
OCTOPUS

AIM VCT PLC

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OCTOPUS AIM VCT

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 predominantly AIM-quoted companies. The Company is managed by Octopus Investments Limited.

The Company offers investors exposure to the AIM market through a mature portfolio which takes a long term view. This enables investors to benefit from the tax advantages of investing in a VCT.

The investment portfolio

The Company's funds are managed by Octopus Investments Limited within a VCT-qualifying structure and the objective is to invest in a diversified portfolio of smaller companies principally listed on AIM. Investments are selected for their growth potential, dividend prospects and quality management teams which have a clear business plan to create growth. VCT regulation prevents material investment into asset backed companies, such as resource stocks and as a result, typically the focus is on companies in the consumer, services and computer and software sectors.

The portfolio contains investments in some of the larger, more profitable companies held by any VCT in the market and, being listed on AIM, they subject themselves to the regulatory and governance oversight of boards of directors. On average more than 80% of the equity portfolio is invested in companies expected to make a profit in 2013 and almost two thirds are forecast to pay dividends.

Although the investment philosophy takes a long term view, the Company operates a buy back policy so that shareholders can exit their investment if they wish to. Shares are repurchased at a 5% discount to NAV and cancelled.

Tax benefits

Shareholders who buy shares in a new offer by the Company receive up to 30% up-front income tax relief on investments up to £200,000 per tax year providing the shares are held for five years. The Company targets an annual dividend of at least 5p per share which is tax free for all shareholders irrespective of whether they purchased their shares in the secondary market or through a new offer. On this basis, and using the NAV of 101.6p on 27 May 2013, the gross tax-free yield per share is 4.9%.

Shareholders can sell shares through the Company-operated buy back policy and all disposals are free of Capital Gains Tax.

The Manager

The Octopus Investments Limited Smaller Companies Team is one of the most experienced AIM fund managers in the market. Octopus is a fast growing fund management company and currently manages £3 billion in funds making it the UK's biggest VCT provider.

FINANCIAL SUMMARY

	As at 28 February 2013	As at 29 February 2012
Net assets (£'000)	44,123	39,689
Net profit/(loss) after tax (£'000)	5,471	(768)
Net asset value (NAV) per share	93.7p	86.9p
Final proposed dividend	2.5p	2.5p

KEY DATES

Annual General Meeting	17 July 2013 (10.30 a.m. at 20 Old Bailey, London EC4M 7AN)
2013 final dividend paid	25 July 2013
2013 final dividend record date	21 June 2013
Half yearly results to 31 August 2013 announced	October 2013

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 transferred 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 using the conversion

factor of 0.42972672. 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.

A further top up offer was launched on 25 April 2012 and closed on 31 July 2012. The top up resulted in the issue of 2,843,092 new shares, raising a total of £2.6 million.

On 23 October 2012 the Company announced an Enhanced Buyback Facility ("EBB") in respect of up to 50% of the issued share capital. The EBB closed on 31 January 2013. As a result of the EBB the Company repurchased 10,801,537 Ordinary shares and 10,289,443 new Ordinary shares were issued.

On 1 February 2013 the Company launched an Offer for Subscription to raise up to £10 million. To date the Company has issued 4,413,848 Ordinary shares under the offer, raising £4.4 million. The date of closing for participation in the Offer has been extended to 31 January 2014.

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 70% of the qualifying holdings must be invested into Ordinary shares with no preferential rights (30% for funds invested before 6 April 2011);
- no single investment made can exceed 15% of the total company value at the time of investment; and
- a minimum of 10% of each Qualifying Investment must be in Ordinary shares with no preferential rights.

*A 'qualifying holding' consists of up to £5 million invested in any one year in new shares or securities in an unquoted 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. Lines are open Monday–Friday 9.00am–5.30pm), 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 2011/12	Ordinary shares 2010/11	Ordinary shares 2009/10	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	1.46*	1.36*	1.35	1.00
28 February 2010	—	—	—	2.50	1.47*	1.36*	1.35*	1.00
31 August 2010	—	—	—	—	1.46*	1.36*	2.70*	2.00
28 February 2011	—	5.28*	5.59*	5.14	1.47*	1.36*	3.06*	2.27*
31 August 2011	—	2.64*	2.80*	2.64	1.47*	1.36*	1.53*	1.13*
29 February 2012	—	2.64*	2.80*	2.64	1.47*	1.36*	1.53*	1.13*
31 August 2012	—	2.64*	2.80*	2.64	1.47*	1.36*	1.45*	1.07*
28 February 2013	5.60*	2.65*	2.79*	2.64	1.47*	1.36*	1.46*	1.08*
Cumulative dividends paid	5.60	15.85	16.78	36.75	33.16	79.35	26.43	43.68
Adjusted NAV as at 28 February 2013** (assuming investment at 100p)	105.00	99.10	104.80	93.70	55.00	51.00	54.40	40.30
Adjusted NAV plus cumulative dividends paid	110.60	114.95	121.58	130.45	88.16	130.35	80.83	83.98

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 25 July 2013 to shareholders on the register on 21 June 2013.

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 (29 May 2013)	95.0p per share

Buying and selling shares

Many shareholders buy their shares in a new Offer by the Company in order to benefit from the income tax relief available and it is the Board's intention to make new shares available through an offer each year. However, 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, not allowed to buy back shares directly from shareholders. If you are considering selling your shares or trading in the secondary market please contact the Company's Corporate Broker, Panmure Gordon, who can be contacted as follows:

Chris Lloyd
0207 886 2716 chris.lloyd@panmure.com

Paul Nolan
0207 886 2717 paul.nolan@panmure.com

Shareholders contacting Panmure Gordon for instruction on how to buy or sell shares will be guided to a specialist stockbroker who deals in Octopus AIM VCT shares. This is an easy, simple process which can be conducted by telephone if required. If, however, a shareholder has any problem or general questions

they are welcome to telephone Octopus on 0800 316 2295 where they will be helped.

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. All other statutory information can also be found there. For any queries regarding access to this, please call Octopus on 0800 316 2295.

Warning to Shareholders

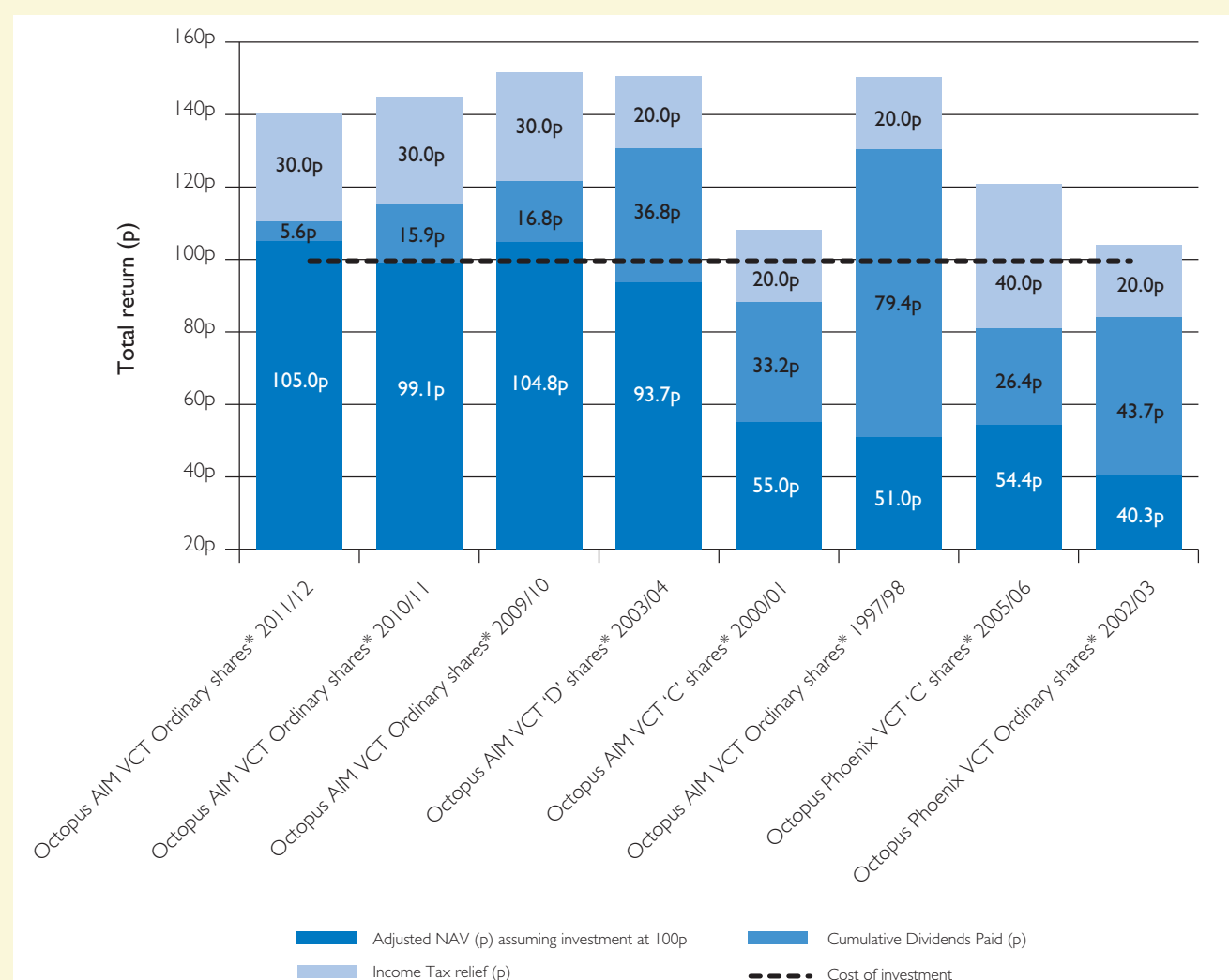
Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK 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 Octopus or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

If you are in any doubt about the veracity of an unsolicited phone call, please call either Octopus on 0800 316 2295 or the Registrar at the numbers provided on page 58.

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 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 listed on pages • and •. Investment has been assumed at the first allotment of each tax year.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report that the year under review was a good one for your Company particularly as this time last year I suggested that you should not be too downhearted about the prospects for your Portfolio in spite of the then cloudy investment outlook. In the year the Net Asset Value of your shares increased by 13.6% (2012 a decline of 2.6%) in both cases after adding back 5.0 pence of dividend, the Total Return was £5.5m (2012 a loss of £0.8m) and at the year end the appreciation over cost of your portfolio was 25.1%.

Share Buy-backs

In January 2013, your Board announced that pursuant to their policy of managing the discount at which your shares stand in the market and to assist in providing some liquidity in your shares, it would now buy back at a 5% discount rather than the 10% previously. Your Board continues to buy back shares.

Enhanced Buy Back (EBB)

In October last year your Board offered shareholders the opportunity of participating in an Enhanced Buy Back Facility. Some 25% of shareholders who had already held their shares for at least five years took advantage of this facility. This enabled them to realise their existing shares at a lower cost than would have been the case in the market. They also obtained up front tax relief in exchange for committing their capital to an investment in your Company for another five years. The advantage to the Company is the knowledge that this investment is likely to remain for another five years.

New Share Offer

In February your Company also issued a prospectus to raise up to £10m by the issue of new shares. This had raised a total of £4.4m at the date of this report and accounts and remains open until the end of January 2014 for all shareholders wishing to subscribe unless fully subscribed earlier.

In my Interim Statement I expressed concern that the FSA (now the FCA), in their consultation paper CPI2/19, were seeking to treat all VCTs as Unregulated Collective Schemes. This would mean that only FSA defined "sophisticated investors" could subscribe for shares in a VCT thus severely restricting the ability of your Company to raise capital. I am glad to say that following representation by the venture capital industry generally, we are now hopeful that this will not progress.

Performance and the Portfolio

The increase in the Total Return of your shares of 13.6%, which occurred entirely in the second half of the year, may be compared with a reduction in the AIM index of 10.3% and an increase in the Small Cap index of 24.6%. Purchases amounted to £3.7m and sales to £2.6m which realised net gains of £455,000. These are dealt with in the Manager's Review.

The principal purchases, most of which have since performed strongly, were Judges Scientific (specialist instrument manufacturer), WANDisco (software), Futura Medical (innovative pharmaceutical products), Tangent Communications (Direct Marketing), D P Poland (Domino's Pizza master franchise) and Fusionex (software). Of disposals, Zetar was the largest at a 50% premium on cost as a result of a takeover which together with reductions in holdings in Omega Diagnostics, Mears, Advanced Computer Software, WANDisco, Brooks Macdonald and Idox accounted for the gains on realisations.

Changes in issued Share Capital

At the end of the year there were 46,671,336 shares in issue compared with 45,422,653 at the end of the previous year. As a result of the implementation of the Enhanced Buy Back facility 10,289,443 shares were issued and 10,801,537 were purchased and subsequently cancelled as were 1,082,315 shares acquired as a result of the buy-back policy.

Since the year end 4,413,848 new shares have been issued following the launch of the Prospectus offer in February 2013.

Dividend

A dividend of 2.5p per share was paid to shareholders in November 2012 and your Board propose that a final dividend of 2.5p per share will be paid on 25 July 2013. It is your Board's intention that the annual dividend will be not less than 5p per share. These dividends are not subject to tax and therefore assuming a dividend of 5p per share and a market price of 95.0p per share the shares carry a tax free yield of 5.3% using the share price as at 30 May 2013.

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 plc 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 28 February 2013, 92.8% of the portfolio, as measured by HMRC rules, was invested in qualifying investments.

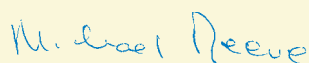
Annual General Meeting

The Annual General Meeting will be held on Wednesday 17 July 2013. I very much hope you will be able to come to the meeting after which our Investment Managers will make a presentation.

Outlook

Your Board believes there is a lot of potential within AIM. The proposal in the 2013 Budget to exempt stamp duty on transfers in AIM quoted shares from April 2014 should assist in increasing the liquidity in that market and reduce the costs of equity funding for small companies. However as VCTs do not pay stamp duty on the cost of qualifying investments there will be no investment cost benefit to the Company. If in addition it is decided that AIM stocks may be included in ISAs, which is currently subject to a full consultation, a significant growth in AIM could result.

Your Company has been in existence for fifteen years and many of the companies in your portfolio have already grown to a substantial size. In fact 80% of the holdings by value have forecast average profits in 2013 of more than £7m. This is encouraging as it demonstrates the maturing of some of the earlier investments in the portfolio. As many of our investee companies continue to report good trading and are emerging leaner and fitter from the financial crisis this should continue to translate into improved share prices. Our Investment Managers have also made some exciting new investments with money raised from disposals and from new share issues. This augurs well for the future and our Investment Managers remain optimistic that the quality companies in the portfolio will continue to grow their profits handsomely. The Company's existing liquid resources will enable it to take advantage of new opportunities as they arise.



Michael Reeve

Chairman

30 May 2013

INVESTMENT MANAGER'S REVIEW

Introduction

In terms of stock market activity, 2012/13 has been a much more rewarding year than the previous one. The Net Asset Value (NAV) has risen as share prices have begun to catch up with the trading progress that many of the holdings have been reporting for the last few years. New issues have returned in a good number and many of them have performed well post flotation. Share trading volumes have also shown some improvement, and this has enabled us to take some profits in the larger holdings into rising prices.

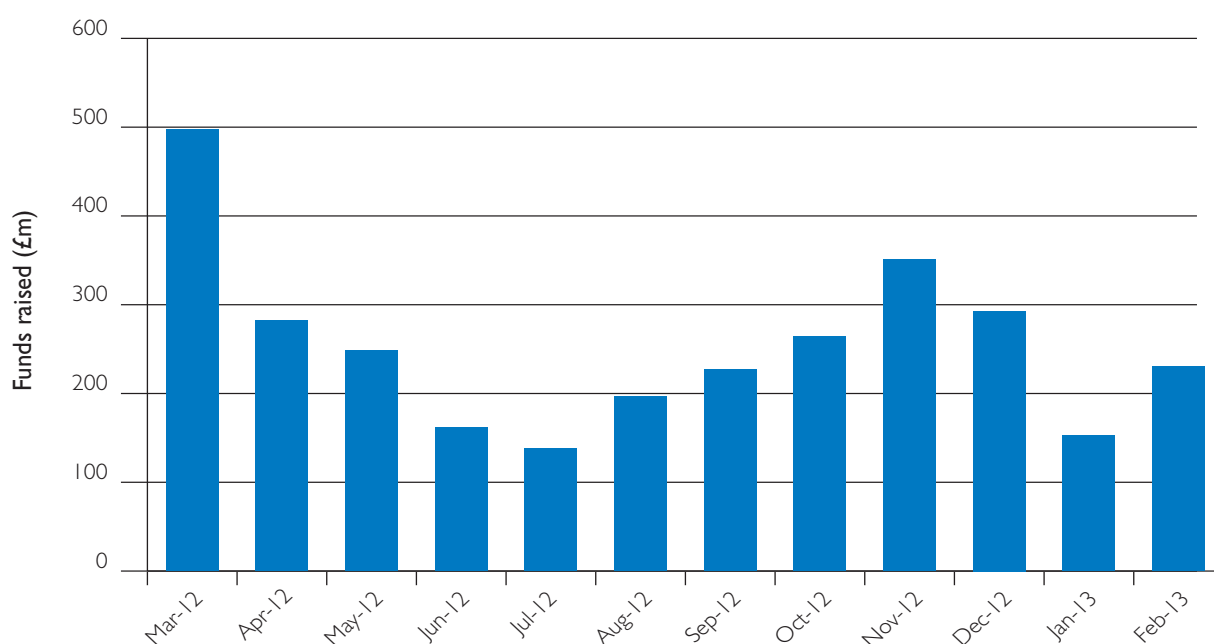
Despite improving investor sentiment which has endured past the year end, there are still share prices in the portfolio which have yet to catch up with events and we are hopeful that the positive result for the year to February 2013 can be built on in the current year.

The Alternative Investment Market ("AIM")

AIM once again came in for criticism in 2012 because the index failed to rise in a year when the smaller companies index performed better than it had for many years. Although there were a number of factors at play, one of the most significant ones was the underperformance of resource stocks that held the AIM index back.

Of more interest is that AIM remains the market of choice for small and growing companies to float and seek further capital to grow. You can see from the graph that follows that it remained open for business throughout the year under review and successfully funded a number of new companies in a year when the main UK market was all but closed for new issues.

Funds raised in AIM during the year ended 28 February 2013:



INVESTMENT MANAGER'S REVIEW (continued)

The sum raised is shown by month in the graph. Amounts raised are lower than in previous years, which is more a reflection of the nervousness of markets in general, and we would hope that the number and size of fundraisings will increase now that sentiment has started to improve.

Performance

The year under review was a much better one for smaller company shares as equity markets began to look beyond the constant diet of negative economic and political newsflow and focus on the value available from growing companies. The Smaller Companies Index Ex Investment Trusts had a particularly good year, appreciating by 24.6%, helped by strong performances from its larger constituents. AIM was much more subdued and fell by 10.3% during the year, held back by poorly performing resource stocks and its larger exposure to very small companies whose share prices are always the last to react to any stockmarket rally.

Against this background the NAV rose by 13.6% if the two 2.5p dividends paid out in the year are added back. Encouragingly, the biggest driver of performance in the fund was positive news from portfolio companies, many of which have been increasing their growth momentum. The best performing sector was software, where further good progress by IDOX, Brady and Advanced Computer Software were rewarded with significant share price rises which we used to take some profits in the case of IDOX and Brady. Among the newer investments in the sector, WANdisco, a software company with a technology enabling simultaneous access, use and editing of the same computer code, caught investor imagination and more than quadrupled in the period. Its 'Big Data' capability allows company servers to replicate each other enabling them to back each up in real time. We took some profits after the shares more than trebled but it remains a significant holding. Fusionex was another new holding in the sector which got off to a good start post flotation, increasing by 60% in the period. Less encouragingly Corero and Active Risk

Group both issued profit warnings as a result of slower than expected sales and their share prices fell accordingly.

Elsewhere in the portfolio Breedon, EKF, DP Poland, Netcall, Staffline, and Vertu Motors all saw their share prices contribute positively to NAV performance as their businesses progressed ahead of expectations, in the case of the first three, assisted by successful fundraisings. Animalcare suffered from an interruption in the supply chain of Buprecare, one of its well established and profitable drugs. A new source has now been established and we expect profits growth to resume in the current year, which should lead to a recovery in the share price. Enteq also suffered from a lull in demand for oil services and a failure to gain enough critical mass through acquisitions. The former is now improving, and the business exceeded profits in its most recent reporting period, but the lack of critical mass will require further acquisitions in line with the strategy when the company floated. Among the non-qualifying holdings Mears, SQS, RWS and Matchtech were also good contributors to performance. Less good were the performances of Hargreaves Services and Immunodiagnostics. Immunodiagnostics had been hit by increased competition and a resulting decline in manual vitamin D tests at a faster rate than the demand for automated tests had risen. The balance is now improving under new management and we are holding onto the shares which look cheap and generate good cashflow.

Portfolio Activity

A fall in stock market confidence in the late spring had a dampening effect on new issues, although existing companies have still been looking to investors rather than banks as a source of new capital, which has presented us with plenty of VCT qualifying opportunities to consider. As the fund remains well above its 70% HMRC investment limit in qualifying holdings, we continue to be patient when making new investments, looking for attractive opportunities at realistic prices.

The interim report referred to the new investments in Corero, Judges Scientific and WANDisco, all of which were made in the first half of the year under review. In the second half your Company made four further qualifying investments in Futura Medical, Tangent Communications, DP Poland and Fusionex. The first three were follow on investments in existing AIM companies although they were new to the portfolio and Fusionex was a new issue. Futura Medical has been an AIM company for many years and has regularly raised capital to continue the development of its consumer sexual health products, which have taken longer than originally anticipated to get to market. Having walked away from one licensing agreement which wasn't working, the company then raised itself enough capital to tie up an alternative commercial deal with Church and Dwight, the US owner of the Trojan brand of condoms. Though still lossmaking, we believe the company is at a turning point, with considerable future returns to be made from commercialising its portfolio of products. DP Poland is also an early stage company. It has the franchise for Dominos Pizza in Poland and has spent the time since it originally floated on AIM in establishing a number of outlets in Warsaw. It now has the involvement of individuals who were behind the establishment of Dominos Pizza UK and we believe that we have invested at a price, where the potential returns from expanding the number of outlets it operates, justify the higher risk inherent in an earlier stage business. In contrast, Tangent Communications is already a profitable and dividend paying company engaged in printing and digital communications. The money we have invested was part of a funding to make an acquisition of an on-line digital printing business to expand its operation in that area. Fusionex is a profitable enterprise software solutions provider based in Malaysia with a consequent low cost advantage in its international markets. It floated on AIM in December.

Since the year end we have made two further qualifying investments in new issues. The first, Cambridge Cognition specialises in brain health diagnostics and has developed a new mobile test for Alzheimer's which can be easily used by doctors in surgery. Quixant manufactures a specialist computer which sits inside gaming slot machines and enables the machine to function to meet local regulations in different markets. Its technology allows the different games played on one machine to be changed over faster than existing technologies out in the market.

The year under review also included a number of disposals. Sales of Brooks Macdonald, Idox, Brady, WANDisco and Mears all came in the category of profit taking after a period of strong performance. The tidying-up process of some of the smaller holdings post the merger with Phoenix continued, and we sold our holdings in Autoclenz, Vitesse Media and Interquest. Zetar was the subject of a takeover bid and we sold the holding at a 50% profit. We also sold the non-qualifying holding in Hargreaves after the company revealed that it had been the victim of fraud in the Netherlands. Hargreaves was also dealing with the complications of closing its deep coal mining operation at Maltby, and we took the decision that it was going to take some time to restore investor confidence in the business.

Since the period end we have taken some further profits in WANDisco.

The table below shows those companies in which our investments were fully disposed of during the year. Further partial disposals were also made in the year:

Investee company	Sales proceeds (£)	Profit/(loss) on disposal (£)
Zetar Plc	844,400	258,000
Hargreaves Services Plc	288,800	22,000
Vitesse Media Plc	10,300	2,300
InterQuest Plc	71,200	(4,500)
Autoclenz Holdings Plc	127,900	(52,600)

INVESTMENT MANAGER'S REVIEW (continued)

Outlook

There are tentative signs that the determinedly downbeat tone of economic commentators is beginning to lighten, with the latest revisions to GDP numbers suggesting that there may not have actually been a double-dip recession last year. We have certainly found that the news from smaller companies both in the portfolio and elsewhere has remained surprisingly positive and encouragingly we have begun to see share prices react to good news. This would seem to indicate that appetite for risk is returning, particularly where there is a promise of good growth

and where valuations remain low by historic standards. There has been a marked pick up in fundraising opportunities in the past month and even more encouragingly, figures from the Investment Management Association show that smaller company funds have been attracting new investment since the Autumn of 2012. We believe that there will be attractive opportunities to invest the cash raised in the recent fundraising for future returns.

The AIM team

Octopus Investments Limited
30 May 2013

Investment Portfolio as at 28 February 2013

Fixed asset investments	Sector	Book cost as at 28 February 2013 (£'000)	Cumulative change in fair value (£'000)	Fair value as at 28 February 2013 (£'000)	Movement in year (£'000)	% equity held by AIM VCT plc	% equity held by all funds managed by Octopus
Advanced Computer Software Plc	Software & Computer Services	577	1,983	2,560	1,094	0.7%	2.9%
Idox Plc	Software & Computer Services	353	1,993	2,346	986	1.3%	3.3%
Brooks MacDonald Group Plc	Speciality & Other Finance	746	1,237	1,983	(97)	1.2%	2.4%
Breedon Aggregates Limited	Construction & Building	902	826	1,728	451	1.2%	1.9%
EKF Diagnostics Plc	Healthcare	931	537	1,468	180	2.1%	6.0%
Escher Group Holdings Plc	Software & Computer Services	1,003	382	1,385	(206)	3.2%	5.5%
WANdisco Plc	Software & Computer Services	292	1,016	1,308	1,016	0.8%	2.8%
Netcall Plc	Telecommunication Services	436	863	1,299	498	2.9%	5.1%
Staffline Recruitment Plc	Support Services	333	930	1,263	490	1.6%	13.9%
Vertu Motors Plc	General Retailers	1,265	(212)	1,053	307	1.3%	8.0%
MyCelx Technologies Plc	Oil Services	900	128	1,028	43	3.3%	7.8%
Mattioli Woods Plc	Speciality & Other Finance	523	456	979	201	2.2%	3.6%
DP Poland Plc	Leisure & Hotels	546	400	946	400	3.8%	6.4%
Brady Plc	Software & Computer Services	569	337	906	115	1.2%	2.0%
TLA Worldwide Plc	Media & Entertainment	807	81	888	81	4.6%	11.4%
RWS Holdings Plc	Support Services	367	420	787	163	0.3%	4.0%
Tasty Plc	Leisure & Hotels	369	397	766	49	2.6%	4.9%
Animalcare Group Plc	Food Producers & Processors	304	437	741	(126)	2.6%	8.1%
GB Group Plc	Support Services	330	404	734	227	0.8%	1.8%
Matchtech Group Plc	Support Services	346	379	725	207	1.1%	11.0%
Futura Medical Plc	Pharmaceuticals & Biotech	613	85	698	85	1.4%	4.4%
Enteq Upstream Plc	Oil Services	1,033	(362)	671	(464)	1.7%	3.8%
Omega Diagnostics Plc	Healthcare	536	28	564	147	4.9%	9.0%
Craneware Plc	Software & Computer Services	183	376	559	4	0.5%	1.2%
Judges Scientific Plc	Electronic & Electrical	300	253	553	253	1.0%	1.6%
Tangent Communications Plc	Support Services	578	(58)	520	(58)	2.1%	6.0%
Gooch & Housego Plc	Electronic & Electrical	489	27	516	41	0.5%	3.4%
Cohort Plc	Aerospace & Defence	300	199	499	122	0.9%	4.4%
Cello Group Plc	Media & Entertainment	895	(399)	496	73	1.5%	7.0%
Mears Group Plc	Support Services	139	311	450	99	0.1%	0.2%
Fusionex International Plc	Software & Computer Services	279	167	446	165	0.4%	1.4%
Augean Plc	Support Services	397	45	442	34	1.3%	5.3%
Sinclair Pharma Plc	Pharmaceuticals & Biotech	771	(344)	427	77	0.4%	1.2%

Fixed asset investments	Sector	Book cost as at 28 February 2013 (£'000)	Cumulative change in fair value (£'000)	Fair value as at 28 February 2013 (£'000)	Movement in year (£'000)	% equity held by AIM VCT plc	% equity held by all funds managed by Octopus
Synectics Plc	Support Services	344	45	389	79	0.6%	0.7%
Bond International Plc	Software & Computer Services	354	34	388	58	2.3%	3.5%
Chime Communications Plc	Media & Entertainment	320	45	365	14	0.2%	0.5%
SQS Software Plc	Software & Computer Services	291	53	344	119	0.5%	9.8%
Immunodiagnostic Systems Plc	Healthcare	528	(194)	334	(137)	0.4%	2.5%
Corac Plc	Engineering & Machinery	348	(23)	325	46	0.8%	1.8%
Plastics Capital Plc	Engineering & Machinery	400	(80)	320	52	1.5%	17.5%
Adept Telecom Plc	Telecommunication Services	600	(304)	296	86	2.0%	4.1%
Altitude Group Plc	Media & Entertainment	600	(317)	283	(150)	3.9%	4.6%
Vianet Group Plc	Support Services	359	(77)	282	21	1.1%	4.6%
Hasgrove Plc	Media & Entertainment	250	25	275	90	2.1%	13.3%
Goals Soccer Centres Plc	Leisure & Hotels	205	43	248	42	0.4%	2.4%
Active Risk Group Plc	Software & Computer Services	862	(628)	234	(460)	5.2%	9.8%
Access Intelligence Plc	Software & Computer Services	375	(150)	225	-	3.2%	10.0%
Jelf Group Plc	Speciality & Other Finance	186	10	196	30	0.3%	0.8%
Corero Network Security Plc	Software & Computer Services	540	(352)	188	(352)	2.1%	4.7%
Datong Electronics Plc	Electronic & Electrical	500	(316)	184	82	2.8%	3.4%
In-Deed Online Plc	Support Services	301	(122)	179	(93)	3.5%	5.9%
Daisy Group Plc	Telecommunication Services	201	(25)	176	(5)	0.1%	0.1%
Woodspeen Plc	Support Services	350	(233)	117	(214)	5.4%	11.4%
Inditherm Plc	Chemicals	204	(93)	111	(26)	6.7%	6.7%
Marwyn Management Plc	Investment Companies	550	(451)	99	(95)	0.7%	1.9%
Work Group Plc	Support Services	943	(884)	59	(94)	4.2%	6.3%
Tanfield Group Plc	Engineering & Machinery	226	(170)	56	(120)	0.2%	1.2%
Dods Group Plc	Media & Entertainment	202	(164)	38	4	0.2%	0.9%
SnackTime Plc	Support Services	531	(507)	24	(101)	2.1%	7.5%
Synarbor Plc	Support Services	14	8	22	-	0.8%	0.8%
		28,996	8,495	37,491	5,533		
Fully realised investments still held as part of the portfolio		980	(980)	-	-		
Total investments		29,976	7,515	37,491	5,533		
Money market funds		5,799	-	5,799			
Total fixed asset investments and money market funds		35,775	7,515	43,290			
Cash at bank				841			
Debtors less creditors				(8)			
Total net assets				44,123			

INVESTMENT MANAGER'S REVIEW (continued)

Top 10 Holdings

Listed below are the ten largest investments, valued at bid price, as at 28 February 2013:

Advanced Computer Software plc

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

Initial investment date:	July 2008
Cost:	£577,000
Valuation:	£2,560,000
Equity held:	0.7%
Last audited accounts:	February 2012
Revenue:	£101.8 million
Profit before tax:	£6.9 million
Net assets:	£98.2 million



Further information can be found at www.advancedcomputersoftware.com

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 2008
Cost:	£353,000
Valuation:	£2,346,000
Equity held:	1.3%
Last audited accounts:	October 2012
Revenue:	£57.9 million
Profit before tax:	£6.9 million
Net assets:	£38.9 million



Further information can be found at www.idoxgroup.com

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:	£746,000
Valuation:	£1,983,000
Equity held:	1.2%
Last audited accounts:	June 2012
Revenue:	£53.3 million
Profit before tax:	£8.5 million
Net assets:	£23.7 million

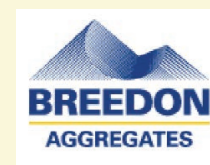


Further information can be found at www.brooksmacdonald.com

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:	£1,728,000
Equity held:	1.2%
Last audited accounts:	December 2012
Revenue:	£173.5 million
Profit before tax:	£5.8 million
Net assets:	£79.3 million



Further information can be found at
www.breedonaggregates.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:	£1,468,000
Equity held:	2.1%
Last audited accounts:	December 2011
Revenue:	£26.1 million
Loss before tax:	£0.2 million
Net assets:	£39.4 million



Further information can be found at
www.ekf-diagnostic.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:	£1,385,000
Equity held:	3.2%
Last audited accounts:	December 2012
Revenue:	\$22.9 million
Profit before tax:	\$4.4 million
Net assets:	\$35.1 million



Further information can be found at
www.eschergroup.com

INVESTMENT MANAGER'S REVIEW (continued)

WANdisco Plc

WANdisco (Wide Area Network Distributed Computing) is a provider of enterprise software enabling simultaneous collaboration and handling of big data.

Initial investment date:	May 2012
Cost:	£292,000
Valuation:	£1,308,000
Equity held:	0.8%
First audited accounts:	March 2012
Revenue:	\$6.0 million
Loss before tax:	\$7.9 million
Net assets:	\$12.2 million



Further information can be found at www.wandisco.com

Netcall Plc

Netcall is a provider of software and telephony services particularly to call centres enabling efficient customer interaction and process management and improving customer satisfaction.

Initial investment date:	July 2010
Cost:	£436,000
Valuation:	£1,299,000
Equity held:	2.9%
Last audited accounts:	June 2012
Revenue:	£14.6 million
Profit before tax:	£2.1 million
Net assets:	£15.5 million



Further information can be found at www.netcall.com

Staffline Recruitment Plc

Staffline is a provider of labour to employers.

Initial investment date:	December 2004
Cost:	£333,000
Valuation:	£1,263,000
Equity held:	1.6%
Last audited accounts:	31 December 2012
Revenue:	£367 million
Profit before tax:	£8.5 million
Net assets:	£39.8 million



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

Vertu Motors Plc

Vertu Motors Plc (which trades under the Bristol Street Motors, Macklin Motors, Vertu Honda and Bristol Street Motor Nation brands) was formed in late 2006 to acquire and consolidate UK motor retail businesses.

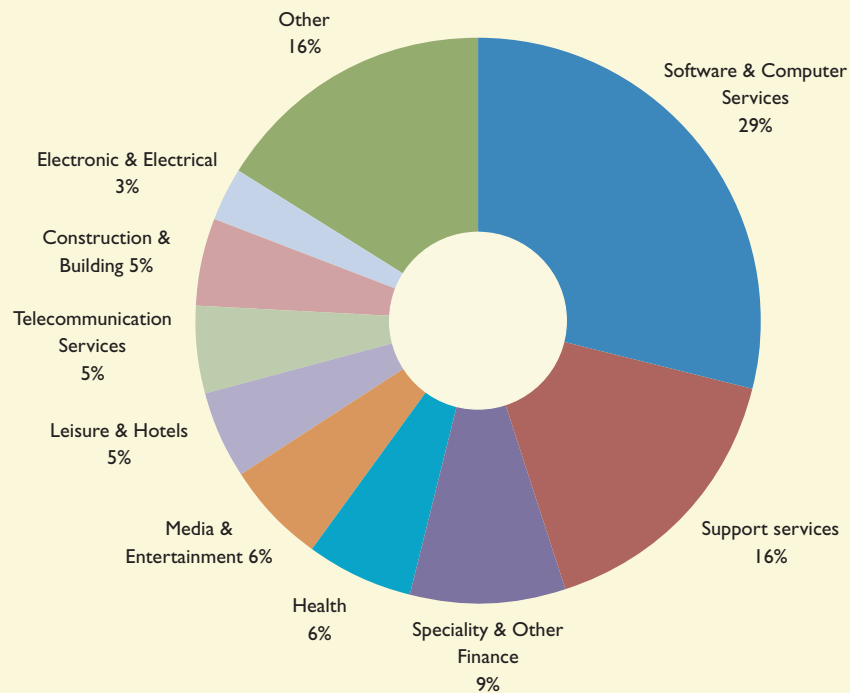
Initial investment date:	December 2006
Cost:	£1,265,000
Valuation:	£1,053,000
Equity held:	1.3%
Last audited accounts:	29 February 2012
Revenue:	£1,088.3 million
Profit before tax:	£5.5 million
Net assets:	£100.5 million



Further information can be found at www.vertumotors.com

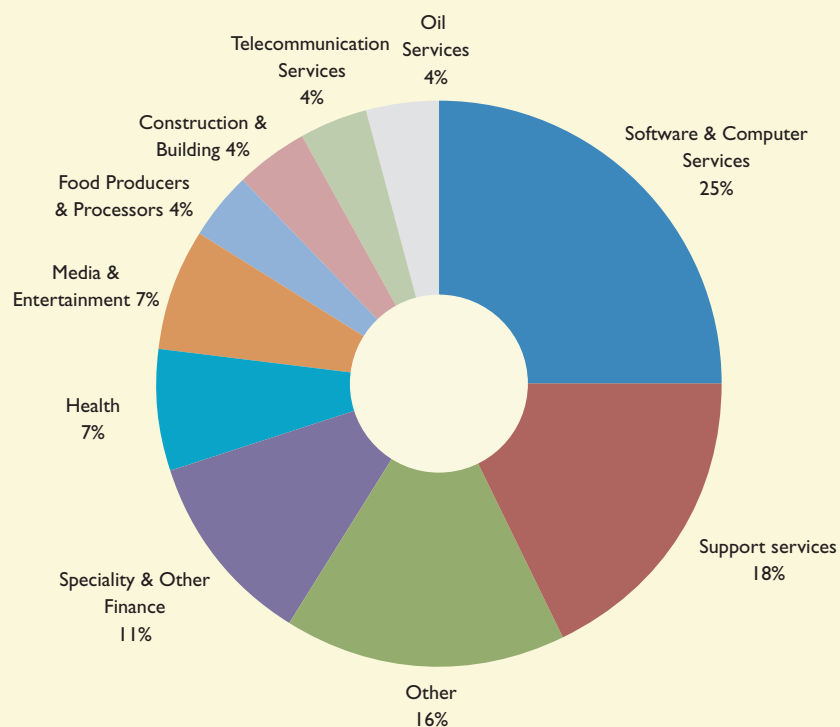
Sector Analysis

The graph below shows the sectors the equity portfolio Fund is invested in by value as at 28 February 2013:



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 Investments Limited, 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. We are working hard to manage your money in the current climate. We share your goal to make money from your investment, as our money is invested alongside yours. 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 2295.

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 12 other listed investment companies and has a total of approximately £3.0 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's investments 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's investments 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 CFIC Octopus 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 became a 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 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 became a director in 1998.

Marion Sears BSc (Hons)

Marion Sears is Senior Non-Executive director at Dunelm Group Plc, the retailer; and a Non-Executive director of Persimmon Plc and Fidelity European Values Plc. She was the senior Non-Executive Director of Zetar Plc, until its acquisition in 2012. 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 became a director in 2011.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 28 February 2013.

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 gain approved status, the Company must comply on a continuing basis with the provisions of Chapter 3 of the Income Tax Act 2007; in particular s280A, the Company is required to hold at least 70% of its investments (as defined in the legislation) in VCT 'qualifying holdings', of which at least 70% must comprise eligible ordinary shares by the end of the third accounting period.

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 9 and 10, and the Investment Manager's Review on pages 11 to 19 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 ISDX Growth Market traded 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 36 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 9 and 10 includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 11 to 19. Further details of the Company's risk management policies are provided in note 16 to the financial statements. The ongoing charges of the Company were 2.3 per cent of average net assets during the year to 28 February 2013 (2012: 2.5 per cent).

Results and Dividend

	Year ended 28 February 2013 £'000	Year ended 29 February 2012 £'000
Net profit/(loss) attributable to shareholders	5,471	(768)
Appropriations:		
Interim dividend paid:		
2.5 pence per Ordinary share (2012: 2.5 pence per Ordinary share)	1,183	1,142
Final dividend proposed:		
2.5 pence per Ordinary share (2012: 2.5 pence per Ordinary share)	1,265	1,183

The proposed final dividend will, if approved by shareholders, be paid on 25 July 2013 to shareholders on the register on 21 June 2013.

Objective and Investment Policy

The objective of the Company is to invest in a broad range of AIM or ISDX Growth Market traded 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, ISDX Growth Market traded investments or unquoted companies where the management view an initial public offering (IPO) on AIM or the ISDX Growth Market 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. The maximum amount invested in any one company is limited to the amount permitted pursuant to VCT legislation in a fiscal year and no more than 15% of the Company's assets, at cost, will be invested in the same company. 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 therefrom any balance to the credit or debit of the profit and loss account.

DIRECTORS' REPORT (continued)

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

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 the Company's investments must comprise 'qualifying holdings'* (as defined in the legislation);
- at least 70% of the qualifying holdings must be invested into Ordinary shares with no preferential rights (30% for funds invested before 6 April 2011);
- no single investment can exceed 15% of the total company value at the time it is made; and
- a minimum of 10% of each qualifying investment must be in Ordinary shares with no preferential rights.

*A 'qualifying holding' consists of up to £5 million invested in any one year in new shares or securities in an unquoted UK company (or company traded on AIM or the ISDX Growth Market) 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.

Principal Risks, Risk Management and Regulatory Environment

Investments are made on a selective, stock-picking basis. The fund manager researches all potential investments carefully, meets the management before investing and continues to meet them regularly thereafter. However, as all equities carry a level of risk,

the Board of AIM VCT also sets certain other parameters to mitigate risk, namely control of gearing (the Company has never had any debt), size of investment (a maximum of 10% at cost of portfolio value), sector spread and investment of the non-VCT qualifying element of the portfolio. The policy is to take some profits once a holding has reached a certain weighting of the portfolio in order to secure value.

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. 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.

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. 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. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.

The 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 ISDX Growth Market companies which are VCT qualifying holdings and which, by their nature, entail a higher level of risk and lower liquidity than investments in larger quoted companies. The Directors and the 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.

As at the date of approval of this report, the Company has cash deposits which are held on the balance sheet of HSBC Bank Plc, The Royal Bank of Scotland Plc 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 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.

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 30 to 34.

Further details of the Company's risk management policies are provided in note 16 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

DIRECTORS' REPORT (continued)

classes of shares and the amalgamated share class are shown in the table on page 6.

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:

	28 February 2013	29 February 2012
Michael Reeve	6,959	6,959
Marion Sears	5,589	—
Stephen Hazell-Smith	90,100	90,100
Roger Smith	20,000	20,000

All of the Directors' shares were held beneficially except for Mr Smith's shares which are held in a nominee company.

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.

Brief biographical notes on the Directors are given on page 21.

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.

Bribery Act

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

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 3 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.

The Board has delegated the routine management decisions such as the payment of standard running costs to the Investment Manager. However, investment decisions are discussed and agreed with the Board.

Share Capital

The Company's share capital as at 28 February 2013 comprised 46,671,336 Ordinary shares of 1p 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

During the year 2,843,092 Ordinary shares were issued through Top-up offers launched on 6 February 2012 and 25 April 2012 which closed on 5 April 2012 and 31 July 2012 respectively raising a total of £2,484,000. In October 2012 the Board also provided, for the first time, an EBB to enable shareholders to sell existing shares in the Company and reinvest the proceeds in new shares on which upfront tax relief of up to 30% was available. The EBB deadline was extended by one month to 31 January 2013 and resulted in 10,801,537 shares being sold back to the Company and 10,289,443 shares being reissued.

On 1 February 2013 the Company launched an offer for subscription for Ordinary Shares of 1p each to raise up to £10,000,000. This offer remains open.

As at 28 February 2013 there were 416,683 shares to be issued, equivalent to £402,000 (2012: £279,000). These shares were issued on 4 and 5 April 2013. At 30 May 2013 there were 50,477,392 Ordinary shares of 1p each in issue.

Share Buy-Backs

During the year, the Company purchased for cancellation 1,082,315 shares at a weighted average

price of 78.5p per share (2012: 842,383 shares at a weighted average price of 80.9p per share) for a total consideration of £849,000 (2012: £681,000). These were repurchased in accordance with the Company's share buyback 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 (other than the Company in respect of any Treasury shares) the following principal rights:

- (a) the right to receive profits available for distribution, such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in a general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;
- (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities *pari passu* with the other holders of Ordinary shares; and
- (c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands, every member present or represented and voting has one vote, and on a poll, every member present or represented and voting has one vote for every share of which that member is the holder. The appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken

DIRECTORS' REPORT (continued)

otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

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

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the Company's Articles of Association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the Directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the Register of Members. The Directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The Directors may also refuse to register 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 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 10,095,478 Ordinary shares (representing approximately 20% of the Company's issued share capital as at 30 May 2013 – 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.

Resolution 12 seeks the authority of shareholders to cancel the share premium account and the capital redemption reserve of the Company which would create distributable reserves to allow share buy backs, to enable the payment of future dividends and would be available for other corporate purposes. The Company currently has no intention to use this resolution and the cancellation would only become effective on approval of the High Court of Justice.

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 intends to propose 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 28 February 2013 there were trade creditors amounting to £7,000 (2012: £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 9 to 19. Further details on the management of financial risk may be found in note 16 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

As a result of PKF (UK) LLP entering into a business combination with BDO LLP on 28 March 2013, PKF (UK) LLP resigned as auditor on 22 May 2013 and BDO LLP was appointed to fill the casual vacancy. A resolution to appoint BDO LLP as auditor of the Company will be proposed at the forthcoming AGM.

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

DIRECTORS' REPORT (continued)

- (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 34.

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 (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 however; as best practice, the directors offer themselves for re-election annually. 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 2012 Annual General Meeting to make market purchases of up to 10% of the issued Ordinary share capital at any time up to the 2013 Annual General Meeting and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2013 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.

DIRECTORS' REPORT (continued)

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	5	5	2	2
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; approval of allotments and documentation to shareholders.

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. Notwithstanding the requirements of the Articles, all Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

	Date of Original Appointment	Due date for Re-election/ election
Michael Reeve	02/02/1998	AGM 2013
Marion Sears	01/10/2011	AGM 2013
Stephen Hazell-Smith	02/02/1998	AGM 2013
Roger Smith	02/02/1998	AGM 2013

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.

The Board has discussed the ability of the Directors to remain independent and considers that this does remain the case due to the non-involvement of the Directors in the day to day running of the Company and the absence of connections with the Investment Manager.

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

Audit Committee:

Roger Smith
Marion Sears
Stephen Hazell-Smith
Michael Reeve

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 which were discharged during the year ended 28 February 2013:

- 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 BDO LLP, the Company's external auditor who was appointed on 22 May 2013. 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 takes 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.

Once the Committee has made a recommendation to the Board in relation to the appointment of the external auditor, this is then ratified at the AGM through an Ordinary Resolution.

The Board does not have a separate Nomination Committee as there has not been a requirement for a Committee. The Company is in the process of developing a gender and diversity policy, which would normally be a function of a Nomination Committee but will be dealt with in this instance by the Board as a whole. The Board considers the current Board members to be appropriately composed with due regard for the benefits of diversity and gender. Neither does the Board have a Remuneration Committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' remuneration report.

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.

DIRECTORS' REPORT (continued)

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.

Internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from the Company's accounts require the authority of two signatories from Octopus Investments Limited. 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 16 to the Financial Statements and on pages 24 and 25 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 Investments Limited is happy to answer any questions you may have and can be contacted on 0800 316 2295.

Compliance Statement

The Listing Rules require the Board to report on compliance throughout the accounting period with all relevant provisions set out in The UK Corporate Governance Code. The preamble to The UK

Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies adding that the AIC Code and AIC Guide can assist in meeting the obligations under The UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 28 February 2013 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.2.1 and A.4.1]
2. The Company does not have a separate Nomination Committee due to the relatively small size and structure of the Company. Appointments are dealt with by the full Board as and when appropriate. [B.2.1 – 2.4]
3. The Company does not provide a full, formal and tailored induction for new directors. [B.4.1]
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



Patricia Standaloft, ACIS

Company Secretary
30 May 2013

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 28 February 2013. 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, BDO 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 38 and 39.

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 in accordance with the Articles of Association however, as best practice, the directors offer themselves for re-election annually. Re-election will be recommended by the Board but is dependent upon shareholder votes.

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 on an annual basis, 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 adjacent compares the total return of the Company over the period from February 2005 to February 2013 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 per cent 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 ongoing charges of the Company were 2.3 per cent of average net assets during the year to 28 February 2013 (2012: 2.5 per cent).

Directors' Emoluments

Annual rate of Directors' fees, exclusive of Employers' National Insurance	Year ended 28 February 2013 £	Year ended 29 February 2012 £
Michael Reeve	24,450	24,450
Marion Sears	18,340	7,640
Stephen Hazell-Smith	18,340	18,340
Roger Smith	18,340	18,340
Total	79,470	68,770

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

By Order of the Board

P. Standaloft

Patricia Standaloft, ACIS

Company Secretary

30 May 2013

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.

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; and
- state whether they have been prepared in accordance with UK accounting standards, subject to any material departures disclosed and explained in the financial statements.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and

dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

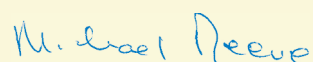
Directors' responsibilities pursuant to DTR 4

The Directors confirm, to the best of their knowledge:

- that the financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- that the annual report includes a fair review of the development and performance of the business and the financial 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 21.

On Behalf of the Board



Michael Reeve

Chairman

30 May 2013

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 28 February 2013 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 Auditors

As explained more fully in the statement of Directors' Responsibilities, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 28 February 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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; and
- 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 29 in relation to going concern;
- 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 BDO LLP
Statutory auditor
London, UK
30 May 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT

	Notes	Year to 28 February 2013			Year to 29 February 2012		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on disposal of fixed asset investments	10	–	455	455	–	(93)	(93)
Gain/(loss) on valuation of fixed asset investments	10	–	5,533	5,533	–	(136)	(136)
Investment Income	2	523	–	523	475	–	475
Investment management fees	3	(202)	(606)	(808)	(197)	(590)	(787)
Other expenses	4	(232)	–	(232)	(227)	–	(227)
Profit/(loss) on ordinary activities before tax		89	5,382	5,471	51	(819)	(768)
Taxation on profit/(loss) on ordinary activities	6	–	–	–	–	–	–
Profit/(loss) on ordinary activities after tax		89	5,382	5,471	51	(819)	(768)
Return per share – basic and diluted	8	0.2p	11.4p	11.6p	0.1p	(1.8)p	(1.7)p

- 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.
- 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 profit/(loss) as stated above and at historical cost.

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

BALANCE SHEET

	Notes	As at 28 February 2013 £'000	As at 29 February 2012 £'000
Fixed asset investments*	10	37,491	30,436
Current assets:			
Investments*	11	5,799	8,609
Debtors	12	71	56
Cash at bank		841	668
		6,711	9,333
Creditors: amounts falling due within one year	13	(79)	(80)
Net current assets		6,632	9,253
Net assets		44,123	39,689
Called up equity share capital	14/15	467	454
Shares to be issued	14/15	402	279
Share premium	15	11,939	—
Special distributable reserve	15	45,182	56,054
Capital redemption reserve	15	121	2
Capital reserve realised	15	(22,758)	(20,353)
Capital reserve unrealised	15	8,495	3,067
Revenue reserve	15	275	186
Total equity shareholders' funds		44,123	39,689
Net asset value per share – basic and diluted	9	93.7p	86.9p

*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 30 May 2013 and are signed on their behalf by:

Michael Reeve

Chairman

Company number: 03477519

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

		Year to 28 February 2013 £'000	Year to 29 February 2012 £'000
	Notes		
Shareholders' funds at start of year		39,689	38,940
Profit/(loss) on ordinary activities after tax		5,471	(768)
Share capital bought back		(10,872)	(681)
Issue of shares		12,071	4,558
Increase/(decrease) in shares to be issued		123	(73)
Dividends paid	7	(2,359)	(2,287)
Shareholders' funds at end of year		44,123	39,689

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

CASH FLOW STATEMENT

	Notes	Year to 28 February 2013 £'000	Year to 29 February 2012 £'000
Net Cash outflow from operating activities		(533)	(754)
Taxation	6	–	–
Financial investment:			
Purchase of fixed asset investments	10	(3,671)	(5,570)
Sales of fixed asset investments	10	2,604	2,954
Net cash outflow from investing activities		(1,067)	(2,616)
Equity dividends paid		(2,359)	(2,287)
Management of liquid resources:			
Purchase of current asset investments	11	(7,859)	(14,185)
Sales of current asset investments	11	10,669	16,231
Net cash inflow from management of liquid resources		2,810	2,046
Net cash outflow before financing		(1,149)	(3,611)
Financing			
Proceeds from issue of shares	15	11,792	4,558
Shares to be issued	15	402	(73)
Purchase of own shares	15	(10,872)	(681)
Net cash inflow from financing activities		1,322	3,804
Increase in cash		173	193

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 28 February 2013 £'000	Year to 29 February 2012 £'000
Profit/(loss) on ordinary activities before tax		5,471	(768)
Increase in debtors	12	(15)	(37)
Decrease in creditors	13	(1)	(178)
(Gain)/loss on disposal of fixed asset investments	10	(455)	93
(Gain)/loss on valuation of fixed asset investments	10	(5,533)	136
Outflow from operating activities		(533)	(754)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year to 28 February 2013 £'000	Year to 29 February 2012 £'000
Increase in cash at bank	173	193
Movement in cash equivalent securities	(2,810)	(2,046)
Opening net funds	9,277	11,130
Net funds at 29 February 2012	6,640	9,277

Analysis of changes in Net Funds

	As at 1 March 2012 £'000	Cash Flows £'000	As at 28 February 2013 £'000
Cash at Bank	668	173	841
Money market funds	8,609	(2,810)	5,799
Net funds	9,277	(2,637)	6,640

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 principal accounting policies have remained unchanged from those set out in the Company's 2012 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 accounting 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 ISDX Growth Market 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

I. Principal Accounting policies (continued)

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 capital reserve unrealised.

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.

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

Revenue and capital

The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes gains and losses on disposal and holding gains and losses on investments. Upon disposal of investments gains and losses relating to the assets are transferred from the capital reserve unrealised to the capital reserve realised.

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

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

	28 February 2013 £'000	29 February 2012 £'000
Income receivable on money market securities and bank balances	73	86
Dividends receivable from fixed asset investments	450	380
Loan interest received	—	9
	523	475

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Investment management fees

	28 February 2013			29 February 2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	202	606	808	197	590	787
	202	606	808	197	590	787

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.

Octopus Investments Limited provides investment management and accounting and administration services to the Company under a management agreement which initially ran with Close Investment Limited from 3 February 1998 and was then novated to Octopus Investments Limited for a period of five years with effect from 29 July 2008 and may be terminated at any time thereafter by not less than 12 months' notice given by either party. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given. The management fee is an annual charge and is set at 2% of the Company's net assets.

During the year Octopus Investments Limited charged management fees of £808,000 (2012: £787,000). At the year end there was £nil outstanding (2012: £nil). Octopus Investments Limited received £509,000 (2012: £131,000) as a result of upfront fees charged on allotments of Ordinary Shares.

4. Other expenses

	28 February 2013 £'000	29 February 2012 £'000
Directors' remuneration	79	69
Fees payable to the Company's auditor for the audit of the financial statements	25	23
Other expenses	128	135
	232	227

The ongoing charges of the Company were 2.3 per cent of average net assets during the year to 28 February 2013 (2012: 2.5 per cent).

5. Directors' remuneration

	28 February 2013 £'000	29 February 2012 £'000
Directors' emoluments		
Michael Reeve	25	25
Marion Sears	18	8
Roger Smith	18	18
Stephen Hazell-Smith	18	18
	79	69

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 (2012: four). The above table represents the gross remuneration received by the Directors and excludes Employer's National Insurance contributions, which amounted to £7,000 (2012: £6,000). The Directors received no pension contributions from the Company during the year (2012: £nil).

6. Tax on ordinary activities

The corporation tax charge for the year was £nil (2012: £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 20.0% (2012: 20.08%). The differences are explained below.

Current tax reconciliation:

	28 February 2013 £'000	29 February 2012 £'000
Profit/(loss) on ordinary activities before tax	5,471	(768)
Current tax at 20.0% (2012: 20.08%)	1,094	(154)
Income not liable to tax	(90)	(78)
(Gains)/losses not deductible for tax	(1,197)	46
Excess management expenses carried forward	193	186
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.

As at 28 February 2013, there is an unrecognised deferred tax asset of £607,000 (2012: £414,000) in respect of surplus management expenses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Dividends

	28 February 2013 £'000	29 February 2012 £'000
Recognised as distributions in the financial statements for the year		
Previous year's final dividend – 2.5p per share	1,180	1,145
Current year's interim dividend – 2.5p per share	1,179	1,142
	2,359	2,287
	28 February 2013 £'000	29 February 2012 £'000
Paid and proposed in respect of the year		
Interim dividend – 2.5p per share (2012: 2.5p per share)	1,179	1,142
Final dividend proposed: 2.5p per share (2012: 2.5p share)	1,265	1,183
	2,444	2,325

8. Return per share – basic and diluted

The return per share is based on profit after tax of £5,471,000 (2012: loss after tax of £768,000), and 47,141,571 Ordinary shares (2012: 45,406,494), 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.

9. Net asset value per share – basic and diluted

The calculation of net asset value per share as at 28 February 2013 is based on net assets of £44,123,000 (2012: £39,689,000) divided by 47,088,019 (2012: 45,671,549), being the sum of 46,671,336 Ordinary shares in issue at that date and 416,683 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.

10. Fixed asset investments

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

Level 1: 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 ISDX Growth Market listed investments classified as held at fair value through profit or loss.

10. 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 held 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. The Company held no such investments in the current or prior year.

There have been no transfers between these classifications in the period (2012: 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 28 February 2013 are summarised below and in note 11.

	Level 1: AIM quoted equity investments £'000
Book cost at 1 March 2012	27,847
Opening impairment in value of investments treated as losses realised	(478)
Opening unrealised gain at 1 March 2012	3,067
Valuation at 1 March 2012	30,436
Purchases at cost	3,671
Proceeds from the sale of investments	(2,604)
Profit on realisation of investments	455
Change in fair value in year	5,533
Closing valuation at 28 February 2013	37,491
Book cost at 28 February 2013	29,976
Closing impairment in value of investments treated as losses realised	(980)
Closing unrealised gain at 28 February 2013	8,495
Valuation at 28 February 2013	37,491

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Fixed asset investments (continued)

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 28 February 2013 there were no commitments in respect of investments approved by the Manager but not yet completed (2012: £557,540):

Transaction costs on purchases and disposals for the year were £11,000 and £8,000 respectively.

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

Current asset investments represent level 1 investments as described in note 10 above. All current asset investments relate to money market funds*.

	2013 £'000	2013 £'000
Book cost and valuation at 1 March	8,609	10,655
Purchases at cost	7,859	14,185
Disposal proceeds	(10,669)	(16,231)
Closing book cost and valuation at 28/29 February	5,799	8,609

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

12. Debtors

	28 February 2013 £'000	29 February 2012 £'000
Prepayments and accrued income	71	36
Other debtors	–	20
	71	56

13. Creditors: amounts falling due within one year

	28 February 2013 £'000	29 February 2012 £'000
Accruals	50	44
Other creditors	29	36
	79	80

14. Share capital

	28 February 2013	29 February 2012	
	£'000	£'000	
Allotted and fully paid up:			
46,671,336 Ordinary shares of 1.0p (2012: 45,422,653 shares of 1.0p)	467	454	
The value of shares to be issued at 28 February 2013 amounted to £402,000 (2012: £279,000).			
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 23. The Company is not subject to any externally imposed capital requirements.			
During the year the Company repurchased the following shares to be cancelled:			
Date	Number of shares	Price per share	Total value of shares
16 March 2012	108,029	79.5p	85,883
30 March 2012	63,094	79.5p	50,160
11 May 2012	83,230	81.25p	67,624
31 May 2012	17,309	77.5p	13,414
21 June 2012	106,691	77.0p	82,152
11 July 2012	23,000	76.0p	17,480
13 July 2012	67,043	76.0p	50,953
2 August 2012	182,106	77.0p	140,222
14 September 2012	195,084	78.5p	153,141
30 November 2012	92,167	77.75p	71,683
20 December 2012	76,609	80.0p	61,287
10 January 2013	67,953	81.75p	55,552
Totals	1,082,315		849,551

The total nominal value of the shares repurchased for cancellation was £10,823 representing 2.3% of the issued share capital.

The Company issued the following shares during the year to 28 February 2013 in connection with the offers for subscription announced on 6 February 2012 and 25 April 2012:

- 5 April 2012: 2,148,981 Ordinary shares at a price of 94.4p
- 31 July 2012: 694,111 Ordinary shares at a price of 90.7p

On 1 February 2013, existing shareholders were notified of an offer for subscription aimed at raising a further £10 million of funds for this Company.

On 19 February 2013, as part of the EBB, in total 10,801,537 Ordinary shares were sold back to the Company and 10,289,443 Ordinary shares were reissued.

At the date of issue of this report there were 46,671,336 Ordinary shares of 1p each in issue, with a further 416,683 shares waiting to be issued.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Reserves

	Share capital £'000	Shares to be issued £'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 2012	454	279	–	56,054	2	(20,353)	3,067	186
Repurchase of own shares	(119)	–	–	(10,872)	119	–	–	–
Shares issued	132	(279)	12,641	–	–	–	–	–
Cost of issue of shares	–	–	(702)	–	–	–	–	–
Cash received for shares to be issued	–	402	–	–	–	–	–	–
Profit on ordinary activities after tax	–	–	–	–	–	–	–	89
Management fees allocated as capital expenditure	–	–	–	–	–	(606)	–	–
Current year gains on disposal	–	–	–	–	–	455	–	–
Prior period losses/(gains) realised on disposals	–	–	–	–	–	607	(607)	–
Realisation of prior period unrealised losses on investments still held	–	–	–	–	–	(502)	502	–
Current period gains on fair value of investments	–	–	–	–	–	–	5,533	–
Dividends paid	–	–	–	–	–	(2,359)	–	–
Balance as at 28 February 2013	467	402	11,939	45,182	121	(22,758)	8,495	275

*Included within these reserves is an amount of £22,699,000 (2012: £35,887,000) which is considered distributable to shareholders.

When the Company revalues its investments during the year, 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.

16. 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-quoted and ISDX Growth Market securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

Fixed and current asset investments (see note 10 and 11) are valued at fair value. For quoted investments this is bid price or the last traded 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.

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.

16. Financial instruments and risk management (continued)

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 30 to 34, 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.

84.9% (29 February 2012: 77.3%) 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 28 February 2013 would have increased net assets and the total return for the year by £3,749,100 (2012: £3,043,600); 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 28 February 2013 (2012: 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	28 February 2013 £'000	29 February 2012 £'000
Current asset investments	5,799	8,609
Cash at bank	841	668
	6,640	9,277

A 1% increase in the base rate would increase income receivable from these investments and the total return for the year by £66,400 (2012: £92,770).

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

At 28 February 2013 the Company's financial assets exposed to credit risk comprised the following:

	28 February 2013 £'000	29 February 2012 £'000
Current investments	5,799	8,609
Cash at bank	841	668
Accrued dividends and interest receivable	20	13
	6,660	9,290

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 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 28 February 2013 or 29 February 2012.

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 28 February 2013 these investments were valued at £6,640,000 (29 February 2012: £9,277,000).

17. Post balance sheet events

Since the year end, the Company has made the following investments:

Company	Date	Number of shares	Cost £'000
GB Group Plc	20 March 2013	180,000	163
MyCelx Technologies Plc	22 March 2013	15,000	44
Staffline Recruitment Group Plc	28 March 2013	1,000	4
MyCelx Technologies Plc	3 April 2013	600	2
Cambridge Cognition Group Plc	15 April 2013	857,142	600
MyCelx Technologies Plc	22 April 2013	300	2
WANDisco Plc	9 May 2013	60	1
Quixant Plc	15 May 2013	1,560,157	718

Disposals were made in Daisy Group Plc (1 March 2013 and 5 March 2013), resulting in losses of £2,000 and £22,000 respectively. Disposals were also made in Inditherm Plc (10 May 2013 and 16 May 2013), resulting in losses of £36,000 and £62,000 respectively. On 10 May 2013 a disposal was made in WANDisco Plc, resulting in a gain of £100,000 and on 29 May 2013, a disposal was made in MyCelx Technologies Plc, resulting in a gain of £80,000.

The following shares have been bought back since the year end:

- 1 March 2013: 263,863 Ordinary shares at a price of 90.75p
- 25 March 2013: 145,961 Ordinary shares at a price of 90.0p
- 18 April 2013: 73,665 Ordinary shares at a price of 91.0p
- 9 May 2013: 20,000 Ordinary shares at a price of 91.0p
- 15 May 2013: 104,303 Ordinary shares at a price of 95.25p

The following shares have been issued since the year end:

- 4 April 2013: 3,329,654 Ordinary shares at a price of 101.3p
- 5 April 2013: 561,039 Ordinary shares at a price of 101.3p
- 3 May 2013: 523,155 Ordinary shares at a price of 104.4p

18. Contingencies, guarantees and financial commitments

At 28 February 2013 there were no commitments in respect of investments approved by the manager but not yet completed (2012: £557,540).

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

Patricia Standaloft ACIS
20 Old Bailey
London
EC4M 7AN

Investment and Administration Manager

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN
Tel: 0800 316 2295
www.octopusinvestments.com

Independent Auditor

BDO 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

Taxation Advisor

PricewaterhouseCoopers UK
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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Octopus AIMVCT Plc ("the Company") will be held at 20 Old Bailey, London, EC4M 7AN on Wednesday, 17 July 2013 at 10.30 a.m. for the purposes of considering and if thought fit, passing the following resolutions of which resolutions 1 to 9 and 13 will be proposed as ordinary resolutions and resolutions 10, 11 and 12 will be proposed as special resolutions:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the period to 28 February 2013 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 re-elect Michael Reeve as a Director.
5. To re-elect Marion Sears as a Director
6. To re-elect Roger Smith as a Director.
7. To re-elect Stephen Hazell-Smith as a Director.
8. To appoint BDO 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 10,095,478 shares (representing approximately 20% of the Ordinary share capital in issue at 30 May 2013) 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.

NOTICE OF ANNUAL GENERAL MEETING

(continued)

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. CANCELLATION OF SHARE PREMIUM ACCOUNT

That, subject to the approval of the High Court of Justice, the Company be and is hereby authorised to cancel the share premium account and the capital redemption reserve of the Company.

13. CONTINUATION OF THE COMPANY AS A VCT

To continue the Company as a Venture Capital Trust until 2019.

By Order of the Board

20 Old Bailey
London
EC4M 7AN



Patricia Standaloft ACIS

Company Secretary
30 May 2013

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) You may submit your proxy electronically using the Shareportal Service at www.capitashareportal.com. If not already registered for the share portal, you will need your investor code which can be found on your share certificate. If you cannot locate your investor code, please contact Capita Registrars Limited, between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0871 664 0300 or; if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0300) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.
- (e) Any person receiving a copy of the Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes (a) and (b) above concerning the appointment of a proxy or proxies to attend the meeting in place of a member; do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
- (f) Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the AGM which relates to the business of the meeting although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.
- (g) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
- (h) Under sections 338 and 338A Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:
 - (i) To give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
 - (ii) To include 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.

NOTICE OF ANNUAL GENERAL MEETING

(continued)

- (i) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, www.octopusinvestments.com under Venture Capital Trusts.
- (j) 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 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.

PROXY FORM

OCTOPUS AIM VCT PLC

Annual General Meeting 17 July 2013 at 10.30 a.m.

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 17 July 2013, notice of which was sent to shareholders with the Directors' Report and the accounts for the year to 28 February 2013, 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 one or more 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 28 February 2013	<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 re-elect Michael Reeve as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	To re-elect Marion Sears 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 appoint BDO LLP as auditor of the Company and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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 make market purchases of its own shares (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	To authorise the Directors to cancel the share premium and Capital redemption reserve of the Company (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	To continue the Company as a Venture Capital Trust until 2019 (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed: Dated: 2013

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. You may submit your proxy electronically using the Shareportal Service at www.capitashareportal.com. If not already registered for the share portal, you will need your investor code which can be found on your share certificate. If you cannot locate your investor code, please contact Capita Registrars Limited, between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0871 664 0300 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0300) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.
9. 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. 9.00 a.m. - 5.30 p.m. Monday - Friday) to request a change of address form.
10. 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

