Withdrawal of approval generally has effect from the time when notice of withdrawal is given to a VCT. If provisional approval is withdrawn, approval is deemed never to have been given. The taxation consequences of approval being deemed never to have been given are set out in paragraph 5 of Part 2 of this document.

PART 4

ADDITIONAL INFORMATION

1. INCORPORATION AND ADMINISTRATION

- (a) Octopus Titan 1 was incorporated and registered in England and Wales on 12 October 2007 with limited liability as a public limited company under the 1985 Act with the name Octopus Titan VCT 1 plc and with registered number 6397764. Octopus Titan 2 was incorporated and registered in England and Wales on 12 October 2007 with limited liability as a public limited company under the 1985 Act with the name Octopus Titan VCT 2 plc and with registered number 6397765. Each of Octopus Titan 1 & 2 operate under the Acts and the regulations made thereunder.
- (b) The Directors confirm that, since the incorporation and registration of Octopus Titan 1 & 2 on 12 October 2007, neither have traded nor prepared any accounts.
- (c) Each of Octopus Titan 1 & 2's principal objects, as set out in paragraph 4 of their Memorandum of Association, is to carry on the business of a venture capital trust company.
- (d) Octopus Titan 1 and Octopus Titan 2 were issued with certificates under section 117 of the 1985 Act by the Registrar of Companies on 22 October 2007.
- (e) Grant Thornton UK LLP has been the only auditor of Octopus Titan 1 & 2 since its incorporation.
- (f) Each of Octopus Titan 1 & 2 has given notice to the Registrar of Companies pursuant to section 266 of the 1985 Act of their intention to carry on business as an investment company in each case.
- (g) HMRC has provisionally approved the Companies under section 274 Income Taxes Act 2007 and it is intended that the business of Octopus Titan 1 & 2 be carried on so as to comply with that section.

2. SHARE CAPITAL

- (a) Each of Octopus Titan 1 & 2 was incorporated with an authorised share capital of £5,000,000, divided into 49,500,000 Ordinary Shares of 10p each and 50,000 Redeemable Shares of 100p each, of which two Ordinary Shares were taken fully paid by the subscribers to the Memorandum of Association. The original subscribers were Octopus Investments Nominees Ltd and OCS Services Ltd.
- (b) By ordinary and special resolutions passed by each of Octopus Titan 1 & 2 on 17 October 2007, Octopus Titan 1 & 2:
 - i. authorised the Directors to allot relevant securities (as defined in Section 80 of the 1985 Act) up to an aggregate nominal amount of £5 million (including the allotment of the Redeemable Shares) for a period of five years from such date and disapplied the pre-emption provisions of Section 89 of the 1985 Act in respect of any such allotment in order to enable the Directors to make allotments under the Offer and thereafter, until the first annual general meetings of Octopus Titan 1 & 2, of such further number of Shares as is equal to 10% of the issued share capital;
 - ii. authorised the Boards for a period of 18 months to make occasional market purchases out of distributable profits or the proceeds of a fresh issue of shares of up to a maximum 10% of the Ordinary Shares as are admitted to the Official List on Admission at such price as they may determine but in any event being not less than 10p per Ordinary Share and no more than 5% above the average of the middle market quotations of an Ordinary Share as derived from the Official List for the five business days immediately preceding the date on which the Ordinary Shares are purchased; and

- iii. authorised the amount standing to the credit of the share premium accounts of the Octopus Titan 1 & 2 immediately after the final closing date of the Offer to be cancelled, subject to approval by the High Court of Justice.
- (b) Pursuant to a Board resolution of 17 October 2007, each of Octopus Titan 1 & 2 allotted 50,000 Redeemable Shares to Octopus Investments of which one-quarter in nominal amount was paid-up.
- (c) The Redeemable Shares will be redeemed upon Admission in each case and under their terms of issue on redemption stand redesignated and redenominated as Ordinary Shares. As a consequence the authorised share capital of each of Octopus Titan 1 & 2 upon Admission will be £5 million divided into 50,000,000 Ordinary Shares.
- (d) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3. DIRECTORS' AND OTHERS' INTERESTS IN OCTOPUS TITAN 1 & 2

- (a) In as far as is known to Octopus Titan 1 & 2 there is no person other than a member of the administrative, management or supervisory

bodies who directly or indirectly, has an interest in the capital or voting rights of each of Octopus Titan 1 & 2 which is notifiable as at the date of this document or immediately following Admission, except for Octopus Investments Nominees Ltd and OCS Services Ltd who both own one Ordinary Share in each of Octopus Titan 1 & 2 prior to Admission. None of the major holders of Ordinary Shares have voting rights different from other holders of Ordinary Shares.

- (b) There are no persons, so far as known to Octopus Titan 1 & 2, who, directly or indirectly, jointly or severally, exercise or could exercise control over Octopus Titan 1 & 2. This includes, for these purposes, joint control meaning control exercised by two or more persons who have concluded an agreement which may lead to their adopting a common policy in respect of Octopus Titan 1 & 2.
- (c) At the date of this document none of the Directors has any interest in any Ordinary Shares. The Directors named below have given indicative commitments in the Offer dated 2 November 2007 for the following number of Shares, their interests (all of which will be beneficial) and such applications will be met in full.

Director	Number of Shares	Percentage of issued share capital in each of Octopus Titan 1 & 2 on Admission*	Number of options held over Shares on Admission
Lewis Jarrett	10,000 (5,000 in each of Octopus Titan 1 & 2)	0.025%	-
John Hustler	10,000 (5,000 in each of Octopus Titan 1 & 2)	0.025%	-
Kevin D'Silva	10,000 (5,000 in each of Octopus Titan 1 & 2)	0.025%	-
Mark Faulkner	30,000 (15,000 in each of Octopus Titan 1 & 2)	0.075%	-
Matt Cooper	10,000 (5,000 in each of Octopus Titan 1 & 2)	0.025%	-

*Assuming 20,000,000 shares in issue in each of Octopus Titan 1 & 2

No options will be held on Admission by any of the Directors named above or any of their respective immediate families.

Save as disclosed in this paragraph 3(c), none of the Directors has any interests whether beneficial or non-beneficial in the share or loan capital of each of Octopus Titan 1 & 2 which are or would immediately following the Offer dated 2 November 2007 be required to be notified under the DTR or be interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed and the existence of which is known to or could with reasonable diligence be ascertained by that Director.

- (d) Save as noted in paragraph 3(c) above, no Ordinary Shares are being reserved for allocation to existing shareholders, Directors or employees.
- (e) Each of the Directors has a letter of appointment dated 2 November 2007 from Octopus Titan 1 or Octopus Titan 2. Under their respective letters of appointment, each Director is engaged from 2 November 2007. Either party may terminate the appointment on giving to the other no less than three months' written notice at any time on or after three years from the date of appointment. The Directors are not entitled to any compensation on termination of appointment. Other than the letters of appointment, there are no service contracts between Octopus Titan 1 & 2 and any of the Directors.

The current fees of the Directors payable by Octopus Titan 1 & 2 are as follows:

Octopus Titan 1 Directors	Current Annual Fees (£)
Lewis Jarrett	15,000
Kevin D'Silva	10,000
Matt Cooper	7,500

Octopus Titan 2 Directors	Current Annual Fees (£)
John Hustler	15,000
Mark Faulkner	10,000
Matt Cooper	7,500

- (f) No loan or guarantee has been granted or provided by either of Octopus Titan 1 & 2 to or for the benefit of any Director.
- (g) None of the Directors or any member of their respective immediate families has or has had an interest in any transaction or transactions which are or were unusual in their nature or conditions or significant to the business of Octopus Titan 1 & 2 and which were effected by them since their incorporation.
- (h) No remuneration or benefits are, to date, payable to the Directors. It is estimated that the aggregate amount payable to the Directors by Octopus Titan 1 & 2 for the financial period ending on 31 October 2008 under the arrangements in force at the date of this document will not exceed £75,000 (plus expenses).
- (i) Each of Octopus Titan 1 & 2 will maintain Directors' and Officers' liability insurance for the benefit of their respective Directors.
- (j) In addition to directorships of Octopus Titan 1 & 2, members of the administrative, management and supervisory bodies of Octopus Titan 1 & 2, including any partners, founders or senior managers who are relevant to establishing that Octopus Titan 1 & 2 has the appropriate expertise for the management of its business, have been members of the administrative, management or supervisory bodies or a partner at any time in the previous five years of the following companies or partnerships:

DIRECTOR	CURRENT	PAST
Lewis Jarrett	Elite Investment Managers Ltd ITsquad Limited Lewis Jarrett & Co (partnership)	
Mark Faulkner	Roundhouse Financial Services LLP Trellicor Limited	
Matt Cooper	Axiant Limited Sadler's Wells Limited Octopus Capital Limited Octopus Investments Limited Phoenix VCT plc Eclipse VCT plc Eclipse VCT 2 plc Eclipse VCT 3 plc Eclipse VCT 4 plc TDX Group Limited Carbon Search Limited Governor of Nottingham Trent University Apollo VCT 1 plc Apollo VCT 2 plc Octopus Protected VCT plc 10 Duke Limited	Capital One Bank (Europe) plc Capital One Holdings Limited Quickheart Limited Britart Online Limited Whiteground Limited Sadler's Wells Trust Limited
John Hustler	Hustler Venture Partners Limited Northern Venture Trust PLC Insurance Direct Underwriting Ltd The OFEX VCT Limited Hygea VCT plc Northern 3 VCT PLC Spectrum Syndicate Management Limited	The Bioscience Innovation Centre Limited ATA GROUP Plc Medical Marketing International Group plc CellFactors plc AdVal Group plc Blaven Technologies Limited Viratis Limited
Kevin D'Silva	Surface Transforms plc Hallmarq Veterinary Imaging Limited Electra Kingsway VCT 3 plc Ai2 Limited Prosurgics Limited KDS Associates (partnership) SalusInvest LP (partnership)	Ferraris Group plc

- (k) None of the Directors nor any members of their respective immediate families has any private interest which is or has the potential of being a conflict of interest in relation to either of Octopus Titan 1 & 2.
- (l) No amounts have been set aside by Octopus Titan 1 & 2 or the Investment Manager for pensions, retirement or similar benefits.
- (m) Except as noted in this paragraph below, none of the persons mentioned in paragraph 3(j) of Part 4 of this document has for at least the previous five years:
- any convictions in relation to fraudulent offences;
 - been associated with any bankruptcies, receiverships or liquidations in relation to an entity for which they have been acting as members of the administrative,

- management or supervisory bodies or were a partner with unlimited liability (in the case of a limited partnership with share capital), founder or a senior manager who was relevant to establishing that that entity had the appropriate expertise and experience for the management of its business;
- been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or
 - been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

John Hustler was appointed a director of Adval Group plc on 18 October 2001, which entered into administration on 31 August 2006 and creditors voluntary liquidation on 13 April 2007. The statement of affairs as at 12 December 2006 showed the estimated deficiency to unsecured creditors to be £707,599.04.

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum of Association of each of Octopus Titan 1 & 2 provides that their principal objects are to carry on the business of venture capital trust companies. The objects of each of Octopus Titan 1 & 2 are set out in full in paragraph 4 of their Memorandum of Association, which is available for inspection as stated in paragraph 11 below.

The following is a summary of certain provisions of the Articles of Association ("Articles") of each of Octopus Titan 1 & 2, a copy of which is available for inspection as stated in paragraph 11 (a) below:

(a) *Voting rights*

- i. Subject to the provisions of the Acts or any special terms as to voting on which any Shares of either of Octopus Titan 1 & 2 may have been issued or may for the time being be held, on a show of hands, every member who is present in person or by proxy at any general meeting of either of Octopus Titan 1 & 2 shall have one vote and on a poll, every member shall have one vote for every Share of which he is the holder. A proxy need not be a member of either of Octopus Titan 1 & 2.
- ii. The instrument appointing a proxy in the case of either of Octopus Titan 1 & 2 shall in the case of an instrument in writing be executed in any common form or in such other form as the Board may approve and shall be delivered to their registered office or at such other specified place in the UK not less than 48 hours (during business days) before the time appointed for holding the meeting.
- iii. In respect of each of Octopus Titan 1 & 2 no member shall, unless that Board otherwise determines, be entitled to vote, either personally or by proxy, or to be reckoned in a quorum at any general meeting unless and until all calls for the time being due and payable in respect of that Share have been paid, together with interest and expenses (if any) to Octopus Titan 1 & 2.

- iv. Except in respect of the Redeemable Shares (as set out as paragraph 4(b) below), no shareholders in either of Octopus Titan 1 & 2 will have different voting rights per share than any other Shareholder.

(b) *Rights attaching to the Redeemable Shares*

The Redeemable Shares in the capital of Octopus Titan 1 & 2 confer no right to dividends and no right to vote except as otherwise agreed by the holders of a majority of the Ordinary Shares in question. On a winding-up the Redeemable Shares confer the right to be paid out of the assets of Octopus Titan 1 & 2 available for distribution amongst their members an amount equal to the capital paid up on such shares *pari passu* with and in proportion to any amounts of capital paid to the holders of the Ordinary Shares but shall not confer any right to participate in any surplus remaining following payment of the amount of capital paid up thereon. The Redeemable Shares are redeemable at any time (and in any event no later than 31 December 2008) by each of Octopus Titan 1 & 2 subject to their being paid up in full. Upon redemption each of the Redeemable Shares shall be redesignated and redenominated as ten Ordinary Shares without any further resolution or consent.

(c) *Variation of rights and alteration of capital*

- i. Rights attached to any share or class of shares in each of Octopus Titan 1 & 2 may be varied or abrogated with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of such shares.
- ii. Each of Octopus Titan 1 & 2 may from time to time in general meeting by ordinary resolution increase, consolidate, or sub-divide its share capital.
- iii. Each of Octopus Titan 1 & 2 may, subject to the provisions of the Acts and to any rights attached to any Shares at the time, by special resolution reduce its share capital or any capital redemption reserve fund, or any share premium account in any manner.
- iv. Subject to the provisions of the Acts and the rights of the holders of any class of shares, each of Octopus Titan 1 & 2 may from time to time purchase its own Shares (including any Redeemable Shares).

(d) *Issue and transfer of Shares*

- i. The Boards of each of Octopus Titan 1 & 2 are authorised generally and unconditionally for the purposes of section 80 of the 1985 Act to exercise all the powers of the company for a period of five years from the date of adoption of the Articles to allot relevant securities (as defined in that section) up to the amount of the authorised but as yet unissued share capital from time to time. The authority so given may at any time (subject to the said section 80) be renewed, revoked or varied by ordinary resolution in general meeting.
- ii. The respective Boards are empowered generally and unconditionally to allot equity securities (as defined by section 94 of the 1985 Act) as if section 89(1) of the 1985 Act did not apply to such allotment at any time for a period of five years from the date of adoption of the Articles (but not thereafter) of up to 5 per cent of the issued share capital of Octopus Titan 1 & 2 at any one time as at the date of the adoption of the Articles.
- iii. Subject to such of the restrictions of the Acts as may be applicable, any member may transfer all or any of his Shares by an instrument of transfer in writing in any usual or common form or in any other form approved by the Board. Such instruments shall be executed by or on behalf of the transferor and (except in the case of a fully paid share) the transferee.
- iv. The Boards of Octopus Titan 1 & 2 may decline to register any transfer unless the instrument of transfer, duly stamped, is duly lodged, accompanied by the certificate for the Shares to which it relates together with such other evidence as that Board may reasonably require, and the transfer is in respect of only one class of share and, in the case of a transfer to joint holders, the number of joint holders does not exceed four.
- v. The Shares are in registered form. 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 any such shares shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on

behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share, provided that such refusal does not prevent dealings taking place on an open and proper basis, and may also refuse to register any instrument of transfer unless:

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

(e) *Directors*

- i. Unless and until otherwise determined by ordinary resolution, the Directors (disregarding alternate Directors) shall be not more than six nor less than two in number.
- ii. The business of Octopus Titan 1 & 2 shall be managed by their respective Boards, which may exercise all powers of Octopus Titan 1 & 2 (as the case may be) subject nevertheless to the provisions of the Acts, the Memorandum of Association and to any directions given by special resolution.
- iii. Subject to the provisions of the Acts and, in the case of contracts with Octopus Titan 1 & 2, to the disclosure of the nature of the interest therein to the respective Board, no Director shall be disqualified by his respective office from:
 1. contracting with Octopus Titan 1 & 2, either with regard to his tenures of any office or place of profit or as vendor, purchaser or whatsoever;
 2. holding any other office or place of profit under Octopus Titan 1 & 2 (except that of auditor); or
 3. acting by himself or through his firm in a professional capacity for Octopus Titan 1 & 2.

iv Being an officer of or employed by any company in which either of Octopus Titan 1 & 2 is interested nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to Octopus Titan 1 & 2 for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that respective office. A Director shall not vote (nor be counted in the quorum) on any resolution of the Board (or any committee of the Board) in respect of any contract, arrangement or transaction in which he is to his knowledge materially interested. Subject to the provisions of the Acts, and in the absence of some other material interest, this prohibition shall not apply to any of the following matters, namely:

1. any transaction for giving to such Director any guarantee, security or indemnity in respect of money lent by him or obligations undertaken by him at the request of and for the benefit of Octopus Titan 1 & 2 or any of their subsidiary undertakings;
2. any transaction for the giving by Octopus Titan 1 & 2 or any of their subsidiary undertakings of either guarantee, security or indemnity in respect of a debt or obligation of Octopus Titan 1 & 2 or any of their subsidiary undertakings in respect of which such Director has himself given an indemnity or has guaranteed or secured or assumed responsibility for in whole or in part;
3. any proposal concerning an offer of shares or debentures or other securities of or by Octopus Titan 1 & 2 or any of their subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
4. any transaction concerning any other company in which he is interested directly or indirectly unless he is interested in one per cent or more of the equity share capital or voting rights of such other company;
5. any arrangement for the benefit of employees of Octopus Titan 1 & 2 or of any of their subsidiary undertakings under which the Director benefits in a similar manner as the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom such arrangement relates; or
6. any proposal for the purchase and/or maintenance of insurance for the benefit of any Directors.

The remuneration of the Directors for their services as such (excluding amounts payable under other provisions of the Articles) shall be determined by the Boards of each of Octopus Titan 1 & 2, but shall not exceed in aggregate the sum of £75,000 per annum for each of Octopus Titan 1 & 2 or such greater sum as may from time to time be determined by ordinary resolution. Each Director may also be paid all reasonable travelling, hotel and other incidental expenses properly incurred by him in attending meetings of the Board of each of Octopus Titan 1 & 2 or otherwise in connection with the discharge of his duties as a Director.

v. Subject to the provisions of the Acts:

1. the Boards shall have the power to purchase and maintain insurances at the expense of Octopus Titan 1 & 2 for, or for the benefit of any persons who are or were at any time Directors, officers, or employees of Octopus Titan 1 & 2, including insurance against any liability incurred by such persons in relation to or in connection with their duties, powers or offices in relation to Octopus Titan 1 & 2; and
2. every Director, alternate Director, secretary and other officer of Octopus Titan 1 & 2 and, if the Board so determines, auditor, shall be entitled to be indemnified by Octopus Titan 1 & 2 (as the case may be) against all costs, charges, expenses, losses, damages and liabilities incurred by him in connection with his duties, powers or office.

(f) *Borrowing Powers*

The Board may exercise all powers of Octopus Titan 1 & 2 to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Acts to issue debentures and other securities, whether outright or as collateral security provided that the principal amount outstanding in respect of moneys borrowed by each of Octopus Titan 1 & 2 does not at any time without the previous sanction of an ordinary resolution of Octopus Titan 1 & 2, exceed a sum equal to 50 per cent of the adjusted total of capital and reserves.

(g) *Dividends and Distribution*

- i. Each of Octopus Titan 1 & 2 may, subject to the provisions of the Acts, by ordinary resolution from time to time declare dividends to be paid to members according to their rights and interests in the profits available for distribution, but not exceeding the amount recommended by the respective Boards. Subject to the provisions of the Acts in so far as, in each Board's opinion, profits of Octopus Titan 1 & 2 justify such payments, the Board may pay interim dividends on any class of shares including those carrying a fixed dividend. The Board may, if authorised by an ordinary resolution and subject to such terms and conditions as that Board may determine, offer Shareholders in respect of any dividend the right to receive Ordinary Shares, credited as fully paid, by way of scrip dividend instead of cash.
- ii. Any dividend unclaimed after a period of 12 years from the date such dividend is payable shall if the Board so resolves, be forfeited and shall cease to remain owing.

(h) *Distribution of Realised Capital Profits*

If any time either of Octopus Titan 1 & 2 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"), distribution of the company's capital profits (within the meaning of section 266(2)(c) of the 1985 Act) 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 off

of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by that Board to be in the nature of accretion to the capital shall be credited to the capital reserve. Subject to the Acts, such Board may determine whether any amount received by Octopus Titan 1 & 2 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 off of or other dealing with any investments or other capital assets and, subject to the Acts, any expenses, loss or liability (or provision thereof) 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 notwithstanding any other provision of the Articles 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 respective company or be regarded or treated as profits of that company available for distribution (as defined by section 263(2) of the 1985 Act) or be applied in paying dividends on any shares in that 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 that company or be regarded or treated as profits of that company available for distribution (as defined by section 263(2) of the 1985 Act) or applied in paying dividends on any shares in the respective company.

(i) *Duration and Winding-Up*

The Boards of each of Octopus Titan 1 & 2 shall procure that at their tenth annual general meeting in 2018 (and at five yearly intervals thereafter) an ordinary resolution will be proposed to the effect that each of Octopus Titan 1 & 2 shall continue in being as a VCT. If, at either meeting, such resolution is not passed, the Boards shall within four months of such meeting, convene a general meeting to propose a special resolution for the reorganisation or reconstruction of Octopus Titan 1 & 2 or if that resolution is not passed, a special resolution to wind-up Octopus Titan 1 & 2 voluntarily.

If either of Octopus Titan 1 & 2 shall be wound-up, the liquidator may, with the authority of a special resolution and subject to any provision sanctioned in accordance with the Acts, divide among the members in specie the whole or any part of the assets of Octopus Titan 1 & 2 or may, with the like sanction, vest the whole or any part of the assets in trustees on such terms as the like sanction shall determine for the benefit of the members but no member shall be compelled to accept any shares whereon there is any liability.

(j) *Cancellation of Share Premium Accounts at each of Octopus Titan 1 & 2*

The Boards are authorised by special resolution to make applications to the High Court for confirmation by the High Court to cancel the amounts standing to the credit of the share premium accounts at the time of such application by each of Octopus Titan 1 & 2.

(k) *General Meetings*

- i. Subject to the provisions of the Acts, annual general meetings shall be held at such time and place as the Board may determine. General meetings may be convened by the Board whenever it thinks fit, and by Shareholders in accordance with section 303 of the 2006 Act.
- ii. An annual general meeting shall be convened by not less than 21 clear days' notice in writing. All other general meetings shall be convened by not less than 14 days' notice in writing.

(l) *Miscellaneous*

- i. There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change of control of Octopus Titan 1 & 2.
- ii. In accordance with the Articles, failure by any Shareholder to provide Octopus Titan 1 & 2 with the information as requested by any notice served in accordance with the DTR (obligations of Shareholders to identify the Board of notifiable interests in Shares) may result in that Shareholder being disenfranchised in respect of his shareholdings and, inter alia, the withholding of any dividends payable to him.

5. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, are all of the contracts which have been entered into by each of Octopus Titan 1 & 2 since their incorporation and which are, or may be, material, or have been entered into by each of Octopus Titan 1 & 2 and contain provisions under which they have obligations or entitlements which are material to them at the date of this document:

- (a) Management agreements dated 2 November 2007 between each of Octopus Titan 1 & 2 and the Investment Manager whereby the Investment Manager has agreed (subject to the overall policy and supervision of the Directors and such directions as the Directors may give from time to time) to manage or procure the management of Octopus Titan 1 & 2's investments on a discretionary basis for an initial five-year period in return for an annual management fee (payable quarterly) of 2.0% (plus VAT, if any, at the applicable rate) of the net assets of Octopus Titan 1 & 2 plus 50% of a performance incentive fee. Each of Octopus Titan 1 & 2 has agreed to indemnify the Investment Manager against all or any actions, proceedings, losses, claims, demands and liabilities whatsoever arising out of the proper performance of the Investment Manager's duties. There are no value or time limits attached to the indemnity other than the statutory time limit of twelve years which applies to agreements signed as deeds. Further details are set out in the section titled "Management Remuneration" in Part 1 of this document. The Investment Manager has also agreed to manage, without additional fee, the monies received by each of Octopus Titan 1 & 2 from investors pending investment in investee companies.
- (b) An agreement dated 2 November 2007 between each of Octopus Titan 1 & 2 and Octopus Investments whereby Octopus Investments has agreed to provide or procure the provision of certain administrative and accounting services to each of Octopus Titan 1 & 2 for an annual fee of 0.3 per cent (plus VAT, if any, at the applicable rate) of the net assets of each of Octopus Titan 1 & 2 and company secretarial services for an annual fee of £6,000 plus VAT per company. Each of Octopus Titan 1 & 2 has agreed to indemnify Octopus Investments against all or any actions, proceedings, losses, claims, demands and liabilities whatsoever arising out of the proper performance of its duties. There are no value or

time limits attached to the indemnity other than the statutory time limit of twelve years which applies to agreements signed as deeds. Octopus Investments is also entitled to 50% of a performance incentive fee. Further details are set out in the section titled "Management Remuneration" in Part 1 of this document.

- (c) An agreement dated 2 November 2007 between Octopus Titan 1 & 2, the Directors, Octopus Ventures, Octopus Investments and Howard Kennedy ("Offer Agreement") whereby Octopus Investments agrees to pay all of the costs and expenses of the Offer for a commission on the gross proceeds of the Offer of up to 5.5p per Share such that the initial net assets of Octopus Titan 1 & 2 will be equal to 94.5p per Share. Howard Kennedy has agreed to act as sponsor and legal adviser to Octopus Titan 1 & 2 and under the Offer Agreement Howard Kennedy will receive a fee of £70,000 to £80,000. Octopus Titan 1 & 2 and the Directors have given customary representations and warranties to, and in the case of Octopus Titan 1 & 2 alone, an indemnity, to Howard Kennedy. The liability of the Directors under the warranties and indemnity is limited to £100,000 per Director. There are no value or time limits attached to the indemnity other than the statutory limit of six years. Howard Kennedy may terminate the Offer Agreement at any time prior to Admission if it becomes aware of any material breach of warranty prior to Admission.
- (d) By letters dated 2 November 2007 the Directors agreed to act as non-executive directors of the Octopus Titan 1 or Octopus Titan 2 (as the case may be) on the terms set out at paragraph 3(e) of this Part 4.

6. STAMP DUTY, STAMP DUTY RESERVE TAX AND CLOSE COMPANY STATUS

- (a) Octopus Titan 1 & 2 have been advised that no stamp duty reserve tax ("SDRT") will be payable on the issue of the Ordinary Shares. The transfer on sale of any Ordinary Shares will be liable to ad valorem stamp duty normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the nearest £5). An unconditional agreement to transfer Ordinary Shares also gives rise to an obligation to account for SDRT, which is payable within seven days of the start of the month following that in which the agreement was entered into. The payment of stamp duty gives rise to a right to repayment of any SDRT paid. There will be no stamp duty or

SDRT on a transfer of Ordinary Shares into CREST unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise at a rate of 0.5%. A transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at a rate of 0.5% of the value of the consideration.

- (b) On the issue of the Ordinary Shares pursuant to the Offer, neither Octopus Titan 1 & 2 are likely to be a close company for tax purposes.

7. OVERSEAS INVESTORS

- (a) No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an offer or invitation to him to subscribe for or purchase Ordinary Shares in either of Octopus Titan 1 & 2.
- (b) No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offer will be required to warrant that they are not a US person as defined in paragraph 4(xi) of Part 5 of this document.

8. GENERAL

- (a) The Offer Price is 100p per Share.
- (b) The total expenses payable by each of Octopus Titan 1 & 2 in connection with the Offer (including VAT where applicable) will be 5.5p in respect of each Share subscribed such that the initial net assets of Octopus Titan 1 & 2 plc will be equal to 94.5p per Share. The Offer Price represents a premium of 90 pence per Share over nominal value. If the maximum subscription of £20,000,000 is achieved under the Offer for each of Octopus Titan 1 & 2, the net proceeds will amount to £18,900,000 per company. If the minimum subscription of £1 million for each of Octopus Titan 1 & 2 is obtained, the net proceeds will be £945,000 per company. The proceeds will be applied in accordance with Octopus Titan 1 & 2's investment policies and to redeem the Redeemable Shares in the sum of the respective accounts paid-up.
- (c) The registered office of each of Octopus Titan 1 & 2 and their principal place of business is 8 Angel Court, London EC2R 7HP. Each of Octopus Titan 1 & 2 complies with the corporate governance regime affecting English companies. Neither of Octopus Titan 1 & 2 has nor have they had since its

incorporation, any subsidiaries, subsidiary undertakings or employees and they do not own any premises.

- (d) There has been no significant change in the financial or trading position of Octopus Titan 1 & 2 since their incorporation.
- (e) There are no Governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Octopus Titan 1 & 2 are aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the financial position or profitability of Octopus Titan 1 & 2.
- (f) Octopus Investments is the promoter of each of Octopus Titan 1 & 2. Save as disclosed in paragraph 5(a) of this Part 4, no amount of cash, securities or benefits has been paid, issued or given to the promoter and none is intended to be paid, issued or given.
- (g) Where the circumstances are appropriate, the Directors propose that an appropriate and reasonable proportion of the management expenses of each of Octopus Titan 1 & 2, to be determined after consultation with Octopus Titan 1 & 2's auditors, but not to exceed 75%, will be charged to capital.
- (h) Each of Octopus Titan 1 & 2 shall establish an Audit Committee. The Audit Committee, composed of the Directors independent of the Investment Manager, will meet at least twice each year and will be responsible for making recommendations to the Boards on the appointment of the auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It will also have responsibility for the proper reporting of the financial performance of Octopus Titan 1 & 2 and for reviewing financial statements prior to publication.

As Octopus Titan 1 & 2 have no employees, no Remuneration Committee will be formed.

- (i) A VCT must satisfy the UK Listing Authority that its directors and any investment managers have sufficient and appropriate experience (usually over at least the preceding three years) in the management of investments on a scale and type in which the VCT proposes to invest. The VCT's Board of Directors must be able to demonstrate that it will act independently of any investment managers of the VCT.

In particular, a majority of the Board of each of Octopus Titan 1 & 2 (including the Chairman) must not be:

- i. directors, employees, partners, officers or professional advisers of or to the Investment Manager or any other company in the same group as the Investment Manager; or
 - ii. directors, employees or professional advisers of or to any other VCT managed by the Investment Manager or any other company in the same group as the Investment Manager.
- (j) The Offer is sponsored by Howard Kennedy which is authorised and regulated by The Financial Services Authority.
 - (k) Octopus Titan 1 & 2 do not assume responsibility for the withholding of tax at source.
 - (l) HMRC has granted Octopus Titan 1 & 2 provisional approval under section 274 ITA and it is intended that the businesses of Octopus Titan 1 & 2 be carried on so as to comply with that section.
 - (m) Octopus Titan 1 & 2 do not employ any employees nor engage any other person in any personal capacity save for the Directors.
 - (n) Each of Octopus Titan 1 & 2 confirms that all third party information in this document has been accurately reproduced and as far as it 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.
 - (o) Each of Octopus Titan 1 & 2 confirms that it has taken all reasonable steps to ensure that its auditors, Grant Thornton UK LLP, being members of the Institute of Chartered Accountants in England & Wales, are independent of it and have obtained written confirmation from the auditors that they comply with the guidelines on independence issued by their national accounting and auditing bodies.
 - (p) Definitive share certificates for the Shares to be allotted under the Offer will be issued in registered form and are to be dispatched to Shareholders as soon as possible after allotment and in any event within 14 days of the close of the Offer. Octopus Titan 1 & 2 have applied to Euroclear for the Ordinary Shares to be admitted to CREST as a participating security. It is expected that the

admission of the Ordinary Shares to CREST as a participating security will be effective from Admission of each of Octopus Titan 1 & 2. Shareholders who are direct or sponsored members of Euroclear will then be able to dematerialise their Ordinary Shares in accordance with the rules and practices instituted by Euroclear. Octopus Titan 1 & 2 will not issue temporary documents of title.

- (q) Octopus Investments, Octopus Ventures, Howard Kennedy and PricewaterhouseCoopers LLP have each given and not withdrawn their written consents to the issue of this document with the inclusion herein of their names in the form and context in which they are included.

9. SPECIFIC DISCLOSURES IN RESPECT OF CLOSED ENDED FUNDS

- (a) A detailed description of the investment objective and policy which will be pursued by each of Octopus Titan 1 & 2 is set out in the section of Part 1 entitled "Investment Process". This investment policy is in line with the VCT rules and neither of Octopus Titan 1 & 2 will deviate from them. Further, in accordance with the VCT rules, Octopus Titan 1 & 2 will invest in ordinary shares, and in some cases a small number of preference shares where applicable, and always in accordance with such rules.
- (b) Neither of Octopus Titan 1 & 2 will incur any borrowings.
- (c) Each of Octopus Titan 1 & 2 is regulated by the VCT rules in respect of the investments they make. Each of Octopus Titan 1 & 2 has appointed PricewaterhouseCoopers LLP as its VCT status monitor. PricewaterhouseCoopers LLP will report twice yearly to each of Octopus Titan 1 & 2 in its annual and interim reporting obligations. In respect of any breach of the VCT rules, Octopus Titan 1 & 2, together with PricewaterhouseCoopers LLP, will report directly and immediately to HMRC to rectify the breach.
- (d) Neither of Octopus Titan 1 & 2 will invest more than 15% in any single company nor will either of Octopus Titan 1 & 2 control the companies in which it invests in such a way as to render them subsidiary undertakings until it has obtained approval as a VCT from HMRC.
- (e) Neither of Octopus Titan 1 & 2 will invest directly in any physical commodities.
- (f) Neither of Octopus Titan 1 & 2 will invest directly in any property.

- (g) Neither of Octopus Titan 1 & 2 will invest in any derivatives, money market instruments or currencies other than for efficient portfolio management, that is, solely for the purpose of reducing, transferring or eliminating investment risk in underlying investments.
- (h) Octopus Investments is responsible for the determination and calculation of the net asset value of the collective investment undertakings of Octopus Titan 1 & 2 which will be undertaken bi-annually.
- (i) The net asset value of the collective investment undertaking will be determined twice a year, concurrent with the interim and annual announcements (which are expected in July and February respectively) in accordance with the British Venture Capital Association's recommendations as set out in the BVCA notes of guidance. The value of investments will be determined according to their listing status. Quoted securities will be valued at bid price unless the investment is subject to restrictions or the holding is significant in relation to the share capital of a small quoted company, in which case a discount may be appropriate as per the BVCA guidelines. Unquoted investments will normally be valued on a cost basis in the first year and reviewed subsequently on the basis of the progression of the business. The net asset value of the collective investment undertaking will be communicated to investors in Octopus Titan 1 & 2 plc via a Regulatory Information Service provider at the same frequency as the determinations.

In the event of any suspension valuations are held at the suspended price and a view is taken with consideration to best market practice and information from advisers.

- (j) Octopus Titan 1 & 2 do not intend to appoint an external custodian and their assets will be held by Octopus Titan 1 & 2 in certificated form.
- (k) The Directors do not anticipate any circumstances arising under which the valuations may be suspended. Should the determination of net asset value differ from that set out above then this will be communicated to investors in Octopus Titan 1 & 2 via a Regulatory Information Service provider.

10. INFORMATION ON INVESTMENT MANAGER AND ADVISERS

Octopus Ventures Limited is regulated by The Financial Services Authority and registered in England and Wales under company number 03843058 and was incorporated on 16 September 1999 in the UK. Octopus Ventures is a subsidiary of Octopus Investments. Octopus Ventures Limited is registered at 8 Angel Court, London EC2R 7HP. The telephone number is 020 7710 2800.

Octopus Investments Limited is regulated by The Financial Services Authority and registered in England and Wales under company number 3942880 and was incorporated on 8 March 2000 in the UK. Octopus Investments is domiciled in the UK and is a limited company. It is registered at 8 Angel Court, London EC2R 7HP. The telephone number is 020 7710 2800.

Goldman Sachs International is authorised and regulated by The Financial Services Authority and registered in England and Wales under company number 2263951. It was incorporated on 2 June 1988 and operates under the Acts and regulations made there under. It is domiciled in England and is an unlimited company. It is registered at Peterborough Court, 133 Fleet Street, London EC4A 2BB and the general telephone number is 020 7774 1000.

11. DOCUMENTS AVAILABLE FOR INSPECTION

For the life of the registration document the following documents (or copies thereof) may be inspected at the registered offices of Octopus Titan 1 & 2 during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted):

- (a) the Memorandum and Articles of Association of the each of Octopus Titan 1 & 2;
- (b) the letters of appointment of the Directors referred to in paragraph 3(e) above; and
- (c) the material contracts referred to in paragraph 5 above.

2 November 2007

DIRECTORS AND ADVISERS IN RESPECT OF EACH OF OCTOPUS TITAN 1 & 2

DIRECTORS

Octopus Titan 1

Lewis Jarrett (Chairman)
Kevin D'Silva
Matt Cooper

Octopus Titan 2

John Hustler (Chairman)
Mark Faulkner
Matt Cooper

all of:

REGISTERED OFFICE

8 Angel Court
London EC2R 7HP

TELEPHONE NUMBER

020 7710 2800

INVESTMENT MANAGER

Octopus Ventures Limited
8 Angel Court
London EC2R 7HP

PROMOTER AND RECEIVING AGENTS

Octopus Investments Limited
8 Angel Court
London EC2R 7HP

CASH ASSETS MANAGER

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

COMPANY SECRETARY

Celia L Whitten (FCIS)
8 Angel Court
London EC2R 7HP

SPONSOR TO THE OFFER AND SOLICITORS TO THE COMPANIES AND TO THE OFFER

Howard Kennedy
19 Cavendish Square
London W1A 2AW

VCT STATUS ADVISER

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

AUDITORS

Grant Thornton UK LLP
1 Westminster Way
Oxford OX2 0PZ

BANKERS

HSBC plc
31 Holborn
London EC1N 2HR

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

DEFINITIONS

The following definitions are used throughout this document, unless the context requires otherwise:

1985 Act

the Companies Act 1985 (as amended)

Acts

the 1985 Act and the Companies Act 2006

Admission

admission of the Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's listed securities market

AIM

a market operated by the London Stock Exchange

annual running costs

the annual costs incurred by Octopus Titan 1 & 2 in the ordinary course of its business

BVCA

the British Venture Capital Association

Directors, Board of Directors, Board, "we" or "us"

the directors of Octopus Titan 1 & 2 whose names appear under the heading "Directors" on the preceding page of this document

DTR

the Disclosure and Transparency Rules published by the Financial Services Authority from time to time

EEA

European Economic Area

Euroclear

Euroclear UK & Ireland Limited

Fund

the investment fund comprised of the subscription monies raised under the Offer available for investment

HMRC

HM Revenue & Customs

ITA

Income Taxes Act 2007 (as amended)

Income Tax Year

the 12-month period over which individuals are assessed to income tax in the United Kingdom, running from 6 April to the following 5 April

Investment Manager, Manager, or Octopus Ventures

Octopus Ventures Ltd (formerly Katalyst Ventures Limited)

Investment Team

a committee of individuals drawn from the Investment Manager

Listing Rules

the Listing Rules of the UK Listing Authority in accordance with Part 6 of FSMA (as amended from time to time)

London Stock Exchange

London Stock Exchange plc

Minimum Net Proceeds of the Offer

£1,890,000, being the minimum subscription of £2,000,000 less a fixed expense per Ordinary Share of 5.5p

net asset value

the aggregate of the gross assets of Octopus Titan 1 or Octopus Titan 2 (as the case may be) less its gross liabilities

Non-Qualifying Investment

an investment and/or asset which is not a Qualifying Investment

Octopus Investments or Octopus

Octopus Investments Limited

Octopus Titan 1

Octopus Titan VCT 1 plc

Octopus Titan 2

Octopus Titan VCT 2 plc

Octopus Titan 1 & 2

together, Octopus Titan 1 and Octopus Titan 2

Offer

the Offer for subscription of up to 40,000,000 Shares described in this document

Offer Agreement

the agreement dated 2 November 2007 between Octopus Titan 1 & 2, the Directors, the Investment Manager, Octopus Investments and Howard Kennedy relating to the Offer

Offer Price

100p per Share

Official List

the Official List of the UK Listing Authority

Ordinary Shares or Shares

ordinary shares of 10p each in the capital of each of Octopus Titan 1 & 2

Performance Value

In respect of the relevant financial year end, the sum of (i) the net asset value per Share at that date, (ii) all performance related incentive fees previously paid by Octopus Titan 1 & 2 to the Investment Manager and Octopus and (iii) all distributions per share declared and/or paid since Admission

Prospectus Rules

the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004

Qualifying Company

a company satisfying the conditions of Chapter 4 of Part 6 ITA as described in Part 2 of this document

Qualifying Holding

shares in, or securities of, a Qualifying Company, which satisfy the conditions of Chapter 4 of Part 6 ITA as described in Part 2 of this document

Qualifying Investment

an investment in, inter alia, an AIM listed or unquoted company which satisfies the requirements of Chapter 4 of Part 6 ITA, as described in Part 3 of this document

Qualifying Limit

a total amount of £200,000 per individual invested in VCTs in any one Income Tax Year

Qualifying Purchaser

an individual who purchases Shares from an existing Shareholder and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT

Qualifying Subscriber

an individual who subscribes for Shares under the Offer and is aged 18 or over and satisfies the conditions of eligibility for tax relief available to investors in a VCT

Qualifying Subsidiary

a subsidiary company which falls within the definition of Qualifying Subsidiary contained in Section 302 ITA, as described in Part 2 of this document

Qualifying Trade

a trade complying with the requirements of Chapter 4 of Part 6 ITA

Quoted Investments

investments admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's market for listed securities or other recognised investment exchange

Redeemable Shares

Redeemable Shares of £1 each in the capital of Octopus Titan 1 & 2

Relevant Qualifying Subsidiary

a subsidiary company which falls within the definition of Relevant Qualifying Subsidiary contained in Section 301 ITA, as described in Part 2 of this document

Shareholders

holders of Ordinary Shares

Sponsor

Howard Kennedy

Team

the Boards of Directors and the Investment Team

UK Listing Authority

the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000

Venture Capital Trust or VCT

a company approved as a venture capital trust under Section 272 ITA by the Board of HMRC

PART 5

TERMS AND CONDITIONS OF APPLICATION

1. In these terms and conditions, which apply to the Offer, "Applicant" means a person whose name appears in an Application Form, "Application" means the offer by an Applicant by completing an Application Form and posting (or delivering) it to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP ("the Receiving Agents") or as otherwise indicated in this document or the Prospectus; and "Prospectus" means the document dated 2 November 2007 issued in connection with the Offer. Save where the context otherwise requires, words and expressions defined in this document have the same meanings when used in the Application Form and explanatory notes in relation thereto.

The section headed "Application Procedure" as set out below forms part of these terms and conditions of Application.

2. The contract created by the acceptance of an Application under the Offer will be conditional on:
 - i. Admission becoming effective;
 - ii. the Offer Agreement between Octopus Titan 1 & 2, Octopus Ventures, Octopus Investments and Howard Kennedy becoming unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective.
3. The right is reserved by each of Octopus Titan 1 & 2 to present all cheques and banker's drafts for payment on receipt and to retain share certificates and application monies pending clearance of successful Applicants' cheques and bankers' drafts. Each of Octopus Titan 1 & 2 may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and Octopus Titan 1 & 2 may, at their discretion, accept an Application in respect of which payment is not received by Octopus Titan 1 & 2 prior to the closing of the Offer. 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 will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the Applicant, through the post at the risk of the person(s)

entitled thereto. In the meantime, application monies will be retained by the Receiving Agents in a separate account.

4. By completing and delivering an Application Form, you:
 - i. offer to subscribe for the number of Shares specified in your Application Form (or such lesser number for which your Application is accepted) at the Offer Price on the terms of and subject to this document, including these terms and conditions, and subject to the Memorandum and Articles of Association of each of Octopus Titan 1 & 2;
 - ii. agree that, in consideration of Octopus Titan 1 & 2 agreeing that they will not on or prior to the Offer closing issue or allot any Shares the subject of the Offer to any person other than by means of the procedures referred to in this document, your Application may not be revoked and that this paragraph shall constitute a collateral contract between you and each of Octopus Titan 1 & 2 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 a certificate in respect of the Ordinary Shares until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by each of Octopus Titan 1 & 2 in its absolute discretion (which acceptance shall be on the basis that you indemnify it, the Sponsor, 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 each of Octopus Titan 1 & 2 of such late payment, Octopus Titan 1 & 2 may (without prejudice to their other rights) rescind the agreement to subscribe such Ordinary Shares and may

- issue or allot such Ordinary Shares to some other person, in which case you will not be entitled to any payment in respect of such Ordinary Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Application, without interest;
- iv. agree that, in respect of those Ordinary Shares for which your Application has been received and is not rejected, your Application may be accepted at the election of each of Octopus Titan 1 & 2 either by notification through a Regulated Information Service of the basis of allocation or by notification of acceptance thereof to the Receiving Agents;
 - v. agree that any monies refundable to you may be retained by the Receiving Agents pending clearance of your remittance and any verification of identity which is, or which Octopus Titan 1 & 2 or the Receiving Agents may consider to be, required for the purposes of the Money Laundering Regulations 2003 and that such monies will not bear interest;
 - vi. authorise the Receiving Agents to send share certificates in respect of the number of Ordinary 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 Octopus Titan 1 & 2 in respect of such Ordinary Shares;
 - vii. agree that all Applications, acceptances of Applications and contracts resulting there from 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 Octopus Titan 1 & 2 or the Sponsor to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
 - viii. confirm that, in making such Application, you are not relying on any information or representation in relation to Octopus Titan 1 & 2 other than the information contained in this document or the Prospectus and accordingly you agree that no person responsible solely or jointly for this document, the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for such information or representation;
 - ix. irrevocably authorise the Receiving Agents and/or the Sponsor or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agents or of the Sponsor to execute any document required therefore;
 - x. agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and statements concerning each of Octopus Titan 1 & 2 and the Shares contained therein;
 - xi. confirm that you have reviewed the restrictions contained in paragraph 6 below and warrant that you are not a "US Person" as defined in the United States Securities Act of 1933 ("Securities Act") (as amended), nor a resident of Canada and that you are not applying for any Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
 - xii. declare that you are an individual aged 18 or over;
 - xiii. agree that all documents and cheques sent by post to, by or on behalf of each of Octopus Titan 1 & 2 or the Receiving Agents will be sent at the risk of the person entitled thereto;
 - xiv. agree, on request by either of Octopus Titan 1 & 2, or the Sponsor on behalf of Octopus Titan 1 & 2, to disclose promptly in writing to Octopus Titan 1 & 2, any information which Octopus Titan 1 & 2 or the Sponsor may reasonably request in connection with your Application including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2003 and authorise Octopus Titan 1 & 2 and the Sponsor to disclose any information relating to your Application as it considers appropriate;
 - xv. agree that the Sponsor 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 Shares or the suitability for you of Shares or be responsible to you for providing the protections afforded to its customers;
 - xvi. where applicable, authorise each of Octopus Titan 1 & 2 to make on your behalf any claim to relief from income tax in respect of any dividends paid by each of Octopus Titan 1 & 2;
 - xvii. declare that the Application Form has been completed to the best of your knowledge;

xviii. undertake that you will notify each of Octopus Titan 1 & 2 if you are not or cease to be either a Qualifying Subscriber or beneficially entitled to the Shares; and

xix. declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring, Shares and that the 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.

5. No person receiving a copy of this document, the Prospectus or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside the UK wishing to make an Application to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid by such territory.
6. The Ordinary Shares have not been and will not be registered under the Securities Act, 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, Octopus Titan 1 & 2 have not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Investment Manager will not be registered under the United States Investment Advisers Act of 1940, as amended. No application will be accepted if it bears an address in the USA.
7. The basis of allocation will be determined by Octopus Titan 1 & 2 in their absolute discretion after consultation with the Sponsor. The right is reserved 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 Octopus Titan 1 & 2 or the Receiving Agents consider may be required for the purposes of the Money Laundering Regulations 2003 has not been satisfactorily supplied. Dealings prior to the issue of certificates for Ordinary Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not have been accepted to the extent anticipated or at all.

8. Money Laundering Regulations 2003

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

Under the Money Laundering Regulations 2003, we are required to check the identity of clients who invest over £10,000 or who invest using third party cheques. Octopus Investments may therefore undertake an electronic search for the purposes of verifying your identity. To do so Octopus Investments may check the details you supply against your particulars on any database (public or other) to which we have access. Octopus Investments may also use your details in the future to assist other companies for verification purposes. A record of this search will be retained. If we cannot verify your identity we 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.

Your cheque or bankers' draft must be drawn in sterling on a 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 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. In the event that the offer does not reach its minimum subscription any monies returned will be sent by cheque crossed "A/C Payee only" in favour of the person named in Box 1 ("the Applicant").

APPLICATION PROCEDURE

OCTOPUS TITAN VCT 1 & 2

Please send the completed Application Form(s) together with your cheque or bankers draft to
Octopus Investments Limited, 8 Angel Court, London EC2R 7HP

If you have any questions on how to complete the Application Form please contact Octopus Investments
on 0800 316 2347.

SECTION 1

Please insert your full name, permanent address, daytime telephone number, date of birth, email address and national insurance number in Section 1. Your national insurance number, which you will find on your pay slip, is required to ensure you obtain your income tax relief. Joint applications are not permitted but husbands and wives may apply separately and a second application form is provided for this purpose.

SECTION 2

Please note that the minimum investment is £3,000. The maximum investment, on which tax reliefs on investments in VCTs are available, is £200,000. Attach your cheque or bankers' draft to the Application Form for the total amount of your investment.

Make cheques payable to 'Octopus Titan 1 & 2' and crossed 'A/C Payee only'. Cheques must be from a recognised UK bank account and your payment must relate solely to this application. No receipt will be issued.

SECTION 3

Read the declaration below and sign and date the Application Form(s).

If this form is completed and signed by the investor named in Section 1:

By signing this form I HEREBY DECLARE THAT:

- i. I have received the Prospectus dated 2 November 2007 and have read the terms and conditions of application therein and agree to be bound by them;
- ii. I will be the beneficial owner of the Shares of Octopus Titan VCT 1 plc and Octopus Titan VCT 2 plc issued to me under this Offer;
- iii. I have read and understood the risk factors set out on pages 8 and 9; and
- iv. to the best of my knowledge and belief, the personal details I have given are correct.

If this form is completed and signed by an authorised financial intermediary or any other person apart from the investor: By signing this form on behalf of the individual whose details are shown above, I make a declaration (on behalf of such individual) on the terms of sub-paragraphs i. to iv. above.

SECTION 4

If the application is from an authorised financial intermediary, please include full name and address, telephone number and details of your firm's authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of commission if Octopus Titan 1 & 2 is not, in its sole discretion, satisfied that the financial intermediary is authorised.

FREQUENTLY ASKED QUESTIONS

Q: Who should I make the cheque payable to?

A: Cheques should be made payable to 'Octopus Titan 1 & 2'.

Q: Where should I send my application?

A: Your application form and cheque should be sent to Octopus Investments Limited, 8 Angel Court, London EC2R 7HP.

Q: What happens after I invest?

A: We will send you confirmation that we have received your application by return of post. You should expect to receive your share certificate and tax certificate within a few weeks of making your investment.

Please call us at any time concerning your application on 0800 316 2347.

APPLICATION FORM

OCTOPUS TITAN VCT 1 & 2

Before completing this application form you should read the Terms and Conditions of Application and Application Procedure. This Offer opens on 2 November 2007 and will close on 4 April 2008 unless previously extended by the Directors in their absolute discretion or fully subscribed prior that date.

SECTION 1

Mr/Mrs/Miss/Other _____ First Name _____

Middle Name _____ Surname _____

Address _____

Postcode _____ Email (optional) _____

Date of Birth _____ National Insurance Number _____

Telephone (Day) _____ Telephone (Home) _____

SECTION 2

I offer to subscribe for the following number of ordinary shares under the Terms and Conditions of the Application as set out in the Prospectus dated 2 November 2007. The Application must be for a minimum of £3,000.

I ENCLOSE A CHEQUE OR BANKERS' DRAFT DRAWN ON A UK CLEARING BANK OR BUILDING SOCIETY, MADE PAYABLE TO 'Octopus Titan 1 & 2'.

For 2007/08 tax year _____ shares at 100p per Share totalling £ _____

SECTION 3

Signature _____ Date _____

SECTION 4

Financial Adviser _____ Tel _____

Mr/Mrs/Miss/Other _____ First Name _____ Surname _____

Administrator _____ Tel _____

Mr/Mrs/Miss/Other _____ First Name _____ Surname _____

FSA Number and Company Stamp _____

Special IFA Instructions _____

INVESTOR SERVICES PROGRAM

1. How would you like to be updated?

- ☐ Email
- ☐ Letter
- ☐ Telephone call from one of the Fund Managers

2. How often would you like to be updated?

- ☐ Every time we make an investment
- ☐ Every three months
- ☐ Every six months

3. Would you like to receive invitations to investment seminars/workshops?

- ☐ Yes but only concerning the Octopus Titan 1 & 2
- ☐ Yes to include other Octopus products
- ☐ No

4. From time to time we may choose to contact you by telephone to explain an aspect of your investment. Please indicate below if you are willing for us to call you:

- ☐ Yes I am happy to be called occasionally
- ☐ No thank you

Please call us at any time concerning your application on **0800 316 2347**.

- ☐ Please tick here if you do not want us to contact you with information about other Octopus products which we feel may be of interest to you.

APPLICATION FORM

OCTOPUS TITAN VCT 1 & 2

Before completing this application form you should read the Terms and Conditions of Application and Application Procedure. This Offer opens on 2 November 2007 and will close on 4 April 2008 unless previously extended by the Directors in their absolute discretion or fully subscribed prior that date.

SECTION 1

Mr/Mrs/Miss/Other _____ First Name _____

Middle Name _____ Surname _____

Address _____

Postcode _____ Email (optional) _____

Date of Birth _____ National Insurance Number _____

Telephone (Day) _____ Telephone (Home) _____

SECTION 2

I offer to subscribe for the following number of ordinary shares under the Terms and Conditions of the Application as set out in the Prospectus dated 2 November 2007. The Application must be for a minimum of £3,000.

I ENCLOSE A CHEQUE OR BANKERS' DRAFT DRAWN ON A UK CLEARING BANK OR BUILDING SOCIETY, MADE PAYABLE TO 'Octopus Titan 1 & 2'.

For 2007/08 tax year _____ shares at 100p per Share totalling £ _____

SECTION 3

Signature _____ Date _____

SECTION 4

Financial Adviser _____ Tel _____

Mr/Mrs/Miss/Other _____ First Name _____ Surname _____

Administrator _____ Tel _____

Mr/Mrs/Miss/Other _____ First Name _____ Surname _____

FSA Number and Company Stamp _____

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A large, stylized teal circular graphic on the left side of the page, composed of several overlapping concentric arcs that create a sense of depth and movement.

PRODUCTS THAT PERFORM
PEOPLE THAT LISTEN