

PRODUCTS THAT PERFORM PEOPLE THAT LISTEN

OCTOPUS EUREKA EIS PORTFOLIO SERVICE

PRODUCT BROCHURE



Octopus Eureka EIS Portfolio Service offers a compelling opportunity for individuals looking for the potential to generate higher investment returns from a portfolio of early stage UK companies. This is combined with income tax relief, capital gains tax deferral and inheritance tax relief.

This brochure is designed to give you an overview of Octopus Eureka EIS. To apply you will need to read the application form and customer agreement. This is available at **octopusinvestments.com** or by calling us on **0800 316 2298**.

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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 key risks associated with this product are explained on page 9 of this brochure.

Please note that all the figures and information provided within this document are correct as at 16 November 2009.

WELCOME TO OCTOPUS

Since we established Octopus nearly ten years ago, we have worked hard to meet the needs of investors through a broad range of innovative products. We now have more than 20,000 investors and more than £1 billion invested across our funds.

Octopus Eureka EIS 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 tax benefits.

Octopus Eureka EIS is managed by Octopus Investments, with the funds invested in companies that meet the requirements of EIS legislation, either listed on the Alternative Investment Market (AIM) or unquoted.

The key differentiator, and competitive advantage, of Octopus Eureka EIS is the Octopus Investor Group. This is made up of more than 100 highly successful entrepreneurs and business people, including ex-FTSE 100 Chairmen and Chief Executives, who provide support and guidance to the portfolio companies and co-invest their own money alongside the Octopus Eureka EIS.



SIMON OCTOPUS CEO

Unquoted investments are made by the Octopus Ventures team, which has been making investments into smaller companies for over eight years, achieving an internal rate of return of over 15% per annum in a period that has included the 'Technology Crash' and the recent financial crisis.

However, 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 9 of this brochure.

I hope that you find this brochure clear and easy to understand. We always recommend that you seek independent professional advice before you invest in any product, but if you do have any questions, or if it would help to speak to me or one of the fund managers, please call us on **0800 316 2298**.

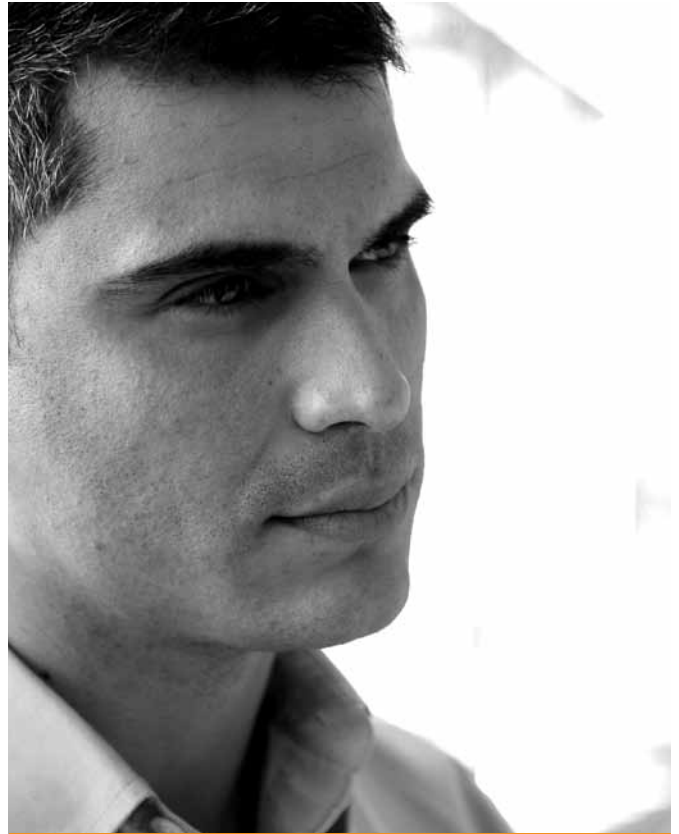
A handwritten signature in orange ink that reads "Simon Rogerson". The signature is written in a cursive, flowing style.

Simon Rogerson
Chief Executive

THE PROBLEM

Many investors are seeing their finances eroded on two fronts: increasing tax burdens and falling investment or savings returns.

- It is often difficult to access early stage companies where significant gains have historically been made
- Not all investors are aware of the options to help reduce their income tax bill



GEORGE INVESTOR

The current economic climate has significantly affected many investors, reducing the value of their assets and creating uncertainty around the future value of their investments. Meanwhile, the Government's planned response to the crisis - increased taxation - will further hit some people's finances.

However, in an effort to promote economic growth and development, the Government provides an incentive for investment in smaller UK companies through tax relief.

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 generating an attractive return. However, a large number of investors remain unaware of how they work and the tax benefits they can deliver.

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 has been designed specifically to meet the needs of investors who are seeking an investment solution that combines much needed tax benefits with the potential for significant returns.



GUY OCTOPUS

OUR SOLUTION

Octopus Eureka EIS provides individuals with the opportunity to invest in early stage companies with the potential for higher returns, combined with tax relief to mitigate the potential impact of losses.

Enterprise Investment Schemes can help investors generate an attractive return by investing in early stage companies with higher growth potential, combined with tax benefits that mitigate the potential impact of losses:

- 20% upfront income tax relief*
- Capital gains tax (CGT) deferral
- Inheritance tax relief
- Loss relief
- Tax-free growth

Selection of early stage companies is supported by the Octopus Investor Group - over 100 highly successful entrepreneurs and senior business people who co-invest their own money alongside Eureka EIS and provide ongoing guidance to the portfolio companies.

We believe that this combination of tax benefits and experience in smaller company investment and EIS management delivers a compelling investment solution with the potential for significant growth.

- Potential for higher returns from AIM and unquoted early stage companies
- Experienced investment and management team
- Multiple tax benefits
- Octopus Investor Group expertise and guidance

* Provided the investment is held for at least three years

THE OCTOPUS INVESTMENT APPROACH

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.

- Highly experienced in Alternative Investment Market (AIM) investing
- Octopus Ventures team with an eight year track record of unquoted smaller company investment
- 100+ members of the Octopus Investor Group



ALAN OCTOPUS VENTURES

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). These investments will be typically 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.

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 also supported by the Octopus Investor Group; a team 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'. As well as investing, they get involved at an early stage in the due diligence process, then, once invested, use their contacts and experience to help the investee companies succeed.



ALEX OCTOPUS VENTURES

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.

ALAN WALLACE

Prior to joining Octopus, Alan held senior positions at Sara Lee UK, Rank Hovis McDougall, and Cambridge Nutrition Holdings. He was also managing director of Dairy Crest and Premier Brands (Hillsdown) and Market Planning Director for GUS. He has over fifteen years' general management experience.

JO OLIVER

Having been a member of the Octopus Investor Group for a number of years, Jo joined Octopus in 2009. He is an entrepreneur who has extensive experience of working with and investing in smaller companies. He has founded several businesses and has also held senior roles in equity research at Merrill Lynch and Lehman Brothers. Jo is a Chartered Accountant and worked at Arthur Anderson.

OCTOPUS INVESTMENT TEAM

Key members of the team that manage the Octopus Eureka EIS are listed below.

RICHARD POWER

Richard Power has 14 years' experience in smaller company investing. Richard joined Octopus in 2004 having previously worked at Duncan Lawrie and Close Brothers. Whilst at Duncan Lawrie, Richard ran the number one performing UK smaller companies fund over one, three and five years to February 2000.

PAUL STEVENS

Paul is involved with the investment process for all AIM listed EIS investments. His role entails the evaluation and assessment of new opportunities, deal allocation and client liaison, through to the monitoring and support of portfolio companies post investment. Paul has worked for the Octopus quoted investment team for four years.

EIS TAX BENEFITS

Octopus Eureka is a discretionary EIS portfolio service, where the tax reliefs and deferrals are generated as and when your money is invested in qualifying companies.

- Octopus EIS products have raised over £180 million and helped thousands of investors
- EIS solutions deliver multiple tax benefits



JAMES OCTOPUS

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

Provided the underlying investments made by Eureka are held for at least three years, you're entitled to five separate tax advantages:

- **20% upfront income tax relief (up to an investment of £500,000 per tax year)**
- **100% capital gains tax deferral for the life of the investment**
- **Up to 40% loss relief on any holdings that fall in value**
- **100% inheritance tax relief after two years (provided the investments are held at time of death)**
- **Tax-free growth**

These tax advantages depend on individual circumstances. If you're unsure of your own potential tax liabilities, you should seek professional advice from a qualified tax adviser.



CHARLOTTE INVESTOR

KEY RISKS

As with many investments, there are risks associated with investing in this product. We've tried to explain these risks as clearly as possible below.

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.

The value of investments and the income derived from them may go down as well as up and you may not get back the full amount invested.

INVESTMENTS

Investments made by Eureka, because they are unquoted and AIM-listed companies, are likely to be higher risk than securities listed on the London Stock Exchange Official List. Investments in shares in unquoted companies are not readily marketable and the timing of any realisation cannot be predicted. You should not invest in this product unless you have carefully thought about whether you can afford it and whether it is right for you. You should be prepared to leave the investment intact for the medium term.

CURRENT LEGISLATION AND EIS FUND APPROVAL

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.

Eureka 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 Eureka.

Your obtaining income tax relief is subject to you making the proper filings with HM Revenue & Customs within the requisite time periods and you may lose such relief if not so filed.

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 HMRC.

INVESTMENT EXAMPLES

Eureka has previously invested into these and other companies on behalf of current investors.*

ZOOPLA

Zoopla is an online property information service and community website integrating elements such as house pricing, free valuation estimates, 'for sale' listings, and local community information in an award-winning site. Launched in January 2008, Zoopla has become one of the most visited property websites in the UK and boasts over a million user contributions within the first twelve months of launch.

Octopus Ventures invested £2 million in Zoopla, having been impressed by the strong entrepreneurial management team and rapid growth of the company. The funds were used to enhance Zoopla's unique technology platform and expand its sales and marketing functions. Zoopla also acquired the Property Finder Group, increasing its overall visitor numbers significantly, making it now the third biggest company in the sector.

CALASTONE

Calastone is the UK's only independent transaction service for the mutual fund industry. The company enables buyers and sellers of mutual funds to communicate orders electronically by providing a universal message communication and translation service, which allows previously incompatible systems to communicate.

Octopus Ventures invested £2 million into Calastone in October 2008. Calastone is using these funds to scale up the business, accelerate commercialisation of its services and increase its marketing efforts to cement the company's edge over exiting providers in the market.



NICK INVESTOR

IMAGINATIK

Imaginatik develops innovation and collaborative problem solving software which is being used by over 50 blue chip clients in North America, Europe and Australasia. The software provides a platform for large businesses to intelligently collect and process ideas, suggestions and solutions from a broad employee base, in order to save costs across the business.

Imaginatik recently raised £1.6 million through the placing of new shares. Octopus invested £1.2 million in this round. The funds have been used to accelerate the growth of the business, including the development of alliances with large multi-national organisations, and to expand the sales force. Since then, the share price has nearly doubled as positive newsflow and an increased profile have attracted buying interest in the shares.

LIDCO GROUP

LiDCO manufactures and sells a medical device which monitors body fluid levels and cardiac output for individuals undergoing surgery. Its technology replaces a considerably more invasive monitoring system which involves the placement of a catheter into the heart. The technology uses a sensor external to the body, which improves recovery times and reduces complications, providing a significant cost saving.

In 2009, LiDCO announced a series of positive statements including a US-wide distribution agreement, strong sales of its machines, and the selection of its rapid monitor solution for a government-supported multi-centre trial in the UK. The share price has performed very well in light of this positive newsflow.

** Investments listed are examples only and may not be invested into in future.*



NOREEN RELATIONSHIP MANAGER

THE CHARGES

If you have any questions about the charges, or if it would help to speak to one of the fund managers, 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).

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

In line with standard industry practice, a performance fee is payable on Octopus EIS. The performance fee is equivalent to 20% (plus VAT, if applicable) of the return in excess of the gross amount originally invested (excluding all tax reliefs). This performance fee, if applicable, is payable at the end of year three (calculated from the date of your investment into Eureka). Thereafter, the portfolio must continue to rise in value over each subsequent 12 month period for any further performance fee to be payable.

OTHER FEES

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

HOW TO CLAIM YOUR TAX RELIEF

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



KATE INVESTOR

Eureka is a discretionary portfolio service and is not a pooled investment 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 (typically invested over a 12-18 month period).

CLAIMING YOUR TAX RELIEF

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, we will apply to HMRC 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.

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.



CHRIS DIRECTOR

ABOUT OCTOPUS

Octopus is AAA rated for investment planning by Citywire.

A DIFFERENT KIND OF INVESTMENT COMPANY

At Octopus, we believe our success has come from listening to our customers, designing investment products that meet their needs and providing a level of service which, we believe, is unmatched within the industry.

PRODUCTS THAT MEET CLIENT NEEDS

At Octopus, we look to develop innovative solutions that really meet investors' needs. Time and again, we have designed products that offer features you simply won't find anywhere else. It's this innovation, coupled with our track record, that has meant our funds under management have risen tenfold over the last four years. This extraordinary record of success has also attracted many experienced investment professionals to work for us. So you can be sure investments with us are in the best possible hands.

PERSONALISED SERVICE

We want investors to feel informed, comfortable and confident about how we're investing their money. So once invested, we'll talk to you about how often you want us to get in touch, and how much information we should provide, so you get the level of service that's right for you.

QUESTIONS AND ANSWERS

If you have any questions, or if you would like to speak to one of the fund managers, please call us on **0800 316 2298**.

HOW DO I CHECK THE PROGRESS OF MY INVESTMENTS?

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

CAN I WITHDRAW MONEY FROM EUREKA?

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 Eureka exits from them. With respect to any investments in AIM companies, you should expect to receive funds within 10 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.



MARGARET INVESTOR

WHAT IS THE MINIMUM I CAN INVEST?

The minimum investment is £50,000 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 APPLY?

Please complete the application form at the end of this brochure.

WHO DO I MAKE MY CHEQUE PAYABLE TO AND WHERE DO I SEND IT?

Your cheque should be made payable to '**Octopus Eureka Client Money Account**'. This cheque, along with your application form, should be sent to: **Octopus Investments Ltd, 8 Angel Court, London, EC2R 7HP**

Alternatively, you can send us a transfer via CHAPS or BACS - please see the application form for full details.

WHAT SHOULD I EXPECT AFTER I INVEST?

We will acknowledge receipt of your application by return post.



MATT CHAIRMAN

WHAT NEXT?

If you have any questions please contact your financial adviser or call us on **0800 316 2298** or visit us at **octopusinvestments.com**.

You can obtain an application form by calling us on **0800 316 2298** or by visiting **octopusinvestments.com** where all of our literature can be downloaded.

Please be sure to read the application and customer agreement carefully in order to familiarise yourself with the terms and conditions of investment. If you have any queries, please **contact your financial adviser** or call Octopus.

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 many investors may have questions so please feel free to call us at any time with your queries. We're here to help and we're always happy to hear from you.



OCTOPUS
INVESTMENTS

IMPORTANT INFORMATION

This document constitutes a financial promotion pursuant to Section 21 of the Financial Services and Markets Act 2000 and is issued by Octopus Investments Limited.

Your attention is drawn to the risk factors set out on page 9. Nothing in this document should be regarded as constituting legal, taxation, investment, or other advice and prospective investors are advised to consult their own professional advisers before contemplating any investment.

Any decision to invest in this product should be made on the basis of the information contained in the prospectus for Octopus Eureka EIS Portfolio Service, including the terms and conditions attached to the application form.

Past performance is not a guide to future performance and may not be repeated. The value of shares can go down as well as up and you may not get back the full amount invested. You should consider an investment in this product as a long-term investment.

Rates of tax, tax benefits and allowances are based on current legislation and HM Revenue & Customs practice. These may change from time to time and are not guaranteed.

Changes in legislation in respect of Enterprise Investment Schemes in general, and qualifying investments and qualifying trades in particular, may restrict or adversely affect the ability of this product to meet its objectives and/or reduce the level of returns which would otherwise have been achievable.

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