
OCTOPUS

EUREKA EIS

PORTFOLIO SERVICE



Octopus Eureka EIS Portfolio Service

offers investors the potential to generate higher returns from a portfolio of early stage UK companies. This is combined with income tax relief, capital gains tax deferral and inheritance tax relief.

It is very important that you read and fully understand the risks involved with this investment so that you can decide whether it is right for you. The value of an investment in this product may go down as well as up and you may not get back the full amount invested.

Please remember that tax rules and regulations are subject to change. The key risks associated with this product are explained on page 10 of this brochure. Please note that all the figures and information provided within this document are correct as at June 2011.

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WELCOME TO OCTOPUS

As an investor with us, you're our priority; part of a growing community of investors who have trusted us to manage their money.

At Octopus, the needs of our customers are central to what we do. From product design to investment management to customer service, we always have you in mind. We work differently to other investment companies, and it's a welcome change for many. In the ten years since we launched, we've seen the number of people choosing to invest with Octopus grow to over 50,000, with funds under management now at £2 billion.

One of the areas where we're leading the market is in Enterprise Investment Schemes (EIS). We've developed a range of EIS products in response to customers' needs, and established ourselves as the largest provider of EIS solutions in the UK, with more than £250 million invested across our EIS range.

Octopus Eureka EIS is our EIS solution that combines significant tax benefits with the potential for higher returns. It is a compelling investment vehicle which gives individuals the opportunity to invest in high-potential early stage companies with risks buffered by multiple tax benefits.

Please note, past performance is no guide to future performance. It is important that you read and fully understand the key risks involved with this investment so that you can decide whether it is right for you. These are outlined on page 10 of this brochure.



I hope you find this brochure clear and easy to understand. We always recommend that you speak to your financial adviser before investing, but if you have any questions – or if it would help to speak to one of the fund managers – please call us on **0800 316 2298**.

A handwritten signature in orange ink that reads "Simon Rogerson". The signature is written in a cursive, flowing style.

Simon Rogerson
Chief Executive

OCTOPUS EUREKA EIS

A compelling solution with the potential to deliver higher returns, and a series of tax benefits that address real investor challenges.

Enterprise Investment Schemes (EIS) allow investors to access a number of tax benefits in a relatively simple structure, helping them reduce their tax burden and potentially generate an attractive return. They can be used to reduce income tax liabilities, address capital gains tax or potentially eliminate inheritance tax.

At the same time, some investors are willing to take on a higher level of risk in the pursuit of stronger returns. These individuals need products where they can easily invest in early stage, fast growth companies, but may not know how to access a reliable flow of investment opportunities.

Octopus Eureka EIS addresses both of these challenges – it allows investors to access both the tax benefits and a regular flow of fast growing companies in which to invest.

The competitive advantage of Octopus Eureka EIS lies in the Octopus Venture Partners. These are over 100 highly successful entrepreneurs and business people, including ex-FTSE 100 Chairmen and Chief Executives. They introduce investment opportunities to Octopus and our investors, they provide support and guidance to the portfolio companies, and they co-invest their own money alongside Octopus Eureka EIS.

The Eureka tax advantages provide you with a significant head start in comparison to more traditional investment products.

THE BENEFITS

Five different tax benefits combine to make Octopus Eureka EIS a very useful solution in many investors' portfolios.

Enterprise Investment Schemes can help investors generate an attractive return by investing in early stage companies with higher growth potential, combined with multiple tax benefits:

30% UPFRONT INCOME TAX RELIEF

As an investor, you receive 30% tax relief on the amount invested in EIS qualifying companies against your income tax bill for the 2011/12 tax year. You also have the option to carry back the tax relief to the 2010/11 tax year, but this relief will be at 20% which was the rate available for that tax year. This is on investments of up to £500,000 per tax year, and provided the investments are held for three years.

CAPITAL GAINS TAX (CGT) DEFERRAL

CGT, say from the sale of shares or a second property, is deferred for the life of the investment. You can defer gains made up to three years previously or one year in the future (from the point at which the investment into the underlying company is made).

LOSS RELIEF

Up to 50% loss relief is available on any holdings that fall in value, helping to offset the effect of any underperforming assets in the overall portfolio.

Paul Latham
Octopus



UP TO 100% INHERITANCE TAX (IHT) RELIEF

By investing in companies that also qualify for Business Property Relief, investments made through Eureka can be exempt from IHT after just two years (from the point at which the investment into the underlying company is made). In order to qualify, the investments must be held at the time of death.

TAX FREE GROWTH

All capital gains made with EIS investments are tax free. Given the higher returns targeted by Octopus Eureka EIS, this is an important tax benefit, allowing investors to include smaller companies in their investment portfolio in a highly tax efficient manner.

INVESTMENT APPROACH

Our investment approach combines the smaller company expertise from both our quoted and unquoted teams, who together analyse thousands of business opportunities every year.

Octopus looks to invest in exceptional small businesses across a range of industry sectors, where we believe there is the potential for significant capital growth.

We will typically invest your money in a portfolio of at least ten EIS qualifying companies. These will be unquoted companies or companies listed on the Alternative Investment Market (AIM), part of the London Stock Exchange. Typically, these investments will be made over a 12 to 18 month period.

To understand and evaluate each investment opportunity, we go through a rigorous process that involves spending time with a company's management team, evaluating the competitive landscape and reviewing financial models. We'll only invest when we're confident that we've found the right company at the right price.



Sarah Ellis
Octopus

In the Alternative Investment Market we'll carry out over 500 company meetings annually. In the unquoted sector, we'll review over 3,000 business opportunities each year, looking for strong entrepreneurial management teams and a compelling vision of how the company can grow. Here, we are regularly supported by the Octopus Venture Partners.

We really try get under the skin of the companies in which we are investing your money – we want to be sure it's in the right place.

OCTOPUS VENTURE PARTNERS

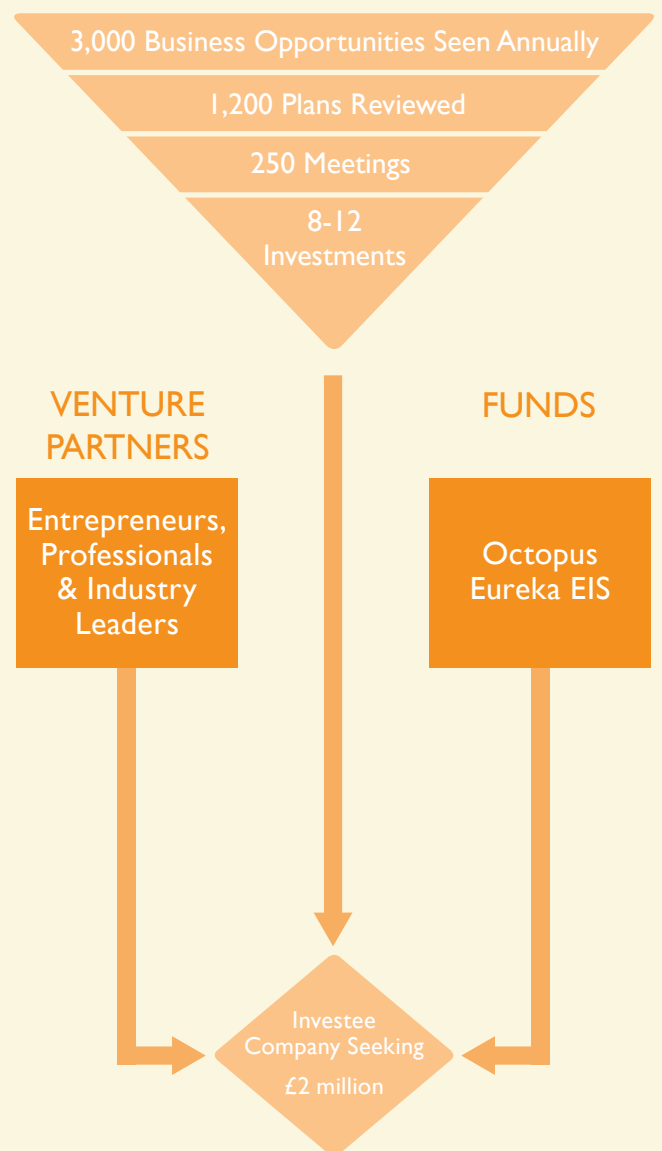
Our unique way of providing companies with not only finance, but also expertise and guidance on an ongoing basis, from people who have been there and done it before.

Octopus Venture Partners are a group of over 100 entrepreneurs and business experts who co-invest alongside Octopus Eureka EIS. It includes a number of ex-FTSE Chairmen and Chief Executives, as well as recognised 'Captains of Industry'. They share our passion for business and use their contacts and experience to help the investee companies succeed.

We involve members of the Octopus Venture Partners at an early stage in many of our investment decision making process, often engaging partners with relevant industry experience as part of our initial due diligence. This enables us to quickly identify outstanding opportunities into which Octopus Eureka EIS can invest.

The Octopus Venture Partners also bring potential investee companies to Octopus, which allows us to access unique opportunities ahead of the rest of the market.

This was more evident than ever during a recent Octopus Eureka EIS investment into Graze (2009), the innovative company which delivers healthy food directly to your desk or home by post. During the investment process, an Octopus Venture Partner with food industry experience was so excited by Graze, he made significant financial investment and is now part of the board of directors of the company. He has since created an advisory board of six other highly respected food industry heavyweights, helping the company continue its rapid growth.



This diagram is for illustrative purposes only.

INVESTMENT TEAM

Octopus Eureka EIS brings together a number of our most experienced investment professionals into a diverse and expert investment team.

Investments into private companies are managed by the Octopus unquoted team, which specialises in investing into small fast-growing companies that are not listed on any stock exchange.

Investments into AIM shares are managed by the Octopus quoted team. The team's combined skill and smaller company experience make it one of the strongest in the city.

ALEX MACPHERSON

Alex 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 maximising investment returns. Alex runs our ventures team.

MARIO BERTI

Mario recently joined Octopus to head the specialist finance team, which currently has £600m funds under management and twelve investment managers overseeing a diverse range of investments. Mario chairs the Specialist Finance Investments Committee and takes particular responsibility for evaluating potential investment. Prior to joining Octopus, Mario was a Director at Rothschild. Mario is a qualified Chartered Accountant and read PPE at Oxford.

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. Prior to joining Octopus, Chris was a director at Proven and Bridgepoint as well as working at 3i and Charterhouse. Chris is chairman of the Ventures Investment Committee at Octopus.

RICHARD POWER

Richard has 15 years' experience in smaller company investing. Richard joined Octopus in 2004 having previously worked at Duncan Lawrie and Close Brothers. Richard is in charge of our AIM team, which manages a number of mandates across the Alternative Investment Market.

INVESTMENT EXAMPLES

We believe this a great time for investors in smaller companies – valuations remain low but, with little bank lending, the best companies need alternative investment more than ever.

Here are just a few of the smaller companies Octopus Eureka EIS has already invested into on behalf of investors. Please note, these particular companies are unlikely to form part of a new Eureka EIS portfolio.

ZOOPLA INVESTED IN JAN 2009

Zoopla is an award-winning online property information service and community website, presenting information on house pricing, free valuation estimates, for sale listings, and local community information. Zoopla has become the UK's leading website for house prices and value data, providing the most comprehensive source of residential property market information. Its business platform integrates owners, agents, buyers and sellers, and enables people to easily find, track and market homes. Zoopla makes money from reselling the information it collects from users.

Zoopla has signed long-term strategic partnerships with the UK's three biggest estate agent groups and, following its first TV advertising campaign in 2010 has achieved new daily records for both website traffic (220,000 visits[†]) and leads (22,000[†]). Zoopla has also launched an iPhone app which has been downloaded over 100,000 times (as of October 2010), and signed its first big data contract to build tools for a leading UK developer. Zoopla was listed sixth on The Guardian's Top 100 Tech Businesses in the UK.

AQS (SOIL XCHANGE) INVESTED IN FEB 2010

AQS Ltd is a waste management business focusing on soil stabilisation and remediation. Its subsidiary, Soil Xchange, aims to create strategic hubs across the UK to take in hazardous soil and waste (i.e. from the construction industry), and exchange it for recycled, clean soil. It does this using its market leading soil remediation knowledge and equipment – the 'Eco Warrior'.

Demand for Soil Xchange is set to increase significantly, driven mainly by the increase in tax on hazardous construction and utility waste. Other factors include an onerous licensing process for soil remediation, and Government targets to reduce construction waste whilst increasing the recycled content of construction materials.

Trading has been strong with total sales exceeding budget. The first depot was operational at the end of October and firm orders have already been received. The strength of demand is increasing the pressure to locate the second site, which is targeted for Q1 2011.

Eureka is ideally positioned to help investors and smaller companies alike.

[†] Source: Zoopla.

THE RISKS

Investing always means taking some element of risk – we're here to help you understand what that means for your money.

This investment product may not be suitable for all investors. Potential investors are recommended to seek independent advice before investing. Please note that Octopus is not able to provide you with advice about whether you should invest in this product.

PAST PERFORMANCE

Past performance is no guide to future performance and there is no guarantee that Octopus Eureka EIS will achieve its objective. We can make no guarantee of investment performance or the level of capital gains or income that will be generated. Your capital and the investment return is not guaranteed.

RISK TO CAPITAL

Octopus Eureka EIS invests into the shares and securities in unquoted companies, or companies admitted to trading on AIM. Your capital and the investment return is not guaranteed and you may not receive back all the money you invest. You should consider Octopus Eureka EIS a long term investment. Investments in unquoted and AIM traded companies are likely to be more volatile and present a higher risk to your capital than those on the London Stock Exchange official list. You should not invest in this product unless you have thought carefully about whether you can afford it, and whether it is right for you.

LIQUIDITY RISK

Investments in unquoted and AIM companies made by Octopus Eureka EIS are likely to be less liquid, than for example, companies on the London Stock Exchange official list. Consequently whilst we will always attempt to redeem your investment upon receipt of a withdrawal request, this may not always be possible. Investments in unquoted companies are not readily marketable and the timing of any realisation cannot be predicted.

You should be prepared to leave the investment intact for the medium term, and at least for the minimum three year qualification period.

CURRENT LEGISLATION

Rates of tax, tax benefits and allowances described in this brochure are based on current legislation and HM Revenue & Customs (HMRC) practice and depend on personal circumstances. These may change from time to time and are not guaranteed.

Octopus does not provide advice and potential investors are recommended to seek specialist independent tax and financial advice before investing. Octopus Eureka EIS has been designed with UK resident taxpayers in mind. If you are not resident or ordinarily resident in the UK for tax purposes, it may not be appropriate or advantageous for you to invest in Octopus Eureka EIS. Investors should note that the increase in EIS income tax relief from 20% to 30% that was announced in the Budget on 23 March 2011, requires EU state aid approval.

EIS APPROVAL

We will invest in companies which we reasonably believe to be EIS qualifying companies at the time of investment but please be aware that there is no guarantee that such companies will remain EIS qualifying companies at all times thereafter, or that EIS tax reliefs will be available to investors. A failure of a qualifying company to meet the EIS requirements could result in the withdrawal of EIS tax benefits that have already been obtained and the requirement to repay any rebated tax. There is no guarantee as to the timing of the availability of the EIS3 certificates that are needed in order to claim EIS tax benefits. Your obtaining the EIS tax benefits is subject to you making the appropriate filings with HM Revenue & Customs. Please note, you will need to hold the investment for at least three years to benefit from the tax relief.

THE CHARGES

We try to make the products and the charges crystal clear, but if you have any questions about the charges please call us on **0800 316 2298**.

INITIAL FEE

There is an initial charge of 5%, which will be deducted from the amount invested. Of this, 2.5% may be payable to your financial adviser if you have one. If appropriate, your financial adviser will receive an annual trail commission of 0.5% of the value of your portfolio (paid out of our management fee). Such fees may be subject to VAT.

ANNUAL MANAGEMENT FEE

There is an annual management charge of 2% plus VAT of the value of your portfolio, paid quarterly in advance. There is no administration charge but dealing charges of 1% will apply on the purchase and sale of shares.

PERFORMANCE FEE

A performance fee is payable on Octopus Eureka EIS. This is equivalent to 20% (plus VAT, if applicable) of the realised returns in excess of the total amount originally invested in all the companies (ignoring all tax reliefs). This performance fee, if applicable, is first payable at the end of year three (calculated from the date of your initial investment into Octopus Eureka EIS). Thereafter, any performance fee is taken from the proceeds of each investment realisation.

Neil Buckland
Octopus



OTHER FEES

Octopus retains the right to charge upfront arrangement, exit, and monitoring fees to the private companies in which Octopus Eureka EIS invests. The costs of all deals that do not proceed to completion will be borne by Octopus.

When we say “get in touch” we mean it – we’re always happy to hear from you.

CLAIMING YOUR TAX RELIEF

We always work closely with your financial adviser to ensure your tax benefits are delivered in a timely manner, and that we keep you updated throughout the process.

Octopus Eureka EIS is a discretionary portfolio service and is not a pooled investment, collective or fund. The investments we make on your behalf will be held in your name and the tax reliefs and deferrals are generated as and when your money is invested in qualifying companies.

The relevant date for income tax relief, from a tax year perspective, is the date on which investments are made into each of the qualifying companies, rather than the date on which you invested into the product. Typically we aim to invest your money within 12-18 months.

After the companies into which we have invested have been trading for a period of four months (which may already have happened) we will apply to HM Revenue & Customs for permission to issue you with an EIS3 certificate for each of the investments. This certificate enables you to claim your income tax relief and capital gains tax deferral.

The latest date you can claim for EIS relief is five years after 31 January following the tax year to which the claim relates.

Dominique Butters
Octopus



Although Octopus cannot guarantee the speed at which the EIS3 certificates will be issued, we promise to work with the investee companies to try to minimise delays and we commit to keeping you informed throughout the process.

As the market leader in EIS, we've already helped thousands of investors claim their tax relief.

QUESTIONS AND ANSWERS

We've tried to answer the most common questions here, but we know each of our investors is different, so get in touch if there's something you want to ask, please call us on **0800 316 2298**.

WHAT IS THE MINIMUM I CAN INVEST?

The minimum investment is £25,000 and there is no maximum. Once you are an investor, additional minimal contributions of £5,000 can be made at any time.

HOW DO I FOLLOW THE PROGRESS OF MY INVESTMENT?

A valuation statement will be sent to you every three months, but you can call us at any time on **0800 316 2298**.

CAN I WITHDRAW MONEY FROM OCTOPUS EUREKA EIS?

You may give notice to withdraw money at any time. However, your investments in unquoted companies are not readily marketable and the timing of any realisation cannot be predicted. As such, you should be prepared to retain these investments until Octopus Eureka EIS exits from them. With respect to any investments in AIM companies, you should expect to receive funds within ten days. Very large transactions may take a few days longer but you will be kept informed throughout the sales process.

There are also potential tax consequences of withdrawing money. If the three-year holding period for an individual investment that is sold has not been completed, the income tax relief received in respect of that investment will have to be repaid and (if applicable), a portion of the deferred capital gains liability will become payable once again. The money withdrawn will also not be exempt from inheritance tax.

HOW ARE CAPITAL GAINS TREATED?

Any EIS gains are not subject to capital gains tax for qualifying investors.

HOW DO I APPLY?

After you have read this brochure please read the Terms and Conditions and complete the Octopus Eureka EIS application form (these are on the same document) available from our website or your financial adviser. You may invest by cheque or via bank transfer. Your application form (and cheque) should be sent to Octopus Investments Limited, PO Box 10847, Chelmsford CM99 2BU.

WHAT SHOULD I EXPECT AFTER I INVEST?

We'll write to let you know we've received your application. Because we aim to process applications the same day we get them, you should receive confirmation within a few days. After that we'll email you a contract note each time we invest your money in a company along with information on why we've decided to invest. Once the EIS3 certificate is available for each company we'll send it to you so you can claim your tax relief.

You'll also receive a valuation report in the post, after the end of each quarter. The report includes information on trading and investment activity over the report period as well as the current value of your investment. If you ever have any questions about your investment or would like to speak to the people managing your money, you can call or email us. We're always happy to hear from you.

ABOUT OCTOPUS

Octopus is built around people like you, our customers. We're happy when you're happy.

OUR APPROACH

Octopus is an investment company with a difference: we listen to our customers, design products that meet their needs, and deliver products and service with them in mind. We're thinking about you as well as your investment.

What this means is that when you call us, you'll get straight through to a real person, rather than being put on hold by a recorded voice. At Octopus we don't use call centres or automated systems. Furthermore, our fund managers and senior team are also available to talk to you whenever you want.

Similarly, we work to make all written communications from us clear and easy to understand. So whether on the phone or in writing, we can give you clear explanations about what's happening with your investment.

We'll also work with you to make sure that you receive the level of communication that's right for you, so you can get updates and information from us in a manageable form.

OUR CREDENTIALS

Within financial services, we have developed a reputation for quality and innovation by designing products that meet the needs of investors.

We're a market leader in many areas of investment. Of course, what's important is that our products bring real benefits to our customers and the industry recognition simply reflects this. We've already helped many customers and we continue to welcome new investors to Octopus.

- We're the largest provider of Enterprise Investment Scheme (EIS) solutions, including one of the most successful EIS funds ever launched
- We're the largest provider of inheritance tax solutions based around Business Property Relief in the UK, and winner of the Moneyfacts 'Best tax and estate planning solution provider' award in 2009 and 2010
- We're the market leading Venture Capital Trust (VCT) provider, voted 'VCT provider of the year' in 2007, 2008, 2009 and 2010 and have been shortlisted for or have won 'VCT of the year' every year since 2004
- We're the manager of the £30 million Octopus Capital for Enterprise Fund, part of the UK Government's 'Real Help for Businesses Now' scheme designed to help UK SMEs
- We've a talented multi manager team that boasts an impressive track record within its peer group. The team is currently responsible for eleven funds and over £800 million in funds under management

WHAT NEXT?

Financial advisers regularly vote us one of the best customer service providers in the industry. We won't let them (or you) down.

If you decide to invest, please complete and return the Octopus Eureka EIS application form. If you have any questions, please contact your financial adviser in the first instance. You can call us on **0800 316 2298** or visit us at **octopusinvestments.com**.

If you require an application form please visit our website where all of our literature can be downloaded. Application packs for products contain a full customer agreement. Please be sure to read through this carefully in order to familiarise yourself with the terms and conditions of investment.

We know how important making the right investment decision is, and we want you to feel comfortable and informed about investing with us. We recognise that in the current climate, many investors have concerns, so please feel free to call us at any time with your questions or queries. We're here to help and we're always happy to hear from you.

Chris, Simon and Guy
Octopus founders



Investing with Octopus should be a simple, enjoyable experience.

