Octopus Titan VCT plc

# Annual Report and Accounts for the year ended 31 October 2017

## Company number: 06397765

For UK investors only

octopus investments

Octopus Titan VCT plc ('Titan' or 'the Company') is a venture capital trust ('VCT') which aims to provide shareholders with attractive tax-free dividends and long-term capital growth by investing in a diverse portfolio of predominantly unquoted companies. The Company is managed by Octopus Investments Limited ('Octopus' or 'Portfolio Manager') and Octopus AIF Management Limited (the 'Manager').

# Contents

# Financial Summary

| | As at 31 October 2017 | As at 31 October 2016 |
|---|---|---|
| Net assets (£'000s) | **432,703** | 315,976 |
| Profit after tax (£'000s) | **16,181** | 14,227 |
| Net asset value per share ('NAV') | **96.4p** | 97.9p |
| Cumulative dividends paid since launch | **66.0p** | 61.0p |
| NAV plus cumulative dividends paid ('Total Value') | **162.4p** | 158.9p |
| Total Return* | **3.5p** | 4.2p |
| Total Return %** | **3.6%** | 4.1% |
| Dividends paid in the year | **5.0p** | 9.0p |
| Final dividend proposed | **3.0p** | 3.0p |

*Calculated as the change in NAV in the year plus dividends paid in the year.
**Calculated as total return/opening NAV.

# Key Dates

| | |
|---|---|
| Final dividend payment date* | 27 April 2018 |
| Annual General Meeting | 9 March 2018<br>(11.00 a.m. at 33 Holborn, London EC1N 2HT) |
| Half-yearly results to 30 April 2018 published | June 2018 |
| Annual results to 31 October 2018 announced | January 2019 |
| Annual Report and accounts published | February 2019 |

*Payable on 27 April 2018 to those shareholders on the share register on 13 April 2018.

# Strategic Report

## Our Strategy
The Directors are required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to include a Strategic Report to shareholders.

## Investment Policy
The investment policy of the Company is as follows:

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

The Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of investee companies from a number of different technology sectors. In order to limit the risk to the portfolio that is derived from any particular investment, at the point of investment no more than 15% of the Company by value will be in any one investment. Any borrowing by the Company for the purposes of making investments will be in accordance with the Company's Articles of Association.

The investment profile is expected to be:

- 80 – 100% in VCT qualifying investments, primarily in unquoted companies
- 0 – 20% in non-VCT qualifying investments or cash.

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

### VCT Qualifying Investments
Investment decisions made must adhere to HMRC's VCT qualification rules. In addition to adhering the VCT rules, when considering a prospective investment in a company, particular consideration is given to:

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

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

A review of the investment portfolio and of market conditions during the year is included in the Chairman's Statement and Portfolio Manager's Review which form part of the Strategic Report on pages 3 to 5 and 10 and 23 respectively. A Business Review also forms part of the Strategic Report on pages 6 to 9.

## Liquidity strategy
The Board's strategy is to maintain an appropriate level of liquidity in the balance sheet to continue to achieve five aims:

- to support further investment in existing portfolio companies if required;
- to take advantage of new investment opportunities as they arise;
- to cover the running costs of Titan as they fall due;
- to support a consistent dividend flow; and
- to assist liquidity in the shares through the buyback facility.

Liquidity in Titan is primarily driven by capital realisations and fundraising activities.

## VCT Regulation
Compliance with the required VCT rules and regulations is considered when all investment decisions are made. Titan is monitored internally on a continual basis to ensure compliance and is monitored each six months by PWC who perform a comprehensive validation exercise. The investment policy is designed to ensure that Titan continues to qualify and is approved as a VCT by HMRC. The main criteria to which Titan must adhere is detailed on page 63.

Titan will continue to ensure its compliance with the qualification requirements.

## Future prospects
Titan's performance record reflects the success of the strategy set out above and has allowed the Company to maintain the dividend payments to shareholders in line with the Dividend Policy set out on page 4. The Board believes this business model will continue to meet the investment approach above and enable the Company to continue to deliver the targeted regular tax-free annual dividends referred to in the Chairman's Statement. The Outlook statements in both the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 5 and 10 and 23 respectively provide further details on the future prospects of Titan.

# Chairman's Statement

I am pleased to present the annual results for Octopus Titan VCT plc for the year ended 31 October 2017, which has been another good year for Titan in terms of the quality of deal flow, investments made, the underlying portfolio health, Company performance and fundraising.

I am delighted to say that the notable success of Octopus, our Portfolio Manager, in choosing and helping to develop some of the UK's leading young technology companies is recognised by several awards, most notably 'VCT of the year' at the Investor Allstars 2017 and 'Hottest VC Investor' at the 2017 European Tech Startup Awards and I would like to thank them on behalf of shareholders. I also believe that Titan leads the way for VCTs through its innovative approach to investment, such as monthly Direct Debits and the use of ISAs, which has brought in new groups of VCT investors.

In summary, at the year end the Titan portfolio numbered 54 companies (52 at 31 October 2016), with a total portfolio value of £302 million (£226 million at 31 October 2016) and a total net asset value for Titan of £433 million (£316 million at 31 October 2016). In the year to 31 October 2017, £39 million was invested into existing portfolio companies to support their continued growth and a further £23 million was invested into eight new portfolio companies, giving a total of £62 million invested in the year. Additionally, £22 million in dividends was paid to shareholders, £3 million was spent on share buybacks and approximately £14 million was spent on the running costs of the Company. We also exited from three investments, proceeds from which amounted to £9 million (in addition to £4 million received from the earnout following the sale of Swiftkey in 2016). Our net cash outflow (excluding working capital movements) was therefore £88 million prior to the proceeds from fundraising which amounted to £124 million (before expenses). Notwithstanding the fact that this was, by some way, the largest fundraising by a VCT, we closed early in March 2017.

In order to ensure that we continue to have sufficient cash to continue to invest further in existing portfolio companies, as well as adding new investments to the portfolio, the Board announced a further fundraise of up to £200 million (including the over-allotment facility) in September 2017. £93 million (before expenses) of this fundraise was allotted in November 2017 and additional unallocated applications received to 26 January 2018 amount to over £24 million. Given investor demand to date, your Board is confident that we will achieve our extended fundraising target of £200 million. I would like to thank all shareholders who have supported the fundraisings and welcome new shareholders.

The magnitude of the recent fundraisings and, in particular the targeted £200 million current fundraise, reflect the very exciting current investment opportunity that exists in early stage investing, with the UK technology market continuing to thrive. British companies are continuing to be successful at developing technology that gives them a competitive edge on a global basis. In the past decade, the UK has become the most active technology market in Europe. Back in 2010, there was only one European technology company founded since 2003 valued at $1 billion or more. There are now close to 60 such companies with billion-dollar valuations, and 22 of these are UK-based. We believe that our portfolio contains a number of companies that could join this group and we are delighted to have invested in ZPG (Zoopla) which is the first (and to date only) VCT backed member of this group. Titan's main aim is to find companies with this potential, invest at an early stage and follow on until VCT rules prohibit us from further investment.

Given this investment environment and Octopus' excellent quality deal flow (thousands of opportunities each year and an estimated 70% of all the Titan-appropriate deals in the UK), the Board decided that there is the opportunity to accelerate Titan's new investment rate from the 6-10 new investments per annum over the past few years to over 20 a year in the next year or two. This requires further capital to make additional new investments and also subsequent follow on investments, which is being achieved through the increased size of the fundraises and additional resource to make and manage these new investments. Accordingly, Octopus has increased the size of the team in anticipation of this accelerated new investment rate and the anticipated resultant increased future size of the portfolio. As I have previously reported, the original Venture Partner programme has been changed so that the Venture Partners no longer invest alongside Titan but are now exclusively devoted to helping companies reach their potential and achieve their global ambitions. The number of Venture Partners increased from 5 to 9 in the year, and had increased by a further three by the end of calendar 2017.

Octopus now has one of the largest Venture Capital teams in Europe. Most of the team is based in London, since the majority of Titan investments are headquartered in the UK; however Octopus now has an office in New York, together with presences in San Francisco, Singapore and Shanghai, reflecting and serving the global ambitions and needs of many of the Titan investments.

## Performance

The Net Asset Value ('NAV') per share at 31 October 2017 was 96.4p (2016: 97.9 p) representing a total return for the year of 3.5p per share after taking account of dividends paid of 5.0p per share in the year. We believe that this total return of 3.6%, which brings the total return to 67.4p since the first reporting period end on 30 April 2008, represents a good investment performance and details are summarised in the table on page 64. The underlying performance of the portfolio, calculated as the profit in the year attributable to revaluations and disposal gains, divided by the value of the portfolio at the start of the year, was 10.8%.

## Portfolio

During the year, there have been many notable successes within the portfolio of 54 companies. These range from companies entering new geographical markets, launching new products, acquisitions, and even IPOs. Overall the Titan portfolio grew revenues by over 45% in the 2016 calendar year, with 12 companies more than tripling their revenues in that period. Over the same period, the portfolio created 700 new jobs, ending calendar 2016 with an aggregate of 2,700 employees.

Within the portfolio, Secret Escapes, the online travel company which Titan first invested into in 2011 before the business had its first customer, raised an additional $111 million in funding and completed the acquisition of Prague-based Slevomat in October 2017. Following this acquisition the company has over 800 employees and hundreds of £millions of bookings per annum. Amplience, which powers digital content for some of the largest e-commerce platforms, saw some spectacular activity in November 2017. Driven by Black Friday, its traffic during November was 94% higher than in October with a peak delivery of 154,000 pieces of content per second to over 2.3 million online shoppers an hour. Calastone is now the largest global fund transaction network and recently announced that 2019 will see the technology underpinning the core of its network moving to a private and permissioned-based blockchain infrastructure (the technology that cryptocurrencies like Bitcoin are based on). After a period of sustained growth (both in the UK and overseas), Eve Sleep also undertook a successful IPO on the AIM market, raising £35 million at a market capitalisation of over £100 million, which at the end of 2017 had increased to over £170 million. Surrey NanoSystems has been flooded with inquiries from designers, architects and aerospace engineers for its unique new substance, Vantablack, which absorbs 99.96% of the light that hits its surface and is the darkest material in the Universe. Tails.com is now feeding over 70,000 dogs with bespoke food optimised to each dog's nutritional needs. Other Titan portfolio companies such as Sofarsounds, graze and Swoon Editions are also fast becoming household names.

In terms of disposals in the year, Titan completed the realisation of its investment in ZPG (Zoopla) through Zenith LP, generating proceeds of over £3 million. This was combined with previous years' ZPG disposals proceeds to give rise to one distribution of £9 million to Titan in the year. ZPG has been a fantastic investment for Titan. It originally invested in 2009 when Zoopla had revenues of approximately £100k, which compares to over £200 million now. In total Titan invested £2.8 million and has realised proceeds of over £17 million in Zoopla, with a 33x return on the original investment amount.

Of the eight new investments in the year, examples include Fluidly, a business focused on improving cash flow forecasting for SMEs using artificial intelligence; Medisafe, a company helping patients understand and track what medication they should be taking, which helps increase drug adherence levels and medical outcomes; and Digital Shadows, a cyber-security technology business enabling corporations to better understand where their digital vulnerabilities are and how to address them.

Unfortunately, but not unexpectedly when investing in early stage technology companies, there are a few investments that have fallen short of expectations and where we have therefore taken valuation write downs in the year. Hubbub Deliveries and Mailcloud were unfortunately placed into liquidation in May 2017, and Adbrain was placed into administration in October 2017. Octopus is working hard alongside the companies that are underperforming to assist them. Whilst failures are unfortunately very much part of early stage investing, we believe our failure record is low compared to the industry average. Further information can be found in the Portfolio Manager's Review on pages 10 to 23.

## Performance Incentive fees

Titan's performance in the year has meant that Octopus has earned a performance fee of £3.9 million, of which £3.6 million will be paid in February 2018 and the balance of £0.3 million will be accrued, payable subject to the achievement of performance hurdles in the future. The performance fee payable in February is calculated as 20% on all gains above the High Water Mark of 158.9p as at 31 October 2016 on all shares in the Company, except those that relate to Titan 5. The accrued performance fee relates to Titan 5 shares and is detailed in Note 19.

## Dividend and Dividend Policy

It remains your Board's policy to strive to maintain a regular dividend, whilst retaining the appropriate level of liquidity in Titan. Titan is targeting regular tax-free annual dividends of 5.0p per share, plus the potential for special dividends as and when realisations allow. In the 2017 financial year, Titan paid an interim dividend of 2.0p for the 6 months to April 2017 (on 25 August 2017) in addition to a final dividend of 3.0p in respect of the 2016 financial year (paid on 28 April 2017). This takes the total dividends paid in the year to 5.0p per share (2016: 9.0p per share, which included a 5.0p special dividend). A final dividend of 3.0p per share is proposed in respect of the 2017 financial year, payable on 27 April 2018 to those shareholders on the share register on 13 April 2018.

## Fundraise and Buybacks

Titan successfully raised £124 million (£120 million net of up-front fees) during the year, excluding funds raised through the dividend re-investment scheme (DRIS).

The Board announced a further opportunity to invest in Titan to raise up to £120 million (with an over-allotment facility to raise a further £80 million, which has subsequently been utilised) on 5 September 2017. On 17 November and 21 November, £93 million in total (£91 million net of costs) was allotted. Given subsequent inflows, the Board is quietly confident that the extended fundraise target of £200 million will be achieved.

During the year, Titan repurchased three million shares. Further details can be found in Note 14 of the accounts. The Board continues to buy back shares from shareholders at no greater than a 5% discount to NAV. The Board will continue to monitor the volume of shares bought back and at present intends to maintain the existing limit of the share capital that it buys back and cancels each year at 5%. I am pleased to see that the current demand from shareholders to buy back shares is well below this level. This policy will, of course, continue to operate at the Board's discretion. However, it is the Board's intention that shareholders should be able to sell their shares back to Titan in the absence of an active secondary market, since we believe that this share buyback policy enhances Titan's attractiveness as an investment for both existing and new shareholders.

## VCT Qualifying Status

PricewaterhouseCoopers LLP provides both the Board and Octopus with advice concerning ongoing compliance with HMRC rules and regulations concerning VCTs. The Board has been advised that Titan is compliant with the conditions laid down by HMRC for maintaining approval as a VCT. A key requirement is for 70% of the HMRC value of Titan to remain continually invested in qualifying investments. As at 31 October 2017, over 90% of Titan (as measured by HMRC rules) was invested in VCT qualifying investments.

The Chancellor's Budget in November 2017 reaffirmed the Government's commitment to supporting the next generation of UK businesses, recognising the important role VCTs can play in providing start-up companies with the funding they need to reach their growth potential.

There were a few technical changes introduced, for example from 6 April 2018 VCTs will have to invest at least 30% of funds raised into qualifying holdings within 12 months. Additionally from 6 April 2019, the proportion of funds that VCTs must hold in qualifying investments will rise from 70% to 80%. Given Titan's current qualifying proportion of over 90% and its current and intended investment rate the Board does not believe that these changes will have a material impact on the Company.

The Budget also announced that, with effect from 6 April 2018, "knowledge intensive" companies, which are those that have high Research & Development or innovation spending, will now be able to raise up to £10 million each year from VCTs and EIS, up from £5 million at present. Titan typically invests in knowledge intensive companies and so this is a positive and welcomed change.

As the largest provider of VCTs in the market, Octopus continues to work closely with the UK Government to help achieve the best possible outcome for the VCT industry and for the UK's smaller companies. It is interesting to note that Octopus was instrumental in the founding of the VCTA (Venture Capital Trust Association) which played a crucial role in negotiations with HMRC and the UK Government ahead of the Budget, making clear the vital role VCTs play in the UK's continued European leadership of entrepreneurial success. This will continue in the future.

## Annual General Meeting ('AGM')

The Annual General Meeting will take place on 9 March 2018 at 11 a.m. and will be held at the offices of Octopus Investments Limited, 33 Holborn, London, EC1N 2HT. I hope to meet as many shareholders as possible at this event, which provides an opportunity for them to meet the Board and our Manager and to hear an update on Titan's activities and future plans. In order that we cover any questions that you might want answering by the Manager or Titan VCT Board, we have set up a dedicated email so that you can send us questions (**TitanAGM@Octopusinvestments.com**) and we will do our best to address as many as we can in the meeting.

## Outlook

2018 promises to be an exciting year and perhaps one characterised by change. It is often during periods of change that entrepreneurial businesses are best placed to thrive. Despite the uncertainties the current state of the Brexit negotiations brings, Titan has a well-diversified portfolio of exciting young and emerging technology businesses. These are run by energetic and intelligent entrepreneurs who view the opportunities with relish and have the ambition and ability to create businesses that can be world class in both size and impact.

Our current fundraise, having already achieved more than half of the overall total Offer, looks set to take Titan's total assets to over £600 million. The funds raised will be available to ensure that we can continue to support our portfolio of 54 companies where appropriate as well as increasing the rate of investment into new portfolio companies. The Octopus team is one of the most experienced European early stage technology investing teams and we are confident that they will continue to see the best opportunities in this field which will maintain the momentum of the portfolio.

We believe that our strategy, which can be found in the Strategic Report on page 2, will allow us to achieve significant capital growth over the medium term and, as already mentioned, it is our aim to distribute this by way of an annual dividend supplemented by special distributions as and when realisations allow.

If you are unable to attend the AGM on 9 March 2018, I would urge you to complete and return the enclosed proxy form or to submit your proxy vote via the Computershare web portal. If you have any questions regarding the Company, please do not hesitate to write to me or Octopus, Titan's Manager.

Finally, I would just add a note of personal endorsement: at the last count I realise my family are regular users of at least six of our portfolio companies, namely Bought by Many, Chronext, Amplience, CurrencyFair, Eve Sleep, and graze. It is easy to feel that investments in early stage technology companies do not affect our daily lives and so I encourage you to review the portfolio and see if you can experience some of the companies your investment is helping to build at first hand.

John Hustler
Chairman
5 February 2018

# Business Review

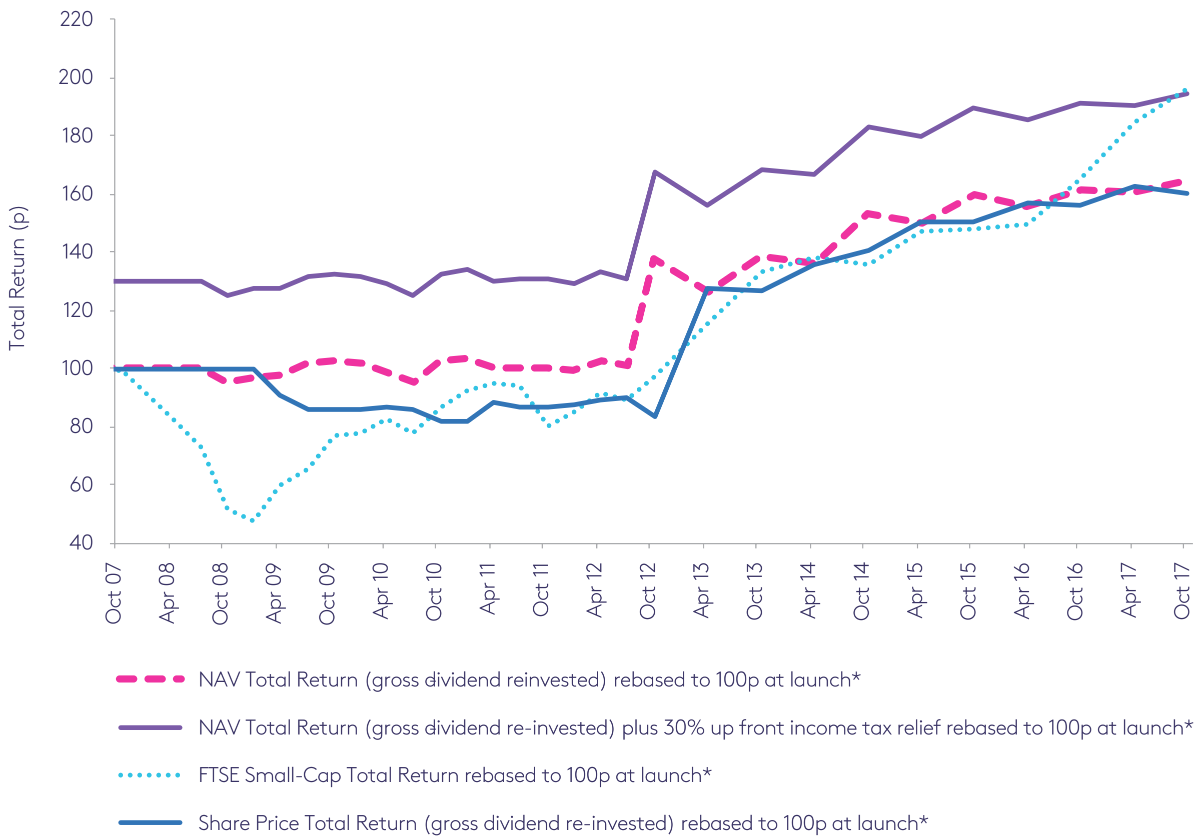
## Titan Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the investment portfolio is delegated to Octopus through the Investment Management Agreement, as referred to in the Directors' Report on page 24.

The graph below compares the NAV total return and Share Price total return (gross dividends re-invested) of the Company over the period from October 2007 to October 2017 with the total return from a notional investment in the FTSE Small-Cap index over the same period (all rebased to 100p). This index is considered to be the most appropriate broad equity market index for comparative purposes. The Board wishes to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the HMRC rules.

It is agreed by the Board that it would be unwise to present a comparison of Titan's NAV with that of other VCTs as the year ends are not aligned and thus there would be timing differences in comparisons. The Board also believes that the International Private Equity and Venture Capital (IPEVC) valuation guidelines require an element of judgement. Without a full analysis of the guidelines as applied by other fund managers there is a risk that these valuations would not be directly comparable.

**Net asset value and share price total return since launch against the FTSE Small-Cap Index total return**




* based on notional investment on 31 October 2007

AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100p) from launch, assuming that divends paid were re-invested at the NAV of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

The Earnings per Share for the year ended 31 October 2017 is 3.9p (2016: 4.9p per share). Further details can be found in Note 8 on page 51.

The total remuneration of the Directors for the year was:

| | **Year ended 31 October 2017 £'000** | Year ended 31 October 2016 £'000 |
|---|---|---|
| **Total** | **93** | 90 |

Further details can be found in the Directors' Remuneration Report on pages 34 to 36.

## Profit and dividends

| | **Year ended 31 October 2017 £'000** | Year ended 31 October 2016 £'000 |
|---|---|---|
| Profit attributable to shareholders | **16,181** | **14,227** |
| | | |
| Appropriations: | | |
| Previous year final dividend | **13,327** | **6,369** |
| Interim dividends | **8,945** | **6,448** |
| Special dividend | **–** | **15,920** |
| **Total** | **22,272** | **28,737** |

In addition to the 2p per share interim dividend paid on 25 August 2017, a final dividend of 3.0p per share will be paid on 27 April 2018 to shareholders on the register on 13 April 2018. Payment of the final dividend is subject to Shareholder approval at the forthcoming AGM.

## Key Performance Indicators (KPIs)

As a VCT, Titan's objective is to provide shareholders with an attractive income and capital return by investing its funds in a broad spread of smaller unquoted UK companies which meet the relevant criteria for VCTs.

The Board expects Octopus to deliver a performance which meets the twin objectives of providing investors with attractive returns from a portfolio of investments, and maximising tax-free income for shareholders. The KPIs in meeting these objectives are:

- net asset value plus dividends paid;
- the total expense as a proportion of shareholders' funds; and
- improvement of the investment performance.

A record of some of the indicators is detailed on page 1 entitled Financial Summary. Additional comments are provided in the Chairman's Statement regarding the performance of Titan over the current year. The Board regularly assesses the performance of Octopus in meeting Titan's objectives against the KPIs highlighted above.

As previously discussed, the performance for the year was an overall Total Return of 3.6% and 3.5p per share which includes a capital return (portfolio and OEICs) of 4.6% equating to 4.5p per share, as mentioned in the Chairman's Statement. The total running costs in the period, as defined in the Prospectus, were 2.5% of Titan's net assets, within the annual limit of 3.2%.

Clearly, when making investments in unquoted companies at an early stage of their development, some are likely to disappoint, but investing the funds raised in high growth companies with the potential to become market leaders creates a diverse portfolio for shareholders. The growth of these companies is largely dependent on continued funding and a healthy economic environment. A volatile economic environment could adversely have a negative impact on the development of the investee companies.

Performance, measured by the change in NAV and Total Value per share, and compared to the FTSE Small-Cap index is shown in the graph on page 6.

The Chairman's Statement, on pages 3 to 5, includes a review of Titan's activities and future prospects; further details are also provided within the Portfolio Manager's Review on pages 10 to 23.

## Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2014 the Directors have assessed the prospects of Titan over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a period of five years, which was considered to be a reasonable time horizon given that the Company had raised funds under an offer for subscription which closed on 7 April 2017, a further fundraising was launched on 5 September 2017 and, under VCT rules, subscribing investors are required to hold their investment for a five year period in order to benefit from the associated tax reliefs. The Board regularly considers strategy, including investor demand for the Company's shares, and a five year period is considered to be a reasonable time horizon for this.

The Board carried out a robust assessment of the principal risks facing the Company and its current position, including those which may adversely impact its business model, future performance, solvency or liquidity. Particular consideration was given to Titan's reliance on, and close working relationship with, the Portfolio Manager. The principal risks faced by the Company and the procedures in place to monitor and mitigate them are set out below.

The Board has also considered the Company's cash flow projections and found these to be realistic and reasonable.

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 31 October 2022.

## Principal risks, risk management and regulatory environment

### Tax, legislation and compliance

**VCT qualifying status risk:** The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007, the Finance Act 2015 and, subsequent to Royal Assent, the Finance Bill (no. 2) 2017-19, for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.

The Portfolio Manager keeps Titan's VCT qualifying status under continual review and reports to the Board regularly throughout the year. The Board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

**Regulatory risk:** The Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

### Performance of the Company

**Investment risk:** the majority of the Company's investments will be in small and medium-sized companies which are VCT qualifying holdings and which, by their nature, entail a higher level of risk and lower liquidity than investments in larger quoted companies.

The Directors and the Portfolio Manager aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out due diligence procedures and by maintaining a wide spread of holdings in terms of financing stage, industry sector and geographical location. The Board reviews the investment portfolio with the Portfolio Manager on a regular basis.

### Performance of Octopus

**Competitive Risk:** retention of key personnel within Octopus is vital to the success of the Company.

Incentives to the Portfolio Manager's key staff are monitored.

### Financial Control

**Financial risk:** as a VCT the Company is exposed to market price risk, credit risk, fair value risk, liquidity risk and interest rate risk. Details of the management of these risks can be found in Note 16 to the financial statements.

The Company has some exposure to foreign currency risk but does not enter into derivative transactions. It has cash deposits which are held on the balance sheet of HSBC Bank plc and in cash funds managed by Fidelity. The risk of loss to this cash is deemed to be low due to the historical credit ratings and a current Standard & Poor's rating of A. The Company is also invested into a discretionary management service operated by a separate investment team within Octopus, in addition to an UCITS fund managed by a different investment team within Octopus.

**Internal control risk:** the Board reviews annually the system of risk management and internal controls, financial and non-financial, operated by the Company and Octopus. These include controls designed to ensure that Titan's assets are safeguarded and that proper accounting records are maintained.

**Operational risk:** the Board is reliant on Octopus to manage investments effectively. The Board reviews the system of internal controls, both financial and non-financial, operated by the Company and the Portfolio Manager (to the extent the latter are relevant to the Company's internal controls). These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

The Portfolio Manager has a broad team focused on early stage investing. This mitigates the risk of any one individual with the required skill set and knowledge of the industry leaving.

**Economic risk:** Events such as an economic recession and movement in interest rates could adversely affect smaller companies' valuations, resulting in a reduction in the value of the Company's assets. The Company invests in a diversified portfolio of companies, across a range of sectors, which helps to mitigate against the impact on any one sector. The Company also maintains adequate liquidity to ensure that it can continue to provide follow-on investment to those portfolio companies which require it and which is supported by the individual investment case.

**Cash flow risk:** the risk that the Company's available cash will not be sufficient to meet its financial obligations is managed by frequent budgeting and close monitoring of available cash resources.

**Market risk:** investment in unquoted companies involves a higher degree of risk than investment in companies listed on the Official List, which could result in the value of such investment, and interest income and dividends therefrom, reducing. In particular, small companies often have limited product lines, market diversification or financial resources, may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes and therefore, may not produce the hoped-for returns. In addition, the market for securities in smaller companies is less regulated and is usually less liquid than that of securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities.

**Liquidity risk:** the Company's investments may be difficult to realise. The spread between the bid and offer prices of shares in Titan's AIM-traded companies may be wide and thus the price used for their valuations may not be achievable.

The Board seeks to mitigate the risks set out above by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies the principles detailed in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

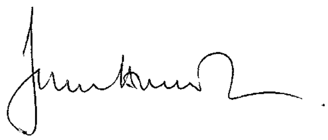
## Gender and Diversity

The Board of Directors comprises one female and three male Non-Executive Directors with considerable experience of the VCT industry and investment in early stage growth companies. The gender and diversity of the constitution of the Board is reviewed on an annual basis.

## Human Rights Issues

Due to the structure of Titan, which has no employees and only four Non-Executive Directors, there are no Human Rights Issues to report.

The Strategic Report was approved by the Board and signed on its behalf by:



John Hustler
Chairman
5 February 2018

# Portfolio Manager's Review

## Personal Service

At Octopus, we focus on both managing your investments and keeping you informed throughout the investment process. We are committed to providing our investors with regular and open communication. Our updates are designed to keep you informed about the progress of your investment.

Octopus was established in 2000 and has a strong commitment to both smaller companies and to VCTs. At the time of writing we manage six VCTs, including Titan, and manage over £850 million in the VCT sector.

## Investment Strategy

Titan invests in companies we believe have the potential to create new markets or radically improve traditional industries. Our excellent quality deal flow means that we are in a position to typically select the most talented entrepreneurs addressing some of the highest profile challenges to society and economies. Given the strong precedent for building global businesses from the UK, with over 20 of the 60 technology companies founded since 2003 and valued at over one billion dollars in Europe based in the UK, we are proud of our approach to identifying, investing and supporting companies that could go on to become category leaders. For example, we first invested in Zoopla (ZPG) – now generating over £200 million revenue a year and valued at approximately £1.5 billion – when annual revenues were only £100k. Likewise, we invested in Secret Escapes, an online travel company and which now has hundreds of £millions of annual bookings, before the business had its first customer. Based on a strategy of investing in unusually talented entrepreneurs addressing the largest markets and industries ripe for disruption, we have created a diverse portfolio spanning multiple industries and business sectors.

Within the VCT rules of a maximum annual investment of £5 million per company and a lifetime limit of £20 million for Knowledge Intensive companies (most of which Titan portfolio companies qualify as), we typically look to invest in significant minority equity stakes in these qualifying companies, first investing a relatively small amount whilst there may remain questions about the business, and then investing further as the portfolio companies achieve the milestones we agree with management teams. Our investment provides the capital for businesses to build and grow their operations with the eventual objective being either to float or be acquired by a larger technology company such as Amazon, Google or Microsoft, all recent acquirers of Titan portfolio companies. Our view is that if we identify, support and exit category leading businesses, which the UK is very well placed to incubate, then the returns we can generate for Titan shareholders can be significant.

Many portfolio companies meet and exceed the expectations initially set. In these situations we actively seek to increase our investment exposure as the company demonstrates their ability to create a significant and valuable businesses. Recent examples here include Swoon, Secret Escapes, Tails.com and Amplience, where we have proactively looked to invest further and have participated in subsequent rounds of funding with the intent that by building a significant ownership stake, the impact of a positive realisation on Titan returns is maximized.

Whilst many of our investments go on to become very successful companies and sometimes household names, it is inevitable that some companies will not perform. We look to take a Board seat on virtually every investment we make which enables us to closely monitor progress and also bring in the appropriate support from within our team or wider network to help each portfolio company reach its potential. In situations where the pre-agreed milestones are not achieved there should be no expectation from any portfolio company that we would look to invest further. Some recent disposals demonstrate this approach of not investing "good money after bad" where we did not feel that a given portfolio company could achieve the level of returns we expect.

On the next page are six press clippings which we believe amply demonstrate the growing public impact of the portfolio companies.

**startups**

## Secret Escapes acquires Czech flash deals website Slevomat Group

Acquisition is said to be 10 times larger than the Young Gun founded company's previous largest takeover

By Harry Williams Updated: Aug 30, 2017 Published: Aug 30, 2017

Secret Escapes, the members-only travel company founded by Young Gun Tom Valentine, has added fuel to its expansion plans with the acquisition of Czech flash deals website Slevomat Group for an undisclosed amount.

**CITY A.M.**

## Hot UK cyber startup Digital Shadows has raised $26m led by Zoopla backer Octopus Ventures

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One of the UK's high-flying cyber security startups has attracted fresh funding from venture capital investors to fuel global expansion amid the growing threat to business of cyber crime.

**CITY A.M.**

Sunday 12 November 2017 11:31am

## Tech startup Trouva, a marketplace for independent shops, raises $10m

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**The Daily Telegraph**

## Eve Sleep tapped Woodford for extra £5m before £140m float

Eve sleep chief executive Jas Bagniewski

**TechCrunch**

## Elvie pulls in $6M Series A to build a global female health tech brand

The UK startup behind a connected kegel exerciser called Elvie is today announcing a $6 million Series A round led by European VC firm Octopus Ventures. Female focused VC Allbright is also joining the round, which will be used to expand sales to more markets and build out its product portfolio, with a second device planned for launch in early 2018.

**THE TIMES**

## Millions raised for posh homes rental site Plum Guide

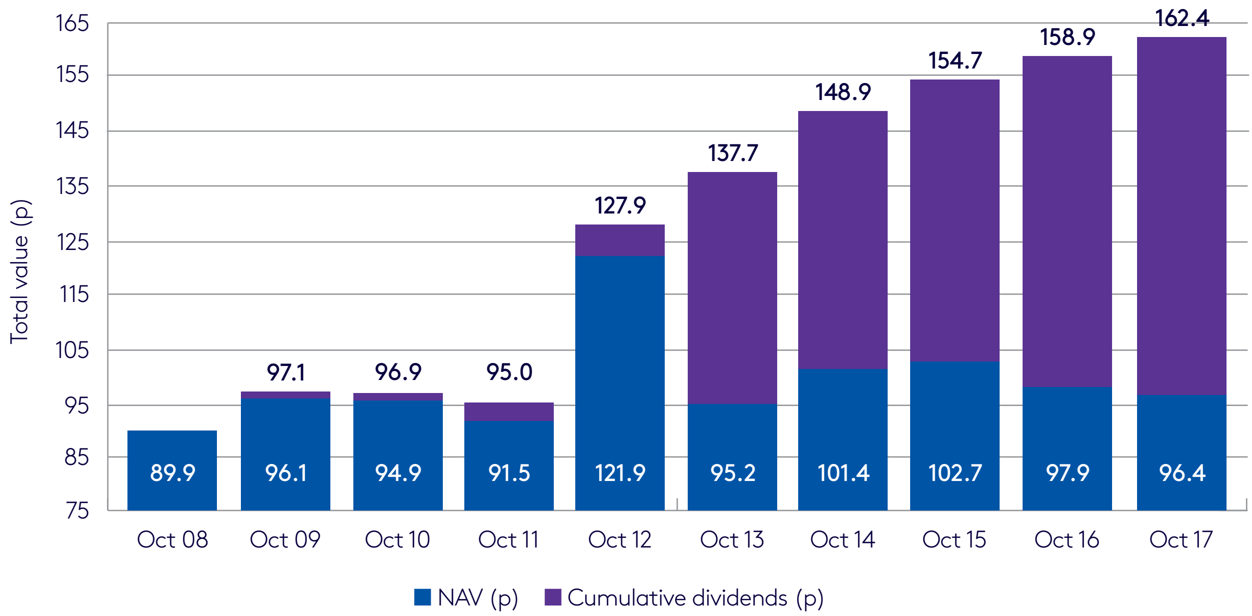
The Plum Guide offers upmarket holiday home rentals in areas such as Chelsea, west London

ALAMY

## Performance

The following graph represents the performance of Titan since 31 October 2008 (the first full year of Titan) in NAV, dividends paid and NAV plus cumulative dividends paid (Total Value):

**Titan Total Value growth from inception**




The Total Value has seen a significant increase since Titan's first year end (31 October 2008) as shown on the graph, from 89.9p to 162.4p at 31 October 2017. This represents an increase of 81% in value since the first full year of Titan, and dividends paid since inception of 66.0p. Since launch, a total of over £65 million has been distributed back to Titan shareholders as tax free dividends.

As at 31 October 2017 the NAV was 96.4p per share, compared to 97.9p per share as at 31 October 2016 which represents an increase in NAV of 3.5p per share after adding back dividends paid during the year of 5.0p (2016: 9.0p) per share. This represents an increase of 3.6% (2016: 4.1%). The performance of the portfolio continued to be strong this year with uplifts in fair value which totaled over £46 million. Downward revaluations in the period totaled £22 million. In aggregate the value of the portfolio, excluding new and follow-on investments and disposals in the year, increased by 10.5%.

Subsequent to the year end and due to positive performance in the underlying portfolio, a NAV of 97.3p was announced on 29 January 2018, representing an uplift of 0.9p on the NAV as at 31 October 2017.

The performance over the five years to 31 October 2017 is shown below:

| | 31/10/2013 | 31/10/2014 | 31/10/2015 | 31/10/2016 | **31/10/2017** |
|---|---|---|---|---|---|
| NAV, p | 95.2 | 101.4 | 102.7 | 97.9 | **96.4** |
| Dividends paid, p | 42.5 | 47.5 | 52.0 | 61.0 | **66.0** |
| Total value, p | 137.7 | 148.9 | 154.7 | 158.9 | **162.4** |
| Total return %* | 8.0% | 11.8% | 5.7% | 4.1% | **3.6%** |
| Dividend yield | 29.9% | 5.3% | 4.4% | 8.8% | **5.1%** |
| Equivalent dividend yield for a higher rate tax payer | 44.4% | 7.8% | 6.6% | 13.0% | **7.6%** |

As a result of the management of Titan's cash and cash equivalent investments, there has been an uplift in valuation of these investments of almost £7 million in the year to 31 October 2017. Titan manages its cash balance through a range of money market instruments and fund-of-funds products managed by Octopus. The allocation across these products is reviewed regularly by the Titan Board.

## Portfolio Review

The current portfolio encompasses investments in 54 companies (50 unquoted and four quoted, excluding five companies in liquidation and two in administration, but including the three underlying companies in Zenith).

| Portfolio | Active | Inactive |
|---|---|---|
| 31/10/2016 | 52 | 4 |
| Additions | 8 | – |
| Disposals | (3) | – |
| Liquidations and administrations | (3) | 3 |
| **31/10/2017** | **54** | **7** |

The progress made by many of the portfolio companies in the last 12 months has been impressive. The range of achievements stretch from some companies which may have achieved a milestone such as their first £1 million, £10 million or £100 million in revenue, some which may have established an international presence and others that have secured partnerships which could change the profile of the business entirely.

Within the portfolio, particular highlights include;

- After a period of sustained growth and internationalisation, Eve Sleep (which sells mattresses online) undertook a successful IPO on the AIM market, raising £35 million at a market capitalization of over £100 million, which at the end of 2017 had increased to over £170 million. Eve is a business that was launched as recently as October 2014, with Titan's first investment in April 2015, demonstrating how rapidly businesses can grow and value can be created;
- Secret Escapes (which Titan first invested in to in 2011 before the business had its first customer) raised an additional $111 million in funding and completed the acquisition of Prague-based Slevomat in October 2017. Post-acquisition the company has over 800 employees and hundreds of £millions of bookings per annum;
- Amplience, which manages digital content for some of the largest online retailers, saw some spectacular activity in November 2017. Driven by Black Friday, its traffic during November was 94% higher than in October with a peak delivery of 154,000 pieces of content per second to over 2.3 million online shoppers an hour;
- Surrey NanoSystems has been flooded with inquiries from designers, architects and aerospace engineers for its unique new substance, Vantablack, which absorbs 99.96% of the light that hits its surface and is the darkest material in the universe;
- Calastone is now the largest global fund transaction network and recently announced that 2019 will see the technology underpinning the core of its network moving to a private and permissioned-based blockchain infrastructure (the technology that cryptocurrencies such as Bitcoin are based). The move to blockchain will create a global marketplace for the trading and settlement of mutual funds, cutting overheads and inefficiencies which currently dwarf the benefits already offered by Calastone's trading and settlement solutions; and
- Tails.com is now feeding over 70,000 dogs with bespoke food optimised to each dog's nutritional needs.

## Disposals

Titan made two full disposals in the year (Seedcamp and Kabbee).

We have also been gradually selling down our stake in ZPG (previously Zoopla) since the business listed on the London Stock Exchange and this year sold the final shares held by Octopus Zenith LP ("Zenith"). Titan indirectly owns a stake in Zenith through Zenith Holding Company, and benefitted from a £9 million distribution from Zenith to Titan as a result of this and previous ZPG sales. In total Titan invested £2.8 million and has realised proceeds of over £17 million in Zoopla, with a 33x return on the original investment amount.

Titan also received £4 million deferred proceeds in the year relating to the sale of SwiftKey in the prior year.

## New and follow-on investments

Titan completed 23 follow-on investments in the year into existing portfolio companies and made eight new investments (£39 million and £23 million invested in total respectively), together totaling £62 million. This takes the total number of portfolio companies to 54 as at 31 October 2017 (50 unquoted and four quoted, excluding five companies in liquidation and two in administration but including the three underlying companies in Zenith). This compares to FY 2016 when Titan made six new investments and 24 follow-on investments, totaling £46 million.

We have proactively increased the size of the Octopus investment team from 5 to 14 over the last 5 years to enable us to increase the rate of new investments from eight a year today to over twenty in the coming years. This is also only possible given the quality of the deal flow we see and the health of the UK entrepreneurial ecosystem. Having visibility over the best available deals in the market is largely due to the increasing prominence of Octopus in supporting many of the fastest growth technology businesses in Europe (e.g. Swiftkey, Zoopla and Secret Escapes) which in turn makes Octopus an increasingly attractive investment partner for technology entrepreneurs looking to build global businesses. The combined impact of the increase in investment team resource and the strengthening brand of Octopus means that we see approximately 60-70% of the best deals in the UK. The investment team receives thousands of investment opportunities a year and is in the privileged position of being able to diligence these in order to identify the small number of deals that will actually be taken to Investment Committee ahead of making an investment.

Given the health of the underlying portfolio and the cash requirement to scale these businesses, we have good visibility on the opportunity to invest further into companies we already know and understand. It is for this reason that approximately 70% of funds raised will be invested in follow-on deals. We were very successful in our previous fundraise, exceeding our target and closing the fundraise a month earlier than expected. The £120 million that was raised in the year and the £91 million raised subsequent to the year end (both net of fees) have given us the capability to increase our new investment rate to match the quality of the opportunity we are seeing in the market, and we are on target to deploy the capital raised in line with our budget.

The recent revision of the attributes which constitute a VCT-qualifying investment outlined in The Chancellor's Budget should have a minimal, or even positive, impact on our approach to making investments. A few technical changes were introduced, for example from 6 April 2018 VCTs will have to invest at least 30% of funds raised into qualifying holdings within 12 months. Additionally from 6 April 2019, the proportion of funds that VCTs must hold in qualifying investments will rise from 70% to 80%. Given Titan's current qualifying proportion of over 95% and its current and intended investment rate, we do not believe that these changes will have a material impact on Titan. The Budget also announced that, with effect from 6 April 2018, "knowledge intensive" companies, which are those that have high Research & Development or innovation spending, will now be able to raise up to £10 million each year from VCTs and EIS, up from £5 million at present. Titan typically invests in knowledge intensive companies and so this is a positive and welcomed change.

The eight new investments in FY 2017 are comprised of:

**Appear Here Limited** (Investment cost – £3,814,000)
Appear Here is an online market place for short-term retail lettings, connecting landlords' vacant spaces with brands looking for retail locations. The company started trading in 2013 and is based in London, Paris and New York.

**Digital Shadows Inc.** (Investment cost – £4,225,000)
Digital Shadows monitors and manages an organisation's digital risk, providing relevant threat intelligence across the widest range of data sources within the open, deep, and dark web to protect their brand, and reputation. The company has been trading over 5 years and has an established client base.

**Token, Inc** (Investment cost – £4,398,000)
Token.io's has created the world's first bank-hosted payment system specifically designed for the digital era. Its software enables banks to provide their customers with fast payment and cross-border foreign exchange services, with easy-to-use payments and end-to-end security.

**Chiaro Technology Limited** (Investment cost – £2,770,000)
Chiaro is a female-focused, connected consumer device (or 'wearables') business. The core proposition of the Company is to build a recognisable consumer brand that takes neglected female-focused medical or wellness devices and makes them useful and beautiful.

**Medisafe Project Limited** (Investment cost – £2,713,000)
Medisafe is a digital health platform that leverages real-world data to monitor, understand and improve patient drug adherence globally. Medisafe aims to replace manual solutions, such as reminder emails, text messages and phone calls.

**MyTomorrows (Impatients N.V.)** (Investment cost – £2,090,000)
MyTomorrows is an online drug distribution platform. It is bringing online and automating the process of applying for and gaining access to development stage drugs through Early Access Programs (EAPs).

**WeGotPop (Pop Global Limited)** (Investment cost – £1,500,000)
Pop Global provides technology that makes the management of actors and actresses for film and television productions more efficient, transparent and secure.

**Fluidly Limited** (Investment cost – £1,400,000)
Fluidly combine artificial, financial and human intelligence to predict and protect business cash flows.

Subsequent to the year end one new investment completed which was committed at 31 October and six separate new investments and three follow-on investments were made, totaling £26 million. Further details can be seen in Note 17.

## Supporting our portfolio companies

In order to attract the best entrepreneurs in Europe and to then maximize their full potential, we have invested significant resources in building one of the most sophisticated platforms to help our companies succeed. Our teams based in the US and Asia offer dedicated resource for companies looking to expand into these markets. Another key element to how we look to attract and support the most promising investments is through our group of Venture Partners, who no longer co-invest alongside Titan, as they did previously, but are now exclusively devoted to helping companies reach their potential and achieve their global ambitions. This group increased from five to eight individuals in the year and has grown further with an additional three Venture Partners joining at the end of calendar 2017. Examples of Venture Partners that we have recruited recently during the year include Stephen Morana, previously Chief Financial Officer at Zoopla and Betfair, Howard Bell, previously Head of Product for PayPal Europe and John Hamm, a management coach that has worked with many executives that have been successful in building global billion-dollar companies. Each of these individuals represent best-in-class expertise within their specific domain and together are working to support a large number of portfolio companies.

The Venture Partners are a key part of how we look to support our companies but when placed in conjunction with the overseas offices and our wider network of corporates, consultants and advisors, we look to have a meaningful impact on how quickly our portfolio companies can scale whilst also limiting the risks in their journey. Our approach to being operationally involved in our portfolio companies is also a very useful tool for winning the most competitive deals and proving our value beyond simply investment.

## ClearlySo

We don't think that financial success and environmental or social impact are mutually exclusive. We also believe that shareholders have an increasing awareness of environmental and social considerations and consider these increasingly important. With this in mind, Octopus is working with leading impact consultants ClearlySo to review the Titan portfolio against the UN's Sustainable Development Goals. These 17 goals capture a broad range of meaningful areas including health and well-being, education, gender equality, climate action and clean energy.

ClearlySo has reviewed every Titan portfolio company and scored them against a range of indicators, in addition to providing recommendations on how portfolio companies could improve their levels of impact. In the evaluation of all Titan portfolio companies, a range of scores out of 100 were achieved:

| Theme: | Resource Security | Climate Stability | Healthy Ecosystems | Wellbeing | Decent Work | Basic Needs |
|---|---|---|---|---|---|---|
| Highest Score | 65 | 70 | 65 | 80 | 73 | 73 |
| Lowest Score | 28 | 25 | 14 | 29 | 29 | 27 |

ClearlySo's overall summary of the Titan portfolio stated that **"the assessment demonstrates that Titan has a promising exposure to sustainability themes and there is evidence of the creation of positive impact through the companies invested in"**. This is the first time we have measured the non-financial impacts of the Titan portfolio and will seek to build on this review in the future. We look forward to keeping Titan investors updated on our progress on this topic.

## Outlook

The entrepreneurial ecosystem in the UK and across Europe continues to evolve quickly. The endless power of technology to disrupt, replace and reinvent whole industries makes the next decade extremely exciting for our investee companies and the UK remains one of the most vibrant markets to start, scale and exit a technology business.

The proactive investment in infrastructure to help support portfolio companies build high performance teams and scale internationally increasingly helps position Octopus as one of the most trusted and valued partners for any entrepreneur intent on building a global business, and enables Titan to win the most competitive deals. We are fortunate enough to work alongside some of the most successful European entrepreneurs, many of which are intent on building businesses that will be valued in the £billions. Whilst there are many portfolio companies which have become household names, we are confident that we have many portfolio companies which can be at least equally successful.

Unrivalled demand from investors enabled Titan to successfully raise £124 million (before expenses) during the year, closing the fund raise early in March 2017. The current fund raise of up to £200 million (including the over-allotment facility) which launched in September 2017 has already seen £93 million (before expenses) allotted in November 2017, which had increased to £118 million at 26 January 2018 including additional unallocated total investor commitments to the fundraise. Given the continued progress of the underlying portfolio, the opportunity to increase our investment rate for new deals, and the continued support for the valuable role VCTs perform as set out in The Budget, we are confident that these factors should enable Titan to achieve its full fundraising target again this year.

## Valuation Methodology

The NAV of the Titan fund is comprised of the aggregate valuations of all of the Titan investments, cash and cash equivalents. We go through the process of valuing all investments every six months, or more frequently if there are any material changes, with valuations in accordance with the IPEVC guidelines. The process for initial valuations and subsequent valuations is slightly different.

For an initial valuation of a new investment, the best estimate of fair value is the transaction price (i.e. cost). Investments made within twelve months are usually kept at cost unless performance indicates that fair value has changed.

For investments which have had further funding rounds, the share price paid at these rounds are a good indicator of fair value for the following twelve months.

Subsequent adjustments to the fair value of unquoted investments are typically made using sector multiples.

Quoted investments are valued at market bid price. No discounts are applied.

In the event that a portfolio company is not performing to plan we look to value at a discount to cost or the last round valuation, normally in increments of 25%. The intention behind this is to minimize any potential volatility in the NAV of Titan given that it is possible that some companies might go from cost value to zero in the worst case scenario, and we would rather this was a gradual movement.

The overall impact of these combined processes is that our valuations are intended to be consistent and fair, albeit conservative, and we rely on external valuation points to validate our valuations of individual portfolio companies wherever possible.

If you would like to find out more regarding the IPEVC valuation guidelines, please visit their website at: **www.privateequityvaluation.com**.

The valuations and detailed descriptions of the 10 largest investments in Titan are detailed in the Review of Investments section later in this Report on page 20.

The investment costs and amounts invested in the year for each portfolio company are tabulated below.

## Investment Portfolio

| Fixed asset investments | Sector | Investment cost as at 31 October 2017 (£'000)* | Amount invested in the year ending 31 October 2017 (£'000) |
|---|---|---|---|
| MIRACL Limited | Security | 12,179 | 4,859 |
| Amplience Limited | Business Software | 10,986 | 5,000 |
| Zenith Holding Company Limited** | Other | 8,963 | – |
| UltraSoC Technologies Limited | Hardware | 8,361 | 606 |
| Zynstra Limited | Business Software | 8,317 | 2,476 |
| Oxcis Aviation Limited | Travel & Leisure | 7,817 | 2,203 |
| Sofar Sounds Limited | Travel & Leisure | 7,705 | – |
| Uniplaces Limited | Property | 7,621 | 2,964 |
| Sourceable Limited (Swoon Editions) | Ecommerce | 6,957 | – |
| London House Exchange Limited (Property Partner) | Property | 6,909 | 1,734 |
| CurrencyFair Limited | Financial Services | 6,746 | 1,198 |
| Adbrain Limited (administration) | Advertising | 6,212 | 1,548 |
| Artesian Solutions Limited | Business Software | 5,481 | 642 |
| Michelson Diagnostics Limited | Health and Medicinal | 4,542 | – |
| Token, Inc | Financial Services | 4,398 | 4,398 |
| Secret Escapes Limited*** | Travel & Leisure | 4,256 | – |
| Digital Shadows Inc. | Security | 4,225 | 4,225 |
| Conversocial Limited | Business Software | 4,165 | – |
| Appear Here Limited | Financial Services | 3,814 | 3,814 |
| Wave Optics Limited | Hardware | 3,774 | 3,411 |
| Smartkem Limited | Hardware | 3,714 | 1,000 |
| Semafone Limited | Business Software | 3,594 | – |
| Big Health Limited | Health and Medicinal | 3,276 | – |
| Iovox Limited | Business Software | 3,272 | 384 |
| Chronext AG | Ecommerce | 3,164 | 2,367 |
| Mi-Pay Group plc | Business Software | 3,011 | – |
| Antidote Technologies Ltd | Health and Medicinal | 2,989 | 1,526 |
| The Faction Collective SA | Travel & Leisure | 2,968 | 538 |
| BridgeU Inc. | Business Software | 2,935 | 1,956 |
| Ecrebo Limited | Business Software | 2,857 | 706 |
| Bought By Many Limited | Financial Services | 2,780 | – |
| Chiaro Technology Limited | Health and Medicinal | 2,770 | 2,770 |

| | | | |
|---|---|---|---|
| Medisafe Project Limited | Health and Medicinal | 2,713 | 2,713 |
| Metrasens Limited | Hardware | 2,688 | – |
| Affectv Limited | Advertising | 2,627 | – |
| e-Therapeutics plc | Health and Medicinal | 2,415 | – |
| Eve Sleep Plc | Ecommerce | 2,394 | – |
| Bowman Power Limited | Hardware | 2,305 | – |
| Trafi Limited | Travel & Leisure | 2,288 | 1,488 |
| Impatients N.V. (myTomorrows) | Health and Medicinal | 2,090 | 2,090 |
| Origami Energy Limited | Hardware | 2,033 | – |
| Surrey NanoSystems Limited | Hardware | 1,993 | – |
| Streethub Limited | Ecommerce | 1,980 | 1,130 |
| Elliptic Enterprises Limited | Business Software | 1,662 | – |
| Tailsco Limited (Tails.com) | Food | 1,506 | – |
| Pop Global Limited (We Got Pop) | Business Services | 1,500 | 1,500 |
| Segura Systems Limited | Business Software | 1,470 | 385 |
| Fluidly Limited | Business Software | 1,400 | 1,400 |
| Streetbees.com Limited | Business Software | 890 | 750 |
| Behaviometrics AB (Behaviosec) | Security | 602 | 99 |
| Time Out Group plc | Travel & Leisure | 555 | – |
| Permutive Inc. | Business Software | 391 | – |
| Phasor Inc. | Hardware | 250 | – |
| Excession Technologies Limited | Business Software | 208 | – |
| **Total fixed asset investments** | | **206,718** | **61,880** |

*Investment cost reflects the amount invested into each investee company from Titan's 1 – 5 before the 2014 merger and from Titan after the merger. This is different to the book cost (as per note 10) which includes the holding gains/(losses) on assets which transferred from Titan's 1, 3, 4 and 5 to Titan 2 (now Titan) during the 2014 merger, as Titan purchased these assets at fair value.

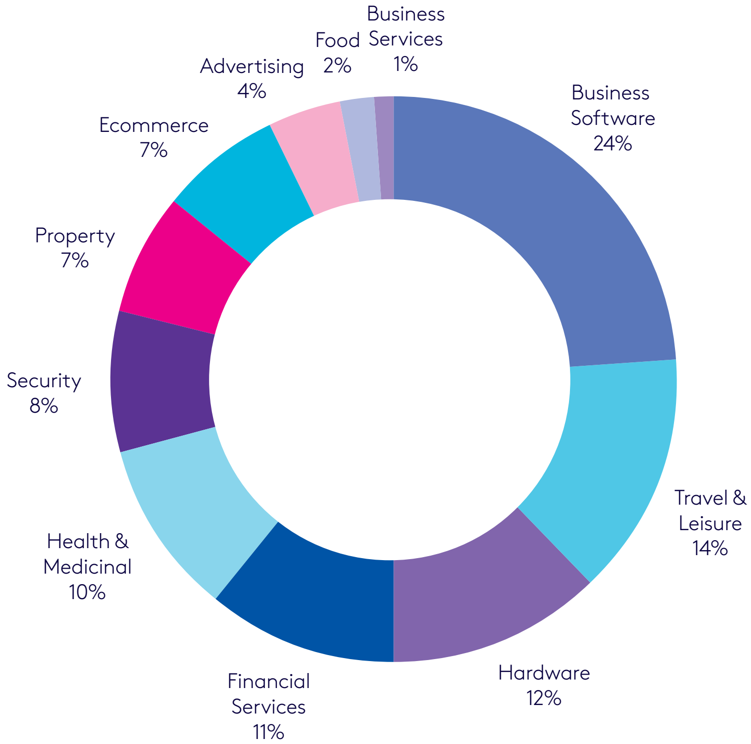
**Owns stakes in Nature Delivered Limited (trades as graze), Secret Escapes Limited and Calastone Limited.

***The figures for Secret Escapes relate to Titan's direct investment only

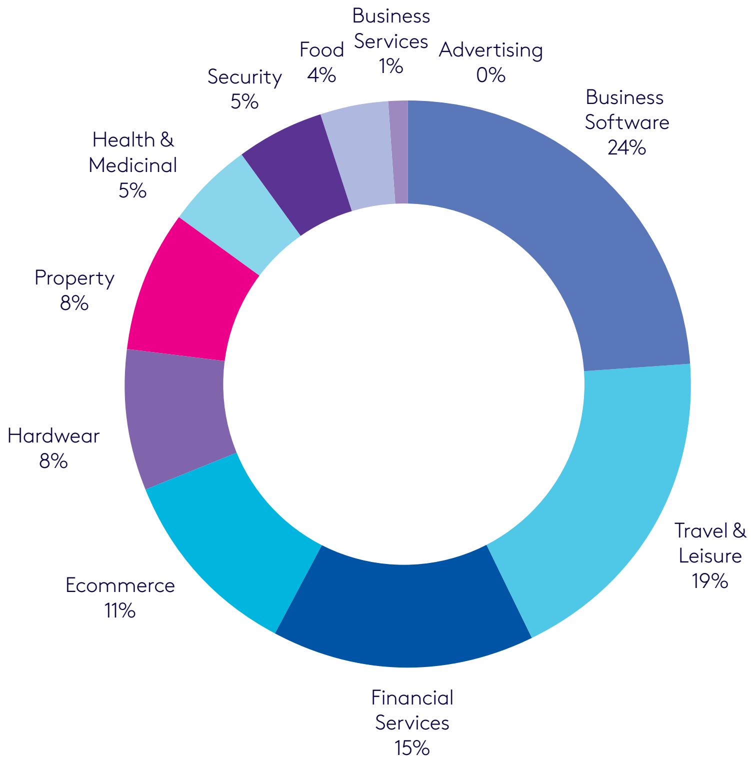
The table above excludes five companies in liquidation (Shopa Limited, Phase Vision Limited, Mailcloud Limited, Hubbub Deliveries Limited and Applied Superconductor Limited) and one in administration (Aframe Media Group Limited). Adbrain limited, which is in administration, has been included above as £0.4 million is expected back from the administrators.

## Sector Analysis

### Total Investments by Cost




### Total Investments by Value



## Review of Investments

Listed below are details of Titan's ten largest investments by value.

**Zenith Holding Company Limited**

Zenith Holding Company has a holding in Octopus Zenith LP, an Octopus managed fund, which holds stakes in Secret Escapes, Nature Delivered (Graze) and Calastone, which were formerly held by Titan 1-3 prior to the merger of the five Titan VCTs in November 2014. Following the merger, Zenith Holding Company became a 100% owned investment of Titan.

Founded in April 2007, graze was the UK's first company to deliver healthy and nutritionally balanced food by post, straight to the home or office. Graze promotes a varied and balanced diet through facilitating the intake of a wide variety of smaller portions of natural, high energy foods throughout the day, allowing for a healthier approach to eating delicious foods. Customers can select graze boxes created by the company's team of nutrition specialists to place orders for personalised assortments of foods to match their specific tastes and needs including health, diet and indulgent treats. Graze launched in the US in 2013 and in UK retail in 2015, and has offices in the UK and the US.

Calastone is a financial technology company. Its mission is to make markets friction-free by connecting trading partners through its global fund transaction network. More than 1400 customers in 34 countries of domiciles are now processing domestic and cross border transactions via Calastone, benefitting from the cost and risk reduction opportunities transaction automation can offer. Its purpose is to use smart technology solutions and industry collaboration to enable global distribution, reduce operational risk, and enhance client profitability. Calastone is part of Fintech50, ranked in The Sunday Times Hiscox Tech Track 100 and is one of the UK Government Tech City's Future Fifty companies, recognised for high growth and transforming industries. Calastone has offices in London, Luxembourg, Hong Kong, Sydney, Taiwan and Singapore.

Launched in 2011, Secret Escapes is an online travel club. Members of Secret Escapes may purchase luxury holidays at significant discounts. Members have the opportunity to purchase for a limited period of time (less than seven days) but can choose when to stay at a particular hotel over an extended period of time. The business has offices in London, Sweden, Spain, Poland, Germany, Singapore and the US, has over 1.3 million customers globally and operates in 21 countries.

Following the sale of Zenith's remaining shares in ZPG in February 2017, Titan no longer has an investment in ZPG.

| | |
|---|---|
| **Country of incorporation:** | The Cayman Islands |
| **Initial investment date:** | June 2013 |
| **Investment cost:** | £8,963,000 |
| **Valuation:** | £48,223,000* |
| **Last submitted accounts:** | 31 October 2017 |
| **Loss before tax:** | £(3,514,000) |
| **Net assets:** | £27,000 |

**Secret Escapes Limited**

Titan also holds a direct stake in Secret Escapes.

| | |
|---|---|
| **Initial investment date:** | April 2011 |
| **Investment cost:** | £4,256,000 |
| **Valuation:** | £26,034,000 |
| **Last submitted group accounts:** | 31 December 2016 |
| **Consolidated turnover:** | £48,749,000 |
| **Consolidated loss before tax:** | £(20,274,000) |
| **Consolidated net liabilities:** | £(7,771,000) |

**Amplience Limited**

Amplience helps retailers deliver profitable growth through improved online shopping experiences across desktop computers, tablets and smartphones. The Amplience Media Platform (AMP) enables non-technical marketing, brand and sales teams to create campaign and product media that increases customer engagement, drives conversions and Average Order Values (AOVs) across all channels and devices, thereby increasing sales for Amplience's customers.

| | |
|---|---|
| **Initial investment date:** | December 2010 |
| **Investment cost:** | £10,986,000 |
| **Valuation:** | £19,846,000 |
| **Last submitted accounts:** | 30 June 2016 |
| **Consolidated turnover:** | £5,106,000 |
| **Consolidated loss before tax:** | £(5,855,000) |
| **Consolidated net liabilities:** | £(2,870,000) |

**Sourceable Limited (trades as Swoon Editions)**

Swoon Editions (Sourceable) sells high-quality furniture at a significantly discounted price for the consumer. Sourcing direct from factories in India, China and Vietnam, it buys in container quantities and sells direct to consumers and through media partnerships. The volume purchasing and direct sales allow Swoon Editions to sell more efficiently than other retailers and to sell at approximately 50 per cent off retail prices, while maintaining a 40 to 50 per cent gross margin.

| | |
|---|---|
| **Initial investment date:** | March 2013 |
| **Investment cost:** | £6,957,000 |
| **Valuation:** | £18,018,000 |
| **Last submitted accounts:** | 31 July 2016 (abbreviated) |
| **Turnover:** | not disclosed |
| **Profit before tax:** | not disclosed |
| **Net assets:** | £2,135,000 |

**Uniplaces Limited**

Uniplaces is the international online marketplace for student accommodation and operates in 15 cities worldwide. Uniplaces solves a problem for both the demand (students looking for accommodation) and supply side (landlords) of the market. Uniplaces brings both sides of the market together to create an interactive marketplace, which allows the parties to transact online in a far more efficient and streamlined manner. The verification and production of quality listings is what sets Uniplaces apart from its competitors.

| | |
|---|---|
| **Initial investment date:** | October 2013 |
| **Investment cost:** | £7,621,000 |
| **Valuation:** | £13,592,000 |
| **Last submitted group accounts:** | 31 December 2016 |
| **Consolidated turnover:** | £1,841,000 |
| **Profit before tax:** | not disclosed |
| **Net assets:** | £2,108,000 |

**Semafone Limited**

Semafone allows consumers to give their credit card details to call centre operators securely via the telephone keypad while still engaged in a conversation with the agent. The core value proposition is based on the prevention of card-not-present fraud, together with the avoidance of any associated loss of reputation. Their product enables the call centres to become 'PCI DSS compliant' as no card data is seen, heard or recorded anywhere in the call centre.

| | |
|---|---|
| **Initial investment date:** | June 2010 |
| **Investment cost:** | £3,594,000 |
| **Valuation:** | £9,220,000 |
| **Last submitted group accounts:** | 31 December 2016 |
| **Consolidated turnover:** | £8,313,000 |
| **Consolidated profit before tax:** | £30,000 |
| **Consolidated net assets:** | £2,947,000 |

**Sofar Sounds Limited**
Sofar Sounds organises small, intimate music performances in unique spaces across the globe and operates in more than 380 cities worldwide. Each event is filmed and can be watched free online via their dedicated YouTube multi-channel network. This broadcasting capability has created a community of music lovers from across the world, online and in person. The business is supported by a volunteer network of scouts and event producers, helping Sofar recruit hand-picked artists to play at the gigs.

| | |
|---|---|
| **Initial investment date:** | March 2014 |
| **Investment cost:** | £7,705,000 |
| **Valuation:** | £8,927,000 |
| **Last submitted accounts:** | 31 December 2016 (abbreviated) |
| **Turnover:** | not disclosed |
| **Profit before tax:** | not disclosed |
| **Net assets:** | £7,127,000 |

**MIRACL Limited**
MIRACL (formerly CertiVox) is an Internet cyber-security company that provides open source encryption libraries, strong two-factor authentication and key management Infrastructure-As-A-Service (IaaS) solutions for the Internet of Things.

| | |
|---|---|
| **Initial investment date:** | March 2011 |
| **Investment cost:** | £12,179,000 |
| **Valuation:** | £9,213,000 |
| **Last submitted accounts:** | 30 June 2017 (abbreviated) |
| **Turnover:** | not disclosed |
| **Profit before tax:** | not disclosed |
| **Net assets:** | £12,988,000 |

**Eve Sleep plc**
Eve Sleep is a UK-based e-commerce business that sells its mattress online. Eve Sleep manufactures one single type of mattress with a three-layer technology incorporating memory foam. Eve Sleep successfully listed on the AIM market in May 2017.

| | |
|---|---|
| **Initial investment date:** | May 2015 |
| **Investment cost:** | £2,394,000 |
| **Valuation:** | £8,894,000 |
| **Last submitted group accounts:** | 31 December 2016 |
| **Consolidated turnover:** | £11,967,000 |
| **Consolidated loss before tax:** | £(11,338,000) |
| **Consolidated net assets:** | £3,287,000 |

**London House Exchange Limited (trades as Property Partner)**
Property Partner uniquely combines residential crowdfunding with a secondary exchange upon which investors can trade their holdings. The company allows anyone to invest in an individual property of their choice, with as little or as much as they wish, so they can own a share of the property, receive rental income and access capital growth.

| | |
|---|---|
| **Initial investment date:** | September 2014 |
| **Investment cost:** | £6,909,000 |
| **Valuation:** | £9,832,000 |
| **Last submitted accounts:** | 31 December 2016 |
| **Turnover:** | £991,000 |
| **Loss before tax:** | £(7,248,000) |
| **Net assets:** | £5,630,000 |

The top 10 investments detailed above represent 57% by value of the investment portfolio and account for an uplift in valuation of over £30 million for the year.

If you have any questions on any aspect of your investment, please call one of the Octopus team on **0800 316 2295**.

Octopus Ventures Team
Octopus Investments Limited
5 February 2018

# Details of Directors

### John Hustler (Non-Executive Chairman)

John joined Peat Marwick, now KPMG, in 1965 and became a Partner in 1983. Since leaving KPMG in 1993 to form Hustler Venture Partners Limited, he has advised and been a director of a number of growing companies. He is presently Chairman of Hygea VCT plc. He was also a member of the Council of The Institute of Chartered Accountants in England and Wales and Chairman of its Corporate Finance Faculty from 1997-2000 and was a member of the Council of the British Venture Capital Association from 1989-1991. John has been a director of Octopus Titan VCT plc from 29 October 2007 to date.

### Matt Cooper (Non-Executive Director)

Matt currently works as a non-executive chairman and/or director with a range of public and private companies. These include Octopus Capital Limited, Imaginatik Plc, ClearlySo Ltd, VouchedFor Ltd, Tandem Bank Limited, and the National Centre for Circus Arts. Matt's areas of expertise include corporate strategy formulation, brand and marketing and implementation, organisational culture and design, and executive coaching and leadership. Previously, Matt was Principal Managing Director of Capital One Bank Europe plc until leaving the company in 2001. Originally from New Jersey, Matt graduated first in his class in Chemistry from Princeton University in 1988. Matt was a director of Octopus Titan VCT 1 plc from 29 October 2007 to 27 November 2014, in addition to being a director of Titan from 29 October 2007 to date.

### Mark Hawkesworth (Non-Executive Director)

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

### Jane O'Riordan (Non-Executive Director)

Jane is the Managing Director of Yellowwoods (previously Capricorn) Associates UK Limited, a private equity and venture capital advisory firm where she has been involved in the strategic development of companies such as Nando's, Gourmet Burger Kitchen, Pizza Express/Gondola and Broker Network as well as many others. Prior to joining Capricorn in 1997, Jane was a director with Braxton Associates, the then strategic consulting division of Deloitte & Touche. In addition to over 20 years of private equity, venture capital and management consulting experience, Jane worked for three years with British Aerospace as a spacecraft systems engineer. Jane has a first class BSc in mechanical engineering and an MBA from Harvard Business School. Jane was a director and Chairman of Octopus Titan VCT 5 plc from 17 November 2010 to 27 November 2014, and has been a director of Titan from 27 November 2014 to date.

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 October 2017.

The Directors consider that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess Titan's performance, business model and strategy.

## Directors

Brief biographical notes on the Directors are given on page 24.

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Ms O'Riordan offers herself for re-election and the Board recommends her re-election at the forthcoming Annual General Meeting. The Board has considered provision B.7.2 of The UK Corporate Governance Code and following a formal performance evaluation as part of the Board Evaluation, further details of which can be found on page 29, believes that Ms O'Riordan continues to be effective and demonstrate commitment to her role, the Board and the Company. The Board therefore has no hesitation in recommending her for re-election at the forthcoming Annual General Meeting.

Mr Cooper is not considered to be independent due to his role as Chairman of Octopus Investments Limited, Titan's Portfolio Manager. As a non-independent Director, Mr Cooper will stand for re-election at the 2018 Annual General Meeting of Titan as required by Listing Rule 15.2.13A. The Board has also considered provision B.7.2 of The UK Corporate Governance Code and believes that he continues to be effective and to demonstrate commitment to his role, the Board and the Company. The Board therefore has no hesitation in recommending him for re-election at the forthcoming Annual General Meeting.

Further details can be found in the Corporate Governance report on pages 28 to 31.

## Directors' and Officers' Liability Insurance

The Company has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

## Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, on pages 2 to 23. Further details on the management of financial risk may be found in Note 16 to the financial statements.

The Board receives regular reports from Octopus and the Directors believe that the Company has adequate financial resources to continue in operational existence for a period of at least twelve months from the date of the signing of these financial statements. In reaching this conclusion the Directors have considered the liquid assets of the Company and its ability to meet its obligations as they fall due. As no material uncertainties leading to significant doubt about going concern have been identified, and taking into account all available information about the Company, the Directors believe that is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

The assets of the Company include securities which are readily realisable (6% of net assets). The Board regularly reviews cash flow projections which demonstrate the Company has adequate financial resources to meet its expenses and discretionary expenditure in relation to the dividend policy and share buybacks and to continue in operational existence for the foreseeable future.

## Management

Given Titan's continued growth in assets under management, the Company is now classified as a full-scope Alternative Investment Fund under the Alternative Investment Fund Management Directive (the "AIFM Directive"). As a result, since 1 September 2017, the Company has in place an agreement with Octopus AIF Management Limited to act as Manager (an authorised alternative investment fund manager responsible for ensuring compliance with the AIFM Directive). Octopus AIF Management Limited has in turn appointed Octopus to act as Portfolio Manager to Titan (responsible for portfolio management and the day-to-day running of the fund). These agreements (which ensure the same personnel are managing the Company's portfolio both before and after 1 September 2017) are central to Titan's ability to continue in business. The principal terms of the management agreement with Octopus are set out in Notes 3 and 19 to the financial statements.

Octopus also provides secretarial and administrative services to the Company, and provided custodian services up to September 2017. On 1 September 2017, BNP Paribas Securities Services was appointed as Depository to Titan AIFM Directive. BNP Paribas provides cash monitoring, safekeeping of financial instruments and other assets and oversight duties.

There are no other contracts which are deemed to be essential to the business of the Company.

As required by the Listing Rules, the Directors confirm that, in their opinion, the continuing appointment of Octopus as Portfolio Manager is in the best interests of the shareholders as a whole. In reaching this conclusion the Directors have taken into account the performance of the investment portfolio and the ability of Octopus to produce satisfactory investment performance in the future. It also considered the length of the notice period of the management agreement and fees payable to Octopus, together with the standard of other services provided, as set out above. Details of the fees paid to Octopus in respect of services provided are detailed in Note 19 to the financial statements.

With the exception of Mr Cooper, no Director has an interest in any contract to which Titan is a party. Mr Cooper is the Chairman of Octopus.

The Company has established a performance incentive scheme whereby Octopus is entitled to an annual performance-related incentive fee in the event that certain performance criteria are met. The criteria have been met in 2017 resulting in a performance fee payable to Octopus. Further details of this scheme are disclosed within Note 19 to the financial statements.

Through the agreements described above, the investment decisions and routine management decisions such as the payment of standard running costs are delegated to Octopus

## Whistleblowing

The Board has considered the arrangements implemented by Octopus in accordance with The UK Corporate Governance Code's recommendations, to encourage staff of the Investment Manager or the Company Secretary to raise concerns, in confidence, within their organisation about possible improprieties in matters of financial reporting or other matters. It is satisfied that adequate arrangements are in place to allow an independent investigation, and follow on action where necessary, to take place within the organisation.

## Bribery Act

Octopus has an Anti-Bribery Policy which introduced robust procedures to ensure full compliance with the Bribery Act 2010 and to ensure that the highest standards of professional ethical conduct are maintained. All employees and those working for, or on behalf of, the firm are aware of their legal obligations when conducting company business.

## VCT Regulation

Compliance with required rules and regulations is considered when all investment decisions are made. The Company is further monitored on a continual basis to ensure compliance. The main criteria to which it must adhere are detailed on page 63.

The Finance Act 2014 amended the rules relating to VCT shares issued on or after 6 April 2014 such that VCT status will be withdrawn if, in respect of shares issued on or after that date, a dividend is paid (or other forms of distributions or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors.

The Finance (No 2) Act 2015 received Royal Assent in November 2015 and introduced a number of changes to VCT rules to bring the legislation into line with EU State Aid Risk Finance Guidelines. The legislation introduced new criteria which stipulates a lifetime cap on the total amount of State Aid investment a company can receive, the age of companies which are eligible for investment and specific requirements relating to the use of the funds raised.

As referred to in the Chairman's Statement on page 5 further changes to the VCT regulations are to be introduced with effect from Royal Assent of the Finance Bill (No. 2), which is expected in Spring 2018. The Company will continue to ensure its compliance with the qualification requirements.

## Environment Policy and Greenhouse Gas Emissions

The Board has no specific environmental policy; however, the Company recognises the need to conduct its business, including investment decisions, in a manner that is responsible to the environment wherever possible.

The Company does not produce any reportable emissions as the fund management is outsourced to Octopus, with no physical assets or property held by the Company. As Titan has no employees or operations, it is not responsible for any direct emissions.

## Share Capital

Titan's ordinary share capital as at 31 October 2017 comprised 448,990,601 (2016: 322,617,156) Ordinary shares of 10p each (as at that date none of the shares were held by the Company as Treasury shares).

## Share Issues and Open Offers

On 23 August 2016, the Company launched an offer for subscription for Ordinary shares of 10p to raise up to £70 million in aggregate with an overallotment of £50 million. In total 129,588,800 shares were issued during FY 2017 (inclusive of DRIS) raising approximately £126 million net of costs.

On 5 September 2017 an offer for subscription for Ordinary shares of 10p was launched to raise up to £120 million in aggregate with an overallotment facility of £80 million. On 17 November 2017 and 21 November 2017, 88,257,069 shares and 7,090,446 shares respectively were issued under this Offer at an issue price of 102.2p per share, equivalent to the then current NAV of 96.5p grossed up by 5.5% (as set out in the Prospectus dated 5 September 2017).

## Share Buybacks

During the year the Company purchased 3,215,355 shares, with a nominal value of £321,536 for cancellation at a weighted average price of 91.0p per share for a total consideration of approximately £2.9 million, which represents 1.0% of the shares in issue at the prior year end (2016: 4,255,643 shares, with a nominal value of £425,564 for cancellation at a weighted average price of 92.2p per share for a total consideration of £3.9 million). These were repurchased in accordance with the Company's share buyback facility in order to assist the marketability of the shares and to prevent the shares trading at a wide discount to the NAV.

## Rights Attaching to the Shares and Restrictions on Voting and Transfer

Subject to any suspension or abrogation of rights pursuant to relevant law or Titan's Articles of Association, the shares confer on their holders the following principal rights:

(a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in a general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by Titan;

(b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of Titan remaining after payment of its liabilities pari passu with the other holders of Ordinary shares; and

(c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of Titan. On a show of hands, every member present or represented and voting has one vote, and on a poll, every member present or represented and voting has one vote for every share of which that member is the holder. The appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the Company's Articles of Association with a notice pursuant to s793 of the Companies Act 2006 (notice by the Company requiring information about interests in its shares), the Company can, until the default ceases, suspend the right to attend and speak and vote at a general meeting. If the shares represent at least 0.25% of their class the Company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares. Shareholders, either alone or with other shareholders, have other rights as set out in the Company's Articles of Association and in company law (principally the Companies Act 2006).

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the Company's Articles of Association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the Directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the register of members. The Directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The Directors may also refuse to register a share transfer if it is in respect of a certificated share which is not fully paid up or on which the Company has a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis, or if in the opinion of the Directors (and with the concurrence of the UK Listing Authority) exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell out rules relating to the shares in the Company's Articles of Association, shareholders are subject to the compulsory acquisition provisions in s974 to s991 of the Companies Act 2006.

## Directors' Authority to Allot Shares, to disapply Pre-emption Rights

The authority proposed under Resolution 7 is required so that the Directors may offer existing shareholders the opportunity to add to their investment or to offer potential shareholders an opportunity to invest in the Company in a tax-efficient manner without it having to incur substantial costs. Any consequent modest increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in part, to purchase Ordinary shares in the market.

Resolution 7 renews the Directors' authority to allot Ordinary shares. Such authority would expire at the later of the conclusion of the next Annual General Meeting following the passing of this Resolution and the expiry of 15 months from the passing of the Resolution, giving the Directors authority to allot up to 10% of the Company's issued share capital as at the date of the notice of AGM. This authority is in addition to existing authorities.

Resolution 8 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This Resolution would authorise the Directors, until at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution, to issue Ordinary shares for cash without pre-emption rights applying by way of an offer to existing shareholders, or re-issue shares out of Treasury up to 10% of the Company's issued share capital. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders, as a whole. This authority is in addition to existing authorities.

## Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 9 is required so that the Directors may make purchases of up to 27,146,518 Ordinary shares, representing approximately 5% of the Company's issued share capital as at the date of the notice of AGM. Any shares bought back under this authority will be at a price determined by the Board, (subject to a minimum price of 10p (being the nominal value of such shares) and a maximum price of 5% above the average mid-market quotation for such shares on the London Stock Exchange and the applicable regulations thereunder) and may be cancelled or held in Treasury as may be determined by the Board. The authority conferred by Resolution 9 will expire 18 months from the date of the passing of the Resolution unless renewed, varied or revoked by the Company in a general meeting and will be in addition to existing authorities. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole.

## Substantial Shareholdings

As at the date of this report, no disclosures of major shareholdings had been made to the Company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

## Independent Auditor

James Cowper Kreston offer themselves for re-appointment as auditor. A Resolution to re-appoint James Cowper Kreston will be proposed at the forthcoming AGM.

## Information given in the strategic report

Information on dividends and likely future development has not been given in the Directors' Report as equivalent disclosure has been given in the Strategic Report.

## Corporate Governance

The Board of Directors has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide).

The AIC Code, as explained by the AIC Guide, addresses all the principles set out in The UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies. The Board considers that reporting against principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates The UK Corporate Governance Code), will provide better information to shareholders.

The Company is committed to maintaining high standards in Corporate Governance. The Directors consider that the Company has, throughout the period under review, complied with the provisions set out in The UK Corporate Governance Code with the exceptions set out in the Compliance Statement on page 31.

## Board of Directors

The Company has a Board of four Non-Executive Directors, three of whom are considered to be independent. Mr Cooper is not considered to be independent due to his role as Chairman of Octopus. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board as set out in the Strategic Report on page 2.

Subject to the provisions of the Companies Act 2006, the Articles of Association of the Company and any directions given by shareholders by Special Resolution, the Articles of Association specify that the business of the Company is to be managed by the Directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular, the Directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the Company's 2017 AGM to make market purchases of up to 5% of the issued ordinary share capital at any time up to the 2018 AGM and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2018 AGM as set out in the notice of meeting.

The Board has a formal schedule of matters specifically reserved for its decision which include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to the shareholders;
- the appointment, evaluation, removal and remuneration of Octopus;
- the performance of the Company, including monitoring of the discount of the net asset value to the share price; and
- monitoring shareholder profiles and considering shareholder communications.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and has no involvement in the day-to-day business of the Company. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters. All of the Directors have access to the advice and services of the Company Secretary, who has administrative responsibility for the meetings of the Board and its committees. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties. The Board does not consider it necessary for the size of the Board or the Company to identify a member of the Board as the senior Non-Executive Director.

The Company's Articles of Association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

During the year the following meetings were held:

| | Full Board meetings held | No. of meetings attended | Audit Committee meetings held | Audit Committee meetings attended |
|---|---|---|---|---|
| John Hustler | 5 | 5 | 2 | 2 |
| Matt Cooper | 5 | 2 | 2 | n/a |
| Mark Hawkesworth | 5 | 4 | 2 | 2 |
| Jane O'Riordan | 5 | 4 | 2 | 2 |

Additional meetings were held as required to address specific issues including considering investment recommendations from Octopus, allotments and purchases of its own shares.

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the Annual General Meeting, and that Directors appointed by the Board should seek re-appointment at the next Annual General Meeting. All Directors are required to submit themselves for re-election at least every three years with the exception of Mr Cooper who is not considered to be independent as he is the Chairman of Octopus, the Company's Portfolio Manager, and therefore is required to stand for re-election each year.

This practice was followed during the year under review.

| | Date of Original Appointment | Due date for Re-election |
|---|---|---|
| John Hustler | 29/10/2007 | AGM 2019 |
| Matt Cooper | 29/10/2007 | AGM 2018 |
| Mark Hawkesworth | 27/11/2014 | AGM 2020 |
| Jane O'Riordan | 27/11/2014 | AGM 2018 |

## Performance Evaluation

In accordance with The UK Corporate Governance Code, each year a formal performance evaluation is undertaken of the Board as a whole, its Committees and the directors in the form of one-to-one meetings between the Chairman and each director. The directors were made aware of the annual performance evaluation on their appointment. The Chairman provides a summary of the findings to the Board, which are discussed at the next meeting and an action plan agreed. There were no issues requiring action in the year. The performance of the Chairman was evaluated by the other Directors.

The Board also conducts an evaluation of Octopus, as the Portfolio Manager, and feedback of the results of the evaluation is provided to Octopus.

## Appointment and Replacement of Directors

A person may be appointed as a Director of the Company by the shareholders in a general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the Directors. No person, other than a Director retiring by rotation or otherwise, shall be appointed or reappointed a Director at any general meeting unless he is recommended by the Directors or, not less than seven nor more than 42 clear days before the date appointed for the meeting, notice is given to the Company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the Company's Articles of Association. Each Director who is appointed by the Directors (and who has not been elected as a Director by the members at a general meeting held in the interval since his appointment as a Director) is to be subject to election as a Director of the Company by the members at the first Annual General Meeting following his or her appointment. At each Annual General Meeting one third of the Directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one-third, are to be subject to re-election. The Companies Act 2006 allows shareholders in a general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any Director before the expiration of his or her period of office, but without prejudice to any claim for damages which the Director may have for breach of any contract of service between him or her and the Company. A person also ceases to be a Director if he or she resigns in writing, ceases to be a Director by virtue of any provision of the Companies Act, becomes prohibited by law from being a Director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the Board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the Company's Articles of Association.

## Board Committees

It should be noted that there is no formal Management Engagement Committee as matters of this nature are dealt with by the independent Non-Executive Directors. The Board does not have a separate Remuneration Committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report on pages 34 to 36.

The Board has appointed two committees to make recommendations to the Board in specific areas:

**Audit Committee:**
Mark Hawkesworth
John Hustler
Jane O'Riordan

The Audit Committee consists of three independent Directors. The Audit Committee believes that Mark Hawkesworth possesses appropriate and relevant financial experience as per the requirements of The UK Corporate Governance Code. The Board considers that the members of the Committee are independent and have collectively the skills and experience required to discharge their duties effectively.

The Audit Committee Report is given on pages 32 and 33.

**Nomination Committee:**
John Hustler (Chairman)
Matt Cooper
Mark Hawkesworth
Jane O'Riordan

The Nomination Committee considers the selection and appointment of Directors considering the composition and selection of the Board, appointing members on merit, measured against objective criteria with due regard for the benefits of gender and diversity. It also makes recommendations to the Board as to the level of Directors' fees if appropriate.

## Internal Controls

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of risk management and internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The systems of risk management and internal control are designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with Octopus.

Octopus identifies the investment opportunities for the consideration of the Board which ultimately makes the decision whether to proceed with that opportunity. Octopus monitors the portfolio of investments and makes recommendations to the Board in terms of suggested disposals and further acquisitions.

Octopus is engaged to carry out the accounting function and retains physical custody of the documents of title relating to unquoted investments. Octopus regularly reconciles the client asset register with the physical documents.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the risk management and internal control systems. As part of this process an annual review of the risk management and internal control systems is carried out in accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board does not consider it appropriate to have an internal audit function due to the nature of the Company's transactions as this would not be an appropriate control for a VCT.

The risk management and internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from the Company's accounts require the authority of two approved signatories from Octopus. The Company is subject to a full annual audit whereby the auditor is the same auditor as for some of the other VCTs managed by Octopus. Further to this, the Audit Partner has open access to the Company's Directors and Octopus is subject to regular review by the Octopus Compliance Department.

## Financial Risk Management

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in Note 16 to the Financial Statements.

## Relations with Shareholders

Shareholders have the opportunity to meet the Board and representatives of the Portfolio Manager at the Annual General Meeting and at any General Meetings held during the year. In addition to the formal business of the Annual General Meeting, the Board is available to answer any questions a shareholder may have for the Board and the Portfolio Manager on any matters relating to the operation and performance of the Company. The proxy figures for each meeting are announced at the meeting and are published on the Octopus website and the London Stock Exchange following the meeting.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at 33 Holborn, London, EC1N 2HT. Alternatively, the team at Octopus will be pleased to answer any questions you may have and can be contacted on **0800 316 2295**.

## Compliance Statement

The Listing Rules require the Board to report on compliance throughout the accounting period with all relevant provisions set out in The UK Corporate Governance Code. The preamble to The UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies adding that the AIC Code and AIC Guide can assist in meeting the obligations under The UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 31 October 2017 with the provisions set out in The UK Corporate Governance Code. The section references to The UK Corporate Governance Code are shown in brackets.

1. The Company does not have a Chief Executive Officer or a senior independent Director. The Board does not consider this necessary as it does not have any executive directors. [A.4.1]
2. New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. [B.4.1]
3. The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for a VCT. [C.3.6]
4. The Company does not have a Remuneration Committee as it does not have any executive directors. [D.1.1 – 2.4]
5. The Company has no major shareholders therefore shareholders are not given the opportunity to meet any Non-Executive Directors at a specific meeting other than at the Annual or General Meetings. [E.1.1 & E.1.2]

By order of the Board

Nicola Board

Nicola Board (ACIS)
Company Secretary
5 February 2018

# Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 31 October 2017 and describes the work of the Audit Committee in discharging its responsibilities.

The Committee's key objective is the provision of effective governance of the appropriateness of the Company's financial reporting, the performance of the auditor and the management of the internal control and business risks systems. The Directors forming the Audit Committee can be found on page 30.

The Audit Committee's terms of reference include the following responsibilities:

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- advising the Board on whether the annual Report and Accounts, taken as a whole, is fair, balanced and understandable;
- advising the Board on whether the annual Report and Accounts provides necessary information for shareholders to assess performance, business model and strategy;
- reviewing and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that Octopus has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

As part of the process of working with the Board to maximise effectiveness, meetings of the Committee usually take place immediately prior to a Board meeting and a report is provided on relevant matters to enable the Board to carry out their duties.

The Committee reviews its terms of reference and its effectiveness periodically and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The Committee meets twice per year and on an ad hoc basis as necessary and has direct access to James Cowper Kreston, the Company's external auditor. The external auditor has also been appointed to provide the non-audit service of corporation tax compliance. The Committee does not believe this is sufficient to influence the independence or objectivity of the external auditor due to the fee being an immaterial expense. When considering whether to recommend the appointment or reappointment of the external auditor the Committee takes into account the tenure of the current auditor in addition to comparing the fees charged by similar sized audit firms.

A review of the audit services was undertaken in 2013. No review was undertaken in the current year.

The effectiveness of the external audit is assessed as part of the Board evaluation conducted annually and by the quality and content of the Audit Plan and Report provided to the Committee by the Auditor and the resultant discussions on topics raised. The Committee also challenges the Auditor when present at a Committee meeting, if appropriate.

The Company does not have an internal audit function as it is not deemed appropriate given the size of the Company and the nature of its business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board. Octopus has an internal audit function which reports to the Board periodically on the outcome of the internal audits that have taken place. Any significant issues arising from the Octopus internal audit that affect the Company would be raised to the Committee immediately. Octopus' Compliance Department also reports regularly to the Board.

The Committee monitors the significant risks at each meeting and Octopus engages closely with the Auditor to mitigate the risks and the resultant impact.

During the year ended 31 October 2017, the Audit Committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement and remuneration;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing Octopus' statement of internal controls in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of Octopus' compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial and interim results statements prior to Board approval; and
- reviewing the external auditor's Audit Findings Report to the Committee on the annual financial statements;
- reviewing the Company's going concern as referred to on page 25.

The Committee has considered the whole Annual Report and Accounts for the year ended 31 October 2017 and has reported to the Board that it considers them to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's performance, business model and strategy.

## Significant Risks

The Audit Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements. The Committee and the Auditors have identified the most significant risks for the Company as:

- **Valuation of investment portfolio:** The Committee gives special audit consideration to the valuation of investments and supporting data provided by Octopus. The impact of this risk would be a large gain or loss in the Company's results. The valuations are supported by investment company audited accounts and third party evidence which give comfort to the Audit Committee.
- **Management override of financial controls:** The Committee reviews all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the completion of the financial statements.
- **Recognition of revenue from investments:** Investment income is the Company's source of revenue. Revenue is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice. Octopus confirms to the Audit Committee that the revenues are recognised appropriately.

These issues were discussed with Octopus and the Auditor at the conclusion of the audit of the financial statements.

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the financial statements to 31 October 2017.

Mark Hawkesworth
Audit Committee Chairman
5 February 2018

# Directors' Remuneration Report

## Introduction

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, in respect of the year ended 31 October 2017. The reporting requirements entail two sections be included, a Policy Report and an Annual Remuneration Report, which are presented below.

The Company's auditor, James Cowper Kreston, is required to give its opinion on certain information included in this report; this comprises the Directors' emoluments section and share information below. Their report on these and other matters is set out on pages 38 to 41.

## Consideration by the Directors of Matters Relating to Directors' Remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect. The Board has not sought advice or services from any external person in respect of its consideration of Directors' remuneration during the year although the Directors expect from time to time to review the fees against those paid to the boards of directors of other VCTs. The Directors' remuneration paid during the year is set out on page 35. The Company does not have a Chief Executive Officer, Senior Management or any employees.

## Directors' Remuneration Policy Report

The Board consists entirely of Non-Executive Directors, who meet at least four times a year and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for, at least, a period of three years. All Directors retire at the first general meeting after election and thereafter one third of all Directors are subject to retirement by rotation at subsequent Annual General Meetings. Re-election will be recommended by the Board but is dependent upon a shareholder vote.

Each Director received a letter of appointment which is subject to termination by the Director or the Company on three months' notice in writing. None of the Directors are entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee, to be paid higher fees than the other Directors in recognition of their more onerous roles. The policy is to review these rates from time to time. Due to the nature of the Company, there are no employees other than the Directors and therefore no such issues to consider when determining the Directors' remuneration.

The maximum level of Directors' remuneration is fixed by the Company's Articles of Association, not to exceed £150,000 in aggregate; any amendment to this is by way of an ordinary resolution subject to the approval of shareholders in a General Meeting.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. The fees are not specifically related to the Directors' performance, either individually or collectively. There are no long-term incentive schemes, share option schemes or pension schemes in place. The Articles of Association also entitle the Directors to be repaid all reasonable travelling, subsistence and other expenses incurred by them respectively whilst conducting their duties as Directors; however no other remuneration or compensation was paid or payable by the Company during the year to any of the current Directors.

The remuneration policy was amended and, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, approved by shareholders at the Annual General Meeting held on 23 March 2017. The policy will be effective for a period of three years from that date. Subject to no further changes to the Remuneration Policy it will be presented to shareholders for approval again in 2020.

## Annual Remuneration Report

This Remuneration Report is subject to approval by a simple majority of shareholders at the AGM in March 2018, as in previous years.

## Statement of Voting at the Annual General Meeting

The 2016 Director's Remuneration Report was presented to the AGM in March 2017 and received shareholder approval following a vote on a show of hands. Of the 15,778,713 votes received, those for the resolution totalled 87.9%, 8.8% of votes were at the discretion of the Chairman and 3.4% of the votes cast were against, with 729,172 votes withheld. The proxy forms returned to the Registrars contained no explanation for the votes against the resolution.

Shareholders' views are always welcome and considered by the Board. The methods of contacting the Board are set out in the Directors' Report on page 30.

## Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Portfolio Manager through the agreements, as referred to in the Directors' Report.

The performance graph on page 6 also shows the performance of the NAV and Total Value of the Company. Further details of the Company's performance are shown in the graph and table on page 12 in the Portfolio Manager's Review.

## Directors' Emoluments (Audited)

The amount of each Director's fees for the year were:

| | **Year ended 31 October 2017 £'000** | Year ended 31 October 2016 £'000 |
|---|---|---|
| John Hustler (Chairman) | **35** | 30 |
| Mark Hawkesworth (Appointed 27/11/2014) | **30** | 26 |
| Jane O'Riordan (Appointed 27/11/2014)* | **28** | 24 |
| Matt Cooper** | **–** | 10 |
| **Total** | **93** | 90 |

*Jane's salary was £27,500 but has been rounded up to the nearest £1,000 above.

**Matt Cooper's fees have been paid by Octopus Investments Limited since 1 May 2016.

The figures above in 2016 are time apportioned for the different remuneration levels before and after the increase in the Directors' remuneration on 1 May 2016.

The Directors do not receive any other form of emoluments in addition to the Directors' fees; their total remuneration is not linked to the performance of the Company and no bonuses were or will be paid to the Directors.

The Chairman of the Board and the Chairman of the Audit Committee, receive additional remuneration over the basic Directors' fee in recognition of the additional responsibilities and time commitment required of their roles.

Dividends paid to directors in the year as a result of their shareholdings in the Company are shown in Note 20.

## Relative Importance of Spend on Pay

The actual expenditure in the current year is as follows:

| | **Year to 31 October 2017 £'000** | Year to 31 October 2016 £'000 |
|---|---|---|
| Total Dividends paid | **22,272** | 28,737 |
| Total Buybacks | **2,926** | 3,922 |
| Total Directors Fees | **93** | 90 |
| Total Expenses | **10,498** | 7,842 |

There were no other significant payments during the year relevant to understanding the relative importance of spend on pay.

### Statement of Directors' Shareholdings

There are no guidelines or requirements for Directors to own shares in the Company. The interests of the Directors of the Company during the year (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued Ordinary shares of 10p each are shown in the table below:

| | **Year to 31 October 2017** | Year to 31 October 2016 |
|---|---|---|
| John Hustler (Chairman) | **82,178** | 71,803 |
| Matt Cooper | **977,048** | 750,812 |
| Mark Hawkesworth | **75,685** | 65,310 |
| Jane O'Riordan | **56,267** | 45,037 |

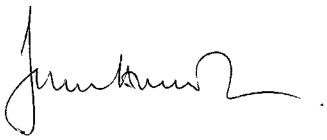
There have been the following changes in the Directors' share interests between 31 October 2017 and the date of this report:

| | **Shares Purchased** |
|---|---|
| John Hustler | 10,517 |
| Mark Hawkesworth | 10,517 |
| Jane O'Riordan | 10,517 |

All of the Directors' shares were held beneficially except for Jane O'Riordan who holds 39,489 Ordinary shares in a nominee account.

Any information required by legislation in relation to executive directors (including a Chief Executive Officer) or employees has been omitted because the Company has neither and therefore it is not relevant.

By Order of the Board



John Hustler
Chairman
5 February 2018

# Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 – "The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), (United Kingdom accounting standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Strategic Report, Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

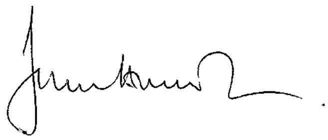
The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the Annual Report and Accounts, taken as a whole, provide the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board



John Hustler
Chairman
5 February 2018

# Independent auditor's report to the members of Octopus Titan VCT Plc

## Independent auditor's report to the members of Octopus VCT Titan Plc

We have audited the financial statements of Octopus Titan VCT Plc (the 'company' or 'Titan') for the year ended 31 October 2017 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2017 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to in relation to:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of unquoted investments

Unquoted investments are the largest asset in the financial statements, and they are designated as being at fair value through profit and loss in accordance with FRS 102 and 2014 Statement of Investment Trust Companies and Venture Capital Trusts. Measurement of the value of an unquoted investment includes significant assumptions and judgements. We therefore identified the valuation of unquoted investments as a risk that has the greatest effect on the overall audit strategy.

Our audit work included, but was not restricted to, obtaining an understanding of how the valuations were performed, consideration of whether they were made in accordance with published guidance, discussions with Titan, and reviewing and challenging the basis and reasonableness of the assumptions made by Titan in conjunction with available supporting information. Titan's accounting policy on the valuation of unquoted investments is included in note 1, and its disclosures about unquoted investments held at the year end are included in note 10.

We found the resulting carrying amount of unquoted equity investments to be materially correct.

## Revenue recognition

Investment income is Titan's main source of revenue and is recognised when Titan's right to the return is established in accordance with the Statement of Recommended Practice.

Our audit work included, but was not restricted to a detailed review of those sources of income recorded in the financial statements and further consideration of other potential sources of income. Titan's accounting policy on income is included in note 1 and its disclosures about income are included in note 2.

We found the amount of revenue recognised to be materially correct.

## Management override of financial controls

Titan operates a system of financial controls to mitigate its vulnerability to fraud and its financial statements to material error and is reliant upon the efficacy of these controls to ensure that its financial statements present a true and fair view.

The financial statements contain a number of significant accounting estimates that require an element of judgement on behalf of management and that are, therefore, potentially open to manipulation.

Our audit work included, but was not restricted to, a review of all significant management estimates and detailed consideration of all material judgements applied during the preparation of the financial statements. We also reviewed material journal entries processed by management during the period. Titan's principal accounting policies are included in note 1.

Our audit work did not identify any instances of management override of financial controls.

## Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £4.3 million, which is 1% of the value of Titan's net assets. For income and expenditure items we determined that misstatements of lesser amounts than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for revenue items within the income statement to be £415,000.

Performance materiality was set at £3.0 million, 70% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as the statement of total comprehensive income, directors' remuneration and related party transactions.

We determined the threshold at which will communicate misstatements to be £200,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

Our audit approach was based on a thorough understanding of Titan's business and is risk-based. The day-to-day management of Titan's investment portfolio, the custody of its investments and the maintenance of Titan's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at Titan and the third-party service providers, and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006 and the Listing Rules

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Strategic report and directors' report**

In our opinion, based on the work undertaken in the course of the audit:

- we have not identified material misstatements in the strategic report and the directors' report.
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Directors' remuneration report**

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Disclosures of principal risks and longer-term viability**

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the statement on long term viability on page 8 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the risk management disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the statement on long term viability of how they have assessed the prospects of the Company, over what period they have done so and wh they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualification or assumptions.

Under the Listing Rules we are required to review the Statement on long-term viability. We have nothing to report in this respect.

**Corporate governance disclosures**

We are required to report to you if:

- we identify material inconsistencies between the knowledge we acquired during our financial statements audit and directors' statement that they consider that the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the corporate governance statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditscopeprivate**. This description forms part of our auditor's report.

## Other matters which we are required to address

We were appointed by the board of directors on 14 October 2013. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

We have performed one non-audit service in relation to the Company's corporation tax compliance.

## The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work had been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Holland BSc FCA (Senior Statutory Auditor)

For and on behalf of James Cowper Kreston, Statutory Auditor

8th Floor South,
Reading Bridge House,
George Street,
Reading
Berkshire,
RG1 8LS

5 February 2018

# Income Statement

| | | Year to 31 October 2017 | | | Year to 31 October 2016 | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Revenue £'000** | **Capital £'000** | **Total £'000** | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains/(Losses) on disposal of portfolio investments | 10 | **–** | **581** | **581** | – | (3,122) | (3,122) |
| Portfolio investment holding gains | 10 | **–** | **23,669** | **23,669** | – | 25,245 | 25,245 |
| OEIC investment holding gains | | **–** | **6,688** | **6,688** | – | 2,896 | 2,896 |
| Investment income | 2 | **212** | **–** | **212** | (299) | – | (299) |
| Investment management fees | 3 | **(1,933)** | **(5,798)** | **(7,731)** | (1,383) | (4,149) | (5,532) |
| Performance fee | 3 | **–** | **(3,852)** | **(3,852)** | – | (3,388) | (3,388) |
| Other expenses | 4 | **(2,767)** | **–** | **(2,767)** | (2,310) | – | (2,310) |
| FX translation | | **–** | **(619)** | **(619)** | – | 737 | 737 |
| **Profit/(Loss) before tax** | | **(4,488)** | **20,669** | **16,181** | (3,992) | 18,219 | 14,227 |
| Taxation | 6 | **–** | **–** | **–** | – | – | – |
| **Profit/(Loss) after tax** | | **(4,488)** | **20,669** | **16,181** | (3,992) | 18,219 | 14,227 |
| **Earnings per share – basic and diluted** | 8 | **(1.1)p** | **5.0p** | **3.9p** | (1.4)p | 6.3p | 4.9p |

- The 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.
- All revenue and capital items in the above statement derive from continuing operations.
- The Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

Titan has no other comprehensive income for the period.

The accompanying notes form an integral part of the financial statements.

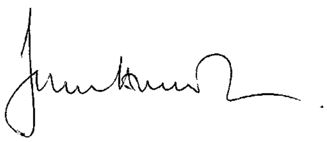
# Balance Sheet

| | | Year to 31 October 2017 | | Year to 31 October 2016 | |
|---|---|---|---|---|---|
| | **Notes** | **£'000** | **£'000** | £'000 | £'000 |
| Fixed asset investments | 10 | | **301,791** | | 225,536 |
| Current assets: | | | | | |
| OEICs | 12 | **104,484** | | 62,795 | |
| Cash at bank | | **23,290** | | 12,395 | |
| Applications cash* | | **39,272** | | 17,960 | |
| Debtors | 11 | **5,821** | | 12,637 | |
| Money market funds | 12 | **2,453** | | 7,494 | |
| | | **175,320** | | 113,281 | |
| Current liabilities | 13 | **(44,408)** | | (22,841) | |
| Net current assets | | | **130,912** | | 90,440 |
| | | | | | |
| **Net assets** | | | **432,703** | | 315,976 |
| | | | | | |
| Called up share capital | 14 | | **44,899** | | 32,262 |
| Share premium | 15 | | **114,404** | | 1,619 |
| Special distributable reserve** | 15 | | **211,122** | | 240,172 |
| Capital redemption reserve | 15 | | **1,071** | | 749 |
| Capital reserve – gains/(losses) on disposals** | 15 | | **2,284** | | 1,777 |
| Capital reserve – holding gains | 15 | | **70,668** | | 46,035 |
| Revenue reserve** | 15 | | **(11,863)** | | (7,375) |
| Translation reserve | 15 | | **118** | | 737 |
| **Total equity shareholders' funds** | | | **432,703** | | 315,976 |
| **Net asset value per share** | 9 | | **96.4p** | | 97.9p |

*Cash held but not yet allotted.

**Reserves available for distribution – reconciled in note 15

The statements were approved by the Directors and authorised for issue on 5 February 2018 and are signed on their behalf by:



John Hustler
Chairman

Company No: 6397765

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

| | **Year ended 31 October 2017 £'000** | Year ended 31 October 2016 £'000 |
|---|---|---|
| Shareholders' funds at start of year | **315,976** | 228,461 |
| Profit after tax | **16,181** | 14,227 |
| Issue of equity (net of expenses) | **125,744** | 105,947 |
| Purchase of own shares | **(2,926)** | (3,922) |
| Dividends paid | **(22,272)** | (28,737) |
| **Shareholders' funds at end of year** | **432,703** | 315,976 |

The accompanying notes form an integral part of the financial statements.

Please see note 15 for a full reconciliation of both the current year and prior year equity reserves.

# Cash Flow Statement

| | Notes | Year to 31 October 2017 £'000 | Year to 31 October 2016 £'000 |
|---|---|---|---|
| **Reconciliation of profit to cash flows from operating activities** | | | |
| Profit before tax | | **16,181** | 14,227 |
| Decrease/(Increase) in debtors | | **6,816** | (10,847) |
| Increase in creditors | | **21,567** | 10,940 |
| (Gains)/Losses on disposal of fixed assets | | **(581)** | 3,122 |
| Gains on valuation of fixed asset investments | | **(23,669)** | (25,245) |
| Surplus funds received from fixed asset investments | | **513** | (25) |
| **Inflow/(Outflow) from operating activities (a)** | | **20,827** | (7,828) |
| **Cash flows from investing activities** | | | |
| Purchase of fixed asset investments | 10 | **(61,880)** | (45,926) |
| Sale of fixed asset investments | 10 | **180** | 54,119 |
| Zenith Distribution | 10 | **9,182** | – |
| **(Outflow)/Inflow from investing activities (b)** | | **(52,518)** | 8,193 |
| **Cash flows from financing activities** | | | |
| Dividends paid | 7 | **(22,272)** | (28,737) |
| Purchase of own shares | 14 | **(2,926)** | (3,922) |
| Net proceeds from share issues | | **125,744** | 105,947 |
| **Inflow from financing activities (c)** | | **100,546** | 73,288 |
| **Increase in cash and cash equivalents (a + b + c)** | | **68,855** | 73,653 |
| Opening cash and cash equivalents | | **100,644** | 26,991 |
| **Closing cash and cash equivalents** | | **169,499** | 100,644 |

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. Principal Accounting Policies

Titan is a Public Limited Company (Plc) incorporated in England and Wales and its registered office is 33 Holborn, London, EC1N 2HT.

The principal activity of Titan is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream.

The financial statements are presented in Sterling (£) to the nearest £'000. The functional currency is also Sterling (£).

**Basis of accounting**

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006 and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued 2014 and revised 2017).'

The principal accounting policies have remained unchanged from those set out in Titan's 2016 Annual Report and financial statements. A summary of the principal accounting policies is set out in the notes.

Titan presents its income statement in a tri-columnar format to give shareholders additional detail of the performance of Titan, split between items of a revenue or capital nature.

The preparation of the financial statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

Capital valuation policies are those that are most important to the manifestation of Titan's financial position and that require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The critical accounting policies that are declared will not necessarily result in material changes to the financial statements in any given period but rather contain a potential for material change. The main accounting and valuation policies used by Titan are disclosed in the notes below. Whilst not all of the significant accounting policies require subjective or complex judgements, Titan considers that the following accounting policies should be considered critical.

Titan has designated all fixed asset investments as being held at fair value through profit or loss; therefore all gains and losses arising from investments held are taken to the income statement in the period in which they occur. Accordingly, all interest income, fee income, expenses and investment gains and losses are attributable to assets designated as being at fair value through profit or loss. OEICs (part of current asset investments) are held at fair value through profit or loss.

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Quoted investments are valued in accordance with the bid-price on the relevant date, unquoted investments are valued in accordance with current IPEVC valuation guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of subsidiary companies and liquidity or marketability of the investments held.

Although Titan believes that the assumptions concerning the business environment and estimates of future cash flows are appropriate, changes in estimates and assumptions could require changes in the stated values. This could lead to additional changes in fair value in the future.

**Revenue and capital**

The revenue column of the income statement includes all income and revenue expenses of Titan. The capital column includes gains and losses on the disposal of investments and gains and losses arising from changes in the fair value of investments at the period end.

**Cash and cash equivalents**

Cash, for the purposes of the cash flow statement, comprises cash at bank. Cash equivalents are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. This comprises investments in money market funds and OEICs.

**Financing strategy and capital structure**
Capital management is monitored and controlled by forecasting income and expenditure over both the short and medium terms to enable investments to be made at the same time as controlling short term liquidity. The investments being managed include equity and fixed-interest investments, and short term liquidity comprises cash and cash equivalents including debtors and creditors.

We define capital as shareholders' funds and our financial strategy in the medium term is to manage a level of cash that balances the risks of the business with optimising the return on equity. Titan currently has no borrowings nor does it anticipate that it will drawdown any borrowing facilities in the future to fund the acquisition of investments.

Titan does not have any externally imposed capital requirements.

The value of the managed capital is indicated in note 15. The Board considers the distributable reserves and the total return for the period when recommending a dividend. In addition, the Board is authorised to make market purchases up to a maximum of 5% of the issued Ordinary share capital of Titan in accordance with Special Resolution 9 in order to maintain sufficient liquidity in the VCT.

**Financial instruments**
Titan's principal financial assets are its investments and the policies in relation to those assets are set out in note 10. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

**Judgments in applying accounting policies and key sources of estimation uncertainty**
This is addressed in note 10.

**Reserves**
**Called up share capital** – represents the nominal value of shares that have been issued.

**Share premium** – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

**Special distributable reserve** – includes realised profits and cancelled share premium available for distribution.

**Capital redemption reserve** – represents the nominal value of shares bought back from shareholders.

**Capital reserve – gains/(losses) on disposals** – arises when an investment is sold any balance held on the Capital reserve – holding gains/(losses) is transferred to the Capital reserve – gains/(losses) on disposal, as a movement in reserves.

**Capital reserve – holding gains/(losses)** – arises when Titan re-values the investments still held during the period, any gains or losses arising are credited/charged to the Capital reserve – holding gains/(losses).

**Revenue reserve** – revenue profits and losses are credited and charged to this account.

**Translation reserve** – gains or losses arise when assets other than portfolio assets, and not denominated in sterling, are revalued to the year-end sterling exchange rate.

## 2. Investment income

**Accounting Policy**

Investment income includes interest earned on money market funds and includes income tax withheld at source. Dividend income is shown net of any related tax credit.

Dividends receivable are brought into account when Titan's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on debt and money market funds are recognised so as to reflect the effective interest rate; provided there is no reasonable doubt that payment will be received in due course.

**Disclosure**

| | **Year to 31 October 2017 £'000** | Year to 31 October 2016 £'000 |
|---|---|---|
| Money market funds | **20** | 32 |
| Dividends received | **87** | 115 |
| Loan note interest receivable* | **105** | (446) |
| **Total income** | **212** | (299) |

*Due to loan investments converting to equity instruments in the prior year, in addition to write-offs of interest on certain loan investments, the net loan interest income figure was a negative amount.

## 3. Investment Management Fees

**Accounting Policy**

For the purposes of the revenue and capital columns in the income statement, the management fee has been allocated 25% to revenue and 75% to capital, in line with the Board's expected long-term return in the form of income and capital gains respectively from Titan's investment portfolio.

**Disclosure**

| | **Year to 31 October 2017** | | | Year to 31 October 2016 | | |
|---|---|---|---|---|---|---|
| | **Revenue £'000** | **Capital £'000** | **Total £'000** | Revenue £'000 | Capital £'000 | Total £'000 |
| Investment management fee | **1,933** | **5,798** | **7,731** | 1,383 | 4,149 | 5,532 |
| Performance fee – payable | **–** | **3,601** | **3,601** | – | 3,080 | 3,080 |
| Performance fee – accrued | **–** | **251** | **251** | – | 308 | 308 |
| **Total** | **1,933** | **9,650** | **11,583** | 1,383 | 7,537 | 8,920 |

The performance fee has been wholly attributed to capital. For more details please refer to Note 19.

The Portfolio Manager provides investment management services through agreements with Octopus AIF Management Limited and the Company. It also provides accounting and administration services to Titan under an administration agreement. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given. The basis upon which the management fee is calculated is disclosed within note 19 to the financial statements.

## 4. Other Expenses

### Accounting Policy

Other expenses are accounted for on an accruals basis and are charged wholly to revenue.

The transaction costs incurred when purchasing or selling assets are written off to the Income Statement in the period that they occur.

| | **Year to 31 October 2017 £'000** | Year to 31 October 2016 £'000 |
|---|---|---|
| Accounting and administration services | **1,160** | 830 |
| Ongoing advisor charges and trail commission | **1,011** | 963 |
| Listing fees | **130** | 114 |
| Registrar's fees | **111** | 193 |
| Directors' remuneration* | **102** | 97 |
| Professional subscriptions | **58** | – |
| Printing costs | **27** | 16 |
| D&O Insurance | **24** | 18 |
| Monitoring fees | **22** | 19 |
| AIC subscription | **21** | 21 |
| Audit fees | **19** | 23 |
| General expenses | **18** | 24 |
| Cosec fees | **17** | 20 |
| Broker advisory fees | **16** | 12 |
| FCA fees | **14** | 5 |
| Other fees** | **17** | (45) |
| **Total** | **2,767** | 2,310 |

*Includes employers' NI.

**Negative balance in FY 16 relates to a rebate of stamp duty from HMRC in respect of incorrect stock transfers in relation to Amplience UK Limited, Phasor Solutions Limited and Zenith Holding Company: stamp duty was originally overpaid following the transfer of these portfolio company shares from Titan's 1, 3, 4 and 5 to Titan 2 (now Titan) after the 2014 merger.

Other fees comprise tax compliance fees, legal fees, other accountancy advisory fees and bank charges.

Total ongoing charges are capped at 3.2% of net assets. For the year to 31 October 2017 the ongoing charges were 2.5% of net assets (2016: 2.5%). This is calculated by summing the expenses incurred in the year (excluding ongoing IFA charges and non-recurring expenses) divided by the average net asset value throughout the year.

## 5. Directors' Remuneration

| | **Year to 31 October 2017 £'000** | Year to 31 October 2016 £'000 |
|---|---|---|
| John Hustler (Chairman) | **35** | 30 |
| Mark Hawkesworth | **30** | 26 |
| Jane O'Riordan | **28** | 24 |
| Matt Cooper* | **–** | 10 |
| **Total directors' remuneration** | **93** | 90 |

*Matt Cooper's remuneration begun to be paid by the Portfolio Manager from 1 May 2016.

None of the Directors received any other remuneration from Titan during the year. Titan has no employees other than Non-Executive Directors. The average number of Non-Executive Directors in the year was four (2016: four).

## 6. Tax on Ordinary Activities

### Accounting Policy

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the 'marginal' basis as recommended in the SORP.

Deferred tax is recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

### Disclosure

The corporation tax charge for the period was £nil (2016: £nil).

| | **Year to 31 October 2017 £'000** | Year to 31 October 2016 £'000 |
|---|---|---|
| Profit before tax | **16,181** | 14,227 |
| Zenith distribution | **9,182** | – |
| Non-taxable capital gains | **(30,938)** | (25,019) |
| **Profits chargeable to corporation tax** | **(5,575)** | (10,792) |
| | | |
| Current tax at 19% (2016: 20%) | **(1,059)** | (2,158) |
| Unrelieved tax losses | **1,059** | 2,158 |
| **Total current tax charge** | **–** | – |

Unrelieved tax losses of £29,347,000 (2016: £24,835,000) are estimated to be carried forward at 31 October 2017 (subject to completion of the Company's tax return) and are available for offset against future taxable income, subject to agreement with HMRC. Titan has not recognised the deferred tax asset of £5,576,000 (2016: £4,967,000) in respect of these excess management charges because there has been no taxable income.

Approved VCTs are exempt from tax on capital gains within Titan. Since the Directors intend that Titan will continue to conduct its affairs so as to maintain its approval as a VCT, no current deferred tax has been recognised in respect of any capital gains or losses arising on the revaluation or disposal of investments.

## 7. Dividends

**Accounting Policy**

Dividends payable are recognised as distributions in the financial statements when Titan's liability to make the payment has been established. This liability is established on the record date, the date on which those shareholders on the share register are entitled to the dividend.

**Disclosure**

| | **Year to 31 October 2017 £'000** | Year to 31 October 2016 £'000 |
|---|---|---|
| **Recognised as distributions in the financial statements for the period** | | |
| Previous year's final dividend | **13,327** | 6,369 |
| Current year special dividend | **–** | 15,920 |
| Current period's interim dividend | **8,945** | 6,448 |
| | **22,272** | 28,737 |
| **Paid and proposed in respect of the period** | | |
| Interim dividend paid – 2.0p per share (2016: 2.0p per share) | **8,945** | 6,448 |
| Special dividend paid – nil (2016: 5.0p per share) | **–** | 15,920 |
| Final dividend proposed – 3.0p per share (2016: 3.0p) | **16,288** | 11,428 |
| | **25,233** | 33,796 |

The figures above include dividends elected to be reinvested through DRIS.

The final dividend of 3.0p for the year ending 31 October 2017 will be paid on 28 April 2018 to shareholders on the register on 7 April 2018, subject to approval at the AGM.

## 8. Earnings per Share

The total earnings per share is based on the profit after tax of £16,181,000 (2016: £14,227,000) and 415,317,468 (2016: 290,513,432) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and is 3.9p per share (2016: 4.9p per share).

The revenue loss per share is based on revenue loss of £4,488,000 (2016: £3,992,000) and 415,317,468 (2016: 290,513,432) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and is (1.1)p per share (2016: (1.4)p per share).

The capital earnings per share is based on a capital profit of £20,669,000 (2016: £18,219,000) and 415,317,468 (2016: 290,513,432 Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and is 5.0p per share (2016: 6.3p per share).

There are no potentially dilutive capital instruments in issue and, therefore no diluted return per share figures are relevant. The basic and diluted earnings per share are therefore identical.

## 9. Net Asset Value per Share

The calculation of NAV per share as at 31 October 2017 is based on net assets of £432,703,000 (2016: £315,976,000) and 448,990,601 (2016: 322,617,156) Ordinary shares in issue at that date, and is 96.4 pence per share (2016: 97.9 pence per share)

## 10. Fixed Asset Investments

**Accounting Policy**

Titan's principal financial assets are its investments and the policies in relation to those assets are set out below. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them is provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being at fair value through profit or loss ("FVTPL") on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. Titan's investments are measured at subsequent reporting dates at fair value.

In the case of unquoted investments, fair value is established by using measures of value such as price of recent transaction, earnings multiples, discounted cash flows and net assets. This is consistent with International Private Equity and Venture Capital valuation guidelines.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the income statement and allocated to the capital reserve – holding gains/(losses). Fixed returns on non-equity shares and debt securities which are held at fair value are computed using the effective interest rate, to distinguish between the interest income receivable (which is disclosed as interest income within the revenue column of the Income Statement) and other fair value movements arising on these instruments (which are disclosed as holding gains within the capital column of the Income Statement).

Investments deemed to be associates due to the shareholding and level of influence exerted over the investee company are measured at fair value using a consistent methodology to the rest of Titan's portfolio as permitted by the SORP (para 32).

In preparation of the valuations of assets the Directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

**Fair value hierarchy**

Paragraph 34.22 of FRS 102 regarding financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date. Titan's quoted investments are included in level 1.

Level 2: Inputs other than quoted prices included within level 1 that are observable i.e. developed using market data, for the asset or liability, either directly or indirectly. Titan holds no such investments in the current or prior year.

Level 3: Inputs are unobservable, i.e. for which market data is unavailable, for the asset or liability. Titan's unquoted investments are included in level 3 in the current and prior year.

There has been one transfer between these classifications in the year, as Eve Sleep listed on the AIM market (2016: none). In the current year the designation of the levels has changed from levels a – c to levels 1 – 3, with no fundamental change in the description of each level i.e. level a corresponded with level 1, and so forth. The change in fair value of Titan's investments for the current and previous year is recognised through the income statement.

All items held at fair value through profit or loss were designated as such upon initial recognition. Movements in investments at fair value through profit or loss during the period to 31 October 2017 are summarised below and in Note 12.

**Disclosure**

| | Level 1: AIM-quoted investments £'000 | Level 3: Unquoted investments £'000 | Total £'000 |
|---|---|---|---|
| Valuation and net book amount: | | | |
| Book cost | 5,052 | 177,538 | 182,590 |
| Cumulative revaluation | (2,439) | 45,385 | 42,946 |
| **Valuation at 1 November 2016** | **2,613** | **222,923** | **225,536** |
| | | | |
| **Movement in the period:** | | | |
| Purchases at cost | – | 61,880 | 61,880 |
| Disposal proceeds | – | (9,362) | (9,362) |
| Loss on realisation of investments | – | 581 | 581 |
| Eve Listing | 4,576 | (4,576) | – |
| Revaluation in period | 3,825 | 19,844 | 23,669 |
| Other* | – | (513) | (513) |
| **Valuation at 31 October 2017** | **11,014** | **290,777** | **301,791** |
| | | | |
| Book cost at 31 October 2017: | 7,446 | 233,458 | 240,904 |
| Revaluation to 31 October 2017: | 3,568 | 57,319 | 60,887 |
| **Valuation at 31 October 2017** | **11,014** | **290,777** | **301,791** |

*Comprises £515k Swiftkey retention repayment over and above the debtor and £2k credit due to FX loss on Medisafe transaction

The investment portfolio is managed with capital growth as the primary focus. The loan and equity investments are considered to be one instrument due to the legal binding stated within the investment agreement and therefore they are combined in the table shown above.

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect fair value of financial assets held at the price of recent investment, or, in the case of unquoted investments, to adjust earnings multiples. Further details in respect of the methods and assumptions applied in determining the fair value of the investments are disclosed in the Investment Manager's Review. The sensitivity of these valuations to a reasonable possible change in such assumptions is given in Note 16.

At 31 October 2017 there were commitments of £3,523,000 in respect of two investments not yet completed, and at 31 October 2016 there were four commitments of £6,599,000 in respect of investments not yet completed.

The unquoted disposals in the year are tabulated below:

**Disposals of unquoted investments**

| | Net disposal proceeds £'000 | Investment Cost on 1 November 2016* £'000 | Carry value on 1 November 2016 £'000 |
|---|---|---|---|
| Seedcamp III LP | 110 | 110 | 112 |
| Mailcloud Limited (liquidation proceeds) | 70 | 327 | 0 |
| Kabbee Exchange Limited | – | 2,000 | – |
| **Total** | **180** | **2,437** | **112** |

*This represents the cost of investment in Titan's 1-5 before the 2014 merger plus the cost to Titan 2 (now "Titan") after the merger.

## 11. Debtors

| | **31 October 2017 £'000** | 31 October 2016 £'000 |
|---|---|---|
| Other debtors* | **3,527** | 6,624 |
| Disposal proceeds | **1,202** | 5,125 |
| Accrued income | **1,043** | 851 |
| Prepayments | **49** | 37 |
| **Total** | **5,821** | 12,637 |

*Includes two investments not completed at year end, plus an immaterial debtor.

## 12. Current Asset Investments

### Accounting Policy

Current asset investments comprise money market funds and OEICs, the latter which are designated as FVTPL. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve – holding gains/(losses).

The current asset investments are readily convertible into cash at the option of Titan. The current asset investments are held for trading, are actively managed and the performance is evaluated in accordance with a documented investment strategy. Information about them is provided internally on that basis to the Board.

### Disclosure

| | **31 October 2017 £'000** | 31 October 2016 £'000 |
|---|---|---|
| OEICs | **104,484** | 62,795 |
| Money Market funds | **2,453** | 7,494 |
| **Total** | **106,937** | 70,289 |

All current asset investments held at year end sit within the level 1 hierarchy for the purposes of FRS 102, as set out in note 10.

At 31 October 2017 and 31 October 2016 there were no commitments in respect of current asset investments approved by the Manager but not yet completed.

## 13. Current liabilities

| | 31 October 2017 £'000 | 31 October 2016 £'000 |
|---|---|---|
| Unallotted cash* | **39,272** | 17,960 |
| Trade creditors | **3,607** | 3,533 |
| Accruals** | **1,529** | 1,348 |
| **Total** | **44,408** | 22,841 |

*Unallotted cash is cash received from investors to the fund but not yet allotted.

**Includes the Titan 5 performance fee cumulative accrual.

Included within trade creditors is an amount of £3,601,000 (2016: £3,080,000) relating to a performance fee payable to the investment manager. Within accruals there is an amount of £1,087,000 accrued in respect of the Titan 5 shares which were not through the hurdles at the time of the merger. For more details please refer to Note 19.

## 14. Share Capital

| | 31 October 2017 £'000 | 31 October 2016 £'000 |
|---|---|---|
| Allotted and fully paid up: | | |
| 448,990,601 (2016: 322,617,156) Ordinary shares of 10p | **44,899** | 32,262 |

The capital of Titan is managed in accordance with its investment policy with a view to the achievement of its investment objective as set out on page 7. Titan is not subject to any externally imposed capital requirements.

We define capital as shareholders' funds and our financial strategy in the medium term is to manage a level of cash that balances the risks of the business with optimising the return on equity. Titan currently has no borrowings nor does it anticipate that it will drawdown any borrowing facilities in the future to fund the acquisition of investments.

The Board considers the distributable reserves and the total return for the year when recommending a dividend. In addition, the Board is authorised to make market purchases up to a maximum of 5% of the issued ordinary share capital of Titan as at the date of the AGM for the period to the next AGM in accordance with Special Resolution 9 in order to maintain sufficient liquidity in the Company's shares.

Capital management is monitored and controlled using the internal control procedures set out on page 30 of this report. The capital being managed includes equity and fixed-interest investments, cash balances and liquid resources including debtors and creditors.

| | 2017 – 10p Ordinary Shares/000's | 2016 – 10p Ordinary Shares/000's |
|---|---|---|
| Brought forward | **322,617** | 222,461 |
| Shares issued – fundraise and DRIS* | **129,589** | 104,412 |
| Shares repurchased for cancellation | **(3,215)** | (4,256) |
| **Carried forward** | **448,991** | **322,617** |

*The Dividend Reinvestment Scheme ("DRIS") allows shareholders to elect to receive Ordinary shares instead of a dividend. This is explained further in the Shareholder Information and Contact Details at the back of this Report.

Each share has full voting, dividend and capital distribution rights.

During the year 129,588,800 shares were issued at an average price of 100.3 p per share (2016: 104,412,037 shares were issued at a price of 107.7 p). The gross consideration received for these shares was £130 million (net, £126 million).

Titan repurchased 3,215,355 Ordinary shares for cancellation at a weighted average price of 91.0p (2016: 4,255,643 shares at a price of 92.2p) at a cost of £2,926,000.

The total nominal value of the shares repurchased during the financial year was £321,536 (2016: £425,564) representing 0.7% (2016: 1.3%) of the issued share capital at the year end.

## 15. Reserves

The following two tables show a reconciliation of the prior year Equity Reserves followed by the current year reconciliation of the same.

| | Called up Share capital £'000 | Share Premium £'000 | Special distributable reserve* £'000 | Capital redemption reserve £'000 | Capital reserve – gains/ (losses) on disposal* £'000 | Capital reserve – holding gains/ (losses) £'000 | Revenue reserve* £'000 | Translation reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|
| As at 1 November 2015 | 22,246 | – | 182,331 | 325 | (4,279) | 31,221 | (3,383) | – | **228,461** |
| Share issue (includes DRIS) | 10,440 | 95,507 | – | – | – | – | – | – | **105,947** |
| Repurchase of own shares | (424) | – | (3,922) | 424 | – | – | – | – | **(3,922)** |
| Share premium cancellation | – | (93,888) | 93,888 | – | – | – | – | – | **–** |
| Revenue loss after tax | – | – | – | – | – | – | (3,992) | – | **(3,992)** |
| Management fees allocated as capital expenditure | – | – | – | – | (4,149) | – | – | – | **(4,149)** |
| Current year losses on disposal of fixed asset investments | – | – | – | – | (3,122) | – | – | – | **(3,122)** |
| Prior year holding gain relating to current year disposals | – | – | – | – | 13,327 | (13,327) | – | – | **–** |
| Gains on fair value of investments | – | – | – | – | – | 28,141 | – | – | **28,141** |
| Dividends paid (includes DRIS) | – | – | (28,737) | – | – | – | – | – | **(28,737)** |
| Performance fee | – | – | (3,388) | – | – | – | – | – | **(3,388)** |
| FX translation | – | – | – | – | – | – | – | 737 | **737** |
| **Balance as at 31 October 2016** | **32,262** | **1,619** | **240,172** | **749** | **1,777** | **46,035** | **(7,375)** | **737** | **315,976** |

*Reserve is available for distribution

| | Called up Share capital £'000 | Share Premium £'000 | Special distributable reserve* £'000 | Capital redemption reserve £'000 | Capital reserve – gains/ (losses) on disposal* £'000 | Capital reserve – holding gains/ (losses) £'000 | Revenue reserve* £'000 | Translation reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|
| As at 1 November 2016 | 32,262 | 1,619 | 240,172 | 749 | 1,777 | 46,035 | (7,375) | 737 | **315,976** |
| Share issue (includes DRIS) | 12,959 | 112,785 | – | – | – | – | – | – | **125,744** |
| Repurchase of own shares | (322) | – | (2,926) | 322 | – | – | – | – | **(2,926)** |
| Revenue loss after tax | – | – | – | – | – | – | (4,488) | – | **(4,488)** |
| Management fees allocated as capital expenditure | – | – | – | – | (5,798) | – | – | – | **(5,798)** |
| Current year losses on disposal of fixed asset investments | – | – | – | – | 581 | – | – | – | **581** |
| Prior year holding gain relating to current year disposals | – | – | – | – | 5,724 | (5,724) | – | – | **–** |
| Gains on fair value of investments | – | – | – | – | – | 30,357 | – | – | **30,357** |
| Dividends paid (includes DRIS) | – | – | (22,272) | – | – | – | – | – | **(22,272)** |
| Performance fee | – | – | (3,852) | – | – | – | – | – | **(3,852)** |
| FX translation | – | – | – | – | – | – | – | (619) | **(619)** |
| **Balance as at 31 October 2017** | **44,899** | **114,404** | **211,122** | **1,071** | **2,284** | **70,668** | **(11,863)** | **118** | **432,703** |

*Reserve is available for distribution, subject to the restrictions tabled below.

When Titan revalues its investments during the year, any gains or losses arising are credited or charged to the income statement. Unrealised gains/losses are then transferred to the 'Capital reserve – holding gains/(losses)'. When an investment is sold, any balance held on the 'Capital reserve – holding gains/(losses)' is transferred to the 'Capital reserve – gains/(losses) on disposal' as a movement in reserves.

Reserves available for potential distribution by way of a dividend are:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Brought forward | **234,574** | 174,669 |
| Movement in year | **(33,031)** | 59,905 |
| **Carried forward** | **201,543** | 234,574 |
| | | |
| **SDR not available for distribution** | **(131,331)** | (83,488) |
| **Available for distribution – old capital** | **70,212** | 151,086 |

This final figure of £70,212,000 is the maximum value of reserves available for distribution at 31 October 2017, due to the restriction on distributing funds raised after 5 April 2014 for four accounting periods. This figure does not take into account future proceeds generated from the disposal of investments which will increase the amount available for distribution in Titan.

The purpose of the special distributable reserve was to create a reserve which will be capable of being used by Titan to pay dividends and for the purpose of making repurchases of its own shares in the market (subject to the above restriction) with a view to narrowing the discount to net asset value at which Titan's Ordinary shares trade. In the event that the Revenue reserve and Capital reserve – gains/(losses) on disposal do not have sufficient funds to pay dividends, these will be paid from the special distributable reserve.

## 16. Financial Instruments and Risk Management

Titan's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors. Titan holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT qualifying unquoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

**Classification of financial instruments**

Titan held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 October 2017.

| | **31 October 2017 £'000** | 31 October 2016 £'000 |
|---|---|---|
| **Financial assets held at fair value through profit or loss** | | |
| Investments | **301,791** | 225,536 |
| Current asset investments | **104,484** | 62,795 |
| **Total** | **406,275** | 288,331 |
| | | |
| **Financial assets at amortised cost** | | |
| Applications cash* | **39,272** | 17,960 |
| Cash at bank | **23,290** | 12,395 |
| Money market funds | **2,453** | 7,494 |
| Other debtors | **3,527** | 6,624 |
| Disposal proceeds | **1,202** | 5,125 |
| Accrued income | **1,043** | 851 |
| **Total** | **70,787** | 50,449 |
| | | |
| **Financial liabilities at amortised cost** | | |
| Trade creditors | **3,607** | 3,533 |
| Unallotted cash* | **39,272** | 17,960 |
| **Total** | **42,879** | 21,493 |

*Unallotted cash is cash received from investors by Titan but not yet allotted and is included within cash on the balance sheet.

Fixed asset investments (see Note 10) are valued at fair value. Unquoted investments are carried at fair value as determined by the Directors in accordance with current venture capital industry guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. The Directors believe that the fair value of the assets held at the year end is equal to their book value.

In carrying on its investment activities, Titan is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing Titan are market risk, interest rate risk, credit risk and liquidity risk. Titan's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the balance sheet date.

**Market risk**

Titan's strategy for managing investment risk is determined with regard to Titan's investment objective, as outlined on page 7. The management of market risk is part of the investment management process and is a central feature of venture capital investment. Titan's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 28 to 31, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of Titan's assets is regularly monitored by the Board.

Details of Titan's investment portfolio at the balance sheet date are set out on pages 17 and 18.

67.2% (2016: 70.6%) by value of Titan's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by Titan include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 5% overall increase in the valuation of the unquoted investments at 31 October 2017 would have increased net assets for the year by £14,539,000 (2016: £11,146,000) and an equivalent change in the opposite direction would have reduced net assets for the year by the same amount.

0.6% (2016: 2.4%) by value of Titan's net assets comprises money market funds held at amortised cost. A 5% overall increase in the value of Titan's money market fund investment at 31 October 2017 would have increased net assets for the year by £123,000 (2016: £375,000) and an equivalent change in the opposite direction would have reduced net assets for the year by the same amount.

The Investment Manager considers that the majority of the investment valuations are based on earnings multiples which are ascertained with reference to the individual sector multiple or similarly listed entities. It is considered that due to the diversity of the sectors, the 5% sensitivity discussed above provides the most meaningful potential impact of average multiple changes across the portfolio.

**Interest rate risk**
Some of Titan's financial assets are interest-bearing, of which some are at fixed rates and some variable. As a result, Titan is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

**Fixed rate**
The table below summarises weighted average effective interest rates for the fixed interest-bearing financial instruments:

| | **As at 31 October 2017** | | | As at 31 October 2016 | | |
|---|---|---|---|---|---|---|
| | **Total fixed rate portfolio by value £'000** | **Weighted average interest rate %** | **Weighted average time for which rate is fixed in years** | Total fixed rate portfolio by value £'000 | Weighted average interest rate % | Weighted average time for which rate is fixed in years |
| Fixed-rate investments in unquoted companies | **12,862** | **0.0%** | **1.5** | 2,722 | 0.0% | 1.5 |

Due to the relatively short period to maturity of the fixed rate investments held within the portfolio, it is considered that an increase or decrease of 1% in the base rate as at the reporting date would not have had a significant effect on Titan's net assets for the year.

**Floating rate**
Titan's floating rate investments comprise one interest-bearing money market fund at 31 October 2017. Titan's cash held at bank earns no interest due to the HMRC VCT rule which prohibits VCTs from earning more than 30% of its income in non-VCT qualifying income, and interest earned on bank balances is non-qualifying income. The benchmark rate which determines the rate of interest receivable on Titan's money market investment is the Bank of England base rate, which was 0.5% at 31 October 2017. The amounts held in floating rate investments at the balance sheet date were as follows:

| | **31 October 2017 £'000** | 31 October 2016 £'000 |
|---|---|---|
| Money market funds | **2,453** | 7,494 |
| **Total** | **2,453** | 7,494 |

A 1% increase in the base rate would increase income receivable from these investments and the net assets for the year by £25,000 (2016: £75,000).

**Credit risk**
There were no significant concentrations of credit risk to counterparties at 31 October 2017. By accounting cost, no individual investment exceeded 5.7% (2016: 7.9%) of Titan's net assets at 31 October 2017.

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with Titan. The Investment Manager and the Board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 31 October 2017 Titan's financial assets exposed to credit risk comprised the following:

| | **31 October 2017 £'000** | 31 October 2016 £'000 |
|---|---|---|
| Cash on deposit and money market funds | **65,015** | 37,849 |
| Fixed rate investments in unquoted companies | **12,862** | 2,722 |
| **Total** | **77,877** | 40,571 |

Credit risk relating to listed money market funds is mitigated by investing in a portfolio of investment instruments of high credit quality, comprising securities issued by major UK companies and institutions. Credit risk relating to loans to and preference shares in unquoted companies is considered to be part of market risk.

The investments in money market funds and OEICs are uncertified.

Credit risk arising on the sale of investments is considered to be small due to the short settlement and the contracted agreements in place with the settlement lawyers.

Titan's deposit and current accounts are maintained with HSBC Bank plc. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. Should the credit quality or the financial position of HSBC deteriorate significantly, the Investment Manager will move the cash holdings to another bank.

**Liquidity risk**
Titan's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally may be illiquid. They also include investments in AIM-quoted companies, which, by their nature, involve a higher degree of risk than investments on the main market. As a result, Titan may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

Titan's listed money market funds are considered to be readily realisable as they are of high credit quality as outlined above.

Titan's liquidity risk is managed on a continuing basis by the Investment Manager in accordance with policies and procedures laid down by the Board. Titan's overall liquidity risks are monitored on a quarterly basis by the Board.

Titan maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 October 2017 these investments were valued at £5,136,000 (2016: £4,881,000).

## 17. Post Balance Sheet Events

The following events occurred between the balance sheet date and the signing of these financial statements:

- 88.3 million shares were issued on 17 November 2017 at an allotment price of 102.2p under the current Offer.
- 7.1 million shares were issued on 21 November 2017 at an allotment price of 102.2p under the current Offer.
- 26.8 million shares were issued on 2 February 2018 at an allotment price of 103.0p under the current Offer.
- Seven new investments completed totalling £21.7 million.
- Three follow-on investments completed totalling £4.3 million.
- Due to improved Company performance the NAV on 26 January 2018 was 97.3p.

## 18. Contingencies, Guarantees and Financial Commitments

Provided that an intermediary continues to act for a shareholder and the shareholder continues to be the beneficial owner of the shares, intermediaries will be paid an annual IFA commission of 0.5% of advised investors' gross net asset value from Titan. IFA charges of £1,011,000 was expensed during the year (2016: £963,000) and there was £nil (2016: £nil) outstanding at the year end.

There were no contingencies, guarantees or financial commitments as at 31 October 2017.

## 19. Transactions with Manager

From 1 November 2016 to 1 September 2017, Titan employed Octopus Investments Limited as the Investment Manager. Given Titan's continued growth in assets under management, the Company is now classified as a full-scope Alternative Investment Fund under the Alternative Investment Fund Management Directive (the "AIFM Directive"). As a result, since 1 September 2017, the Company's investment management agreement was assigned by way of the deed of novation from Octopus to Octopus AIF Management Limited to act as Manager (an authorised alternative investment fund manager responsible for ensuring compliance with the AIFM Directive). Octopus AIF Management Limited has in turn appointed Octopus to act as Portfolio Manager to Titan (responsible for portfolio management and the day-to-day running of the fund). These agreements ensure the same personnel are managing the Company's portfolio both before and after 1 September 2017.

Titan paid Octopus £7,731,000 (2016: £5,532,000) in the year as a management fee. The management fee is payable quarterly in advance and is based on 2.0% of the net asset value calculated at quarterly intervals from 31 October.

Octopus also provides accounting and administrative services to Titan, payable quarterly in advance for a fee of 0.3% of the net asset value calculated at quarterly intervals from 31 October. During the year £1,160,000 (2016: £830,000) was paid to Octopus for the accounting and administrative services. In addition, Octopus also provided company secretarial services for a fee of £20,000 per annum up to 1 September 2017.

In addition, Octopus is entitled to performance-related incentive fees. The incentive fees were designed to ensure that there were significant tax-free dividend payments made to Shareholders as well as strong performance in terms of capital and income growth, before any performance-related fee payment was made.

At the time of the merger, all the Titan funds – except for Titan 5 – had met their performance fee hurdles. The remaining hurdles to be achieved in respect of the previous Titan 5 shares are a total value (defined as NAV plus cumulative dividends paid) plus cumulative performance fees paid, of 169.3p, and further dividends paid of 3.3p per share, in Titan. The latter hurdle has already been met at 31 October 2017.

Once both the hurdles have been met, performance fees will be payable to the Manager on all gains above a total value of 147.2p (equivalent to 100p in previous Titan 5 share price terms) on the Titan 5 shares. On the remainder of the fund, a Performance Fee of 20% of all future gains above a NAV plus cumulative dividends paid of 158.9p (the High Water Mark, being the highest total value as at previous year ends, and this being 31 October 2016), will be payable to the Manager.

Due to positive performance in the year, the total value has increased to 162.4p, representing a total return of 3.5p, and therefore included within creditors is £3,601,000 (2016: £3,080,000) relating to the performance fee payable to the Investment Manager, and in accrued expenses is £1,087,000 (2016: £836,000) accrued in respect of the shares in Titan 5 which had not met the hurdles at 31 October 2017. The Board has decided to recognise the accrual for the performance fee to reflect the cost of the fee in the period in which the fees were earned.

The High Water Mark for FY 2018 will therefore be 162.4p on the remainder of the fund and 165.8p for the Titan 5 shares (the difference of 3.4p constitutes the performance fees earned since the merger in November 2014). If, on a subsequent financial year end, the Performance Value of Titan falls short of the High Water Mark on the previous financial year end, no performance fee will arise. If, on a subsequent financial year end, the performance exceeds the previous best High Water Mark of Titan, the Investment Manager will be entitled to 20% of such excess in aggregate.

Octopus received £1.16 million in the year to 31 October 2017 (2016: £1.28 million) in regards to arrangement and monitoring fees in relation to investments made on behalf of the Company.

The Company is invested into a discretionary management service operated by a separate investment team within Octopus, in addition to an UCITS fund which is also managed by a different investment team within Octopus. Both investments are included within the "OEICs" category of asset on the balance sheet, and an arrangement is in place so that Octopus does not earn management fees from both investment teams in relation to the same investment i.e. no double charging of fees takes place.

## 20. Related Party Transactions

Titan owns Zenith Holding Company Limited, which owns a share in Zenith LP, a fund managed by Octopus.

Several members of Octopus' investment team hold non-executive directorships as part of their monitoring roles in Titan's investee companies, but they have no controlling interests in those companies.

Mr Cooper, a Non-Executive Director of Titan, is also Chairman of Octopus and owns shares in Octopus, and is the Chairman of ClearlySo, an impact consultancy which measures the social and environmental impact of Titan's portfolio companies.

The Directors received the following dividends from Titan:

| | **31 October 2017 £** | 31 October 2016 £ |
|---|---|---|
| John Hustler (Chairman) | **4,109** | 6,253 |
| Matt Cooper | **47,917** | 42,528 |
| Jane O'Riordan | **2,781** | 1,915 |
| Mark Hawkesworth | **3,785** | 5,796 |

## 21. Voting Rights and Equity Management

The following table shows the % voting rights held by Titan and the % equity managed by Octopus Investments for each of the top 10 investments held in Titan.

| **Investments** | **% equity held by Titan** |
|---|---|
| Zenith Holding Company Limited | 100.00% |
| Secret Escapes Limited | 7.52%* |
| Amplience Limited | 41.22% |
| Sourceable Limited | 22.70% |
| Uniplaces Limited | 24.63% |
| London House Exchange Limited | 15.35% |
| Semafone Limited | 26.42% |
| MIRACL Limited | 57.82% |
| Sofar Sounds Limited | 31.93% |
| Eve Sleep Plc | 7.05% |

*This is 15.98% when the Zenith Holding Company stake in Secret Escapes is included (Zentih Holding Company has a 38.28% investment in Zenith LP)

Zenith Holding Company is a subsidiary of Titan, but owing to the exemption permitted under FRS 102 to not have to consolidate investment companies held as part of an investment portfolio (Section 9 of FRS 102, paragraphs 9.9(b) and 9.9B), Titan has not consolidated the assets and liabilities of Zenith Holding Company. Details of the country of incorporation and latest financial information can be found in the Investment Manager's Review.

# Shareholder Information and Contact Details

Octopus Titan VCT 2 plc was renamed Octopus Titan VCT plc on 27 November 2014 following the merger with Octopus Titan VCT 1 plc, Octopus Titan VCT 3 plc, Octopus Titan VCT 4 plc and Octopus Titan VCT 5 plc on the same date.

The Company was incorporated on 12 October 2007. In collaboration with Octopus Titan VCT 1 plc, over £30.8 million in aggregate (£29.5 million net of expenses) was raised through an Offer for Subscription during the year to 31 October 2008. Since then, further funds have been raised through fund raises as follows:

- £1.37 million (£1.29 million net of expenses) during the year to 31 October 2010
- £1.40 million (£1.32 million net of expenses) during the year to 31 October 2012
- £4.82 million (£4.58 million net of expenses) during the year to 31 October 2013
- £10.78 million (£10.41 million net of expenses) during the year to 31 October 2014
- £54.69 million (£52.56 million net of expenses) during the year to 31 October 2015
- £99.81 million (£96.30 million net of expenses) during the year to 31 October 2016
- £124.10 million (£119.89 million net of expenses) during the year to 31 October 2017

There is currently an open Offer for Subscription for Ordinary Shares, as detailed in the Prospectus issued on 5 September 2017, to raise up to £120 million in aggregate, with an overallotment facility of a further £80 million. On 17 November 2017, £86.5 million (£84.5 million net of expenses) was allotted at a price of 102.2p per share, equivalent to the current NAV at the time of 96.5p grossed up by 5.5% as set out in the Prospectus. A further allotment of £7.0 million (£6.8 million net of expenses) took place on 21 November 2017. The offer will close on 4 September 2018 or earlier at the behest of the Board.

Further details of the Company's progress are discussed in the Chairman's Statement and Investment Manager's Review on pages 3 to 5 and 10 to 23 respectively.

## Venture Capital Trusts ("VCTs")

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in unquoted companies in the UK. Subsequent Finance Acts have introduced changes to VCT legislation. The tax benefits currently available to eligible new investors in VCTs include:

- up to 30% up-front income tax relief;
- exemption from income tax on dividends paid; and
- exemption from capital gains tax on disposals of shares in VCTs.

The principal activity of the Company is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream. The Company has been granted full approval as a VCT by HM Revenue & Customs ("HMRC").

In order to maintain its approval the Company must comply with certain requirements on a continuing basis including the provisions of chapter 3 of the Income Tax Act 2007, in particular s280A:

- at least 70% of its investments must comprise 'qualifying holdings'* (as defined in the legislation); at least 70% of the 70% of qualifying holdings must be invested in Ordinary shares with no preferential rights (for money allotted pre April 2011 the limit is 30% for new investments);
- no single investment made can exceed 15% of the Company's total value; and
- a minimum of 10% of each Qualifying Investment must be in Ordinary shares with no preferential rights.

*A 'qualifying holding' consists of up to £5 million invested in any one year in new shares or securities in an unquoted company (or companies quoted on AIM) which is carrying on a qu=alifying trade and whose gross assets do not exceed a prescribed limit at the time of investment. The definition of a 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing.

## Dividends

Dividends are paid by Computershare Investor Services PLC ("Computershare") on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose or complete an instruction electronically by visiting the Computershare Investor Centre at: **www-uk.computershare.com/investor/**.

Queries relating to dividends, shareholdings or requests for mandate forms should be directed to Computershare by calling **0370 703 6324**. Calls to this number cost the same as a normal local or national landline call and may be included in your service provider's tariff. Calls outside the United Kingdom will be charged at the applicable international rate. Computershare Investor Services PLC are open between 8.30 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.) Computershare can be contacted in writing at:

The Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

The table below shows the NAV per share and lists the dividends that have been paid since the launch of Titan:

| Period Ended | NAV | Dividends paid in period | NAV + cumulative dividends (Total Value) |
|---|---|---|---|
| 30 April 2008 | 95.00p | – | 95.00p |
| 31 October 2008 | 89.90p | – | 89.90p |
| 30 April 2009 | 91.50p | 0.50p | 92.00p |
| 31 October 2009 | 96.10p | 0.50p | 97.10p |
| 30 April 2010 | 92.00p | 0.50p | 93.50p |
| 31 October 2010 | 94.90p | 0.50p | 96.90p |
| 30 April 2011 | 92.10p | 0.75p | 94.85p |
| 31 October 2011 | 91.50p | 0.75p | 95.00p |
| 30 April 2012 | 92.80p | 1.00p | 97.30p |
| 31 October 2012 | 121.90p | 1.50p | 127.90p |
| 30 April 2013 | 88.70p | 34.00p | 128.70p |
| 31 October 2013 | 95.20p | 2.50p | 137.70p |
| 30 April 2014 | 92.20p | 2.50p | 137.20p |
| 31 October 2014 | 101.40p | 2.50p | 148.90p |
| 30 April 2015 | 97.70p | 2.50p | 147.70p |
| 31 October 2015 | 102.70p | 2.00p | 154.70p |
| 30 April 2016 | 95.70p | 7.00p | 154.70p |
| 31 October 2016 | 97.90p | 2.00p | 158.90p |
| 30 April 2017 | 95.20p | 3.00p | 159.20p |
| 31 October 2017 | 96.40p | 2.00p | 162.40p |

A final dividend of 3.0p per share will be paid on 27 April 2018 to shareholders on the register on 13 April 2018.

The Company also offers a Dividend Reinvestment Scheme ("DRIS"). Any shareholder wishing to reinvest their dividends, who has not already elected to do so, can request a DRIS instruction form by calling Computershare on **0370 703 6324**. The application form can also be found on the Octopus Investments Limited website: **www.octopusinvestments.com**. If you are uncertain about your current DRIS position, please call Computershare on the number above or complete a new form.

## Share Price

Titan's share price can be found on various financial websites including **www.londonstockexchange.com**, with the following TIDM/EPIC code:

| | Ordinary shares |
|---|---|
| TIDM/EPIC code | OTV2 |
| Latest share price (5 February 2018) | 93.0 pence per share |

## Buying and Selling Shares

The Company's Ordinary shares can be bought and sold via a stockbroker in the same way as any other company quoted on the London Stock Exchange. There may be tax implications in respect of selling all or part of your holdings, so shareholders should contact their independent financial adviser if they have any queries.

## Buyback of Shares

The Company operates a policy of buying its own shares for cancellation as they become available, and envisages that purchases will be made at no greater than a 5% discount to the prevailing NAV. The Company is, however, unable to buy back shares directly from shareholders. If you are considering selling your shares or trading in the secondary market, please contact the Company's Corporate Broker, Panmure Gordon (UK) Limited ('Panmure').

Panmure is able to provide details of close periods (when the Company is prohibited from buying shares) and details of the price at which it has bought shares. Panmure can be contacted as follows:

| | | |
|---|---|---|
| Chris Lloyd | 020 7886 2716 | chris.lloyd@panmure.com |
| Paul Nolan | 020 7886 2717 | paul.nolan@panmure.com |

## Secondary market

UK income tax payers, aged 18 or over, can purchase shares in the secondary market and benefit from:

- Tax free dividends
- Realised gains not being subject to capital gains tax (although any realised losses are not allowable)
- No minimum holding period
- No need to include VCT dividends in annual tax returns

The UK tax treatment of VCTs is on a first in and first out basis and therefore tax advice should be obtained before shareholders dispose of their shares.

## Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment, this should be notified to the Company's registrar, Computershare, under the signature of the registered holder or via the Computershare Investor Centre at: **www-uk.computershare.com/investor**/. Computershare's contact details are provided on page 66.

## Other Information for Shareholders

Shareholders can obtain a full copy of the Company's Annual Report as well as previously published Annual Reports and Half-yearly Reports on the Octopus website at **www.octopusinvestments.com/investor/our-products/venture-capital-trusts/octopus-titan-vct/**

All other statutory information can also be found here.

## Electronic Communications

We also publish reports and accounts and all other correspondence electronically. This cuts the cost of printing and reduces the impact on the environment. If, in future, you would prefer to receive an email telling you a report is available to view or to receive documents by email please contact Octopus on **0800 316 2295** or Computershare on **0370 703 6324**. Alternatively you can sign up to receive e-communications via the Computershare Investor Centre at: **www-uk.computershare.com/investor/**.

## Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be wary of any unsolicited advice, offer to buy shares at a discount, or offer for free company reports.

Please note that it is very unlikely that either Octopus or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment advice.

If you are in any doubt about the authenticity of an unsolicited phone call, please call Octopus on **0800 316 2295**.

The Financial Conduct Authority has also issued guidelines on how to avoid share fraud and further information can be found on their website: **www.fca.org.uk/consumers/scams/investment-scams/share-fraud-and-boiler-room-scams**. You can report any share fraud to them by calling **0800 111 6768**.

# Directors and Advisers

## Board of Directors
John Hustler (Chairman)
Mark Hawkesworth
Jane O'Riordan
Matt Cooper

## Company Number
Registered in England & Wales
No. 06397765

## Secretary and Registered office
Nicola Board ACIS
33 Holborn
London
EC1N 2HT

## Portfolio Manager
Octopus Investments Limited
33 Holborn
London
EC1N 2HT
Tel: 0800 316 2295
www.octopusinvestments.com

## Investment Manager
Octopus AIF Management Limited
33 Holborn
London
EC1N 2HT
Tel: 0800 316 2295
www.octopusinvestments.com

## Corporate Broker
Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF
020 7886 2500

## Independent Auditor and Taxation Adviser
James Cowper Kreston
Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

## VCT Status Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

## Bankers
HSBC Bank plc
31 Holborn
London
EC1N 2HR

## Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0370 703 6324
(Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate.)
www.computershare.com/uk
www-uk.computershare.com/investor/

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus Titan VCT plc will be held at 33 Holborn, London, EC1N 2HT on Friday, 9 March 2018 at 11 a.m. for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 7 will be proposed as Ordinary Resolutions and Resolutions 8 and 9 will be proposed as Special Resolutions:

## Ordinary Business

**1.** To receive and adopt the financial statements for the year to 31 October 2017 and the Directors' and Auditor's Reports.

**2.** To approve a final dividend of 3.0p per share.

**3.** To approve the Directors' Remuneration Report.

**4.** To re-elect Jane O'Riordan as a Director.

**5.** To re-elect Matt Cooper as a Director.

**6.** To re-appoint James Cowper Kreston as auditor of the Company and to authorise the Directors to determine their remuneration.

## Special Business

To consider and if thought fit, pass Resolution 7 as an Ordinary Resolution and Resolutions 8 and 9 as Special Resolutions:

**7. Authority to allot relevant securities**
THAT, in addition to existing authorities, the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £5,429,304 (representing approximately 10% of the ordinary share capital in issue as at the date of this notice) such authority to expire at the later of the conclusion of the Company's next Annual General Meeting following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in a general meeting but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority).

**8. Empowerment to make allotments of equity securities**
TO empower the Directors pursuant to s571 of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 7 as if s561 (1) of the said Act did not apply to any such allotments and so that:

(a) reference to allotment in this Resolution shall be construed in accordance with s560(2) of the said Act; and

(b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the next Annual General Meeting of the Company following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution. The authority being sought under this Resolution is in addition to existing authorities.

**9. Authority to make market purchases**
THAT, in addition to existing authorities, the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of s693(4) of the Act) of Ordinary shares of 10p each in the Company ('Ordinary shares') provided that:

(a) the maximum number of Ordinary shares so authorised to be purchased shall not exceed 27,146,518 Ordinary shares, representing approximately 5% of the present issued ordinary share capital of the Company as at the date of this notice;

(b) the minimum price which may be paid for an Ordinary share shall be 10p;

(c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to the higher of (i) 105% of the average of the middle market quotation for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased; and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation;

(d) the authority conferred by this resolution shall expire at the later of the conclusion of the next Annual General Meeting of the Company or 15 months from the passing of this Resolution(unless renewed, varied or revoked by the Company in general meeting); and

(e) the Company may enter into a contract to purchase its Ordinary shares under this authority prior to the expiry of this authority which will or may be completed wholly or partly after the expiry of this authority.

By Order of the Board

Nicola Board

Nicola Board (ACIS)
Company Secretary
5 February 2018

33 Holborn
London
EC1N 2HT

## Notes:

(a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.

(b) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

(c) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, **Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY** or alternatively, you may register your proxy electronically at **www.investorcentre.co.uk/eproxy**, in each case, so as to be received by no later than 48 hours (excluding non-working days) before the time the Annual General Meeting is scheduled to begin. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form.

Appointment of a proxy, or any CREST proxy instruction (as described in paragraph (d) below) will not preclude a member from subsequently attending and voting at the meeting should he or she choose to do so. This is the only acceptable means by which proxy instructions may be submitted electronically.

(d) To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(e) Any person receiving a copy of the Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person') should note that the provisions in Notes (a) and (b) above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

(f) Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the AGM which relates to the business of the meeting although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.

(g) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

(h) Under sections 338 and 338A Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:

  (i) To give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or

  (ii) To include in the business to be dealt with at the meeting any matters (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be moved or a matter may properly be included in the business unless:

(i) (In the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

(ii) It is defamatory of any person; or

(iii) It is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than six weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

(i) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, **www.octopusinvestments.com** under Venture Capital Trusts. Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules and a copy of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.

(j) As at 31 January 2018 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 542,930,360 Ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 31 January 2018 are 542,930,360.