
OCTOPUS

AIM VCT PLC

Octopus AIM VCT plc is a venture capital trust which aims to provide shareholders with attractive tax-free dividends and long-term capital growth by investing in a diverse portfolio of predominately AIM-quoted companies. The Company is managed by Octopus Investments Limited.

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FINANCIAL SUMMARY

	As at 29 February 2012	As at 28 February 2011
Net assets (£'000)	39,689	38,940
Net (loss)/profit after tax (£'000)	(768)	6,056
Net asset value (NAV) per share	86.9p	94.4p
Final proposed dividend	2.5p	2.5p

KEY DATES

Annual General Meeting	12 July 2012 (11.00 a.m. at 20 Old Bailey, London EC4M 7AN)
2012 final dividend paid	26 July 2012
Half yearly results to 31 August 2012 announced	October 2012

SHAREHOLDER INFORMATION AND CONTACT DETAILS

The Company was launched as Close AIM VCT PLC in spring of 1998 and raised £10.1 million from private investors through an issue of Ordinary shares.

Between October 2000 and March 2001 a further £20.0 million was raised through an issue of C shares. Furthermore, between 16 March 2004 and final closing on 5 April 2004 the Company raised £3.3 million by way of a D share issue.

The C Shares were merged and converted into Ordinary shares on 31 May 2004 at a conversion ratio determined by a price mechanism related to the respective net assets per share of both the Ordinary shares and C shares at 29 February 2004 (which resulted in C Shareholders receiving 1.0765 Ordinary shares for each C share held).

A further £15.0m was raised between 6 January 2005 and 8 April 2005 through an issue of New D shares.

On 31 May 2008, the Ordinary shares converted into D shares at a conversion ratio of 0.5448 D shares for each Ordinary share. All of the D shares were then redesignated into New Ordinary shares.

With effect from 1 August 2008, the management of the Company was novated to Octopus Investments Limited.

On 4 August 2010 the share capital was restructured and each existing Ordinary share of 50 pence was subdivided into one Ordinary share of 1 pence and one Deferred share of 49 pence. The Deferred shares had no economic value and were bought back by the Company for an aggregate amount of 1 pence and cancelled.

On 12 August 2010, following approval at the Extraordinary General Meeting on 4 August 2010, shareholders of Octopus Phoenix VCT had their shares converted into Octopus AIM VCT shares on a relative net asset value basis. On the same day,

Octopus Phoenix VCT was placed into members' voluntary liquidation.

The offer for subscription in the prospectus dated 9 July 2010 relating to the issue of new shares in connection with the merger with Octopus Phoenix VCT plc was extended by a supplemental prospectus and closed on 19 April 2011 raising £10 million. A subsequent top up raised £1.9 million, closing on 5 April 2012. As mentioned in the Chairman's statement, your Board are seeking to raise up to million of new capital through a further Top-up offer.

Venture Capital Trusts (VCTs)

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in unlisted 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:

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

The Company has been approved as a VCT by HMRC. In order to maintain its approval the Company must comply with certain requirements on a continuing basis:

- at least 70% of the Company's investments must comprise 'qualifying holdings'* (as defined in the legislation);
- at least 30% of the 70% of qualifying holdings must be invested into Ordinary shares with no preferential rights (from April 2011 this changed to 70% for new investments from funds raised after this date);

- no single investment made can exceed 15% of the total company 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 £1 million invested in any one year in new shares or securities in an unquoted UK company (or company listed on AIM) which is carrying on a qualifying 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 will be paid by the Registrar 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. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, by calling 0871 664 0300 (calls cost 10p per minute plus network extras), or by writing to them at:

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

SHAREHOLDER INFORMATION AND CONTACT DETAILS (continued)

The following table shows the Net Asset Value (NAV) per share and lists the dividends that have been paid since the launch of the Company and the different share classes that have been issued:

Dividends paid in the period ended	Ordinary shares 2010/11	D shares 2003/04	C shares 2000/01	Ordinary shares 1997/98	Phoenix 'C' shares 2005/06	Phoenix Ordinary shares 2002/03
28 February 1999	—	—	—	1.88	—	—
29 February 2000	—	—	—	3.13	—	—
28 February 2001	—	—	—	37.25	—	—
28 February 2002	—	—	2.55	6.50	—	—
28 February 2003	—	—	1.50	3.50	—	—
29 February 2004	—	—	0.50	0.50	—	0.15
28 February 2005	—	0.50	0.50	0.50	—	6.50
28 February 2006	—	2.25	2.31	2.15	—	1.00
28 February 2007	—	3.30	4.52	4.20	1.00	3.35
31 August 2007	—	2.50	2.69	2.50	3.00	6.00
29 February 2008	—	2.50	2.69	2.50	3.00	6.00
31 August 2008	—	2.50	2.69	2.50	2.00	5.00
28 February 2009	—	2.50	1.47*	1.36*	3.00	5.00
31 August 2009	—	2.50	1.47*	1.36*	1.35	1.00
28 February 2010	—	2.50	1.47*	1.36*	1.35*	1.00
31 August 2010	—	—	—*	—*	2.70*	2.00
28 February 2011	5.28*	5.28	3.10*	2.88*	3.06*	2.27*
31 August 2011	2.64*	2.64	1.55*	1.44*	1.53*	1.13*
29 February 2012	2.64*	2.64	1.55*	1.44*	1.53*	1.13*
Cumulative dividends paid	10.56	31.61	30.23	76.63	23.20	41.29
Adjusted NAV as at 29 February 2012** (assuming investment at 100p)	91.90	86.90	51.00	47.30	50.40	37.30
Adjusted NAV plus cumulative dividends paid***	102.46	118.51	81.23	123.93	73.60	78.59

Following the merger with Octopus Phoenix VCT plc and various share reorganisations, there is now only one share class, Ordinary shares. For Octopus Phoenix VCT plc Ordinary shares and C shares, the figures above represent a notionally adjusted NAV per share in accordance with the relevant conversion factors listed in the shareholder information sector on the preceding page.

* Notional dividends adjusting for conversion & assuming an investment at 100p, of Phoenix 'C' shares into Phoenix Ordinary shares, and relevant AIM VCT shares into AIM VCT Ordinary shares.

** NAV adjusted for conversion of relevant shares into AIM VCT Ordinary shares at the date of each conversion. Phoenix Ordinary shares adjusted as at the date of the merger.

*** NAV plus cumulative dividends based on NAV adjusting for conversion, assuming an investment at 100p, showing the notional return to shareholders based on their original investment share class.

The proposed final dividend of 2.5p will, if approved by shareholders, be paid on 26 July 2012 to shareholders on the register on 22 June 2012.

Share Price

The Company's share price can be found on various financial websites, such as www.londonstockexchange.com, by typing the following TIDM/EPIC code in the 'Quotes search':

	Ordinary shares
TIDM/EPIC code	OOA
Latest share price (7 June 2012)	78.5p per share

Buying and selling shares

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

The Company operates a policy of buying its own shares for cancellation as they become available. 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, Matrix Corporate Capital ('Matrix').

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

Chris Lloyd
0203-206-7176 chris.lloyd@matrixgroup.co.uk

Paul Nolan
0203-206-7177 paul.nolan@matrixgroup.co.uk

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, Capita Registrars, under the signature of the registered holder.

Other information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com by navigating to Services, Investor Services, Venture Capital Trusts, Octopus AIM VCT plc. All other statutory information will also be found there.

Warning to Shareholders

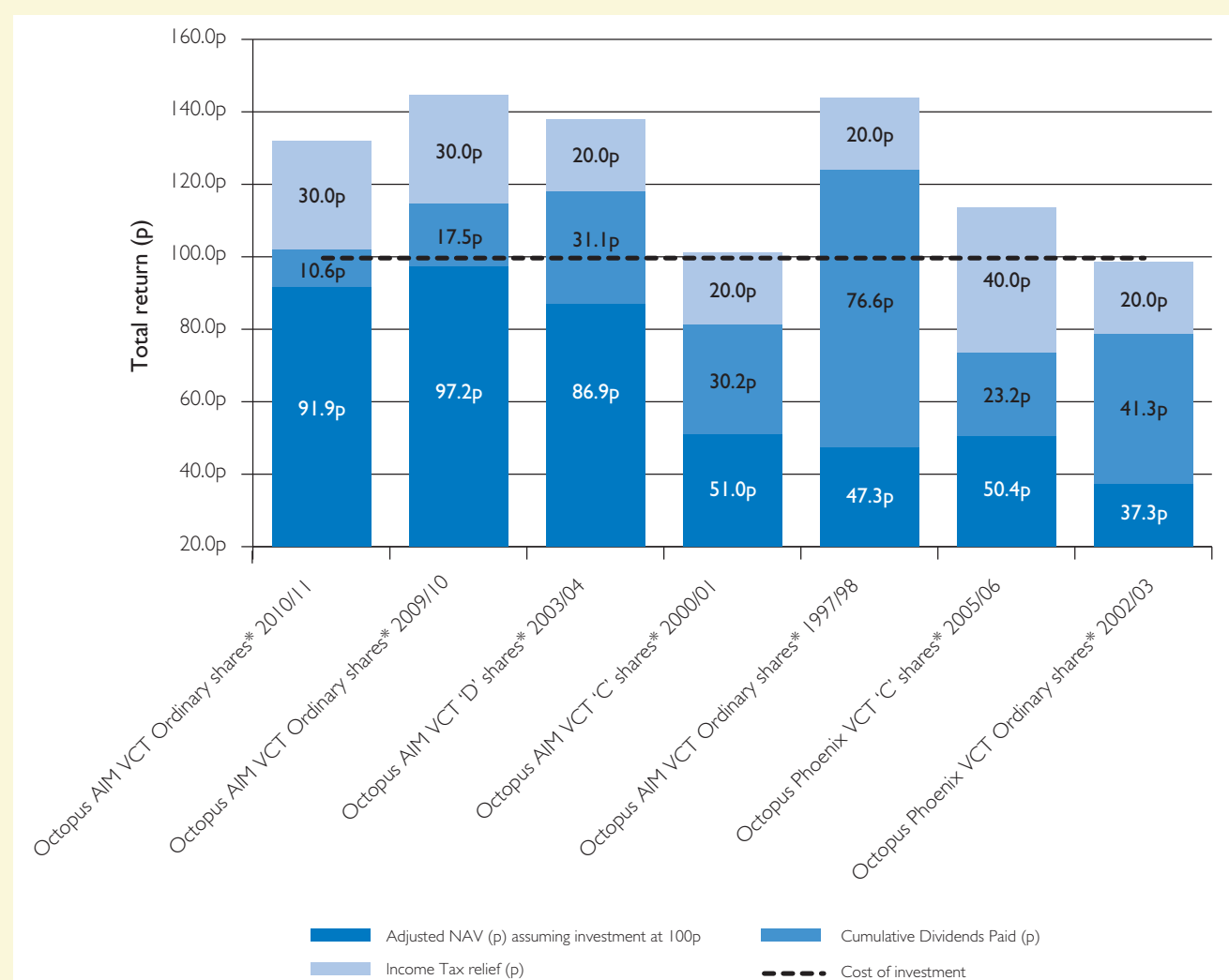
Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very 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 the Company or Octopus Investments 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 veracity of an unsolicited phone call, please call either Octopus Investments or the Registrar at the numbers provided on page 57.

SHAREHOLDER INFORMATION AND CONTACT DETAILS (continued)

The graph below depicts the Net Asset Value (NAV) per share and the dividends that have been paid since the launch of Octopus AIM VCT plc for each class of share issued since the start, assuming an investment at 100p including the up-front tax relief and adjusted in accordance with the relevant conversion factors. Investment has been assumed at the first allotment of each tax year:



* Following the merger of Octopus AIM VCT and Octopus Phoenix VCT and various share re-organisations, there is now only one share class, Ordinary shares. At various dates, indicated above, Ordinary shares (pre May 2008), 'C' shares and 'D' shares together with Octopus Phoenix VCT Ordinary shares and 'C' shares were acquired. The figures above represent a NAV, rebased to assume investment at 100p, and adjusted in accordance with the relevant conversion factors. Investment has been assumed at the first allotment of each tax year.

CHAIRMAN'S STATEMENT

Introduction

It is disappointing to have to report a decline in the Net Asset Value of your shares of 2.6% in the year under review compared with an increase of 21.2% in the previous year, in both cases after adding back 5.0 pence of dividend. This decline may be compared with that of 6.4% in the Small Cap Index. This performance should be seen in the context of continuing difficult economic conditions. As the euro zone crisis continues so does the lack of growth in the UK economy and the general lack of confidence impacts on market prices. More encouragingly, the fact that our management team has continued to have with many companies in which we are invested indicates rather a different story. They report that, in the markets in which they are operating, on the whole trading is holding up well. However, it remains a fact that good results often do not seem to benefit share prices.

A total of £1.9 million was raised by the issue of new shares prior to 6 April 2012. Your Board has decided to make another Top Up Offer to 31 July 2012 (unless it is completed before or extended after 31 July 2012) by the issue of up to another 2,148,981 shares to raise £1.9 million. This will give shareholders and other investors an opportunity of making such an investment in the 2012/13 tax year.

The Budget

The 2012 budget, which has now received State Aid approval from Brussels, provided with effect from 6 April 2012 for the increase in the gross asset limit for investee companies from £7 million to £15 million and for the number of employees to be raised from 50 to 250. Both this lessening of investment restriction and the increase in the 2012 Budget, from £2 million to £5 million, in the annual investment limit, are to be welcomed. Although the changes will place some additional restraints and obligations on your Manager as to how they invest the VCT going forwards, the changes should not have a great impact on the

portfolio which is already over 80% invested in qualifying companies.

Changes in Issued Share Capital

At the year end there were 45,422,653 shares in issue compared with 41,247,611 at the end of the previous year. 5,017,425 shares were allotted as a result of the Top Up issues and 842,383 shares were cancelled in the year which had been acquired as a result of the policy to buy back shares at a 10% discount to Net Asset Value. Post the year end a further 2,148,981 shares were issued and a further 171,123 bought back for cancellation. As a result, at the date of this report there are 47,400,511 shares in issue.

Portfolio

After a slow start, by the end of the year there were signs of deal flow improving. Purchases and sales during the year amounted to £5,570,000 and disposals to £2,954,000 respectively. These are all dealt with in the Manager's Review. New investments were made in Enteq Up Stream (recovery products and technology for gas production), Escher Group (software technology for post offices worldwide), MyCelx (cleaning technology), TLA Worldwide (the second largest US major baseball league agency) and Corero Network Security (software against spam on online computers). Disposals included System C Healthcare, Hamworthy, both of which were sold at a profit, and ClarityCommerce which was sold at a loss; all of which were the subject of bids. The investment in Colliers and Optare were also sold. The profit and loss on disposals was £653,000 and £731,000 respectively.

Dividend

A dividend of 2.5p per share was paid to shareholders in November 2011 and your Board propose that a final dividend of 2.5p per share will be paid in July 2012. Thereafter it is proposed that dividends will be paid in January and July with the intention that the annual dividend will be not less than 5p per share.

CHAIRMAN'S STATEMENT (continued)

VCT Qualifying Status

PricewaterhouseCoopers LLP provides your Board and Investment Manager with advice concerning continuing compliance with HMRC regulations for VCTs. Your Board has been advised that Octopus AIM VCT is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT.

A key requirement is to maintain at least a 70% qualifying investment level. As at 29 February 2012, some 97.9% of the portfolio, as measured by HMRC rules, was invested in qualifying investments.

Risks and Uncertainties

In accordance with the Listing Rules under which your Company operates, your Board has to comment on the potential risks and uncertainties which could have a material impact on the Company's performance. A risk arises from the requirement to maintain compliance with HMRC regulations requiring 70% of your Company's assets to be invested in qualifying holdings. Other risks include the current challenging economic conditions which impact particularly on smaller companies in which your Company invests and this could have an adverse impact on share prices.

Annual General Meeting

The Annual General Meeting will be held on Thursday, 12 July 2012. My colleagues and I very much hope to see many shareholders at the meeting. After the formal business our Investment Managers will make a presentation.

At the Annual General Meeting a resolution will be proposed to extend the life of the Company until 2018 in order to preserve the ability of the Company to conduct Top Up offers in the future.

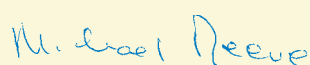
Outlook

For the same reasons as we all read about in the papers every day, it is difficult to describe the outlook as anything but cloudy. One reads that Corporate UK is sitting on £750 billion of cash and that if the UK is not in a double dip recession, most of Europe apart from Germany is in recession. There seems

unsurprisingly little confidence in Corporate UK to spend that cash pile and until it has some incentive to do so it is unlikely that growth will return to the economy. The good news is that, in the last year, many of the companies in the portfolio have managed to improve profits and to increase their dividend payments, helped by the fact that smaller companies of the kind in which VCTs invest can, by their nature, be more flexible in their reaction to prevailing market trends. However, austerity does not make people cheerful and until investors become more confident and cheerful, stock markets are unlikely to reflect any improved performance particularly as far as smaller companies are concerned.

In previous financial reports I have commented that as banks appear to be reluctant to lend to smaller businesses we should see an improved flow in the pipeline for investment. That has been slower to come about than expected, although there have been signs recently of this trend reversing. However, good investment opportunities do arise in times of recession, perhaps even more so than in times of plenty. Our Investment Managers are looking out for them and have substantial liquidity with which to take advantage of them.

It would, I think, be quite wrong to be downhearted about prospects for your portfolio in the coming year and it is certainly true that even a small change in sentiment towards economic growth would have a dramatic effect upon some of the strongly growing companies which your Company holds. I look forward to talking to you further at the AGM.



Michael Reeve

Chairman
7 June 2012

INVESTMENT MANAGER'S REVIEW

Introduction

A year ago we wrote that we believed that the NAV could rise in the following year based on our view that share prices could increase, since they were undervalued and relatively unappreciated by investors. That remains the case. However, the belief that the NAV could rise was confounded by a number of major economic and political concerns, particularly in Europe which impacted sentiment to the detriment of share prices.

It remains the case that many companies are trading well and have managed to do so throughout the last year. The consequence of that is a general de-rating of many shares which have left valuations still reflecting a pessimistic view of the future which we do not share.

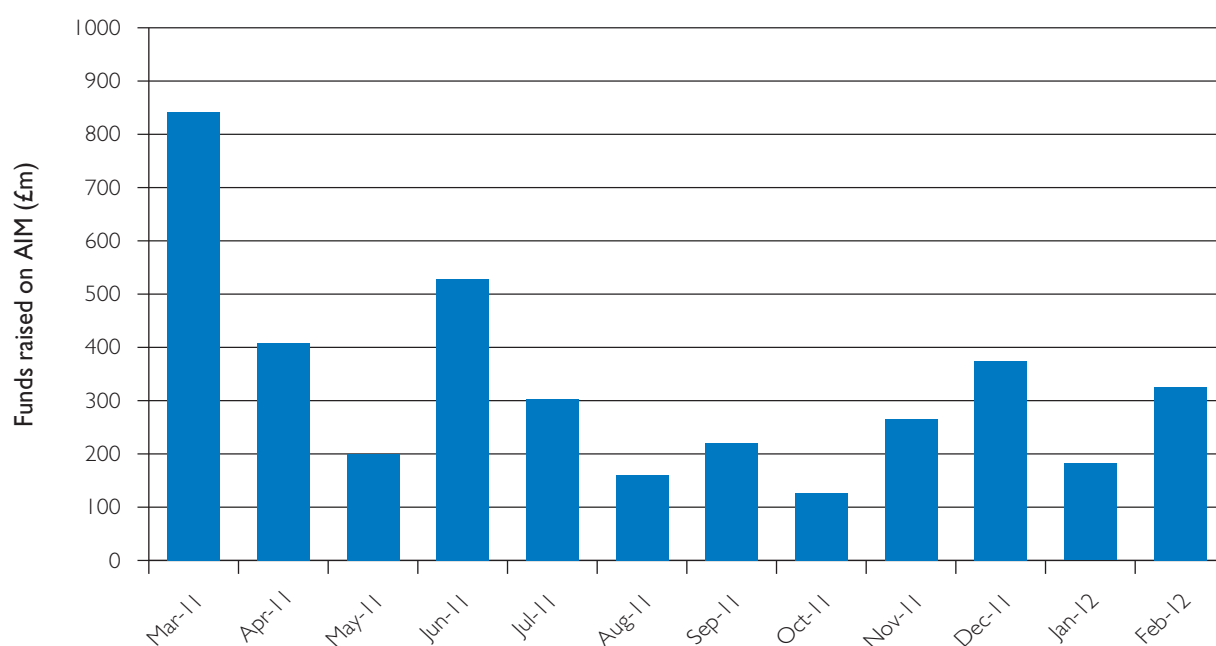
The Alternative Investment Market ("AIM")

AIM has been criticised in the last year as a disappointing market, because the number of companies traded on it has fallen and because it has

not raised as much new capital for its constituents as the previous year (£1,183 million in 2011 versus £623 million in 2012). In fact, the number of companies traded has fallen from 1,178 in February 2011 to 1,122 in February 2012. The small decrease does not seem to warrant the level of criticism and of course this number reflects the impact of the 100 new companies which have joined the market. The new companies equate to approximately two new companies per week and that is hardly the mark of a poor market.

The sum raised is shown by month in the graph below and the total compares well with any year, except for the peak years of 2005 to 2007, which we know now suffered from excessive credit and misplaced enthusiasm from investors. The fact that it was lower than the previous year is more a reflection of the mood of markets in general, and we would hope that the number and size of fundraisings will increase once sentiment starts to improve.

Funds raised in AIM during the year ended 29 February 2012 (source: London Stock Exchange)



INVESTMENT MANAGER'S REVIEW (continued)

It has therefore been a subdued year for AIM, which must be a reflection, to some degree, of wider economic concerns. However, it seems totally incorrect to regard AIM as an historic anomaly. It clearly continues to meet a need and with around 85% of the funds raised in 2011 being for existing companies it is quite apparent that shareholders are backing their investments. The market would thus appear to be working: companies, whose investors believe that their investments deserve additional funds, are achieving their capital raising objectives.

Performance

The year under review was a difficult one for funds investing in smaller companies, as a succession of shocks to the economies and banks of Europe coupled with a lack of political direction made stockmarkets extremely nervous, which is never a good background for the performance of smaller company shares. In the year to 29 February 2012, the AIM index fell by 11.2% and the Smaller Companies Index excluding Investment Trusts by 6.4%. By comparison the NAV of your company fell by 2.6% if the 5 pence of dividends paid in the year are added back.

Although it was disappointing not to be able to build on the recovery in NAV achieved in the preceding two years, the resilience of the underlying investments in the portfolio is demonstrated by this solid performance against the background of some very unsettled markets, particularly in the latter half of the year.

The performance history for different shareholders who bought in at various times over the last fourteen years, is unavoidably complicated to work out. We have therefore tried to make it easier for shareholders by setting it out in a table showing adjusted NAVs, dividends and resulting total returns with a column for each share class. All the figures have been adjusted for conversion ratios and the result therefore shows what would have been the position had no conversions or mergers taken place. It is on page 4.

A number of companies in the portfolio performed well as businesses during the year, although this was not always reflected in share prices. Brooks Macdonald has continued to grow both its profits and assets under management, and its share price has been solid after a strong period of appreciation. Advanced Computer Software and Idox have both continued to generate cash and grow their businesses with the help of acquisitions, despite exposure to the public sector in both cases. EKF, which started life as a cash shell and has yet to make a profit, has now established itself in Europe and the US with acquisitions and we expect profitability to follow as it opens up new markets for its point of care diagnostics. Tasty has also seen significant upgrades to profit forecasts and now has the critical mass to grow its restaurant business organically. In the current year we expect a profit from the merged Sinclair IS Pharma, and some progress from Vertu Motors once retail conditions start to improve.

There were some disappointments in the portfolio, the most significant of which in terms of performance were Immunodiagnostics and MSS. Immunodiagnostics suffered from increased competition in the manual vitamin D testing market before it has gained enough traction with its automated IDS-iSYS sales resulting in downgrades to forecasts. The share price was badly hit, but we believe that it will recover from current levels as sales of automated kits pick up. MSS suffered from a very competitive building services market and working capital constraints and we took the decision to sell this holding at a loss.

On a more positive note, some of the more recent investments contributed positively to performance in the year. Escher announced a large \$50 million US contract which will extend over many years and the announcement of which resulted in a significant rise in the share price. Breedon Aggregates announced a maiden profit ahead of forecasts for the year to December 2011 and has started to reduce its debt levels as well as raising some further cash to fund acquisitions since the period end.

Portfolio Activity

There is no denying that the wider economic concerns have made new flotations fewer in number in 2011 and those that we have invested in mainly materialised in the first half of the financial year. However, the flow of fundraisings for existing businesses has been more evenly spread over the year and reflects the need for companies to use equity rather than debt to finance growth in the current banking environment. Thus, despite what has seemed like a quiet year, we have found several interesting investment opportunities which we expect to develop profitably over the next few years. Because the portfolio remains well above its 70% investment limit in qualifying holdings, we can afford to be patient when making new investments and wait for attractive opportunities at realistic prices.

The interims referred to new investments in Enteq Upstream, Indeed Online, Escher and MyCelx, all of which were new issues. In the second half your Company invested in GB Group and TLA Worldwide. The former provides identity verification services for a variety of customers with a growing international flavour. TLA manages sports personalities, particularly baseball players in America. In total, for the year under review as a whole, £4.332 million has been invested into new qualifying holdings at cost. The cash invested has been a mix of the newly raised funds, as a result of last year's prospectus, and of your company's previously existing capital.

In addition we have also invested £1.238 million into non-qualifying shares, establishing holdings in Hamworthy and Gooch and Housego as well as adding to an existing holding in Augean. This is in line with our strategy of keeping around 10% of the portfolio invested in situations which are expected to provide a higher return than cash in a low interest rate environment. Hamworthy was then the subject of a successful cash takeover, demonstrating the attractiveness of UK companies with winning technologies to overseas trade buyers.

The year under review also included a number of disposals, many of which were as a result of bids, although sadly these did not result in an overall net profit for the Fund. Clarity was an example of an opportunistically timed bid from private equity, of which we will no doubt see more, but where a longer term view by more shareholders might have been rewarded in time and CBG was taken over for cash. Both of these bids were at significant premiums to the then prevailing share prices. Individual Restaurant Group was taken over by a private company, and the structure of the deal meant that it would no longer be a VCT qualifying holding, so we elected to take cash. We also sold out of the holding in Managed Support Services when it disposed of its trading business and ceased to qualify. It had suffered from too much debt at the wrong time in the economic cycle.

We took profits from holdings in Silverdell, Brooks Macdonald and Advanced Computer Software as well as selling out of Optare, Adventis, Northern Bear and Colliers, all of which were suffering from too much debt and were sold at a loss. This has reduced the number of holdings in the portfolio, particularly where the prospects of significant recovery was remote.

Outlook

After a much steadier start to 2012, when a reduced aversion to risk resulted in an outperformance of smaller companies in the first quarter, uncertainty and fear are lurking again, fuelled this time by election results in Greece and France. There is a growing awareness that achieving an acceptable economic solution for Europe is at odds with the political will of the electorate and this is likely to mean that intermittent periods of market turmoil remain a feature for the foreseeable future.

Notwithstanding these problems, many of the companies in the portfolio have continued to make good commercial progress and we have been rewarded with some positive share price movements in the recent results season. The unaudited NAV at the beginning of May stood at 90.5p, up from 86.9p at

INVESTMENT MANAGER'S REVIEW (continued)

the end of February although it has fallen back to 86.2p as at 31 May as a result of recent market movements.

We do not deny the seriousness of the issues that still have to be resolved, nor of potential ones, such as any inflationary pressures resulting from quantitative easing. However, the portfolio is predominantly not exposed to the retail sector or to the consumer directly so to that extent it is defensive. It is though exposed to growth companies, which we believe is the correct stance to have because it is such companies which will continue to develop and make progress, even in

challenging circumstances, and which will be re-rated as the economic clouds lift. We are therefore confident that in time the portfolio will produce a rising NAV.

The AIM team

Octopus Investments Limited
7 June 2012

Investment Portfolio as at 29 February 2012

Investments	Sector	Book cost as at 29 February 2012 (£'000)	Movement in year (£'000)	Fair value as at 29 February 2012 (£'000)	Cumulative change in fair value (£'000)	% equity held by AIM VCT plc	% equity held by all funds managed by Octopus
Brooks Macdonald Group plc	Specialty & Other Finance	773	332	2,274	1,501	1.7%	2.4%
Escher Group Holdings plc	Software & Computer Services	1,003	588	1,591	588	3.5%	8.3%
Advanced Computer Software Group plc	Software & Computer Services	573	401	1,462	889	0.8%	2.8%
IDOX plc	Software & Computer Services	364	556	1,402	1,038	1.4%	4.4%
EKF Diagnostics Holdings plc	Health	931	(69)	1,288	357	2.2%	6.3%
Breedon Aggregates Ltd	Construction & Building	902	(75)	1,277	375	1.3%	2.2%
Enteq Upstream plc	Oil Services	1,031	103	1,134	103	6.9%	14.0%
Brady plc	Software & Computer Services	741	50	1,030	289	1.6%	2.7%
MyCelx Technologies Corporation	Oil Services	900	86	986	86	3.3%	7.6%
Animalcare Group plc	Food Producers & Processors	304	5	868	564	2.7%	8.3%
TLA Worldwide plc	Media & Entertainment	807	—	807	—	6.3%	15.7%
Netcall plc	Telecommunication Services	436	107	801	365	2.9%	5.1%
Mattioli Woods plc	Specialty & Other Finance	523	(320)	778	255	2.2%	3.5%
Staffline Recruitment Group plc	Support Services	333	60	773	440	1.7%	13.7%
Vertu Motors plc	General Retailers	1,265	27	747	(518)	1.3%	7.0%
Tasty plc	Leisure & Hotels	369	420	717	348	2.6%	4.9%
Active Risk Group plc	Software & Computer Services	862	(33)	695	(167)	5.2%	9.8%
RWS Holdings plc	Support Services	367	188	625	258	0.3%	4.5%
Hargreaves Services plc	Support Services	267	121	590	323	0.2%	3.9%
Mears Group plc	Support Services	155	(169)	573	418	0.3%	0.3%
Craneware plc	Software & Computer Services	183	(244)	554	371	0.5%	1.2%
Omega Diagnostics Group plc	Health	673	(146)	535	(138)	5.7%	10.5%
Matchtech Group plc	Support Services	346	(39)	518	172	1.1%	11.3%
GB Group plc	Support Services	330	177	507	177	0.8%	2.2%
Zetar plc	Food Producers & Processors	587	(78)	502	(85)	2.2%	3.8%
Immunodiagnostic Systems plc	Health	528	(562)	471	(57)	0.4%	3.2%
Altitude Group plc	Media & Entertainment	600	17	433	(167)	4.0%	4.6%
Cello Group plc	Media & Entertainment	895	(285)	424	(471)	1.5%	8.4%
Cohort plc	Aerospace & Defence	300	149	378	78	0.9%	4.6%
Chime Communications plc	Media & Entertainment	320	(24)	351	31	0.2%	0.5%

Investments	Sector	Book cost as at 29 February 2012 (£'000)	Movement in year (£'000)	Fair value as at 29 February 2012 (£'000)	Cumulative change in fair value (£'000)	% equity held by AIM VCT plc	% equity held by all funds managed by Octopus
Sinclair IS Pharma plc	Pharmaceuticals & Biotech	771	(177)	350	(421)	0.4%	1.6%
Woodspeen Training plc	Support Services	350	(311)	331	(19)	5.4%	11.4%
Bond International Software plc	Software & Computer Services	354	(107)	330	(24)	2.3%	3.5%
Quadnetics Group plc	Support Services	344	128	309	(35)	0.6%	0.7%
Corac Group plc	Engineering & Machinery	346	(81)	278	(68)	0.8%	1.8%
In-Deed Online plc	Support Services	301	(29)	272	(29)	3.5%	5.9%
Plastics Capital plc	Engineering & Machinery	400	(52)	268	(132)	1.5%	17.9%
Brulines (Holdings) plc	Support Services	359	(36)	261	(98)	1.1%	4.7%
Gooch & Housego plc	Electronic & Electrical	248	(14)	234	(14)	0.3%	2.1%
SQS Software Quality Systems AG	Software & Computer Services	291	(81)	225	(66)	0.5%	9.9%
Access Intelligence plc	Software & Computer Services	375	(75)	225	(150)	3.3%	10.2%
Adept Telecom plc	Telecommunication Services	600	47	210	(390)	2.0%	4.1%
Goals Soccer Centres plc	Leisure & Hotels	205	(56)	207	2	0.4%	2.9%
Marwyn Management plc	Investment Companies	550	(163)	194	(356)	0.7%	1.9%
Augean plc	Support Services	181	10	191	10	0.6%	4.5%
Hasgrove plc	Media & Entertainment	250	(48)	185	(65)	2.1%	13.0%
Daisy Group plc	Telecommunication Services	201	19	181	(20)	0.1%	0.1%
Tanfield Group plc	Engineering & Machinery	226	74	176	(50)	0.3%	2.2%
Jelf Group plc	Specialty & Other Finance	186	16	166	(20)	0.3%	0.9%
Work Group plc	Support Services	943	(18)	152	(791)	4.1%	6.2%
Inditherm plc	Chemicals	204	–	136	(68)	6.7%	6.7%
SnackTime plc	Support Services	531	(212)	124	(407)	2.1%	8.9%
Datong plc	Electronic & Electrical	500	(141)	102	(398)	2.8%	3.4%
Autoclenz Holdings plc	Support Services	181	(81)	100	(81)	4.6%	12.7%
InterQuest Group plc	Support Services	76	(19)	73	(3)	0.4%	4.7%
Dods (Group) plc	Media & Entertainment	203	(28)	34	(169)	0.5%	2.2%
Synarbor plc	Support Services	15	7	22	7	0.8%	0.8%
Vitesse Media plc	Media & Entertainment	8	7	9	1	1.0%	4.1%
Bright Futures Group plc	Support Services	2	(2)	–	(2)	0.8%	0.9%
Twenty plc	Media	500	(56)	–	(500)	4.4%	12.2%
Total investments		27,369	(136)	30,436	3,067		
Money market funds		8,609		8,609			
Total fixed investments and money market funds				39,045			
Cash at bank				668			
Debtors less creditors				(24)			
Total net assets				39,689			

INVESTMENT MANAGER'S REVIEW (continued)

Top 10 Holdings

Listed below are the ten largest investments, valued at bid price, as at 29 February 2012:

Brooks MacDonald Group plc

Brooks MacDonald is a provider of asset management and financial consulting services with a particular emphasis on the pensions market.

Initial investment date:	March 2005
Cost:	£773,000
Valuation:	£2,274,000
Equity held:	1.70%
Last audited accounts:	June 2011
Revenue:	£52.2 million
Profit before tax:	£7.3 million
Net assets:	£19.1 million



Further information can be found at
www.brooksmacdonald.com

Escher Group Holdings plc

Escher Group Holdings plc provides software, particularly for over the counter and financial services, to national Post Office organisations worldwide.

Initial investment date:	August 2011
Cost:	£1,003,000
Valuation:	£1,591,000
Equity held:	3.5%
Last audited accounts:	December 2011
Revenue:	\$13.9 million
Profit before tax:	\$1.9 million
Net assets:	\$25.7 million

Advanced Computer Software plc

Advanced Computer Software plc provides software to the Healthcare Sector and other commercial markets.

Initial investment date:	July 2008
Cost:	£573,000
Valuation:	£1,462,000
Equity held:	0.8%
Last audited accounts:	February 2011
Revenue:	£95.4 million
Profit before tax:	£3.1 million
Net assets:	£84.6 million



Further information can be found at
www.advcomputersoftware.co.uk

Idox plc

Idox is a leading developer and supplier of software services to local government for core functions relating to land, people and property, and also to the private sector for the management of engineering drawings.

Initial investment date:	May 2007
Cost:	£364,000
Valuation:	£1,402,000
Equity held:	1.4%
Last audited accounts:	October 2011
Revenue:	£38.6 million
Profit before tax:	£5.6 million
Net assets:	£34.4 million



Further information can be found at
www.idoxgroup.com

EKF Diagnostics plc

EKF designs, develops, manufactures and distributes diagnostic instruments and reagents focussed on the diabetes, anaemia and chronic kidney disease markets. It has operations in Germany, Poland and Russia.

Initial investment date:	July 2010
Cost:	£931,000
Valuation:	£1,288,000
Equity held:	2.2%
Last audited accounts:	December 2011
Revenue:	£21.7 million
Loss before tax:	£2.3 million
Net assets:	£37.4 million

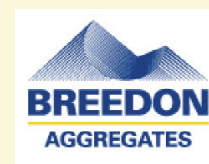


Further information can be found at
www.ekf-diagnostic.com

Breedon Aggregates Limited

Breedon Aggregates supplies a diverse range of products to the construction and building sectors from a number of quarries and other sites in the Midlands and Scotland.

Initial investment date:	August 2010
Cost:	£902,000
Valuation:	£1,277,000
Equity held:	1.3%
Last audited accounts:	December 2011
Revenue:	£168.9 million
Profit before tax:	£1.5 million
Net assets:	£5.9 million

**Enteq Upstream plc**

Enteq Upstream PLC is an investment vehicle, focused on acquiring and consolidating companies providing specialist products and technologies to the upstream oil and gas services market.

Initial investment date:	June 2011
Cost:	£1,031,000
Valuation:	£1,134,000
Equity held:	6.9%
Last audited accounts:	March 2012
Revenue:	N/A
Profit before tax:	N/A
Net assets:	N/A

INVESTMENT MANAGER'S REVIEW (continued)

Brady plc

Brady designs and sells software for the global commodity trading industry, including producers, traders, banks and investors.

Initial investment date:	December 2010
Cost:	£741,000
Valuation:	£1,030,000
Equity held:	1.6%
Last audited accounts:	31 December 2011
Revenue:	£19.2 million
Profit before tax:	£2.4 million
Net assets:	£23.9 million



Further information can be found at
www.bradypc.com

MyCelx Technologies plc

MyCelx Technologies is a clean water technology company that provides technology solutions for commercial industrial markets worldwide.

Initial investment date:	November 2011
Cost:	£900,000
Valuation:	£986,000
Equity held:	3.3%
Last audited accounts:	December 2011
Revenue:	\$6.3 million
Loss before tax:	\$2.8 million
Net assets:	\$17.6 million

Animalcare Group plc

Animalcare Group plc manufactures and distributes veterinary medicines for pets and livestock.

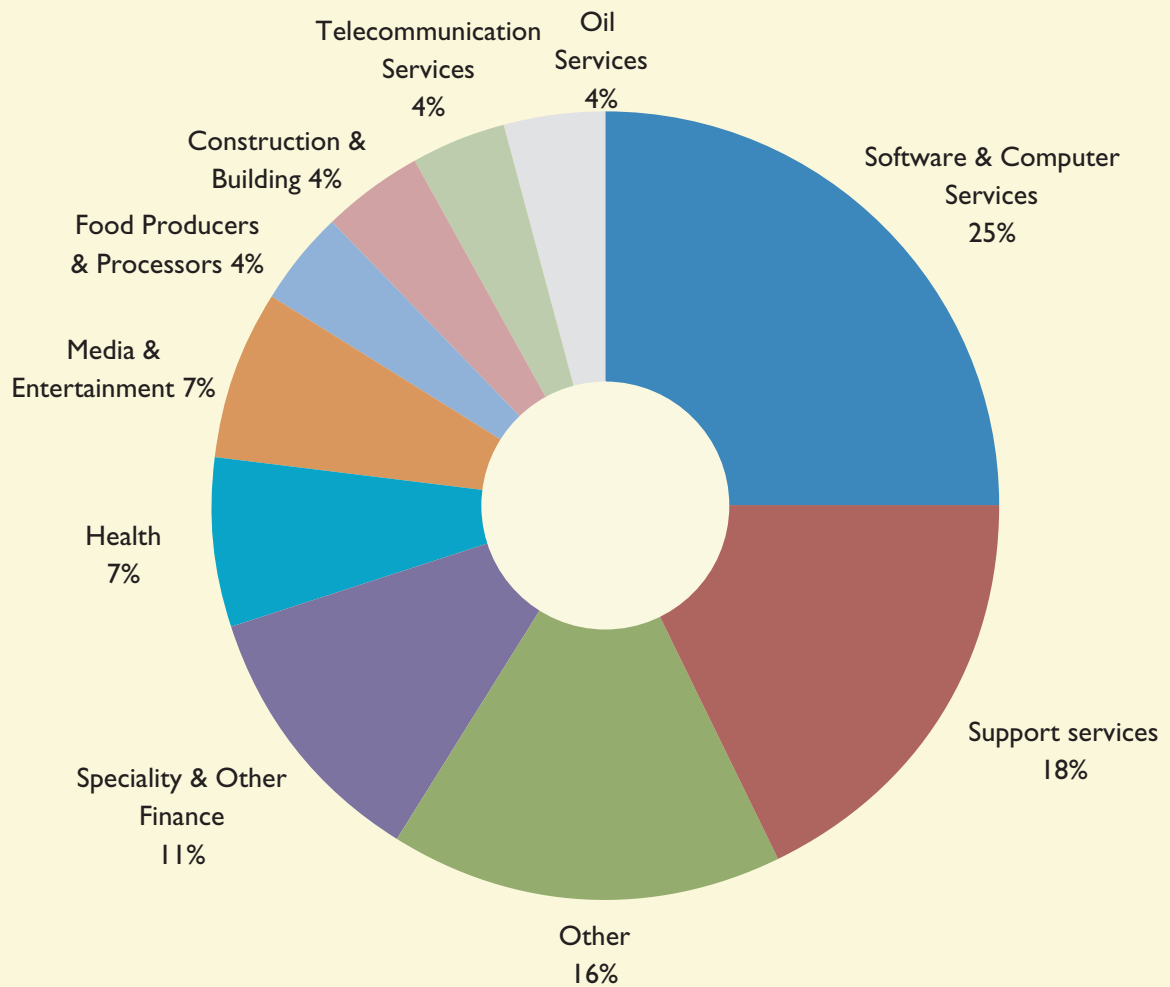
Initial investment date:	December 2007
Cost:	£304,000
Valuation:	£868,000
Equity held:	2.7%
Last audited accounts:	June 2011
Revenue:	£11.8 million
Profit before tax:	£2.9 million
Net assets:	£15.8 million



Further information can be found at
www.animalcargroup.co.uk

Sector Analysis

The graph below shows the sectors the equity portfolio Fund is invested in by value as at 29 February 2012:



THE INVESTMENT MANAGER

Personal Service

At Octopus, we have a dual focus on 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 involved about the progress of your investment.

If you have any questions about this report, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on 0800 316 2347.

Octopus Investments Limited was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus also acts as Manager of 19 other listed investment companies and has a total of approximately £2.8 billion of funds under management.

The AIM investment team of Octopus Investments Limited comprises:

Andrew Buchanan

Andrew originally joined Barclays Bank in 1973 to manage investment portfolios. After gaining an MBA from London Business School, he spent time with Mercury Asset Management and Hoare Govett, before joining Rutherford Asset Management in 1993. He established Beacon Investment Trust in 1994, the first fund to specialise in investment in AIM. He joined Close Brothers when it purchased Rutherford and left to join Octopus Investments Limited in 2008. He has been involved in the management of this Company since its launch in 1998 as well as other AIM VCT portfolios.

Kate Tidbury

Kate has had an extensive career which has included periods as an investment analyst with Sheppards and Chase and Panmure Gordon and then as an

Investment Manager specialising in ethical and smaller companies with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000 since when she has been involved in the management of this Company as well as other AIM VCTs and IHT portfolios. She joined Octopus Investments Limited in 2008.

Richard Power

Richard started his career at Duncan Lawrie, where he managed a successful small companies fund. He subsequently joined Close Brothers to manage a smaller companies investment trust before moving to Octopus Investments Limited to head up the AIM team in 2004. He is involved in the management of AIM portfolios, AIM VCTs and the CF Octopus Investments Limited UK Microcap Growth Fund.

Edward Griffiths

Edward is a portfolio manager at Octopus Investments Limited involved particularly in the management of AIM portfolios for private individuals. He joined Octopus Investments Limited in 2004 having previously worked at Schroder's and State Street.

Paul Stevens

Paul joined Octopus Investments Limited in 2005 as a member of the AIM investment team and has been involved in the management of AIM portfolios since then.

Stephen Henderson

Stephen joined Octopus in 2008 as a member of the operations team. Having helped in the Multi Manager team, he joined the AIM investment team in 2011.

DETAILS OF DIRECTORS

The Board comprises four Directors all of whom are independent of the Investment Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has wide experience of investment in both smaller growing companies and larger quoted companies.

Michael Reeve MBE MA FCA Chairman

Michael Reeve is a chartered accountant and was formerly a director of Charterhouse Bank from 1971-74, a managing director of Copleys Bank 1974-80, a director of Rea Brothers 1977-80 and managing director of Greyhound Bank 1981-87. He was the chairman of Finsbury Growth & Income Trust PLC from 1991 – 2008. He is currently a director of a number of unquoted companies. Michael Reeve became director and chairman in 1998.

Roger Smith BSc (Hons)

Roger Smith is chairman of a family owned investment company with a wide range of interests and investments. He was deputy chairman of Tricentrol plc, and chairman of European Motor Holdings PLC from 1992 to 2007. He is chairman of the Central Finance Board of the Methodist Church. Roger Smith became a director in 1998 and is Chairman of the Audit Committee.

Stephen Hazell-Smith

Stephen Hazell-Smith was the Managing Director of Close Investment Limited until September 2001, having previously founded Rutherford Asset Management in 1993. Prior to this he gained experience of investment in smaller companies at GT Investment Management where he was responsible for launching its first UK Equity Fund. He also worked at Mercury Asset Management from 1989 to 1992 and was the chairman of PLUS Markets Group PLC between the years of 2005 and 2010. Prior to the merger in 2010 he was chairman of Octopus Phoenix VCT PLC. Stephen Hazell-Smith became a director in 1998.

Marion Sears BSc (Hons)

Marion Sears is Senior Non-Executive director at Dunelm Group plc, the retailer, and Zetar plc, the food manufacturer and investee company of Octopus AIMVCT plc. She was previously a Managing Director of Investment Banking at JP Morgan. As a Non Executive she has also served on the Boards of Boehringer Ingelheim Ltd, LGC Holdings plc and Prelude Trust Plc, a Healthcare and IT Technology focused investment trust, amongst others. Marion Sears became a director on 1 October 2011.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 29 February 2012.

Principal Activity and Status

The Company is a VCT and its principal activity is to invest in a diversified portfolio of AIM-listed 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 HMRC.

The Directors have managed the affairs of the Company with the intention of maintaining its status as a Venture Capital Trust.

In order to maintain approved status, the Company must comply on a continuing basis with the provisions of s280A of the Income Tax Act 2007; in particular, the Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 30% must comprise eligible Ordinary shares (this changed to 70% for new investments from funds raised since April 2011). To allow the Company to distribute realised capital gains and purchase its own shares, following the creation of the Special distributable reserve on cancellation of the Company's share premium account, Investment company status was revoked on 3 March 2000.

Review of Business Activities

The Directors are required by section 417 of the Companies Act 2006, to include a business review in their report to shareholders. The business review is set out in the Chairman's Statement on pages 7 and 8, and the Investment Manager's Review on pages 9 to 17 and is included in this Directors' Report by reference.

The purpose of the review is to provide shareholders with a snapshot summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators used to measure performance.

Performance and Key Performance Indicators (KPIs)

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

The Board has a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE Small-Cap Index and the FTSE All-Share Index. This is shown in the graph on page 34 of the Directors' Remuneration Report. These indices have been adopted as an informal benchmark. Investment performance, cash returned to shareholders and share price are also measured against the Company's peer group of the other AIM VCTs. The Chairman's Statement, on pages 7 to 8 includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 9 to 17. Further details of the Company's risk management policies are provided in note 17 to the financial statements. The total expense ratio for the Company for the year to 29 February 2012 was 2.5 percent based upon net assets at 29 February 2012 (2011: 2.6 percent based on average net assets during the year due to the merger).

Results and Dividend

	Year ended 29 February 2012 £'000	Year ended 28 February 2011 £'000
Net (loss)/profit attributable to shareholders	(768)	6,056
Appropriations:		
Interim dividend paid: 2.5 pence per Ordinary share (2011: 5.00 pence per Ordinary share)	1,142	1,933
Final dividend proposed: 2.50 pence per Ordinary share (2011: 2.50 pence per Ordinary share)	1,183	1,145

Objective and Investment Policy

The objective of the Company is to invest in a broad range of AIM or PLUS quoted companies in order to generate income and long-term capital growth.

Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value. Start-up companies will usually be avoided.

The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of Company's assets will be not less than 80 per cent in a portfolio of qualifying AIM, PLUS quoted investments or unquoted companies where the management view an initial public offering (IPO) on AIM or PLUS is a short to medium term objective. Once its qualifying target has been reached, the Company intends that approximately 20% of its funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities and short term money market deposits with, or issued by, major companies and institutions with a minimum Moody's

long term debt rating of 'A'. A proportion of the 20% could be invested in an authorised UK smaller company fund managed by Octopus Investments Limited or direct in equities and bonds. This 20% could provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. In order to qualify as an investment in a VCT qualifying holding, at no time during the year must the Company's holdings in any one company (other than another VCT) exceed 15% by value of its investments. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, shareholders should be aware that the Company's qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any long-term borrowings.

The Company's Articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting there from any balance to the credit or debit of the profit and loss account.

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

DIRECTORS' REPORT (continued)

monitor the investment process and ensure compliance with the investment policy.

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 the Company must adhere include:

- at least 70% of investments must be made in qualifying shares or securities;
- at least 30% of the 70% of Qualifying Investments must be invested into Ordinary shares with no preferential rights (from April 2011 this changed to 70% for new investments from funds raised after that date);
- no single investment made can exceed 15% of the total company value; and
- a minimum of 10% of each Qualifying Investment must be in Ordinary shares with no preferential rights.

Principal Risks, Risk Management and Regulatory Environment

The Board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the Board are as follows:

VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. This includes ensuring that State Aid investment into potential investee companies is limited to the current 'per company annual investment limit'. The limit during the year to 29 February 2012 was £2 million per annum. However, State Aid approval has now been granted to increase this limit to £5 million. The loss of VCT Status 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 Investment Manager keeps the Company'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.

Investment risk: the majority of the Company's investments are in AIM or PLUS companies which are VCT qualifying holdings, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The Directors and the Investment Manager aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out rigorous 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 Investment Manager on a regular basis.

Financial risk: as a VCT, the Company is exposed to market price risk, credit risk, liquidity risk, fair value and cash flow interest rate risks. The majority of the Company's income and expenditure is denominated in sterling and hence the Company has limited foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments.

Credit risk: Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. 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.

The Company has cash deposits which are held on the balance sheet of HSBC Bank plc, The Royal Bank of Scotland plc, the Co-operative Bank and in cash funds managed by BlackRock. 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 AA for HSBC, A for RBS, A for the Co-operative and AAA for BlackRock. Inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to mis-posting or breaches of regulations.

Regulatory risk: the Company is required to comply with the Companies Act, 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.

Reputational risk: inadequate or failed controls might result in breaches of regulation or loss of shareholder trust.

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

Competitive risk: retention of key personnel is vital to the success of the Company. Incentives to the Investment Manager's key staff are continuously monitored by the Investment Manager.

Price risk: the risk that the value of a security or portfolio of securities will decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.

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.

Due to the nature of the Company, social and employee issues do not apply and therefore no disclosures in respect of these have been included in the Directors' Report.

The Board seeks to mitigate the internal risks by setting policy, regularly reviewing performance, enforcing contractual obligations and monitoring

progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the 'Turnbull' guidance. Details of the Company's internal controls are contained in the Corporate Governance section on pages 27 to 32.

Further details of the Company's risk management policies are provided in note 17 to the financial statements.

Dividends and Returns

The Company has historically had three classes of shares since its inception in 1998, which have over time been amalgamated into one class of share. The total dividends and adjusted NAVs across the historic classes of shares and the amalgamated share class are shown in the table on page 4.

Directors

The Directors of the Company during the period and their interests (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued Ordinary shares of 1p are shown in the table below:

	29 February 2012	28 February 2011
Michael Reeve	6,959	6,959
Marion Sears (appointed 1 October 2011)	—	—
Stephen Hazell-Smith	90,100	90,100
Roger Smith	20,000	20,000

Marion Sears became the holder of 5,589 Ordinary Shares of 1p each on 5 April 2012.

All of the Directors' shares were held beneficially.

All Directors will retire, and being eligible, offer themselves for re-election. The Board has considered provision B.7.2 of The UK Corporate Governance Code and believes that they continue to be effective and demonstrate commitment to their roles. They, therefore, recommend each Director's re-election at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

Brief biographical notes on the Directors are given on page 19.

Directors' and Officers' Liability Insurance

The Company has, as permitted by s236 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Whistleblowing

The Board has considered the arrangements implemented by the Investment Manager in accordance with The UK Corporate Governance Code's recommendations, to encourage staff of the Investment Manager or Company Secretary of the Company 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.

Management

Octopus Investments Limited ('the Investment Manager') acts as Investment Manager to the Company. The principal terms of the Company's management agreement with the Investment Manager are set out in note 20 to the financial statements. The Investment Manager also provides secretarial, administrative and custodian services to the Company. The Investment Manager is not entitled to any performance fee.

The Company has in place an agreement with Octopus Investments Limited to act as Investment Manager which is central to the ability of the Company to continue in business. 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 Investments Limited as Investment Manager is in the best interest 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 the Investment Manager to produce satisfactory investment performance in the future. No Director has an interest in any contract to which the Company is a party.

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.

Share Capital

The Company's ordinary share capital as at 29 February 2012 comprised 45,422,653 Ordinary shares of 0.01p each.

The voting rights of the Ordinary shares on a show of hands is one vote for each member present or represented, the voting rights on a poll are one vote for each share held. There are no restrictions on the transfer of the Ordinary shares and there are no shares that carry special rights with regards to the control of the Company.

Share Issues and Open Offers

The shares issued during the year totalled 5,017,425 Ordinary shares of 1p each. On 6 February 2012 the Company launched a Top-up offer for subscription for Ordinary Shares of 1p each to raise up to £4,000,000, this top up offer closed on 6 April 2012. A further Top-up was launched on 25 April 2012.

As at 29 February 2012 there were 248,981 shares to be issued, equivalent to £279,000 (2011: £352,000). These shares were issued on 5 April 2012. At 31 May 2012 there were 47,299,972 Ordinary shares of 1p each in issue.

Share Buy-Backs

To allow the Company to distribute realised capital gains and purchase its own shares, following the creation of the Special distributable reserve on cancellation of the Company's share premium account, Investment company status was revoked on 3 March 2000.

During the year the Company purchased 842,383 shares to be cancelled. These shares were bought back at a weighted average price of 80.9p.

The shares were repurchased in accordance with the Company's share buy-back facility in an attempt to assist the marketability of the shares and 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 the Company's Articles of Association, the Ordinary shares confer on their holders the following principal rights:

(a) Dividends

The Ordinary shares shall be entitled to receive all dividends and other distributions payable to holders of Ordinary shares.

(b) Rights as to Capital

The capital and assets of the Company shall on a winding up or on a return of capital be divided amongst the holders of the Ordinary shares pro rata according to their holdings of Ordinary shares; and

(c) Voting Rights

The holders of Ordinary shares have the right to receive notice of, to attend and to vote at any general meeting of the Company. On a show of hands every eligible 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 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 and 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.

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 an Ordinary 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

DIRECTORS' REPORT (continued)

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 9 is required so that the Directors may issue shares in connection with the current offer or other offers if the Directors believe this to be in the best interests of the Company and the Shareholders as a whole. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in whole or part, to purchase Ordinary shares in the market. Resolution 9 renews the Directors' authority to allot up to 9,480,102 Ordinary shares (representing approximately 20% of the Company's issued share capital as at 24 May 2012 – the latest practicable date before publication of this document. The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

Resolution 10 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying for the allotment of shares authorised pursuant to Resolution 9 and for the same reasons. The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 11 is required so that the Directors may make purchases of up to approximately 10% of the Company's issued

share capital and Resolution 11 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months, if earlier). The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase. 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. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-sale in appropriate market conditions.

To continue as a VCT

The Board propose to put a resolution to Shareholders annually to continue as a VCT for the following six-year period. This period is designed to accommodate Shareholders who invest in new shares for whom income tax relief requires a five year holding period.

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).

Creditor Payment Policy

The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The Company does not follow any code or standard with regard to creditor payment practice. At 29 February 2012 there were no trade creditors (2011: £nil).

Environmental Policy

The Company always makes full effort to conduct its business in a manner that is responsible to the environment. This responsibility is maintained in investment decisions where possible.

Going Concern

The Company's business activities and the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Investment Manager's Review on pages 7 to 17. Further details on the management of financial risk may be found in note 17 to the Financial Statements.

The Board receives regular reports from the Investment Manager and the Directors have a reasonable expectation that the VCT has adequate resources to continue in operational existence for the foreseeable future. Thus, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Independent Auditor

PKF (UK) LLP offers themselves for re-appointment as auditor. A resolution to re-appoint PKF (UK) LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

So far as each of the Directors at the time the report is approved are aware:

- (a) there is no relevant information of which the auditor is unaware; and
- (b) they have taken all the steps 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.

Corporate Governance

The Board of the Company 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 the Company. 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 year 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.

Performance Evaluation

In accordance with The UK Corporate Governance Code, a performance evaluation was conducted by the Directors completing a questionnaire which was returned to the Chairman who provided a summary of the findings to the Board at the following meeting. The performance of the Chairman was evaluated by the other Directors.

Appointment and Replacement of Directors

A person may be appointed as a Director of the Company by the shareholders at 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 21 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' REPORT (continued)

Directors (and who has not been elected as a Director of the Company by the members at a general meeting held in the interval since his appointment as a Director of the Company) is to be subject to election as a Director of the Company by the members at the first Annual General Meeting of the Company following his appointment. At each Annual General Meeting of the Company 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 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.

Powers of the Directors

Subject to the provisions of the Companies Act, the Memorandum and 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

2011 Annual General Meeting to make market purchases of up to 10% of the issued Ordinary share capital at any time up to the 2012 Annual General Meeting and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2012 Annual General Meeting as set out in the notice of meeting.

Board of Directors

The Company has a Board of four non-executive Directors, all of whom are considered to be independent. 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.

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 the Manager;
- 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. As all of the Directors are non-executive, it is

not considered appropriate to identify a member of the Board as the senior non-executive Director of the Company.

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		Audit Committee Meetings	
	Number held	Number attended	Number held	Number attended
Michael Reeve	5	5	2	2
Marion Sears (appointed 1 October 2011)	2	2	1	1
Stephen Hazell-Smith	5	5	2	2
Roger Smith	5	5	2	2

Additional meetings were held as required to address specific issues including considering recommendations from the Investment Manager and approval of documentation to shareholders. A brief biographical summary of each Director is given on page 19.

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. In accordance with the UK Corporate Governance Code, Michael Reeve, Stephen Hazell-Smith and Roger Smith are offering themselves for re-election due to their length of service.

	Date of Original Appointment	Due date for Re-election/ election
Michael Reeve	02/02/1998	AGM 2012
Marion Sears	01/10/2011	AGM 2012
Stephen Hazell-Smith	02/02/1998	AGM 2012
Roger Smith	02/02/1998	AGM 2012

Michael Reeve, Stephen Hazell-Smith and Roger Smith have all been Directors of the Company for more than nine years and, in accordance with the recommendations of the AIC code, are subject to annual re-election. The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director's length of service reduces his ability to act independently of the Manager. Marion Sears was appointed on 1 October 2011 and is subject to retirement in accordance with the Company's Articles of Association. She will seek election at the Annual General Meeting.

DIRECTORS' REPORT (continued)

The Board have discussed their ability to remain independent and consider that this does remain the case due to their non-involvement in the day to day running of the Company.

The Board has appointed one committee to make recommendations to the Board in a specific area:

Audit Committee:

The Audit Committee is chaired by Roger Smith and consists of the four independent Directors. The Audit Committee believes Roger Smith 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's terms of reference include the following roles and 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;
- reviewing and making recommendations to the Board in relation to Octopus Investments Limited's internal controls (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, re-appointment 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 the Investment Manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to propriety of financial reporting or other matters.

The Committee reviews its terms of reference and its effectiveness annually 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 has direct access to PKF (UK) LLP, the Company's external auditor. Non-audit services are not provided by the external auditor and therefore the Audit Committee does not believe there are any influences on their independence or objectivity. When considering whether to recommend the re-appointment of the external auditor, the Committee take into account the tenure of the current auditor in addition to comparing the fees charged to similar sized VCTs.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board.

During the year ended 29 February 2012, 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 Investments Limited's statement of internal controls and compliance procedures 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's compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial and interim results statement prior to Board approval; and
- reviewing the external auditor's detailed reports to the Committee on the annual financial statements.

Internal Controls

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of 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 system of internal controls is 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 its Investment Manager.

The Board delegates the identification of appropriate opportunities and the investment of funds to Octopus Investments Limited. The Board regularly reviews reports upon the investments made and on the status of existing investments.

Octopus Investments Limited is engaged to carry out the accounting function and all quoted investments are held in CREST.

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

internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Financial Reporting Council guidelines for internal control. The Board does not consider it necessary to maintain a separate internal audit function.

Internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from the VCT's accounts require the authority of two signatories from Octopus Investments Limited. The VCT is subject to a full annual audit and the auditor is the same auditor for another VCT managed by the Investment Manager. Further to this, the Audit Partner has open access to the Directors of the VCT and the Investment Manager is subject to regular review by the Octopus Investments Limited Compliance Department.

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in note 17 to the Financial Statements and on page 22 of the Director's Report.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the Annual General Meeting. In addition to the formal business of the AGM, the Board is available to answer any questions shareholders may have.

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 20 Old Bailey, London, EC4M 7AN. Alternatively, the team at Octopus is happy to answer any questions you may have and can be contacted on 0800 316 2396.

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

DIRECTORS' REPORT (continued)

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 29 February 2012 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 for the size of the Company. [A.1.2 and A.4.1]
2. The Company does not have a separate Nomination Committee. Appointments are dealt with by the full Board as and when appropriate. [B.2.1 – 2.4]
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.3.2]

4. The Company does not have a Remuneration Committee given the size of the Company and as such the whole board deal with any matters of this nature. [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 the Annual General Meeting. [E.1.1 and E.1.2]

By order of the Board



Celia L Whitten FCIS

Company Secretary

7 June 2012

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with Chapter 6 of Part 15 of the Companies Act 2006, in respect of the year ended 29 February 2012. An Ordinary Resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The Company's auditor, PKF (UK) LLP, is required to give their opinion on certain information included in this report; this only comprises the Directors' emoluments section below. Their report on these and other matters is set out on pages 36 and 37.

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 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).

Statement of the Company's Policy on Directors' Remuneration

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 dependent upon shareholder vote.

Each Director received a letter of appointment. A Director may resign by notice in writing to the Board at any time. 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 to be paid higher fees than the other Directors in recognition of his more onerous role. The policy is to review these rates from time to time, although such review will not necessarily result in any changes.

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. No other remuneration or compensation was paid or payable by the Company during the year to any of the current Directors.

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 Investment Manager through the investment management agreement, as referred to in the Directors' Report. The graph overleaf compares the total return of the Company over the period from February 2005 to February 2012 with the total return from notional investments in the FTSE All-Share Index and FTSE Small-Cap ex-investment trusts index over the same period. The Directors consider these to be the most appropriate benchmarks but would remind investors that approximately 30% of the FTSE AIM All-share Index is attributable to resources or property sector stocks which venture capital trusts cannot invest in. Investors should be reminded that shares in venture capital trusts generally continue to trade at a discount to the net asset value of the Company.

DIRECTORS' REMUNERATION REPORT (continued)

Octopus AIMVCT PLC – Portfolio Performance



The total expense ratio for the Company for the year to 29 February 2012 was 2.5 per cent based upon net assets as at 29 February 2012 (2011: 2.6 per cent).

Directors' Emoluments (information subject to audit)

Annual rate of Directors' fees, exclusive of Employers' National Insurance	Year ended 29 February 2012 £	Year ended 28 February 2011 £
Michael Reeve	24,450	24,450
Marion Sears*	7,640	-
Stephen Hazell-Smith	18,340	18,340
Roger Smith	18,340	18,340
Total	68,770	61,130

* Appointed on 1 October 2011.

The Directors do not receive any other form of emoluments in addition to the Directors' fees.

By Order of the Board

Celia L Whitten FCIS

Company Secretary

7 June 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing 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 Services 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 (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 of the Company and of the 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 judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to 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.

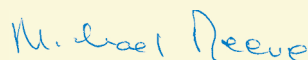
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may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

The Directors confirm, to the best of their knowledge:

- that the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- that the management report, comprising the Chairman's Statement, Investment Manager's Review, Investment Portfolio and Directors' 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.

The names and functions of all the Directors are stated on page 19.

On Behalf of the Board



Michael Reeve

Chairman

7 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS AIM VCT PLC

We have audited the financial statements of Octopus AIM VCT Plc for the year ended 29 February 2012 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 has 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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the

financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 February 2012 and of its loss 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion :

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 35 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' Remuneration.

Timothy Drew

(Senior statutory auditor)
for and on behalf of PKF (UK) LLP
Statutory auditor
London, UK
7 June 2012

INCOME STATEMENT

	Notes	Year to 29 February 2012			Year to 28 February 2011		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gain on disposal of fixed asset investments	11	–	(93)	(93)	–	2,611	2,611
(Loss)/gain on valuation of fixed asset investments	11	–	(136)	(136)	–	4,045	4,045
Investment Income	2	475	–	475	301	–	301
Investment management fees	3	(197)	(590)	(787)	(139)	(418)	(557)
Merger costs	6	–	–	–	(134)	–	(134)
Other expenses	4	(227)	–	(227)	(210)	–	(210)
(Loss)/profit on ordinary activities before tax		51	(819)	(768)	(182)	6,238	6,056
Taxation on profit on ordinary activities	7	–	–	–	–	–	–
(Loss)/profit on ordinary activities after tax		51	(819)	(768)	(182)	6,238	6,056
Return per share – basic and diluted	9	0.1p	(1.8)p	(1.7)p	(0.5)p	17.7p	17.2p

- the 'Total' column of this statement represents the statutory Profit and Loss account of the Company; the supplementary revenue return and capital return columns have been prepared in accordance with the AIC Statement of Recommended Practice
- all revenue and capital items in the above statement derive from continuing operations. In respect of the year to 28 February 2011, this includes the assets and liabilities of Octopus Phoenix VCT plc that were transferred to the Company on 12 August 2010.
- 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.

The Company has no recognised gains or losses other than the results for the period as set out above. Accordingly a statement of recognised gains and losses is not required.

Other than revaluation movements arising on investments held at fair value through the profit and loss account, there were no differences between the loss as stated above and at historical cost.

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

BALANCE SHEET

	Notes	As at 29 February 2012 £'000	As at 28 February 2011 £'000
Fixed asset investments*	11	30,436	28,049
Current assets:			
Investments*	12	8,609	10,655
Debtors	13	56	19
Cash at bank		668	475
		9,333	11,149
Creditors: amounts falling due within one year	14	(80)	(258)
Net current assets		9,253	10,891
Net assets		39,689	38,940
Called up equity share capital	15	454	412
Shares to be issued	15	279	352
Share premium	16	—	11,317
Special distributable reserve	16	56,054	25,194
Capital redemption reserve	16	2	15,710
Capital reserve realised	16	(20,353)	(14,465)
Capital reserve unrealised	16	3,067	285
Revenue Reserve	16	186	135
Total equity shareholder's funds		39,689	38,940
Net asset value per share – basic and diluted	10	86.9p	94.4p

*Held at fair value through profit and loss

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

The statements were approved by the Directors and authorised for issue on 7 June 2012 and are signed on their behalf by:

Michael Reeve

Chairman

Company number: 03477519

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Notes	Year to 29 February 2012 £'000	Year to 28 February 2011 £'000
Shareholders' funds at start of year		38,940	23,644
(Loss)/profit for the period		(768)	6,056
Shares issued upon acquisition of assets and liabilities from Octopus Phoenix VCT plc		–	6,656
Stamp duty on shares issued		–	(29)
Share capital bought back		(681)	(801)
Issue of shares		4,558	4,995
Shares to be issued		(73)	352
Dividends paid	8	(2,287)	(1,933)
Shareholders' funds at end of year		39,689	38,940

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

CASH FLOW STATEMENT

	Notes	Year to 29 February 2012 £'000	Year to 28 February 2011 £'000
Net Cash (outflow)/inflow from operating activities		(754)	(546)
Taxation	7	–	–
Financial investment:			
Purchase of fixed asset investments	11	(5,570)	(6,112)
Sales of fixed asset investments	11	2,954	7,572
Net cash (outflow)/inflow from investing activities		(2,616)	1,460
Equity dividends paid		(2,287)	(1,933)
Management of liquid resources:			
Purchase of current asset investments	12	(14,185)	(27,479)
Sales of current asset investments	12	16,231	23,556
Net cash inflow/(outflow) from investing activities		2,046	(3,923)
Financing			
Cash received on acquisition of net assets of Octopus Phoenix VCT plc		–	747
Stamp duty on shares issued to acquire net assets of Octopus Phoenix VCT plc		–	(29)
Proceeds from issue of shares	15	4,558	4,995
Shares to be issued	15	(73)	352
Purchase of own shares	15	(681)	(801)
Net cash inflow from financing activities		3,804	3,331
Increase in cash		193	322

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

RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Notes	Year to 29 February 2012 £'000	Year to 28 February 2011 £'000
(Loss)/profit on ordinary activities before tax		(768)	6,056
(Increase)/decrease in debtors	13	(37)	8
(Decrease)/increase in creditors	14	(178)	46
Loss/(gain) on disposal of fixed asset investments	11	93	(2,611)
Loss/(gain) on valuation of fixed asset investments	11	136	(4,045)
Outflow from operating activities		(754)	(546)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year to 29 February 2012 £'000	Year to 28 February 2011 £'000
Increase in cash at bank	193	322
Movement in cash equivalent securities	(2,046)	3,923
Opening cash funds	11,130	6,885
Net funds at 29 February 2012	9,277	11,130

Liquid Resources at 29 February comprised:

	As at 29 February 2012 £'000	As at 28 February 2011 £'000
Cash at Bank	668	475
Money market cash funds	8,609	10,655
Net funds at 29 February	9,277	11,130

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

NOTES TO THE FINANCIAL STATEMENTS

I. Principal Accounting policies

Basis of accounting

The financial statements have been prepared 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 (UK GAAP), and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (revised 2009).

The comparative results include the transfer of the assets and liabilities of Octopus Phoenix VCT plc to the Company, with effect from 12 August 2010. Results for the current year are reported for the one share class of the enlarged VCT now in issue, namely Ordinary Shares.

The principal accounting policies have remained unchanged from those set out in the Company's 2011 Annual Report and financial statements. A summary of the principal accounting policies is set out below.

The Company presents its Income Statement in a three column format to give shareholders additional detail of the performance of the Company, 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.

The Company has designated all fixed asset investments as being held at fair value through profit and loss; therefore all gains and losses arising from investments held are attributable to financial assets held at fair value through profit and loss. 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.

Current asset investments comprising money market funds are held for trading and are therefore automatically classified as fair value through profit or loss.

AIM and PLUS Quoted investments are valued in accordance with the bid-price on the relevant date.

Although the Company believes that the assumptions concerning the business environment and estimate 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.

Investments

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 has to be provided internally on that basis to the Board. Accordingly as permitted by FRS 26, the investments will be designated as fair value through profit and 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. The Company's investments are measured at subsequent reporting dates at fair value.

In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. This is consistent with International Private Equity and Venture Capital valuation guidelines.

NOTES TO THE FINANCIAL STATEMENTS (continued)

I. Principal Accounting policies (continued)

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 – unrealised.

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.

Current asset investments

Current asset investments comprise money market funds and deposits and 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 appropriate capital reserve.

The current asset investments are all invested with the Company's cash manager and are readily convertible into cash at the choice of the Company. The current asset investments are held for trading, are actively managed and the performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about them has to be provided internally on that basis to the Board.

Income

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

Dividends receivable are brought into account when the Company'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 securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the investment management fee, which has been charged 25% to the revenue account and 75% to the realised capital reserve to reflect, in the Directors' opinion, the expected long term split of returns in the form of income and capital gains respectively from the investment portfolio.

Revenue and capital

The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes realised and unrealised gains and losses on investments. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.

Taxation

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 on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

I. Principal Accounting policies (continued)

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources 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. Liquid resources comprise term deposits of less than one year (other than cash) and investments in money market managed funds.

Loans and receivables

The Company's loans and receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

Financial instruments

The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. 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.

Financing strategy and capital structure

FRS 29 'Financial Instruments: Disclosures' comprises disclosures relating to financial instruments. 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. The Company 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 Company does not have any externally imposed capital requirements.

Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. This liability is established for interim dividends when they are paid, and for final dividends when they are approved by the shareholders.

2. Income

	29 February 2012 £'000	28 February 2011 £'000
Interest receivable on money market securities and bank balances	86	46
Dividends received (fixed asset investments)	380	246
Loan interest received	9	9
	475	301

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Investment management fees

	29 February 2012			28 February 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	197	590	787	139	418	557
	197	590	787	139	418	557

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 the Company's investment portfolio.

4. Other expenses

	29 February 2012 £'000	28 February 2011 £'000
Directors' remuneration	69	60
Fees payable to the Company's auditor for the audit of the financial statements	23	25
Other expenses	135	125
	227	210

The total expense ratio for the Company for the year to 29 February 2012 was 2.5% (2011: 2.6%).

5. Directors' remuneration

	29 February 2012 £'000	28 February 2011 £'000
Directors' emoluments		
Michael Reeve	24	24
Marion Sears	9	—
Roger Smith	18	18
Stephen Hazell-Smith	18	18
	69	60

None of the Directors received any other remuneration or benefit from the Company during the year. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was four (2011: three).

6. Merger costs

In the prior year, Octopus AIM VCT plc merged with Octopus Phoenix VCT plc. The prospectus estimated that total costs to combine the Company with Octopus Phoenix VCT plc would be £199,000. The actual costs were £208,000. £52,000 of this was borne by Octopus Phoenix VCT plc, while £156,000 was borne by the Company due to the relatively higher total net assets of the Company. The total stamp duty on the issue of shares was £29,000 (£7,000 of this was borne by Octopus Phoenix VCT when determining its assets and liabilities at the date of the merger). The cash payment of the total £29,000 was borne by the Company. £134,000 is disclosed as merger costs in the Income Statement as the stamp duty went to the share premium account.

7. Tax on ordinary activities

The corporation tax charge for the year was £nil (2011: £nil).

Factors affecting the tax charge for the current year:

The current tax charge for the year differs from the effective small company rate of corporation tax in the UK of 20.08% (2011: 21%). The differences are explained below.

Current tax reconciliation:

	29 February 2012 £'000	28 February 2011 £'000
(Loss)/profit on ordinary activities before tax	(768)	6,056
Current tax at 20.08% (2011: 21%)	(154)	1,272
Income not liable to tax	(78)	(50)
Expenses not deductible for tax purposes	—	37
Losses not deductible for tax	46	(1,401)
Excess management expenses carried forward	186	142
Total current tax charge	—	—

Approved VCTs are exempt from tax on capital gains within the Company. Since the Directors intend that the Company will continue to conduct its affairs so as to maintain its approval as a venture capital trust, no current deferred tax has been provided in respect of any capital gains or losses arising on the revaluation or disposal of investments. In addition, a deferred tax asset has not been recognised on carried forward losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Dividends

	29 February 2012 £'000	28 February 2011 £'000
Recognised as distributions in the financial statements for the year		
Previous year's final dividend	1,145	-
Current year's interim dividend	1,142	1,933
	2,287	1,933
	29 February 2012 £'000	28 February 2011 £'000
Paid and proposed in respect of the year		
Interim dividend – 2.5p per share (2011: 5.0p per share)	1,142	1,933
Final dividend proposed: 2.5p per share (2011: 2.5p share)	1,183	1,145
	2,325	3,078

9. Return per share – basic and diluted

The return per share is based on loss after tax of £768,000 (2011: profit after tax of £6,056,000), and 45,406,494 Ordinary shares (2011: 35,243,827), being the weighted average number of shares in issue during the year.

There are no potentially dilutive capital instruments in issue and, as such, the basic and diluted earnings per share are identical.

10. Net asset value per share – basic and diluted

The calculation of net asset value per share as at 29 February 2012 is based on net assets of £39,689,000 (2011: £38,940,000) divided by 45,671,549 (2011: 41,247,611), being the sum of 45,422,653 Ordinary shares in issue at that date and 248,896 shares to be issued at the same date.

There are no potentially dilutive capital instruments in issue and, as such, the basic and diluted net asset value per share are identical.

11. Fixed asset investments

FRS 29, regarding financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets and liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the current bid price. These instruments are included in level 1 and comprise AIM or Plus listed investments classified as held at fair value through profit or loss.

11. Fixed asset investments (continued)

Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Company holds no such investment in the current or prior year.

Level 3: the fair value of financial instruments that are not traded in an active market (for example investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There have been no transfers between these classifications in the period (2011: none). The change in fair value 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 year to 29 February 2012 are summarised below and in note 12.

	Level 1: Quoted prices £'000	Level 3: Unquoted loan investments £'000	Total investments £'000
Valuation and net book amount:			
Book cost at 1 March 2011	27,464	300	27,764
Opening unrealised gain at 1 March 2011	285	—	285
Valuation at 1 March 2011	27,749	300	28,049
Movement in the year:			
Purchases at cost	5,570	—	5,570
Proceeds from the sale of investments	(2,654)	(300)	(2,954)
Loss on realisation of investments	(93)	—	(93)
Change in fair value in year	(136)	—	(136)
Closing fair value at 29 February 2012	30,136	—	30,436
Closing cost at 29 February 2012	27,369	—	27,369
Closing unrealised gain at 29 February 2012	3,067	—	3,067
Valuation at 29 February 2012	30,436	—	30,436

Level 1 valuations are valued in accordance with the bid-price on the relevant date. Further details of the fixed asset investments held by the Company are shown within the Investment Manager's Review.

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect impairment of financial assets held at the price of recent investment, or to adjust earnings multiples.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Fixed asset investments (continued)

All investments are designated as fair value through profit or loss from the time of acquisition, and all capital gains or losses on investments so designated. Given the nature of the Company's venture capital investments, the changes in fair value of such investments recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as unrealised.

When the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to the Capital reserve unrealised.

When an investment is sold any balance held on the Capital reserve unrealised is transferred to the Capital reserve realised as a movement in reserves.

At 29 February 2012 the following transactions were commitments in respect of investments approved by the manager but not yet completed (2011: none):

- 1,255,814 shares in Corero Network Security plc for £540,000
- 58,000 shares in Augean plc for £17,540

Transaction costs on purchases and disposals for the year were £17,000 and £9,000 respectively.

12. Current asset investments at fair value through profit and loss

Current asset investments represent level 1 investments as described in note 11 above. All current asset investments relate to money market funds*.

	29 February 2012 £'000	28 February 2011 £'000
Valuation and net book amount:		
Book cost as at 1 March	10,655	6,732
Revaluation to 1 March	–	–
Valuation as at 1 March	10,655	6,732
Movement in year:		
Purchases at cost	14,185	27,479
Disposal proceeds	(16,231)	(23,556)
Closing valuation as at 29 February 2012/28 February 2011	8,609	10,655
Book cost as at 29 February 2012/28 February 2011	8,609	10,655
Revaluation to 29 February 2012/28 February 2011	–	–
Closing valuation as at 29 February 2012/28 February 2011	8,609	10,655

*Money market funds represent money held pending investment and can be accessed with 1 working day notice.

Transaction costs on purchases and disposals for the year were £nil (2011: £nil).

13. Debtors

	29 February 2012 £'000	28 February 2011 £'000
Prepayments and accrued income	36	19
Other debtors	20	—
	56	19

14. Creditors: amounts falling due within one year

	29 February 2012 £'000	28 February 2011 £'000
Accruals	44	210
Other creditors	36	48
	80	258

15. Share capital

	29 February 2012 £'000	28 February 2011 £'000
Allotted and fully paid up:		
45,422,653 Ordinary shares of 1.0p (2011: 41,247,611 shares of 1.0p)	454	412

The value of shares to be issued at 29 February 2012 amounted to £279,000 (2011: £352,000).

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 21. The Company is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Share capital (continued)

During the year the Company repurchased the following shares to be cancelled:

Date	Number of shares	Price per share	Total value of shares
4 March 2011	53,224	84.3p	44,868
24 March 2011	53,189	81.8p	43,509
21 April 2011	90,277	82.0p	74,027
3 June 2011	91,615	84.1p	77,048
17 June 2011	86,412	84.8p	73,277
27 July 2011	6,000	84.0p	5,040
29 July 2011	154,595	84.0p	129,860
30 September 2011	30,769	79.0p	24,308
4 October 2011	17,238	79.0p	13,618
21 October 2011	19,642	78.8p	15,478
11 November 2011	32,787	77.5p	25,410
9 December 2011	75,698	74.3p	56,244
20 January 2012	82,805	74.0p	61,276
24 February 2012	48,132	77.5p	37,302
Totals	842,383		681,264

The total nominal value of the shares repurchased for cancellation was £8,423 representing 1.9% of the issued share capital.

The Company issued the following shares during the year to 29 February 2012:

- 22 March 2011: 1,921,283 Ordinary shares at a price of 96.2p
- 30 March 2011: 1,114,877 Ordinary shares at a price of 96.5p
- 5 April 2011: 1,924,332 Ordinary shares at a price of 95.9p
- 19 April 2011: 56,933 Ordinary shares at a price of 96.6p

At the date of issue of this report there were 47,299,972 Ordinary shares of 1p each in issue, with a further 248,896 shares waiting to be issued.

16. Reserves

	Share capital £'000	Share Premium £'000	Special distributable reserve* £'000	Capital redemption reserve £'000	Capital reserve realised* £'000	Capital reserve unrealised* £'000	Revenue reserve* £'000
As at 1 March 2011	412	11,317	25,194	15,710	(14,465)	285	135
Repurchase of own shares	(8)	—	(681)	8	—	—	—
Shares issued	50	4,513	(5)	—	—	—	—
Cancellation of share premium	—	(15,830)	31,546	(15,716)	—	—	—
Profit on ordinary activities after tax	—	—	—	—	—	—	51
Management fees allocated as capital expenditure	—	—	—	—	(590)	—	—
Current year losses on disposal	—	—	—	—	(93)	—	—
Prior period holding (losses)/gains now crystallised	—	—	—	—	(2,918)	2,918	—
Current period losses on fair value of investments	—	—	—	—	—	(136)	—
Dividends paid	—	—	—	—	(2,287)	—	—
Balance as at 29 February 2012	454	—	56,054	2	(20,353)	3,067	186

* Included within these reserves is an amount of £35,887,000 (2011: £10,864,000) which is considered distributable to shareholders.

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the Income Statement. Changes in fair value of investments held are then transferred to capital reserves unrealised. When an investment is sold any balance held on the capital reserve unrealised is transferred to the capital reserve realised as a movement in reserves.

A court order obtained on 23 November 2011, permitted the cancellation of the share premium account and the capital redemption reserve. As a result, £31,546,000 was transferred to special distributable reserve. The purpose of the special distributable reserve was to create a reserve which will be capable of being used by the Company to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount to net asset value at which the Company's ordinary shares trade. In the event that the revenue reserve and capital reserve gains/(losses)—realised do not have sufficient funds to pay dividends, these will be paid from the special distributable reserve.

17. Financial instruments and risk management

The Company's financial instruments comprise equity investments, cash balances, investments in money market funds and debtors and creditors. The Company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT qualifying unquoted and AIM-listed and PLUS-listed securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

On 14 May 2012 it was announced that the PLUS markets plc intends to close in the next few months and all Companies listed there would seek an AIM listing or become private companies. As a result the Company will continue to invest in a portfolio of VCT qualifying unquoted and AIM-listed securities.

Fixed and current asset investments (see note 11 and 12) are valued at fair value. For quoted investments this is bid price. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Financial instruments and risk management (continued)

In carrying on its investment activities, the Company 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 the Company are price risk, interest rate risk, credit risk and liquidity risk. The Company'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

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 27 to 32, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in smaller companies, by their nature, usually involve a higher degree of risk than investments in larger 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 the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out in the investment managers review.

77.3% (28 February 2011: 72.0%) by value of the Company's net assets comprises equity securities listed on the London Stock Exchange or quoted on AIM. A 10% increase in the bid price of these securities as at 29 February 2012 would have increased net assets and the total return for the year by £3,043,600 (2011: £2,804,900); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

Interest rate risk

Some of the Company's financial assets are interest-bearing. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 0.5% at 29 February 2012 (2011: 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	29 February 2012 £'000	28 February 2011 £'000
Current asset investments	8,609	10,655
Cash at bank	668	475
	9,277	11,130

A 1% increase in the base rate would increase income receivable from these investments and the total return for the year by £92,770 (2011: £111,300).

17. Financial instruments and risk management (continued)**Credit risk**

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 the Company. 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 29 February 2012 the Company's financial assets exposed to credit risk comprised the following:

	29 February 2012	28 February 2011
	£'000	£'000
Current investments	8,609	10,655
Cash at bank	668	475
Accrued dividends and interest receivable	13	14
	9,290	11,144

Credit risk relating to listed money market securities is mitigated by investing, where possible, in money market instruments issued by major companies and institutions with a minimum Moody's long term debt rating of 'A'.

Those assets of the Company which are traded on recognised stock exchanges are held on the Company's behalf by third party custodians. Bankruptcy or insolvency of a custodian could cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

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.

The Company has cash deposits which are held on the balance sheet of HSBC Bank plc, The Royal Bank of Scotland plc, the Co-operative Bank and in cash investment funds managed by BlackRock.

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 29 February 2012 or 28 February 2011.

Liquidity risk

The Company's financial assets 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, the Company 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.

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

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 29 February 2012 these investments were valued at £9,277,000, (28 February 2011: £11,130,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Post balance sheet events

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

Shares bought back for cancellation:

- 16 March 2012: 108,029 Ordinary shares at a price of 79.50p
- 30 March 2012: 63,094 Ordinary shares at a price of 79.50p
- 11 May 2012: 83,230 Ordinary shares at a price of 81.25p
- 31 May 2012: 17,309 Ordinary shares at a price of 77.50p

Investments bought/sold:

- 2 March 2012: 1,255,814 shares in Corero were bought for £540,000
- 2 March 2012: 58,000 shares in Augean were bought for £17,540
- 15 March 2012: 124,500 shares in Augean were bought for £37,650
- 22 March 2012: 38,200 shares in Augean were bought for £11,553
- 30 March 2012: 31,039 shares in Gooch and Housego were bought for £124,578
- 30 March 2012: 59,000 shares in Brady were disposed for £54,170
- 5 April 2012: 60,000 shares in Augean were bought for £19,355
- 13 April 2012: 150,000 shares in Augean were bought for £48,386
- 24 April 2012: 475,000 shares in Autoclenz were disposed for £127,928
- 25 April 2012: 21,148 shares in Gooch and Housego were bought for £85,270
- 4 May 2012: 7,813 shares in Gooch and Housego were bought for £31,503
- 16 May 2012: 49,500 shares in Judge Scientific were bought for £297,000

Shares issued

- 5 April 2012: 2,148,981 Ordinary shares at a price of 94.4p.

19. Contingencies, guarantees and financial commitments

At 29 February 2012 the following transactions were commitments in respect of investments approved by the manager but not yet completed (2011: none):

- 1,255,814 shares were bought in Corero Network Security plc for £540,000
- 58,000 shares were bought in Augean plc for £17,540

20. Related party transactions

Octopus Investments has been employed as Investment Manager throughout the year. Octopus AIM VCT plc has paid Octopus Investments £787,000 (2011: £557,000) in management fees during the year, an increase due to the larger fund evolved post merger. At 29 February 2012, £nil was outstanding (2011: £155,000). The management fee is payable quarterly in arrears and is based on 2.0% of the NAV calculated at bi-annual intervals as at 28 February or 31 August as the case may be.

DIRECTORS AND ADVISERS

Board of Directors

Michael Reeve (Chairman)
Marion Sears
Stephen Hazell-Smith
Roger Smith

Company Number

Registered in England No: 03477519

Secretary and Registered Office

Celia L Whitten FCIS
20 Old Bailey
London
EC4M 7AN

Investment and Administration Manager

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN
Tel: 0800 316 2349
www.octopusinvestments.com

Independent Auditor

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 0300
(Calls cost 10p per minute plus network extras)
www.capitaregistrars.com

Tax Advisor

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Custodians

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN

Bankers

HSBC Bank plc
2nd Floor,
62 - 76 Park Street
Southwark
London
SE1 9DZ

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 0300
(Calls cost 10p per minute plus network extras)
www.capitaregistrars.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Octopus AIM VCT plc ("the Company") will be held at 20 Old Bailey, London, EC4M 7AN on Thursday, 12 July 2012 at 11.00 a.m. for the purposes of considering and if thought fit, passing the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the period to 29 February 2012 and the Directors' and Auditor's Reports thereon.
2. To approve a final dividend of 2.5 pence per share.
3. To approve the Directors' Remuneration Report.
4. To elect Marion Sears as a Director.
5. To re-elect Michael Reeve as a Director.
6. To re-elect Roger Smith as a Director.
7. To re-elect Stephen Hazell-Smith as a Director.
8. To re-appoint PKF (UK) LLP as auditor of the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

9. AUTHORITY TO ALLOT RELEVANT SECURITIES

That the Directors be generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to allot shares up to a maximum of 9,480,102 shares (representing approximately 20% of the Ordinary share capital in issue at today's date) this authority to expire at the later of the conclusion of the Company's Annual General Meeting next 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 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).

10. EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES

To empower the Directors pursuant to s571(1) 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 9 as if s560(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(1) 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 Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

11. AUTHORITY TO MAKE MARKET PURCHASES

That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Companies Act 2006 of Ordinary shares of 1p each in the Company ("Ordinary shares") provided that:

- (a) the maximum number of Ordinary shares so authorised to be purchased shall not exceed 10% of the present issued Ordinary share capital of the Company;
- (b) the minimum price which may be paid for an Ordinary share shall be 1p;
- (c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to 105 per cent of the average of the middle market quotations 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;
- (d) the authority conferred comes to an end at the conclusion of the next Annual General Meeting of the Company or upon the expiry of 15 months from the passing of this Resolution, whichever is the later; and
- (e) that the Company may enter into a contract to purchase its Ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

12. To continue the Company as a Venture Capital Trust until 2018.

By Order of the Board

20 Old Bailey
London
EC4M 7AN



Celia L Whitten

FCIS Secretary

7 June 2012

NOTICE OF ANNUAL GENERAL MEETING

(continued)

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) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, **Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the Annual General Meeting.
- (c) As an alternative to returning a hard-copy proxy form by post, you can appoint a proxy by sending it by fax to Octopus Investments Limited on 020 7657 3338. For the proxy appointment to be valid, your appointment must be received by Octopus Investments Limited in such time as it can be transmitted to the registrars of the Company so as to be received no later than 48 hours before the time appointed for the meeting or any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Capita Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) 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 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.

- (h) 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 Products/Venture Capital Trusts.
- (i) 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, as well as on the Investment Manager's website www.octopusinvestments.com.

PROXY FORM

OCTOPUS AIM VCT PLC

Annual General Meeting 12 July 2012 at 11.00am.

I/We.....

(BLOCK CAPITALS PLEASE)

of

being a member of Octopus AIM VCT plc, hereby appoint the Chairman of the meeting or;

Name of Proxy..... Number of Shares.....

as my/our proxy and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 12 July 2012, notice of which was sent to shareholders with the Directors' Report and the accounts for the year to 29 February 2012, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made.

☐

For the appointment of more than one proxy, please refer to the explanatory note 4 below.

RESOLUTION NUMBER

FOR

AGAINST WITHHELD

ORDINARY BUSINESS

- | | | | | |
|----|---|--------------------------|--------------------------|--------------------------|
| 1. | To receive, consider and adopt the financial statements for the year ended 29 February 2012 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | To approve a final dividend of 2.5 pence per share | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. | To approve the Directors' Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. | To elect Marion Sears as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. | To re-elect Michael Reeve as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. | To re-elect Roger Smith as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. | To re-elect Stephen Hazell-Smith as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. | To re-appoint PKF (UK) LLP as auditor of the Company and to authorise the Directors to determine their remuneration | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

SPECIAL BUSINESS

- | | | | | |
|-----|--|--------------------------|--------------------------|--------------------------|
| 9. | To authorise the Directors to allot shares under s551 of the Companies Act 2006 (Ordinary Resolution) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. | To disapply s561 of the Companies Act 2006 and allot shares on a non-rights issue basis (Special Resolution) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. | To authorise the Directors to offer the holders of Ordinary shares the right to elect to receive an allotment of Ordinary shares credited as fully paid in lieu of any dividend proposed to be paid or declared hereafter (Special Resolution) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. | That the Company continue in being as a Venture Capital Trust until 2018. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Signed: Dated: 2012

If you are unable to attend the AGM and wish to pass on any comments to the Board, please use the box below:



NOTES

1. To be valid, the proxy form must be received by the Registrars of Octopus AIM VCT plc at, **Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** no later than 48 hours before the commencement of the meeting. If delivering by courier please use the full address of Capita set out in the Notice.
2. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
3. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement. (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.)
4. To appoint more than one proxy, you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. The 'Vote Withheld' option is provided to enable you to abstain on any particular Resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a Resolution.
6. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
7. 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 6 p.m. on the day which is two days before the day of the meeting or adjourned 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.
8. The address on the envelope containing this notice is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0871 664 0300. (calls cost 10p per minute plus network extras, lines are open 8.30 a.m. - 5.30 p.m. Monday - Friday) to request a change of address form.
9. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

PLEASE USE THE REPLY PAID ENVELOPE PROVIDED

