Octopus AIM VCT plc

Annual report and accounts for the year ended 28 February 2017

Company number: 03477519

For UK investors only

octopusinvestments

Octopus AIM VCT plc ("the Company") 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-traded companies. The Company's investments are managed by Octopus Investments Limited ("Octopus").

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Financial Summary

	Year to 28 February 2017	Year to 29 February 2016
Net assets (£'000)	**99,915**	77,224
Net profit after tax (£'000)	**15,123**	742
Net asset value (NAV) per share	**114.4p**	101.6p
Ordinary Dividends per share paid in year	**5.0p**	5.3p
Special Dividend per share paid in year	**–**	4.0p
Proposed Final Dividend per share*	**3.0p**	2.5p
Total Return**	**17.5%**	0.6%

*Subject to shareholder approval at the Annual General Meeting, the proposed final dividend will be paid on 4 August 2017 to shareholders on the register on 7 July 2017.
**Total return is calculated as (movement in NAV + dividends paid in the period) divided by the NAV at the beginning of the period.

Key Dates

Annual General Meeting	20 July 2017 (11.00 a.m. at 33 Holborn, London EC1N 2HT)
Final dividend payment date	4 August 2017
Half yearly results to 31 August 2017 announced	October 2017
Annual results to 28 February 2018 announced	May 2018
Annual Report and Accounts published	June 2018

Strategic Report

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

The purpose of the report is to provide shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their legal duty to promote the success of the Company in accordance with section 172 of the Companies Act.

The Company's Objective

The objective of the Company is to invest in a broad range of AIM or NEX Exchange traded companies in order to provide shareholders with attractive tax-free dividends 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.

Investment Policy

The Company's investment policy has been designed and updated to ensure continuing compliance with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 80% in a portfolio of qualifying AIM and NEX Exchange traded investments or unquoted companies where the management views an initial public offering (IPO) on AIM or NEX Exchange is a short to medium term objective. The non-qualifying balance (approximately 20% of its funds) will be invested in permitted investments held for short term liquidity, generally comprising short-term cash or money market deposits with a minimum Moody's long-term debt rating of 'A'. Moody's is an independent rating agency and is not registered in the EU. A proportion of the balance could be invested in funds managed by Octopus or other direct equity investments. This provides a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors. In order to qualify as an investment in a qualifying VCT holding, the Company's holdings in any one company (other than another VCT) must not exceed 15% by value of its investments at the time of investment. 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.

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. However, investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any borrowings.

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.

Future Prospects

The Company's performance record reflects the success of the strategy set out above and has allowed the Company to maintain the dividend payments to shareholders in line with the Dividend Policy set out on page 3. The Board believes the Company's business model will enable it to continue to deliver the targeted regular tax-free annual dividends referred to in the Chairman's Statement. The Outlook statements in both the Chairman's Statement and the Investment Manager's Review on pages 3 and 4 and 5 to 15 respectively provide further comments on the future prospects of the Company.

On behalf of the Board
Roger Smith
Chairman
19 May 2017

Chairman's Statement

Introduction

The year to 28 February 2017 has included a number of events which, in the opinion of many commentators, should have upset the stock market. They included the UK's decision to leave the European Union, the outcome of the US presidential election and widespread forecasts of a slowing rate of economic growth in the UK. However, that has not been the case. Both the Net Asset Value (NAV) and general market indices have made progress, and more recent forecasts have suggested that the UK's economic prospects might now be improving.

During the year your Company raised £14.3 million by the issue of new shares and a further £4.3 million has been raised since the year end. Your Company continued to buy back from selling shareholders.

Board Composition

As you will be aware, there were changes to the Board in the year following the retirement of Michael Reeve and Marion Sears. I would like to thank them both for their counsel and particularly acknowledge the role played by my predecessor in the growth of your Company since its inception which I believe has been in the interests of all shareholders, both past and present. We are happy to have welcomed two new board directors, Joanne Parfrey and Neal Ransome, to join the Board. Neal is Chairman of the Audit Committee.

Performance

Against a backdrop of generally improving market sentiment, the NAV has been able to make good progress in the year to 28 February 2017. Adding back the 5.0p of ordinary dividends paid out in the year, the NAV per share rose by 17.5%. This compares with a rise in the AIM index of 33.1%, a rise in the FTSE All Share Index of 22.8% and a rise in the FTSE SmallCap Index ex Investment Trusts of 21.2%, all on a total return basis.

In the interim accounts I reported that we had invested £2.1 million in qualifying holdings. In the second half of the year we invested a further £1.3 million in qualifying investments which comprised a new holding in FreeAgent Holdings plc together with two further follow-on investments into Microsaic Systems plc and Futura Medical plc. In addition we invested £8.9 million in non-qualifying holdings in the year, in order to put the funds raised to work in the market. We made disposals totalling £3.5 million realising a gain on prior year opening value of £1.2 million.

Further details of performance are contained in the Investment Managers' Review on pages 5 to 15.

New VCT Rules

It is now well over a year since the latest VCT regulations began to take effect and our Managers have adjusted to the new environment. At this stage there has been little impact on the portfolio itself and no need to change the investment policy. That is a situation that may vary in the future, but any modification is likely to be evolutionary. At present there are signs of a developing trend towards investing in smaller and earlier stage companies which fit the HMRC regulations. These may take a few years to contribute meaningfully to performance, given their early stage of development.

Making follow-on investments has proved difficult on occasions and is one concern for the sector as a whole, which needs to be addressed by the authorities, since the inability to support existing investments seems to invalidate much of the purpose of VCTs and to undermine the potential for growth in the UK economy.

Dividends

An interim dividend of 2.5p was paid to shareholders in January 2017 in addition to the 2.5p final dividend that had been paid in July 2016. It is your Board's intention to continue to pay a minimum of 2.5p each half year and to adjust the final dividend annually, based on the year-end share price, so that shareholders receive either 5p per annum or a 5% yield, whichever is the greater at the time. This will enable dividends to progress with a rising NAV, whilst maintaining the minimum historic level. With respect to the year to February 2017 your Board has so far declared and paid an interim dividend of 2.5p and now has pleasure in recommending a final dividend of 3.0p, which brings the total dividend for the year to 5.5p which is higher than an annualised yield of 5%, based on the share price of 108.75p on 28 February 2017.

Dividend Reinvestment Scheme

In common with many other VCTs in the industry, your Company has established a Dividend Reinvestment Scheme (DRIS). Some shareholders have already taken advantage of this opportunity. For investors who do not need income, but value the additional tax relief on their reinvested dividends, this is an attractive scheme and I hope more shareholders will find it useful. In the course of the year 467,393 new shares have been issued under this scheme. The dividend referred to above will be eligible for the DRIS.

Share Buybacks

During the year to 28 February 2017 your Company continued to buy back shares in the market from selling shareholders and purchased 2,059,061 Ordinary shares for a total consideration of £2,054,339. We have maintained a discount of approximately 4.5% (equating to a 5.0% discount to the selling shareholder after costs), which your Board monitors and intends to retain as a policy which fairly balances the interests of both remaining and selling shareholders. Buybacks remain an essential practice for VCTs as providing a means of selling is an important part of the initial investment decision and has enabled your Company to grow. As such therefore I hope you will all support the appropriate resolution at the AGM.

Share Issues

In the year to 28 February 2017 we have raised a total of £14.3 million of new capital in two offers. A prospectus was published on 21 December 2015, which allowed for a maximum of £20 million to be raised. This offer closed on 3 October 2016 having raised £18 million in total, although only £14 million of this fell into the Company's accounting year.

Your Board also launched a small £4.3 million Top-up issue on 6 February 2017, which closed fully subscribed on 27 February 2017 and was well supported by existing shareholders. This resulted in the issue of 3,649,371 new Ordinary shares. It would be the Board's present intention to have a fund raising each year and details will be sent to you when they are next available.

VCT Status

PricewaterhouseCoopers LLP provides your Board and Investment Manager with advice concerning continuing compliance with HMRC regulations for VCTs. Your Board has been advised that Octopus AIM VCT is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT. A key requirement is to maintain at least a 70% qualifying investment level. As at 28 February 2017 some 88.61% of the portfolio as measured by HMRC rules was invested in qualifying investments.

Risks and Uncertainties

In accordance with the Listing Rules under which your Company operates your Board has to comment on the potential risks and uncertainties which could have a material impact on the Company's performance. A risk arises from the requirement to maintain compliance with HMRC regulations requiring 70% of your Company's assets to be invested in qualifying holdings. Other risks include economic conditions which impact particularly on smaller companies in which your Company invests and this could have an adverse impact on share prices. Further details of the risks faced by the Company and the processes in place to mitigate them are set out on pages 17 to 19.

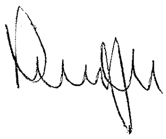
Annual General Meeting

The Annual General Meeting will be held on 20 July 2017. I very much hope that you will be able to come. After the formal business our Investment Managers will make a presentation. At the Annual General Meeting, a resolution will be proposed to extend the life of the Company until 2023 in order to preserve the VCT status of the Company for the benefit of both existing shareholders and new investors participating in the present share offer.

Outlook

There are a number of short term uncertainties at present which make forecasting more difficult than usual. We must hope that they do not combine to undermine investor confidence, although it seems unlikely that they will disrupt the good trading of many of your Company's holdings in the remainder of this new financial year. It is encouraging that the NAV has continued to rise since the year end and was 119.5p as at 30 April 2017. The flow of VCT qualifying deals has also picked up after a slow start to 2017, and your Manager has made four further qualifying investments totalling £2.6 million since the year end.

I look forward to seeing as many of you as possible at the Annual General Meeting at 11 am on 20 July 2017.



Roger Smith
Chairman
19 May 2017

Investment Manager's Review

Introduction

In a year in which some significant economic and political events have taken markets by surprise, the expectation that volatility would follow as a consequence has been confounded by a stronger market, particularly towards the end of the year to 28 February 2017. All indices have risen, particularly in the last few months of the year. Large companies with overseas earnings had a particularly strong period of performance after the Referendum in June 2016 as Sterling fell and the oil price began to recover. However, smaller companies have also performed well, so we are pleased to report a rise in the NAV and the maintenance of the 5% yield objective.

The year to 28 February 2017 has continued to see AIM raise new capital for companies, both already quoted and new flotations and your Company has invested steadily throughout the year as well as raising new capital for future investments. The prospectus offer closed in October 2016 and we have recently closed the Top-Up offer for £4.3 million to give existing and new shareholders a chance to invest in the current tax year. We are starting to see the number of VCT qualifying investment opportunities rise, after a slow start to this year.

The Alternative Investment Market

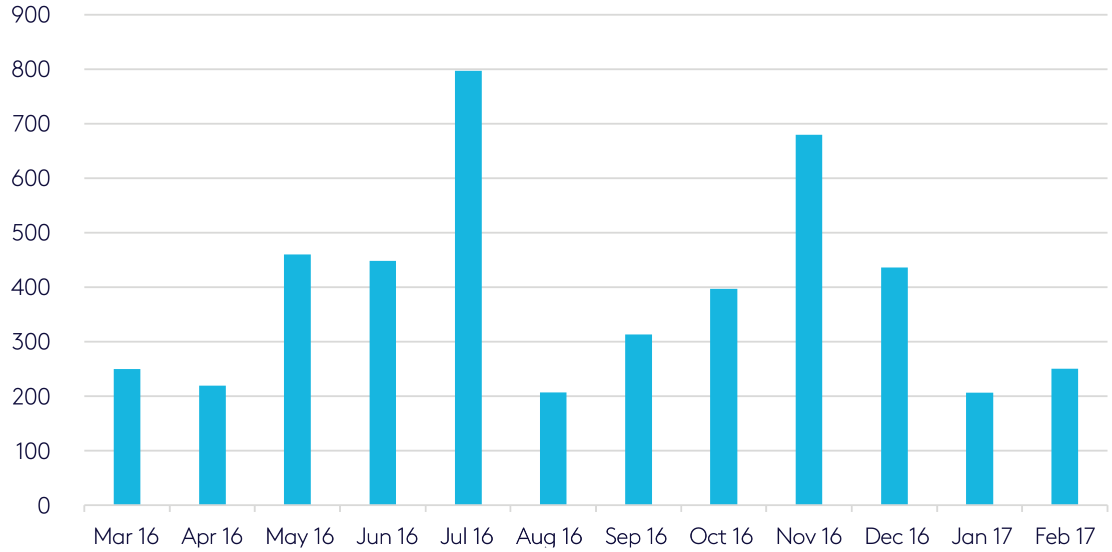
Despite some volatility in the first half of the financial year, the FTSE AIM All-Share Index rose in that period. The rise in the second half of the year was more consistent and felt stronger, but in fact the rise in the second half of 14.6% compared with an increase of 14.1% in the first half. Contributing particularly strongly to the rise in the AIM index were both the oil and resources sectors, whose indices rose by approximately 57% and 71%. Share trading volumes also picked up, helped by a sense of stability, if not outright confidence, despite the result of the Referendum to leave the EU. Smaller companies continued to be seen as an increasingly attractive asset class.

In addition, September 2016 saw a reasonable results season confirming that for many smaller companies the economy remained supportive. Against that background the number of AIM companies has shrunk further, to 973 at 28 February 2017, compared to 1,029 a year earlier. However, we believe that the quality has continued to rise and see nothing fundamentally wrong with AIM just because it has fewer companies on the market. New issues in the last twelve months include such names as Joules, the clothing manufacturer and retailer, and Hotel Chocolat, the chocolatier. AIM remains the UK stock market of choice for smaller growing companies.

AIM listed companies have continued to raise new capital throughout the year. In the twelve months to 28 February 2017 AIM raised a further £3.6 billion of new capital for existing companies and a total of £1.1 billion for new companies floating on the market. Although the level of fundraising for existing companies was lower than last year, these figures show conclusively that AIM remains open for the funding of good growth companies and continues to attract new entrants. VCTs play a significant part in that funding process and we identify below the companies we have invested in during the second half of the year.

The graph below shows the total fundraising by AIM that has been undertaken in the twelve months to 28 February 2017.

Funds raised on AIM (£m): March 2016 – February 2017



Source: London Stock Exchange

Performance

Adding back the dividends paid during the year to show the total return, the Net Asset Value increased in the year, giving a total return of 17.5%. This compares with a total return for the FTSE SmallCap Index ex Investment Trusts of 21.2% and for AIM of 33.1% and the FTSE All Share Index of 22.8% in the twelve month period. Individual months in the year under review saw share prices suffering significant bouts of volatility and the market has generally remained wary for most of the year of smaller companies which have yet to make a profit, although more established companies, which have outperformed expectations, have been well rewarded by rising prices. While the rise in NAV is encouraging, it fell short of the performance of the AIM Index, which has been driven particularly by some sectors, such as resources and oil and gas, in which your Company is unable under VCT rules to make direct investments, and which have risen by 57% and 71% respectively. The FTSE SmallCap Index ex Investment Trusts, which rose less than the AIM Index, is probably more representative of the types of companies in which this VCT invests, as we have remarked before, and its performance was more comparable to the rise in the NAV. The FTSE SmallCap Index ex Investment Trusts is made up of fully-listed stocks and does not, therefore, have the smaller pre-profit companies that we have in your portfolio.

Within the portfolio there was once again a good contribution from the more established and already profitable companies which includes many of the individual non-qualifying holdings such as RWS, Abcam, Next Fifteen and Gooch and Housego. However, the polarisation we talked about in the interim statement persisted with companies deemed to be exposed to the ‘Brexit effect’, such as Staffline and Vertu Motors, continuing to underperform despite producing decent figures and encouraging trading statements. In addition Tasty’s exposure to rising costs caused it to re-evaluate some of its new opening pipeline and raise extra funds to reduce its debt financing, all of which caused its shares to underperform. We do not share the market’s current pessimism about these companies, which have been held in the portfolio for a number of years and where the management teams have successfully grown in challenging economic conditions in the past. We believe that their share prices will recover as they deliver on their growth plans.

Elsewhere, underperformance came from the earlier stage companies in the portfolio, particularly those that had setbacks or showed themselves in need of further cash to reach profitability. Nektan, Oxford Pharmascience and Microsaic all performed poorly in the year. Nektan raised new capital in December and Microsaic had a fundraising where we made a further investment to support the management team who believe they now have a product which they can sell. Oxford Pharmascience is trading at around the £21 million value of cash in the balance sheet reflecting disappointment that it has so far failed to negotiate a licensing deal for its taste masking technology for NSAIDS. The other poor performers were TLA where a bid and a move to Nasdaq had boosted the shares for much of 2016 and Midatech, which has now raised £16 million in new funds which should be sufficient to finance the business to profitability.

There were several corporate developments during the year. Breedon completed the acquisition of Hope, doubling the size of the business and giving it a much prized cement railhead into London. GB Group also made an important acquisition in scanning technology and, although its shares suffered a setback on the news that revenue growth would be affected by the slow roll-out of a UK Government contract, the holding remained a strong performer. Ergomed raised money and acquired another pharmacovigilance business in a very earnings enhancing deal, which was much better received by the market than its earlier acquisition of Haemostatix, and the shares have started to recover. Idox, EKF and Animalcare were all positive contributors to performance after their core businesses started to show growth after a period of consolidation. In EKF’s case this was after the business was pared back to its core and re-focussed under the direction of the new Chairman.

Several shares performed particularly well as the underlying businesses demonstrated that they were delivering on, or ahead of, their plans at the time that we invested. Gear4Music is now a profitable business with a third of its revenues coming from Europe and growing at more than 50% in the current year. DP Poland has also finally demonstrated that the Domino’s model works in Poland and is now signing up sub-franchisees for new sites. Quixant has also increased its customer base and has had several upgrades to its forecasts this year, making it the biggest positive contributor to the fund’s performance this year. Craneware has also re-established its growth credentials although it has had more of a roller-coaster performance as it outperformed on the back of weak sterling before underperforming on fears over changes to the US healthcare market under President Trump, although the shares have since recovered helped by news of new contracts.

The non-qualifying element of the equity portfolio also did well in the year as our existing strategy of investing in larger more liquid, profitable companies to counterbalance new earlier stage qualifying holdings continued to pay off. We have now supplemented these with holdings in Octopus Portfolio Manager and the FP Octopus Micro Cap Growth funds to manage liquidity, while cash is awaiting investment.

Portfolio Activity

Having made four new qualifying investments in the first half of the year, we added three further qualifying holdings in the second half. Of these one was new, FreeAgent Holdings, into which we invested just under £0.3 million in a popular issue and the others were additions to Microsaic and Futura Medical. These two added up to just under £1 million. This made a total investment of £3.4 million in qualifying investments in the year to 28 February 2017, which was considerably lower than last year’s £5.9 million reflecting slightly lower levels of fundraising activity on AIM and the short term effects of digesting the new VCT rules. The new holding, FreeAgent, is a supplier of cloud based accounting software sold as a service to enable sole traders and small businesses to file their tax returns online or via mobile. It is expected to be profitable for the year to March 2019.

We have also invested a proportion of our newly raised cash in non-qualifying holdings with a view to improving returns by putting liquid assets to work. In total we invested £8.9 million into new non-qualifying holdings in the year.

There were no major disposals in the year, although we took the opportunity to dispose of some of the smaller holdings that were not contributing to performance. Thus we sold Vianet, Tanfield and Lombard Medical each at a loss and accepted the offer for Tangent Communications, also realising a loss. We also sold Altitude realising a profit and, at the end of a protracted process, accepted the offer for Bond International. All being well this sale will produce a very small further sum in 2018. We have taken profits from a number of holdings, such as Vectura, Abcam, WANdisco and Futura, although in this latter case we subsequently re-invested in the company's most recent fundraising. In total during the year we made disposals of £3.5 million realising a gain on prior year opening value of £1.2 million.

Since the year end, we have seen a pick up in the number of fundraisings on AIM and have invested in four new qualifying holdings. They are Escape Hunt, a leisure company, into which we have invested £1 million, Velocity Composites where we invested £0.8 million, Maxcyte, a healthcare company, where we invested £0.5 million and Faron Pharmaceuticals where we invested £0.3 million. Further details of the post year end transactions are provided in Note 18 to the financial statements.

New VCT Regulations

During the year under review, to 28 February 2017, we were required to assimilate the consequences of the new rules established in the Summer Budget of 2015. We have not found that there needed to be any material change to our investment approach. We are determined to maintain a threshold of quality and to invest where we see returns from growth. However, the emphasis of the regulations is definitely to encourage investment into earlier stage companies and to that extent, it seems highly likely over a number of years, that the portfolio will see a rise in the number of smaller companies receiving our initial investment. We would hope and expect to invest further in those companies as they grow.

To summarise the changes, in order to qualify companies must:

- have fewer than 250 full time equivalent employees; and
- have less than £15 million of gross assets at the time of investment and no more than £16 million immediately post investment; and
- be less than seven years old from the date of its first commercial sale (or 10 years if a knowledge intensive company) if raising State Aided (ie VCT) funds for the first time; and
- have raised no more than £5 million of State Aided funds in the previous 12 months and less than the lifetime limit of £12 million (or £20 million if a knowledge intensive company); and
- produce a business plan to show that the funds are being raised for growth and development.

Although there is a longer period and higher funding limit allowed for knowledge intensive companies, it seems possible that a new funding gap will open up for smaller companies, which reach their funding limit, but which are still in a development phase. This would particularly affect a company which has failed, for whatever reason, to qualify as a knowledge intensive one. It is also possible that capital intensive companies, which potentially form a key part of the new government's industrial strategy, will face funding challenges as VCTs will not be able to follow on with further investment and the companies may be too small to attract investment from more conventional and larger institutional investors. This financing issue is probably a long way down any government department's list of priorities, but it is to be hoped that the funding gap fails to materialise for any of our holdings. One of our major and consistent reasons for refusing to invest is the belief that a company is not raising enough capital at a particular time. We will persist with that criterion.

Outlook and Future Prospects

Markets have enjoyed a strong start to 2017, buoyed by better than expected economic growth figures and a sense of relief that the immediate disaster predicted by those opposing the decision to exit the European Union has not materialised. However, political and macro-economic issues remain and newspaper headlines are still dominated by speculation about Brexit's eventual impact on our economy as well as the shape of our future relationships with Europe and the rest of the world. These questions are unlikely to be settled quickly, and it seems therefore that investors have to be prepared for bouts of uncertainty and volatility. On the plus side, the rising level of confidence has resulted in an increased interest in smaller companies and support for fundraisings through March and April, and there are no immediate signs of this reversing. We remain confident that smaller companies can continue to grow. The dominant theme of the recent reporting season with a few exceptions was confident trading statements that led to forecast upgrades. In the immediate future there is no economic upset to that trend, and any impact from Brexit itself will be felt much further into the future than February 2018.

The portfolio now contains 76 holdings with investments across a range of sectors including several such as Craneware, Gooch and Housego, Gear4Music, Clinigen, Cello, DP Poland and GB Group, which have significant international exposure. Domestic companies such as Breedon, Vertu and Staffline have already demonstrated their management's ability to grow their businesses successfully in difficult economic conditions, and the latter two should see scope for further share price recovery if they continue to meet market expectations. The balance of the portfolio still remains towards profitable companies, with several expected to start paying dividends in 2017. The top-up fundraising for £4.3 million adds to the funds available for new investments and allows us to take advantage of any dip in valuations should sentiment weaken in the future. We will, as we have in the past, remain selective when viewing new investment opportunities.

The AIM Team
Octopus Investments Limited
19 May 2017

Investment Portfolio

Investee Company	Sector	Book cost as at 28/02/17 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28/02/17 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus
Quixant plc	Technology Hardware	697	4,571	5,268	2,619	2.32	6.17
Breedon Group plc	Construction & Building	859	4,383	5,242	411	0.51	2.02
Staffline Group plc	Support Services	334	3,684	4,018	(942)	1.32	12.93
GB Group plc	Support Services	715	2,724	3,439	504	0.87	10.16
Idox plc	Software	353	3,048	3,401	1,009	1.16	3.17
Brooks Macdonald Group plc	Finance	746	2,358	3,104	380	1.13	10.68
Mattioli Woods plc	Finance	529	2,501	3,030	761	1.54	2.18
Gear4Music plc	Media	557	2,069	2,626	2,113	1.99	5.69
Learning Technologies Group plc	Support Services	1,319	1,133	2,452	350	1.07	1.79
Netcall plc	Telecommunication Services	437	1,841	2,278	605	2.56	4.46
RWS Holdings plc	Support Services	367	1,698	2,065	814	0.27	6.82
DP Poland plc	Leisure & Hotels	546	1,493	2,039	1,092	2.65	5.25
Animalcare Group plc	Pharmaceuticals & Biotech	306	1,703	2,009	897	2.59	6.72
Ergomed plc	Pharmaceuticals & Biotech	1,440	440	1,880	410	2.20	7.54
Craneware plc	Software	183	1,459	1,642	628	0.51	1.81
Tasty plc	Leisure & Hotels	622	941	1,563	(893)	2.49	4.36
Gooch & Housego plc	Electronic & Electrical	489	937	1,426	388	0.49	14.02
Cello Group plc	Media	896	496	1,392	375	1.17	4.05
Adept Telecom plc	Telecommunication Services	601	730	1,331	407	1.81	3.93
Clinigen Group plc	Pharmaceuticals & Biotech	935	349	1,284	301	0.13	3.95
Next Fifteen plc	Media	687	590	1,277	545	0.45	9.16
Restore plc	Support Services	467	811	1,278	205	0.32	9.67
Vertu Motors plc	General Retailers	1,265	(5)	1,260	(453)	0.67	4.89
TLA Worldwide plc	Media	807	403	1,210	(484)	2.81	4.69
Brady plc	Software	947	212	1,159	313	1.79	3.01
Yu Group plc	Utilities	705	438	1,143	438	2.71	9.59
Advanced Medical Solutions Group plc	Pharmaceuticals & Biotech	757	242	999	194	0.22	8.71
EKF Diagnostics plc	Health	931	66	997	388	1.19	2.15
Ideagen plc	Software	419	531	950	392	0.60	4.58
Escher Group Holdings plc	Software	1,003	(119)	884	–	3.15	5.51
Vectura Group plc	Pharmaceuticals & Biotech	498	371	869	39	0.09	0.15
Futura Medical plc	Pharmaceuticals & Biotech	968	(102)	866	175	1.41	7.94
SQS Software plc	Software	291	538	829	135	0.43	15.96
Judges Scientific plc	Electronic & Electrical	314	510	824	68	0.82	1.37
Nasstar plc	Software	481	336	817	24	1.66	4.65
Abcam plc	Pharmaceuticals & Biotech	537	238	775	173	0.04	2.41
CityFibre Infrastructure Holdings plc	Telecommunication Services	1,025	(300)	725	(99)	0.62	1.60
LoopUp Group plc	Software	480	230	710	230	1.17	3.90
Omega Diagnostics Group plc	Health	465	243	708	153	3.52	6.15
Cambridge Cognition Holdings plc	Health	601	60	661	103	4.20	14.31

Investee Company	Sector	Book cost as at 28/02/17 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28/02/17 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus
Haydale plc	Chemicals	598	46	644	176	2.00	7.31
Gamma Communications plc	Telecommunication Services	488	143	631	119	0.14	8.68
Mears Group plc	Support Services	139	466	605	146	0.12	0.14
Osirium Technologies plc	Electronic & Electrical	750	(221)	529	(221)	4.63	15.39
Plastics Capital plc	Engineering & Machinery	400	117	517	132	1.12	8.37
Sinclair Pharma plc	Pharmaceuticals & Biotech	765	(264)	501	(113)	0.32	0.54
Scientific Digital Imaging plc	Electronic & Electrical	179	268	447	179	2.51	9.97
Iomart Group plc	Software	268	165	433	42	0.14	10.01
TP Group plc	Engineering & Machinery	648	(236)	412	266	1.26	5.99
FreeAgent Holdings plc	Media	277	125	402	125	0.81	3.38
WANdisco plc	Software	189	211	400	280	0.30	0.50
Oxford Pharmascience Group plc	Pharmaceuticals & Biotech	1,350	(986)	364	(277)	1.12	3.31
Access Intelligence plc	Software	375	(56)	319	(38)	2.61	5.15
Tyratech plc	Chemicals	600	(300)	300	(300)	5.46	19.87
Microsaic Systems plc	Engineering & Machinery	1,084	(785)	299	(472)	5.99	11.85
MyCelx Technologies plc	Oil Equipment	1,470	(1,183)	287	186	2.21	4.06
Fusionex International plc	Software	282	(7)	275	37	0.34	1.04
Midatech plc	Pharmaceuticals & Biotech	600	(326)	274	(108)	0.46	2.40
Enteq Upstream plc	Oil Services	1,032	(836)	196	72	1.70	2.83
Sphere Medical Holding plc	Health	600	(413)	187	(38)	2.65	4.41
ReNeuron Group plc	Pharmaceuticals & Biotech	324	(175)	149	(29)	0.20	1.17
Dods Group plc	Media	203	(94)	109	20	0.24	0.24
Proxama plc	Software	763	(656)	107	(198)	1.27	5.09
Genedrive plc	Pharmaceuticals & Biotech	210	(110)	100	(109)	1.40	2.34
Nektan Limited	Software	845	(750)	95	(411)	1.92	11.79
Work Group plc	Support Services	755	(727)	28	2	3.75	5.63
1Spatial plc	Software	300	(286)	14	(33)	0.13	0.22
Bond International Software plc	Software	8	–	8	N/A	N/A	N/A
Total Quoted Investments		**42,081**	**36,982**	**79,063**	**14,203**		

Investee Company	Sector	Book cost as at 28/02/17 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28/02/17 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus
Unquoted Investments							
Hasgrove plc	Media	88	61	149	–	0.74	4.38
Rated People Limited	Software	354	(267)	87	55	0.51	1.49
Total Unquoted Investments		**442**	**(206)**	**236**	**55**		
Loan Notes							
Nektan Limited	Software	500	–	500	–		
Access Intelligence plc	Software	120	–	120	–		
Total Loan Notes		**620**	**–**	**620**	**–**		
Total Fixed Asset Investments		**43,143**	**36,776**	**79,919**	**14,258**		
Current Asset Investments							
Money Market Funds		5,269	21	5,290	–		
Octopus Portfolio Manager – Conservative Capital Growth		3,850	303	4,153	303		
Octopus Portfolio Manager – Defensive Capital Growth		3,850	199	4,049	199		
Octopus UK Micro Cap Growth Fund		1,200	166	1,366	166		
Total Current Asset Investments		**14,169**	**689**	**14,858**	**668**		
Total Fixed and Current Asset Investments				94,777			
Cash at Bank				13,679			
Debtors less Creditors				(8,541)			
Total Net Assets				**99,915**			

Top ten holdings

Listed below are the ten largest investments, valued at bid price, as at 28 February 2017:

Quixant plc

Quixant designs and manufactures advanced PC based computer systems for the gaming industry.

Initial investment date:	May 2013
Cost:	£697,000
Valuation:	£5,268,000
Equity held:	2.32%
Last audited accounts:	31 December 2016
Revenue:	$90.4 million
Profit before tax:	$11.7 million
Net assets:	$34.3 million
Dividend received in year:	£0.02 million

Breedon Group plc

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

Initial investment date:	August 2010
Cost:	£859,000
Valuation:	£5,242,000
Equity held:	0.51%
Last audited accounts:	31 December 2016
Revenue:	£454.7 million
Profit before tax:	£46.8 million
Net assets:	£468 million
Dividend received in year:	£nil

Staffline Group plc

Staffline is a provider of labour to employers.

Initial investment date:	December 2004
Cost:	£334,000
Valuation:	£4,018,000
Equity held:	1.32%
Last audited accounts:	31 December 2016
Revenue:	£882.4 million
Profit before tax:	£18.9 million
Net assets:	£83.7 million
Dividend received in year:	£0.08 million

GB Group plc

GB Group provides age and identity software to prevent identity fraud. Many of its customers are in the e-commerce sector.

Initial investment date:	November 2011
Cost:	£715,000
Valuation:	£3,439,000
Equity held:	0.87%
Last audited accounts:	31 March 2016
Revenue:	£73.4 million
Profit before tax:	£9.3 million
Net assets:	£56.4 million
Dividend received in year:	£0.02 million

Idox plc

Idox is a leading software and information management solutions provider, mainly to the public and engineering sectors.

Initial investment date:	May 2007
Cost:	£353,000
Valuation:	£3,401,000
Equity held:	1.16%
Last audited accounts:	31 October 2016
Revenue:	£76.7 million
Profit before tax:	£13.0 million
Net assets:	£65.2 million
Dividend received in year:	£0.04 million

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:	£3,104,000
Equity held:	1.13%
Last audited accounts:	30 June 2016
Revenue:	£81.4 million
Profit before tax:	£15.9 million
Net assets:	£83.0 million
Dividend received in year:	£0.05 million

Mattioli Woods plc

Mattioli Woods is a financial advisor and investment manager and administrator, particularly of pension funds.

Initial investment date:	November 2005
Cost:	£529,000
Valuation:	£3,030,000
Equity held:	1.54%
Last audited accounts:	31 May 2016
Revenue:	£43.0 million
Profit before tax:	£6.3 million
Net assets:	£65.6 million
Dividend received in year:	£0.05 million

Gear4Music plc

Gear4Music is the largest UK based online retailer of musical instruments and music equipment.

Initial investment date:	May 2015
Cost:	£557,000
Valuation:	£2,626,000
Equity held:	1.99%
Last audited accounts:	29 February 2016
Revenue:	£35.5 million
Profit before tax:	£0.006 million
Net assets:	£9.4 million
Dividend received in year:	£nil

Learning Technologies Group plc

Learning Technologies is a learning technologies agency which provides a comprehensive and integrated range of e-learning services and technologies to corporate and government clients.

Initial investment date:	June 2011
Cost:	£1,319,000
Valuation:	£2,452,000
Equity held:	1.07%
Last audited accounts:	31 December 2016
Revenue:	£28.3 million
Profit before tax:	£1.2 million
Net assets:	£30.7 million
Dividend received in year:	£0.004 million

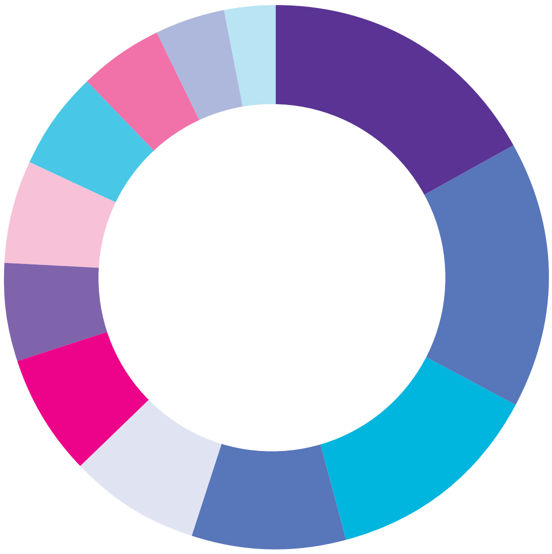
Netcall plc

Supplier of innovative software to manage corporate communications through call centres and the web.

Initial investment date:	July 2010
Cost:	£437,000
Valuation:	£2,278,000
Equity held:	2.56%
Last audited accounts:	30 June 2016
Revenue:	£16.6 million
Profit before tax:	£1.7 million
Net assets:	£22.6 million
Dividend received in year:	£0.1 million

Sector Analysis

The graph below shows the sectors the equity portfolio Fund is invested in by value as at 28 February 2017:



Support Services	17%
Software	16%
Pharmaceuticals & Biotech	13%
Media	9%
Finance	8%
Construction & Building	7%
Technology Hardware	6%
Other	6%
Telecommunication Services	6%
Leisure & Hotels	5%
Electronic & Electrical	4%
Health	3%

The graph below shows the sectors the equity portfolio Fund is invested in by value as at 29 February 2016:

Support Services	20%
Software	17%
Pharmaceuticals & Biotech	11%
Other	9%
Finance	8%
Construction & Building	7%
Media	7%
Telecommunication Services	6%
Leisure & Hotels	5%
Technology Hardware	4%
Electronic & Electrical	3%
Health	3%

The Investment Manager

Personal Service

Octopus was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus Investments also acts as Investment Manager to five other listed investment companies and has over £6 billion of funds under management. If it would help to speak to one of the fund managers, please do not hesitate to contact Octopus on **0800 316 2295**.

The AIM investment team at Octopus 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 in 2008. He has been involved in the management of this Company's investments since its launch in 1998 as well as other AIM VCTs and IHT 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 where she became involved in the management of this Company's investments as well as other AIM VCTs and IHT portfolios. She joined Octopus 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 to head up the AIM team in 2004. He is involved in the management of AIM portfolios, AIM VCTs and the FP Octopus UK Micro Cap Growth Fund.

Edward Griffiths

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

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.

Mark Symington

Mark graduated from the University of Cape Town in 2010 with a Bcom in Economics and Finance. He joined Octopus in 2012 after two years at Warwick Wealth in South Africa. Mark is studying towards the Chartered Financial Analyst designation and is providing portfolio management and analytical support to the team.

Dominic Weller

Dominic joined the AIM team as an analyst in 2015. Before joining, he gained experience in management consulting with CLEVIS Research and Roland Berger Strategy Consultants. Furthermore he worked in Venture Capital with Rocket Internet as well as several start-up companies. He provides the team with analytical support and analyses prospective investee companies.

Chris McVey

Chris joined the team in December 2016. He has been a specialist within the quoted UK Smaller Company market for over 16 years. He joined Octopus from Citigroup where he was most recently a UK Small and Mid-Cap Equity research analyst focussing across a variety of sectors. Prior to this he spent almost seven years on the Smaller Companies team at Gartmore as an investment manager and analyst. He joined the team as a fund manager to work across all the AIM portfolios.

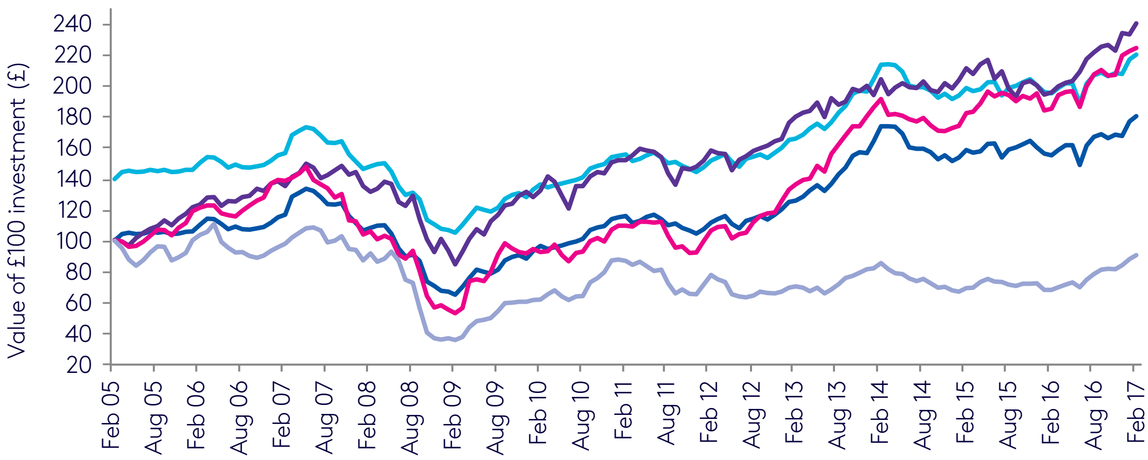
Business Review

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 Octopus through the investment management agreement, as referred to in the Directors' Report.

The graph below compares the total return of the Company over the period from February 2005 to February 2017 with the total return from notional investments in the FTSE All-Share Index, FTSE SmallCap Index ex investment trusts and the FTSE AIM All-Share Index over the same period. The Directors consider these to be the most appropriate benchmarks from a general investor's perspective against which to measure the performance of the Company, but it should be remembered that venture capital trusts need to invest in newly issued shares, so comparisons with indices is of limited value, even historically. Investors should be reminded that shares in venture capital trusts generally continue to trade at a discount to their net asset values.

Octopus AIM VCT PLC - Portfolio Performance



- NAV return + reinvestment of all dividends (net of up-front tax relief), based on notional investment of £100 on 1 March 2005
- Total return (NAV + re-investment of all dividends + 40% up-front tax relief), based on notional investment of £100 on 1 March 2005
- FTSE All-Share total return, based on £100 notional investment on 1 March 2005 and the reinvestment of all income
- FTSE SmallCap ex Investment trusts total return, based on £100 notional investment on 1 March 2005 and the reinvestment of all income
- FTSE AIM All-Share total return, based on £100 notional investment on 1 March 2005 and the reinvestment of all income

Results and Dividend

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Net profit attributable to shareholders	**15,123**	742
Appropriations:		
Interim dividend paid: 2.5 pence per Ordinary share (2016: 2.5 pence per Ordinary share)	**2,180**	1,822
Proposed final dividend: 3.0 pence per Ordinary share (2016: 2.5 pence per Ordinary share)	**2,621**	2,080

The proposed final dividend will, if approved by shareholders, be paid on 4 August 2017 to shareholders on the register on 7 July 2017.

Key Performance Indicators ("KPIs")

As a VCT, the Company's objective is to provide shareholders with attractive income and long-term capital growth by investing its funds in a broad spread of AIM or NEX Exchange traded companies which meet the relevant criteria for VCTs.

The Board has a number of performance measures to assess the Company's success in meeting these objectives. Performance, measured by the change in NAV per share plus dividends, is also measured against the FTSE AIM All-Share Index, FTSE SmallCap Index and the FTSE All-Share Index. This is shown in the graph on page 16 of the Strategic Report. These indices have been adopted as an informal benchmark. Investment performance is measured against the Company's peer group of the other AIM VCTs. The Chairman's Statement, on pages 3 and 4, includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 5 to 15. Further details of the Company's risk management policies are provided in Note 17 to the financial statements. The ongoing charges of the Company were 2.0% of average net assets during the year to 28 February 2017 (2016: 2.3%).

Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2014 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a period of five years, which was considered to be a reasonable time horizon given that the Company had raised funds under an offer for subscription which closed on 3 October 2016, a further fundraising launched on 6 February 2017 and closed on 27 February 2017 and, under VCT rules, subscribing investors are required to hold their investment for a five year period in order to benefit from the associated tax reliefs. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a five year period is considered to be a reasonable time horizon for this.

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

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

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 28 February 2022.

Principal Risks, Risk Management and Regulatory Environment

In accordance with the Listing Rules under which your Company operates, your Board is required to comment on the potential risks and uncertainties which could have a material impact on the Company's performance.

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

Risk	How Mitigated
VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 and the Finance Act 2016 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, 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.	Octopus keeps the Company's VCT qualifying status under continual review and reports to the Board regularly throughout the year. See page 22 of the Directors Report for details on recent changes to VCT legislation. PricewaterhouseCoopers LLP has been retained by the Company to undertake an independent VCT status monitoring role reporting to the Board bi-annually.

Investment risk: the majority of the Company's investments are in companies admitted to trading on AIM or NEX Exchange 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. Octopus Portfolio Manager ("OPM") invests, via collective investment schemes, in global markets which do fluctuate and investments and the income derived from them may go down as well as up. As such, Octopus cannot guarantee the level of capital growth or income generated and there is a chance that investors in OPM may not get their money back.	The Directors and Octopus 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 and industry sector. The Board reviews the investment portfolio with Octopus on a regular basis. The OPM Service is a discretionary management service offering a range of risk-targeted portfolios which invest in underlying collective investment schemes. The portfolios selected target defined levels of volatility at the lower end of the risk spectrum, and have been specifically chosen for their lower risk investment approach to accessing global markets and the ability to offer daily liquidity.
Financial risk: as a VCT, the Company is exposed to market price risk, credit risk, fair value risk, liquidity risk, cash flow risk and interest rate risk.	The Company's income and expenditure is predominantly denominated in sterling and hence the Company has limited foreign currency risk. The Company is financed through equity and does not have any borrowings as the Directors consider it inappropriate to finance the Company's activities through borrowing. The Company does not use derivative financial instruments. Accordingly, the Manager seeks to maintain a proportion of the Company's assets in cash or cash equivalents in order to balance irregular cash flows from realisations. At the balance sheet date the cash and cash equivalents amounted to 13.7% of net assets (2016: 12.6%). The financial risks are considered in more detail below.
Regulatory and Reputational risk: the Company is required to comply with the Companies Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. The Company is also a small registered Alternative Investment Fund Manager ("AIFM") and has to comply with the requirements of the AIFM Directive. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties, qualified audit report or loss of shareholder trust.	The regulatory requirements are continually considered and adhered to by Octopus and the Board and legal advice is taken when appropriate.
Operational risk: the Board is reliant on Octopus to manage investments effectively.	The Board reviews annually, with professional assistance where appropriate, the system of internal controls, both financial and non-financial, operated by the Company and the Investment Manager (to the extent the latter are relevant to the Company's internal controls). These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained. Octopus has a significant commitment to Small Cap investment which means it has a broad team focused on quoted and unquoted investments. This mitigates the short term risk of any one individual with the required skill set and knowledge of the industry leaving.

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 carries out regular reviews of counterparty risk.	The Company has cash deposits which are held on the balance sheet of HSBC Bank plc and also 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 and AAAm for BlackRock. The Investment Manager and the Board carry out a regular review of counterparty risk.
Economic risk: Events such as an economic recession and movement in interest rates could affect smaller companies' valuations.	Octopus constantly monitors the markets and the portfolio companies and reports to the Board at each meeting. The risk that the value of a security or portfolio of securities could decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.
Price risk: the risk that the value of a security or portfolio of securities will decline in the future.	This risk is mitigated by holding a diversified portfolio, across a broad range of sectors and by constant monitoring of each company's value.
Liquidity risk: the risk that the Company's available cash will not be sufficient to meet its financial obligations.	This is managed by frequent budgeting and close monitoring of available cash resources and is discussed at each Board meeting.
Market risk: A substantial portion of the Company's investments are in AIM and NEX Exchange traded companies, as well as some unquoted companies. All of these investments involve a higher degree of risk than investment in larger fully listed companies. In particular, smaller companies often have limited product lines, markets or financial resources, may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes.	Each company in the portfolio is regularly monitored by the Investment Managers and the portfolio is diversified.

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 the principles detailed in the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Details of the Company's internal controls are contained in the Corporate Governance section on pages 26 to 29.

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

Gender and Diversity

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

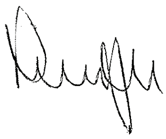
Employee, Human Rights, Social and Community Issues

The Board seeks to conduct the Company's affairs responsibly. The Company is required by company law to provide details of employee, human rights, social and community issues, including information about any policies it has in relation to these matters and the effectiveness of such policies. As an externally managed investment company with no employees the Company does not maintain specific policies in relation to these matters.

Environment Policy and Greenhouse Gas Emissions

The Board has no specific environmental policy; however, the Company recognises the need to conduct its business, including investment decisions, in a manner that is environmentally responsible wherever possible. The Company does not produce any reportable emissions as the fund management is outsourced to Octopus with no physical assets or property held by the Company. As the Company has no employees or operations, it is not responsible for any direct emissions.

The strategic report was approved on behalf of the board by:



Roger Smith
Chairman
19 May 2017

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.

Roger Smith (Chairman)

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 was the chairman of the Central Finance Board of the Methodist Church until recently, having served on the Board for 19 years. Roger became a Director in 1998 and later became Chairman in 2016. Roger is a member 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. He is also a director of Puma 10 VCT and Business agent.com. Prior to the merger in 2010 he was chairman of Octopus Phoenix VCT PLC. Stephen became a Director in 1998.

Joanne Parfrey

Joanne Parfrey has a degree in Chemistry from Oxford University and is an accountant by training. She has over ten years' experience in private equity with LGV Capital, where she was a member of the investment committee and held a number of non-executive positions. She is a Non-Executive Director and Chair of the Audit Committee for Babraham Bioscience Technologies Ltd and is a mentor on the Accelerate Programme at the Cambridge Judge Business School, University of Cambridge.

Neal Ransome

Neal Ransome is a chartered accountant and was a partner at PwC from 1996 to 2013. He was Chief Operating Officer of PwC's Advisory business and led its Pharmaceutical and Healthcare Corporate Finance practice. Neal was formerly a director of Quercus (General Partner) Ltd, a unit trust invested in healthcare properties, and Parity Group Plc, an AIM listed professional services company. He is currently a Trustee and Council Member of the RSPB, the UK's largest nature conservation charity.

Michael Reeve retired as director on 7 July 2016 and Marion Sears retired as director on 6 October 2016.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 28 February 2017. The Corporate Governance Report on pages 26 to 29 and the Audit Committee Report on pages 30 and 31 form part of this Directors' Report.

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

Directors

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

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Mr Ransome and Ms Parfrey will offer themselves for election as Directors, and the Board recommends their election, at the forthcoming Annual General Meeting ("AGM"). Mr Hazell-Smith and Mr Smith will retire as Directors at the AGM, and being eligible, offer themselves for re-election. The Board has considered provision B.7.2 of The UK Corporate Governance Code and, following a formal performance evaluation as part of the Board Evaluation, further details of which can be found on page 27, believes that all Directors continue to be effective and demonstrate commitment to their roles. The Board therefore recommends their election and re-election at the forthcoming AGM.

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.

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 is as follows:

The Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 70% must comprise eligible Ordinary shares (30% for subscriptions before 6 April 2011).

For this purpose, a "VCT qualifying holding" consists of up to £5 million invested in any one year in new shares or securities of an AIM or NEX Exchange traded company or an unquoted company which is carrying on a qualifying trade, and whose gross assets and number of employees at the time of investment do not exceed a prescribed limit. The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing.

The Finance Act 2014 amended the VCT Rules such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks. However, the Company has sufficient liquidity to allow dividends to continue to be paid at a level in line with the Company's current dividend policy.

The Finance Act 2016 introduced a number of changes to VCT rules to bring the legislation into line with EU State Aid Risk Finance Guidelines. The legislation introduced new criteria which stipulate a lifetime cap on the total amount of State Aid investment a company can receive, the age of companies which are eligible for investment and specific requirements relating to the use of the funds raised. See page 7 of the Investment Manager's Review for a summary of the new changes.

The Company will continue to ensure its compliance with the qualification requirements.

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 on pages 3 and 4 and the Investment Manager's Review on pages 5 to 15. Further details on the management of financial risk may be found in the Business Review on pages 16 to 20 and in Note 17 to the financial statements.

The Board receives regular reports from Octopus and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months. 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.

A Resolution will be put to the Shareholders at the Company's AGM on 20 July 2017 to approve the Company continuing as a VCT to 2023. The continuation to 2023 will allow shareholders who have participated in the recent offers to subscribe for Ordinary Shares in the Company to hold their shares for the five years required to receive tax relief and, in addition, will also allow the Company to remain a going concern.

The assets of the Company include securities which are readily realisable (80.0% of net assets) and, accordingly, the Company has adequate financial resources to continue meeting the expenses of commitments under share buybacks and to remain in operational existence for a period of at least twelve months.

Dividend

The proposed final dividend is set out in the Financial Summary on page 1, the Chairman's Statement on page 3 and in the Business Review on page 16.

Management

The Company has in place an agreement with Octopus to act as Investment Manager which is central to the ability of the Company to continue in business. The principal terms of the Company's management agreement with Octopus are set out in note 3 to the financial statements. Octopus also provides secretarial, administrative and custodian services to the Company. Octopus is not entitled to any performance fee.

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

As required by the Listing Rules, the Directors confirm that, in their opinion, the continuing appointment of Octopus as 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 Octopus to produce satisfactory investment performance in the future. No Director has an interest in any contract to which the Company is a party.

The Board has delegated the routine management of decisions, such as the payment of running costs, to Octopus. Investment decisions are discussed with the Board.

Whistleblowing

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

Share Capital

The Company's share capital as at 28 February 2017 comprised 87,366,893 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 12,952,012 (2016: 7,611,945) Ordinary shares were issued through an Offer for subscription combined with Octopus AIM VCT 2 plc, which was launched on 21 December 2015 and closed on 3 October 2016 and raised approximately £14.3 million in aggregate.

A further Offer for subscription was launched on 6 February 2017 to raise up to £4.3 million. 3,649,371 Ordinary shares have been issued for £4.3 million, after the year end up to the date of this report. The Offer closed to new applications, fully subscribed, on 27 February 2017.

In addition, 10,000 Ordinary shares were issued as a result of reduced adviser charges, in accordance with the terms and conditions of offers dated 1 February 2013, 3 February 2014 and 29 August 2014. During the year 467,393 shares were issued to those shareholders who elected to receive shares under the Dividend Reinvestment Scheme ("DRIS") as an alternative to dividends.

Share Buybacks and Redemptions

During the year, the Company purchased for cancellation 2,059,061 shares at a weighted average price of 99.8p per share (2016: 1,494,656 shares at a weighted average price of 100.3p per share) for a total consideration of £2.05 million (2016: £1.5 million), representing 2.4% of the opening share capital. 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 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 10 is required so that the Directors may issue shares in connection with 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 10 renews the Directors' authority to allot up to 18,116,510 Ordinary shares (representing approximately 20% of the Company's issued share capital as at the date of the Notice of the Annual General Meeting. 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 11 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 10 and for the same reasons. The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 12 is required so that the Directors may make purchases of up to 9,058,255 Ordinary shares (representing approximately 10% of the Company's issued share capital as at the date of the Notice of Annual General Meeting and the Resolution seeks renewal of such authority until the next AGM (or the expiry of 15 months, if earlier). Any shares bought back under this authority will be at a price determined by the Board, (subject to a minimum of 1p (being the nominal value of such shares) and a maximum of 5% above the average mid-market quotation for such shares on the London Stock Exchange and the applicable regulations thereunder). 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.

Substantial Shareholdings

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

Independent Auditor and Disclosure of Information to Auditor

BDO LLP is the appointed Auditor of the Company and offer themselves for reappointment. A Resolution to reappoint BDO LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming AGM.

As far as the Directors are aware, there is no relevant audit information of which the auditor is unaware and the Directors have taken all the steps they ought to have taken as a Director in order to make them aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post Balance Sheet Events

For further details of events that occurred between the balance sheet date and the signing of these financial statements please see note 18.

On behalf of the Board

Roger Smith
Chairman
19 May 2017

Corporate Governance Report

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, includes 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 UK Corporate Governance Code in addition to 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 of 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 29.

Board of Directors

The Company has a Board of four Non-Executive Directors, all of whom are considered to be independent. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board.

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

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

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

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

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

During the year the following meetings were held:

	Full Board meetings held	No. of meetings attended	Audit Committee meetings held	Audit Committee meetings attended
Roger Smith	4	4	2	2
Stephen Hazell-Smith	4	4	2	2
Joanne Parfrey*	4	2	2	1
Neal Ransome*	4	2	2	1
Michael Reeve**	4	2	2	1
Marion Sears***	4	2	2	2

*Joanne Parfrey and Neal Ransome were appointed as Directors on 6 October 2016.

**Michael Reeve retired on 7 July 2016.

***Marion Sears retired on 6 October 2016.

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 AGM and that Directors appointed by the Board should seek re-appointment at the next AGM. The Directors have agreed to submit themselves for annual re-election. This practice was followed during the year under review.

	Date of Original Appointment	Due date for Election/Re-election
Roger Smith	02/02/1998	AGM 2017
Stephen Hazell-Smith	02/02/1998	AGM 2017
Joanne Parfrey	06/10/2016	AGM 2017
Neal Ransome	06/10/2016	AGM 2017

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 or her 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.

Performance Evaluation

In accordance with The UK Corporate Governance Code, each year a formal performance evaluation is undertaken of the Board, its Committee and the Directors in the form of a questionnaire completed by each Director. The Chairman provides a summary of the findings to the Board, which are discussed at the next meeting and an action plan agreed if required. During the year no issues were identified requiring an action plan. The performance of the Chairman is 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 twenty one 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 AGM of the Company following his appointment. Notwithstanding the policy for one third of the Directors to retire at each AGM, in order to follow best practice, all Directors stand 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 2016 AGM to make market purchases of up to 10% of the issued Ordinary share capital at any time up to the 2017 AGM and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2017 AGM as set out in the notice of meeting.

Board Committees

It should be noted that there is no formal Management Engagement Committee as matters of this nature are dealt with by the independent Non-Executive Directors. The Board does not have a separate Remuneration Committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report on pages 32 to 34.

The Board does not have a separate Nomination Committee as the functions of such a committee are dealt with by the Board as a whole. The Board considers its composition to be appropriate with due regard for the benefits of diversity and gender.

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

Audit Committee:
Neal Ransome (Chairman)
Roger Smith
Stephen Hazell-Smith
Joanne Parfrey

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

The Audit Committee Report is given on pages 30 and 31.

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 Octopus.

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

Octopus is engaged to carry out the accounting and custodian functions of the Company. All quoted investments are held in CREST. Unquoted investments are held in certificated form.

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 and are satisfied with 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's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board does not consider it necessary to maintain an internal audit function.

Internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from the VCT's accounts require the authority of two signatories from Octopus. The Company is subject to a full annual audit and the Audit Partner has open access to the Board. Octopus is subject to regular review by the Octopus 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.

Statement of Voting at the Annual General Meeting

The most significant portion of the votes cast against a resolution at the 2016 AGM was 4.97%, for the resolution to approve the Directors' Remuneration Report. No communication was received from shareholders giving reasons for the votes against the resolution.

Shareholders' views are always welcomed and considered by the Board. The methods of contacting the Board are set out below.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. In addition to the formal business of the AGM, the Board is available to answer any questions a shareholder 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 33 Holborn, London, EC1N 2HT. Alternatively, please call the team at Octopus to answer any queries. They 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 2017 with the provisions set out in The UK Corporate Governance Code. The section references to The UK Corporate Governance Code are shown in brackets.

1. The Company does not have a Chief Executive Officer or a senior independent director. The Board does not consider this necessary due to the nature of the Company. [A.2.1 and A.4.1]
2. New Directors have not received a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. [B.4.1]
3. The Company 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]
4. The Company does not have a Remuneration Committee given the size of the Company and as it does not have any executive directors. The whole Board deals 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 but are welcome to contact the Board or Octopus at any time. [E.1.1 and E.1.2]

By Order of the Board

Nicola Board

Nicola Board, ACIS
Company Secretary
19 May 2017

Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 28 February 2017 and describes the work of the Audit Committee in discharging its responsibilities.

The Committee's key objective is the provision of effective governance of the appropriateness of the Company's financial reporting, the performance of the auditor and the management of the internal control and business risks systems. The Directors forming the Audit Committee can be found on page 28.

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

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- reviewing and making recommendations to the Board in relation to Octopus' internal controls (including internal financial control) and risk management systems to the extent they are relevant to the Company's internal controls;
- 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. 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 current auditor was appointed in 2008 under the name of PKF (UK) LLP, which subsequently merged with BDO LLP, and has held the position for nearly nine years. The committee intends to put the external audit out to tender in respect of the year ended 28 February 2019.

When considering the effectiveness of the external audit, the Board considered the quality and content of the Audit Plan and Report provided to the Committee by the Auditor and the resultant reporting and discussions on topics raised. Further consideration is also given as part of the annual Board evaluation.

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. Octopus has an independent internal audit team which is supported, as required, by Ernst & Young. The Octopus Compliance Department reports to the Board on the outcome of the internal audits that have taken place insofar as these relate to the Company and confirm the absence of any issues relating to internal audit of which the Board should be aware. Any significant issues arising from the Octopus internal audit that affect the Company would be raised to the Committee immediately.

The Committee will monitor the significant risks at each meeting and Octopus will work closely with the Auditor to mitigate the risks and the resultant impact.

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.

Significant Risks

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

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

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

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the financial statements to 28 February 2017.

N J Ransome

Neal Ransome
Audit Committee Chairman
19 May 2017

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Regulation 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("Regulations") in respect of the year ended 28 February 2017.

The Company's auditor, BDO LLP, is required to give their opinion on certain information included in this report; comprising the Directors' emoluments section and shareholdings below and their report on these and other matters is set out on pages 36 to 38.

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. During the year the Board undertook a review of the level of Director's remuneration, including a comparison with the fees paid to directors of other AIM VCTs. As a result of this review the Directors' remuneration was increased with effect from 6 October 2016 as follows:

	Remuneration per annum from 6 October 2016 (£)	Remuneration per annum to 5 October 2016 (£)
Chairman	25,000	24,450
Audit Committee Chairman	22,500	18,340
Non-Executive Directors	20,000	18,340

Directors' Remuneration Policy Report

The Board consists entirely of Non-Executive Directors, who meet at least quarterly 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 a period of at least 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 AGMs. However, as best practice, the Directors retire and stand 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 at any time by giving three months' notice in writing to the Board. 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 to promote the success of the Company. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid higher fees than the other Directors in recognition of their more onerous roles. The Remuneration policy is to review the Director's fees from time to time, benchmarking the fees against other VCT boards, although such review will not necessarily result in any changes. Due to the nature of the Company, there are no employees other than the Directors and therefore no such issues to consider when determining the Directors' remuneration.

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

In light of the changes to the Directors' remuneration during the year an Ordinary resolution to approve the remuneration policy of the Company will be put to shareholders at the forthcoming AGM and will remain in force for a three year period. The Board will review the remuneration of the Directors if thought appropriate, and monitor competitors in the VCT industry on an annual basis.

Annual Remuneration Report

This section of the report is subject to approval by a simple majority of shareholders at the AGM in July 2017, as in previous years.

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 Octopus through the investment management agreement, as referred to in the Directors' Report. The performance graph on page 16 also shows the performance of the Company.

Directors' Emoluments (audited)

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

Annual rate of Directors' fees, exclusive of Employers' National Insurance	**Year ended 28 February 2017 £**	Year ended 29 February 2016 £
Roger Smith	**22,517**	18,340
Stephen Hazell-Smith	**19,008**	18,340
Joanne Parfrey*	**8,051**	–
Neal Ransome*	**9,058**	–
Michael Reeve**	**8,620**	24,450
Marion Sears***	**10,980**	18,340
Total	**78,234**	79,470

*Joanne Parfrey and Neal Ransome were appointed as Directors on 6 October 2016.

**Michael Reeve retired on 7 July 2016.

***Marion Sears retired on 6 October 2016.

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

The Chairman of the Company and the Chairman of the Audit Committee receive additional remuneration over the basic director's fee in recognition of the additional responsibilities and time commitment, and additionally, to be fair and comparable to similar VCTs.

Relative Importance of Spend on Pay

The actual expenditure in the current year is as follows:

	Year to 28 February 2017 £'000	Year to 29 February 2016 £'000	% change
Total Dividends paid	**4,291**	6,781	(36.7)
Total Buybacks	**2,054**	1,499	37.0
Total Directors' Fees	**78**	79	(1.3)

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

Statement of Directors' Shareholdings (audited)

There are no guidelines or requirements for Directors to own shares in the Company. The interests of the Directors, and their connected persons, in shares of the Company during the year (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued Ordinary shares of 1.0p are shown in the table below:

	Ordinary shares of 1.0p each 28 February 2017	Ordinary shares of 1.0p each 29 February 2016
Roger Smith	**20,000**	20,000
Stephen Hazell-Smith	**139,003**	136,493
Neal Ransome	**–**	n/a
Joanne Parfrey	**–**	n/a

All of the Directors' shares were held beneficially. Mr Smith jointly holds shares through a nominee company.

There have been the following changes in the Directors' share interests between 28 February 2017 and the date of this report:

	Shares acquired
Neal Ransome	17,423

Shareholders Proxy Voting Information

As required by Schedule 8:23 of the Regulations, the votes received for the AGM in 2016 were as follows:

	For		**Discretion**		**Against**	
	No. of Shares	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Approval of Directors' Remuneration Report	2,597,608	89.4	164,664	5.6	144,616	5.0

By Order of the Board

Roger Smith
Chairman
19 May 2017

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual 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 are required to prepare the financial statements and have elected to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 – "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 for the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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' Responsibility Statement pursuant to DTR4

Roger Smith (Chairman), Stephen Hazell-Smith, Joanne Parfrey and Neal Ransome the Directors, confirm to the best of their knowledge that:

- the financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- 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.

For and on behalf of the Board

Roger Smith
Chairman
19 May 2017

Report of the Independent Auditor to the Members of Octopus AIM VCT plc

Our opinion on the Financial Statements

In our opinion the Octopus AIM VCT plc Financial Statements for the year ended 28 February 2017, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice):

- give a true and fair view of the state of the Company's affairs as at 28 February 2017 and 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.

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.

What our opinion covers

Our audit opinion on the Financial Statements covers the:

- Income Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Related Notes

Respective responsibilities of Directors and auditor

As explained more fully in the report of the Directors, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

A description of the scope of an audit of Financial Statements is provided on the FRC's website at **www.frc.org.uk/auditscopeukprivate**

An overview of the scope of the audit including our assessment of the risk of material misstatement

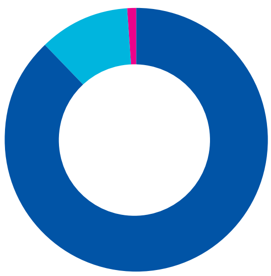
Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

Investments

The outcome of our risk assessment was that the valuation of investments was considered to be the area with the greatest effect on the overall audit strategy including the allocation of resources in the audit.

The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.

We performed initial analytical procedures to determine the extent of our work considering, inter alia, the value of individual investments, the nature of the investment and the extent of the fair value movement. A breakdown of the investment portfolio by nature of instrument type is shown below.



In respect of listed investments (88%) and OEICs (11%), which together make up the majority of the portfolio, we confirmed that the correct bid price or price respectively had been used and that there were no contra indicators, such as liquidity considerations, to suggest the price was not the most appropriate indication of fair value. We also reviewed the year-end custodian holdings report and ensured that, for all listed investments, the number of shares owned agrees to the year-end investments summary.

1% of the portfolio is in unlisted private company investments; held in shares and loan stock. In respect of a sample of these investments, we:

- Re-performed the calculation of the investment valuations
- Verified and benchmarked key inputs and estimates to independent information and our own research
- Challenged the Investment Manager regarding significant judgements made
- Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation

Revenue

We also consider revenue recognition to be a significant risk. Revenue arises from both listed and unlisted private investments and can be volatile, but is often a key factor in demonstrating the performance of the portfolio.

We considered the design and the implementation of the controls in place over the completeness and validity of receipts based on the portfolio of investments held.

We completed substantive testing of investment income and also reviewed the classification of income between revenue and capital.

We traced a sample of dividend income through from the nominal ledger to bank. To test for completeness of dividend income, for a sample of investments we compared the income recognised to that announced by the companies in their latest financial statements or other external sources.

The audit committee's consideration of their key issues is set out on pages 30 to 31.

Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality – Based on 1% of invested assets	Assessing whether the Financial Statements as a whole present a true and fair view	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuation	890,000
Specific materiality – classes of transactions and balances which impact on revenue profits – Based on 10% of gross expenditure	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the Financial Statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements	• The level of gross expenditure	80,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £9,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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.

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Statement regarding the Directors' assessment of principal risks, going concern and longer term viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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' statements, set out on page 22, in relation to going concern and on page 17 in relation to longer-term viability; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor in accordance with Listing Rule 9.8.10 R(2).

We have nothing to report in respect of these matters.

Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
19 May 2017

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

Income Statement

	Notes	Year to 28 February 2017 Revenue £'000	Capital £'000	Total £'000	Year to 29 February 2016 Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	10	**–**	**1,178**	**1,178**	–	59	59
Gain on valuation of fixed asset investments	10	**–**	**14,258**	**14,258**	–	1,684	1,684
Gain on valuation of current asset investments		**–**	**668**	**668**	–	–	–
Investment income	2	**858**	**–**	**858**	816	–	816
Investment management fees	3	**(353)**	**(1,059)**	**(1,412)**	(340)	(1,021)	(1,361)
Other expenses	4	**(427)**	**–**	**(427)**	(456)	–	(456)
Net return on ordinary activities before taxation		**78**	**15,045**	**15,123**	20	722	742
Taxation	6	**–**	**–**	**–**	–	–	–
Net return on ordinary activities after taxation		**78**	**15,045**	**15,123**	20	722	742
Earnings per share – basic and diluted	8	**0.1p**	**17.7p**	**17.8p**	0.0p	1.0p	1.0p

- the 'Total' column of this statement represents the statutory Income Statement 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, as well as OEIC funds.

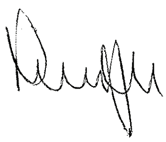
The Company has no recognised gains or losses other than the results for the period as set out above. Accordingly a Statement of Comprehensive Income is not required.

The Notes on pages 43 to 55 form an integral part of these Financial Statements.

Balance Sheet

		As at 28 February 2017		As at 29 February 2016	
	Notes	**£'000**	**£'000**	£'000	£'000
Fixed asset investments	10		**79,919**		64,578
Current assets:					
Investments	11	**14,858**		5,269	
Debtors	12	**332**		48	
Cash at bank		**13,679**		9,751	
		28,869		15,068	
Creditors: amounts falling due within one year	13	**(8,873)**		(2,422)	
Net current assets			**19,996**		12,646
Net assets			**99,915**		77,224
Called up equity share capital	14		**873**		760
Share premium			**35,422**		21,643
Capital redemption reserve			**45**		24
Special distributable reserve			**53,717**		60,062
Capital reserve realised			**(28,020)**		(26,518)
Capital reserve unrealised			**37,445**		20,898
Revenue reserve			**433**		355
Total equity shareholders' funds	15		**99,915**		77,224
Net asset value per share – basic and diluted	9		**114.4p**		101.6p

The statements were approved by the Directors and authorised for issue on 19 May 2017 and are signed on their behalf by:



Roger Smith
Chairman
Company number: 03477519

The Notes on pages 43 to 55 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Shares to be issued £'000	Capital redemption reserve £'000	Special distributable reserves* £'000	Capital reserve realised* £'000	Capital reserve unrealised £'000	Revenue reserve* £'000	Total £'000
As at 1 March 2015	656	13,951	319	9	63,684	(29,810)	23,468	335	72,612
Management fee allocated as capital expenditure	–	–	–	–	–	(1,021)	–	–	(1,021)
Current year gains on disposal	–	–	–	–	–	59	–	–	59
Current period gains on fair value of investments	–	–	–	–	–	–	1,684	–	1,684
Prior years' holding losses now realised	–	–	–	–	–	4,254	(4,254)	–	–
Net Revenue on ordinary activities after tax	–	–	–	–	–	–	–	20	20
Cancellation of Share Premium	–	(4,658)	–	–	4,658	–	–	–	–
Total comprehensive income for the year	–	(4,658)	–	–	4,658	3,292	(2,570)	20	742
Contributions by and distributions to owners:									
Repurchase and cancellation of own shares	(15)	–	–	15	(1,499)	–	–	–	(1,499)
Issue of shares	119	12,989	(319)	–	–	–	–	–	12,789
Share issue costs	–	(639)	–	–	–	–	–	–	(639)
Dividends paid	–	–	–	–	(6,781)	–	–	–	(6,781)
Balance as at 29 February 2016	**760**	**21,643**	**–**	**24**	**60,062**	**(26,518)**	**20,898**	**355**	**77,224**
As at 1 March 2016	**760**	**21,643**	**–**	**24**	**60,062**	**(26,518)**	**20,898**	**355**	**77,224**
Management fee allocated as capital expenditure	–	–	–	–	–	(1,059)	–	–	(1,059)
Current year gains on disposal	–	–	–	–	–	1,178	–	–	1,178
Current period gain on fair value of investments	–	–	–	–	–	–	14,926	–	14,926
Prior years' holding gains now realised	–	–	–	–	–	(1,621)	1,621	–	–
Net Revenue on ordinary activities after tax	–	–	–	–	–	–	–	78	78
Total comprehensive income for the year	–	–	–	–	–	(1,502)	16,547	78	15,123
Contributions by and distributions to owners:									
Repurchase and cancellation of own shares	(21)	–	–	21	(2,054)	–	–	–	(2,054)
Issue of shares	134	14,413	–	–	–	–	–	–	14,547
Share issue costs	–	(634)	–	–	–	–	–	–	(634)
Dividends paid	–	–	–	–	(4,291)	–	–	–	(4,291)
Balance as at 28 February 2017	**873**	**35,422**	**–**	**45**	**53,717**	**(28,020)**	**37,445**	**433**	**99,915**

*Included in these reserves is an amount of £26,130,000 (2016: £33,899,000) which is considered distributable to shareholders.

Cash Flow Statement

	Notes	Year to 28 February 2017 £'000	Year to 29 February 2016 £'000
Cash flows from operating activities			
Return on ordinary activities before tax		**15,123**	742
Adjustments for:			
(Increase)/decrease in debtors	12	**(284)**	155
Increase in creditors	13	**6,451**	1,674
Gain on disposal of fixed assets	10	**(1,178)**	(59)
Gain on valuation of fixed asset investments	10	**(14,258)**	(1,684)
Gain on valuation of current asset investments		**(668)**	–
Cash from operations		**5,186**	828
Cash flows from investing activities			
Purchase of fixed asset investments	10	**(3,391)**	(11,043)
Purchase of current asset investments		**(8,900)**	–
Sale of fixed asset investments	10	**3,486**	5,919
Net cash flows from investing activities		**(8,805)**	(5,124)
Cash flows from financing activities			
Purchase of own shares	15	**(2,054)**	(1,499)
Share issues	15	**13,913**	12,469
Decrease in shares to be issued	15	**–**	(319)
Dividends paid	7	**(4,291)**	(6,781)
Net cash flows from financing activities		**7,568**	3,870
Increase/(decrease) in cash and cash equivalents		**3,949**	(426)
Opening cash and cash equivalents		**15,020**	15,446
Closing cash and cash equivalents		**18,969**	15,020
Cash and cash equivalents comprise			
Cash at Bank		**13,679**	9,751
Money Market Funds		**5,290**	5,269
		18,969	15,020

The Notes on pages 43 to 55 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Principal Accounting Policies

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

The Company's principal activity is to invest in a diverse portfolio of predominately AIM-traded companies with the aim of providing shareholders with attractive tax-free dividends and long-term capital growth.

Basis of preparation

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 ("GAAP"), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006 and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2014).'

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

FRS 102 sections 11 and 12 have been adopted with regard to the Company's financial instruments. The Company holds all fixed asset investments at fair value through profit or loss; therefore all gains and losses arising from such investments held are attributable to financial assets held at fair value through profit or loss. Accordingly, all interest income, fee income, expenses and gains and losses on investments are attributable to assets held at fair value through profit or loss.

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

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.

Going Concern

After reviewing the Company's forecasts and expectations, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Key judgements and estimates

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

Quoted investments are valued in accordance with the bid-price on the relevant date. Unquoted investments are valued in accordance with current IPEV Guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of the subsidiary companies of investee companies and liquidity or marketability of the investments held.

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 (see Note 10).

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 relating to the assets are transferred from the capital reserve – unrealised to the capital reserve – realised.

Cash and liquid resources

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

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

The Company's receivables are initially recognised at fair value which is normally transaction cost and subsequently measured at amortised cost.

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.

As the Company is now registered as an AIFM, it is subject to externally imposed capital requirements, namely if the value of assets under management (AUM) exceeds €250 million then an additional amount of Company funds equal to 0.02% of the excess over €250 million (subject to a cap of €10 million capital requirement) will be required.

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

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

Capital redemption reserve – represents the nominal value of shares bought back from shareholders and cancelled from share capital.

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

Capital reserve realised – when an investment is sold, any balance held in Capital reserve unrealised is transferred to Capital reserve realised on disposal, as a movement in reserves.

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

Revenue reserve – net revenue profits and losses of the Company.

Functional and presentational currency
The financial statements are presented in Sterling (£). The functional currency is also Sterling (£).

2. Income

Accounting Policy
Investment income includes interest earned on 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 it is probable 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.

Disclosure

	28 February 2017 £'000	29 February 2016 £'000
Loan note interest receivable	59	45
Income receivable on money market securities and bank balances	20	70
Dividends receivable from fixed asset investments	779	701
	858	816

3. Investment Management Fees

	28 February 2017			29 February 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	353	1,059	1,412	340	1,021	1,361

Octopus 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 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 set at 2% of the Company's net assets.

The Company now pays ongoing adviser charges to Independent Financial Advisers (IFA's). Ongoing adviser charges are an ongoing fee of up to 0.5% per annum for a maximum of 9 years paid to Advisers who are on an advised and ongoing fee structure. The Company is rebated for this cost by way of a reduction in the annual management fee. For the year to 28 February 2017 the rebate received was £114,000 (2016: £135,000).

Where an investor agreed to an upfront fee only, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional new shares for the investor. In these circumstances the Company does not facilitate ongoing annual payments. To ensure that the Company is not financially disadvantaged by such payment, a notional ongoing advisor charge equivalent to 0.5% per annum will be deemed to have been paid by the Company for a period of nine years. The Company is rebated for this cost, also by way of a reduction in the annual management fee. For the year to 28 February 2017 the rebate received was £141,000 (2016: £nil).

The Company also receives a reduction in the management fee for the investments into other Octopus managed funds, being the Octopus Portfolio Manager and Micro Cap products, to ensure the Company is not double charged on these products. This amounted to £24,000 for the year to 28 February 2017 (2016: £nil).

During the year Octopus charged gross management fees of £1,691,000 (2016: £1,496,000). At the year end there was £399,000 payable to Octopus (2016: £360,000). Octopus received £348,000 as a result of upfront fees charged on allotments of Ordinary shares (2016: £263,000).

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

4. Other Expenses

Accounting Policy

All expenses are accounted for on an accruals basis.

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

Disclosure

	28 February 2017 £'000	29 February 2016 £'000
Directors' remuneration	**78**	79
IFA charges	**114**	135
Registrars' fees	**94**	68
Audit fees	**25**	22
Printing and postage	**26**	17
Legal and professional fees	**–**	10
VCT monitoring fees	**10**	10
Brokers' fees	**6**	6
Directors and officers liability insurance	**6**	6
Tax advisory fees	**3**	2
Other administration expenses	**65**	101
	427	456

The fees payable to the Company's auditor are stated net of VAT and the VAT is included within other administration expenses.

The ongoing charges of the Company were 2.0% of average net assets during the year to 28 February 2017 (2016: 2.3%).

5. Directors' Remuneration

Directors' emoluments	**28 February 2017 £'000**	29 February 2016 £'000
Roger Smith	**22**	18
Stephen Hazell-Smith	**19**	18
Michael Reeve (Retired on 7 July 2016)	**9**	25
Marion Sears (Retired on 6 October 2016)	**11**	18
Joanne Parfrey (Appointed on 6 October 2016)	**8**	–
Neal Ransome (Appointed on 6 October 2016)	**9**	–
	78	79

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 (2016: four). The above table represents the gross remuneration received by the Directors and excludes Employer's National Insurance contributions, which amounted to £6,000 (2016: £6,000). The Directors received £nil pension contributions from the Company during the year (2016: £nil).

Key management personnel during the year were Andrew Buchanan and Kate Tidbury, as Investment Managers employed by Octopus.

6. Tax on Profit/(Loss) on Ordinary Activities

Accounting Policy

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

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Disclosure

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

Factors affecting the tax charge for the current year:

The tax charge for the year differs from the companies rate of corporation tax in the UK of 20.0% (2016: 20.0%). The differences are explained below.

Tax reconciliation	**28 February 2017 £'000**	29 February 2016 £'000
Profit on ordinary activities before taxation	**15,123**	742
Current tax at 20.0% (2016: 20.0%)	**3,025**	148
Effects of		
Non-taxable income	**(160)**	(143)
Non-taxable capital gains	**(3,221)**	(349)
Excess management expenses on which deferred tax not recognised	**356**	344
Total 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 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 2017, there is an unrecognised deferred tax asset of £1,359,000 (2016: £1,327,000) in respect of accumulated surplus management expenses of £7,553,000 (2016: £7,369,000), based on a prospective corporation tax rate of 17% (2016:18%). This deferred tax asset could in future be used against taxable profits. The reduction in the standard rate of corporation tax was substantively enacted on 26 October 2015 and will be effective from 1 April 2020.

7. Dividends

Accounting Policy

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.

Disclosure

	28 February 2017 £'000	29 February 2016 £'000
Dividends paid on Ordinary shares during the year		
Final dividend – 2.5p per share paid 22 July 2016 (2016: 2.8p per share)	**2,111**	2,042
Special dividend – nil per share (2016: 4.0p per share)	**–**	2,917
Interim dividend – 2.5p per share paid 20 January 2017 (2016: 2.5p per share)	**2,180**	1,822
	4,291	6,781

	28 February 2017 £'000	29 February 2016 £'000
Dividends in respect of the year		
Interim dividend – 2.5p per share paid 20 January 2017 (2016: 2.5p per share)	**2,180**	1,822
Final dividend proposed: 3.0p per share payable 4 August 2017 (2016: 2.5p per share)	**2,621**	2,080
	4,801	3,902

Under Section 32 of FRS 102 'Events After Balance Sheet Date', dividends payable at year end are not recognised as a liability in the financial statements.

The above proposed final dividend is based on the number of shares in issue at the date of this report. The actual dividend paid may differ from this number as the dividend payable will be based on the number of shares in issue on the record date and will reflect any changes in the share capital between the year end and the record date.

8. Earnings per share

	28 February 2017			29 February 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit attributable to ordinary shareholders	**78**	**15,045**	**15,123**	20	722	742
Earning per Ordinary share	**0.1p**	**17.7p**	**17.8p**	0.0p	1.0p	1.0p

The earnings per share is based on 84,880,191 Ordinary shares (2016: 72,226,744), 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

	28 February 2017 £'000	29 February 2016 £'000
Net assets	**99,915**	77,224
Shares in issue	**87,366,893**	76,011,211
Net Asset Value per share	**114.4p**	101.6p

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

10. Fixed Asset Investments

Accounting Policy

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

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 102, the investments are measured as being fair value through profit or loss ("FVTPL") on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

In the case of investments admitted to trading 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. This is consistent with the IPEV 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.

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

Fair value hierarchy

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

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

There have been no transfers between these classifications in the year (2016: £nil). The change in fair value for the current and previous year is recognised through the profit and loss account.

	Level 1: Quoted investments £'000	Level 3: Unquoted investments £'000	Total £'000
Cost at 1 March 2016	42,619	1,062	43,681
Opening unrealised gain at 1 March 2016	21,157	(260)	20,897
Valuation at 1 March 2016	**63,776**	**802**	**64,578**
Purchases at cost	3,391	–	3,391
Disposal proceeds	(3,486)	–	(3,486)
Gain on realisation of investments	1,178	–	1,178
Change in fair value in year	14,203	55	14,258
Closing valuation at 28 February 2017	**79,062**	**857**	**79,919**
Cost at 28 February 2017	42,081	1,062	43,143
Closing unrealised gain at 28 February 2017	36,981	(205)	36,776
Valuation at 28 February 2017	**79,062**	**857**	**79,919**

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

Level 3 investments are valued in accordance with IPEV Guidelines. Hasgrove is valued at the latest buyback price, prior to delisting, whilst Rated People is valued at the latest fundraise price. Nektan and Access Intelligence loans are held at cost.

All investments are measured as fair value through profit or loss at the time of acquisition, and all capital gains or losses on investments are so measured. 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 holding gains or losses.

At 28 February 2017 there were no commitments in respect of investments approved by the Manager but not yet completed (2016: £nil).

The Company holds investments where over 3% equity stake is held. Please see pages 8 to 10 for further details.

11. Current Asset Investments

Accounting Policy

Current asset investments comprise of OEICs, 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 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.

Disclosure

Current asset investments at 28 February 2017 and at 29 February 2016 comprised of money market funds* and deposits and OEICs. These fall into level 1 of the fair value hierarchy as defined in the Fixed asset investment accounting policy in Note 10 above.

	28 February 2017 £'000	29 February 2016 £'000
Money Market Funds	**5,290**	5,269
OEICs:		
Octopus Portfolio Manager – Conservative Capital Growth	**4,153**	–
Octopus Portfolio Manager – Defensive Capital Growth	**4,049**	–
Octopus UK Micro Cap Growth Fund	**1,366**	–
	14,858	5,269

*Money market funds represent money held pending investment and can be accessed with one working days' notice.

12. Debtors

	28 February 2017 £'000	29 February 2016 £'000
Prepayments and accrued income	**48**	48
Other Debtors	**284**	–
	332	48

13. Creditors: amounts falling due within one year

	28 February 2017 £'000	29 February 2016 £'000
Accruals	**545**	134
Trade Creditors	**40**	404
Other Creditors	**8,288**	1,884
	8,873	2,422

Creditors includes £8,288,000 cash held on behalf of the Company and AIM VCT 2 PLC (also managed by Octopus Investments) to be allotted as part of the current share offer (2016: £1,884,000). Of this £4,973,000 (2016:£1,130,000) is attributable to the Company.

14. Share Capital

	28 February 2017 £'000	29 February 2016 £'000
Allotted and fully paid up:		
87,366,893 Ordinary shares of 1p (2016: 76,011,211 shares of 1p)	**873**	760

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 2. As the Company is now registered as an AIFM, it is subject to externally imposed capital requirements, namely if the value of assets under management (AUM) exceeds €250 million then an additional amount of Company funds equal to 0.02% of the excess over €250 million (subject to a cap of €10 million capital requirement) will be required.

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

Date	Number of shares	Price per share (p)	Total value of shares (£)
24 March 2016	417,359	97.5	406,925
22 April 2016	331,981	101.0	335,301
20 May 2016	186,857	100.0	186,857
01 July 2016	25,000	90.5	22,625
15 July 2016	199,953	93.5	186,956
12 August 2016	142,015	100.0	142,015
16 September 2016	282,728	102.5	289,796
11 November 2016	314,476	100.8	316,992
16 December 2016	97,229	105.0	102,090
20 January 2017	61,463	105.4	64,782
Total	**2,059,061**		**2,054,339**

The total nominal value of the shares repurchased for cancellation was £20,591 representing 2.36% of the issued share capital.

The Company issued the following shares during the year to 28 February 2017:

Date	Number of shares	Price per share (p)	Total value of shares (£)
10 March 2016	1,755,594	108.2	1,899,553
10 March 2016 (DRIS)	533	106.2	566
30 March 2016	2,730,270	108.8	2,970,534
05 April 2016	2,362,215	108.8	2,570,090
14 April 2016	671,247	110.6	742,399
12 May 2016	614,642	111.2	683,482
22 June 2016	1,240,950	110.4	1,370,009
22 July 2016 (DRIS)	233,013	99.6	232,081
05 August 2016	1,197,065	109.8	1,314,377
09 September 2016	1,415,527	114.1	1,615,116
09 September 2016 (DRIS)	190	99.6	189
03 October 2016	974,502	115.5	1,125,550
20 January 2017 (DRIS)	233,657	110.4	257,957
Total	**13,429,405**		**14,781,903**

15. Reconciliation of Movements in Equity

	28 February 2017 £'000	29 February 2016 £'000
Shareholder funds at start of the year	**77,224**	72,612
Return on ordinary activities after tax	**15,123**	742
Shares bought for cancellation	**(2,054)**	(1,499)
Issue of shares	**13,913**	12,469
Decrease in shares to be issued	**–**	(319)
Dividends paid	**(4,291)**	(6,781)
Shareholder funds at end of year	**99,915**	77,224

Included within these reserves is an amount of £26,130,000 (2016: £33,899,000) which is considered distributable to shareholders.

16. Financial Instruments and Risk Management

The Company's financial instruments comprise equity investments, OEICs, 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 companies admitted to trading on AIM and NEX Exchange whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

	28 February 2017 £'000	29 February 2016 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments	**79,919**	64,578
Money market securities	**5,290**	5,269
OEICs	**9,568**	–
Total financial assets at fair value through profit or loss	**94,777**	69,847
Financial assets measured at amortised cost		
Cash at bank	**13,679**	9,751
Debtors	**54**	48
Total financial assets measured at amortised cost	**13,733**	9,799
Financial liabilities measured at amortised cost		
Creditors	**(8,595)**	(2,422)
Total financial liabilities measured at amortised cost	**(8,595)**	(2,422)

The Company holds two qualifying, unquoted investments; Rated People Limited and Hasgrove plc, which delisted from AIM in 2013, are valued using the recent transaction price. The Company also holds two unquoted loan note investments, with a combined value of £620,000, held at cost. These were issued by two quoted holdings, Access Intelligence plc and Nektan Limited.

Fixed and current asset investments (see Notes 10 and 11) are initially recognised at fair value through profit and loss. For quoted investments this is bid price. The Directors believe that the fair value of the assets held at the year end is equal to their book value. Unquoted investments are valued in accordance with IPEV Guidelines.

The Company's creditors and debtors are initially recognised at fair value which is usually the transaction cost and subsequently measured at amortised cost using the effective interest method.

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.

17. Financial Risk Management

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

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 2. 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 26 to 29, 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 Manager's Review on pages 8 and 9.

By value 79.1% (2016: 82.6%) of the Company's net assets comprises equity securities listed on the London Stock Exchange or admitted to trading on AIM. A 10% increase in the bid price of these securities as at 28 February 2017 would have increased net assets and the total return for the year by £7,906,000 (2016: £6,378,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount. The unquoted investments are not exposed to significant market risk.

OEIC investments comprised 9.6% of the Company's net assets by value (29 February 2016: 0%). A 10% increase in the price of these securities at 28 February 2017 would have increased net assets by £957,000; 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 0.25% at 28 February 2017 (2016: 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	28 February 2017 £'000	29 February 2016 £'000
Money Market Funds	**5,290**	5,269
Cash at bank	**13,679**	9,751
	18,969	15,020

A 1% increase in the base rate would increase income receivable from these investments for the year by £189,690 (2016: £150,200).

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. Where financial assets expose the Company to credit risk, the carrying values of financial assets represent the maximum exposure at the balance sheet date.

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 Octopus. 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's interest-bearing deposit and current accounts are maintained with BlackRock.

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 28 February 2017 or 29 February 2016.

Liquidity risk
The Company's financial assets include investments in AIM-traded 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 OEIC investments are considered to be readily realisable as under the terms of the product, funds can be withdrawn at any point and received within 7 working days. There is a risk that the value of the investment will fall, but this is monitored continually by the Investment Manager.

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 2017 these investments were valued at £28,537,000 (2016: £15,020,000).

18. Post Balance Sheet Events

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

- Six new investments totalling £3.0m completed in Faron Pharmaceuticals, UP Global Sourcing Holdings, Medica Group, Maxcyte Inc, Escape Hunt plc and Velocity Composites.
- Disposal of 600,000 shares in Netcall for total consideration of £371,000 and 24,000 shares in Wandisco for total consideration of £99,000.
- The Company repurchased the following shares:

Date	Number of shares	Price per share (p)	Total value of shares (£)
03 March 2017	174,092	109.3	190,283
13 April 2017	259,620	111.0	288,178
Total	**433,712**		**478,461**

- The Company issued the following shares:

Date	Number of shares	Price per share (p)	Total value of shares (£)
03 March 2017	3,454,226	121.1	4,183,068
13 April 2017	195,145	123.0	240,028
Total	**3,649,371**		**4,423,096**

19. Contingencies, guarantees and financial commitments

At 28 February 2017 there were no commitments in respect of investments approved by the manager but not yet completed (2016: £nil).

20. Related Party Transactions

The Company has employed Octopus throughout the year as Investment Manager. Octopus have also been appointed the custodian of the Company's investments under a Custodian Agreement.

The Company has paid Octopus £1,412,000 (2016: £1,361,000) in the year as a management fee. The management fee is payable quarterly in arrears and is based on 2.0% of net assets at quarterly intervals.

The Company has invested £8.9 million into Octopus managed funds, being the Octopus Portfolio Manager and Micro Cap funds. To ensure the Company is not double charged management fees on these products, the Company receives a reduction in the management fee as a percentage of the value of these investments.

Octopus received £nil (2016:£nil) transaction fees and directors' fees from investee companies.

See Note 3 to the financial statements for more information on the management fee charges and rebates

Shareholder Information and Contact Details

Octopus AIM VCT plc was launched as Close AIM VCT PLC in the 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 £15.0 million 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 re-designated into New Ordinary shares.

With effect from 1 August 2008, the management of the Company was transferred to Octopus.

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 offer raised £1.9 million, closing on 5 April 2012.

A further offer was launched on 25 April 2012 and closed on 31 July 2012. The offer 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.

An offer for subscription of up to £10 million, which opened on 1 February 2013 and closed on 17 December 2013, raised £9.4 million. The Company opened a non-prospectus offer to raise £4.1 million that opened on 2 February 2014 and closed fully subscribed on 28 March 2014.

A combined fundraise with Octopus AIM VCT 2 plc by way of an issue of new shares was launched on 29 August 2014 to raise up to £12 million with an over-allotment facility of £6 million. This offer closed, fully subscribed, on 1 July 2015.

A further combined fundraise with Octopus AIM VCT 2 plc by way of an issue of new shares was launched on 21 December 2015 to raise up to £12 million with an over-allotment facility of £6 million. This offer closed, fully subscribed, on 3 October 2016.

An Offer for subscription to raise up to £4.3 million by way of an issue of new shares was launched on 6 February 2017 to raise up to £4.3 million. This offer closed to new applications, fully subscribed, on 27 February 2017.

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:

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

The 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 including the provisions of chapter 3 of the Income Tax Act 2007; in particular s280A:

- 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 a company admitted to trading on AIM (or an unquoted UK company) 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.

VCT Legislation

The 2015 Summer Budget introduced legislation designed to ensure that VCTs comply with changes to the EU State Aid rules. The legislation introduced new criteria which stipulate a lifetime cap on the total amount of State Aid investment a company can receive, the age of companies which are eligible for investment and specific requirements relating to the use of the funds raised. The Board, in conjunction with the Manager, has reviewed the impact of the new legislation on the Company's investment strategy and has concluded that it expects there to be sufficient investment opportunities to enable the Manager to comply with the new rules and to continue to generate attractive returns for shareholders.

Dividends

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

Queries relating to dividends, shareholdings or requests for mandate forms should be directed to Computershare by calling **0370 703 6325** (calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Computershare Investor Services PLC are open between 9.00 am – 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.), or by writing to them at:

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

The following table shows the Net Asset Value 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 2015/16	Ordinary shares 2014/15	Ordinary shares 2013/14	Ordinary shares 2012/13	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										37.24		
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*	5.00	1.47*	1.36*	3.06*	2.27
31 August 2011					2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
29 February 2012					2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
31 August 2012					2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
28 February 2013				2.76*	2.59*	2.64*	2.79*	2.50	1.47*	1.36*	1.53*	1.13
31 August 2013			2.40*	2.76*	2.59*	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
28 February 2014		1.96*	2.40*	2.76*	2.59*	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
31 August 2014		2.35*	2.90*	3.31*	3.11*	3.17*	3.36*	3.00	1.76*	1.63*	1.74*	1.29
28 February 2015	2.17*	1.96*	2.40*	2.73*	2.59*	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.07
31 August 2015	5.90*	5.32*	6.51*	7.50*	7.04*	7.19*	6.80*	6.80	3.99*	3.70*	3.95*	2.92
29 February 2016	2.17*	1.96*	2.39*	2.76*	2.59*	2.64*	2.50*	2.50	2.58*	2.39*	1.45*	1.07
31 August 2016	2.17*	1.96*	2.39*	2.76*	2.59*	2.64*	2.50*	2.50	1.47*	1.36*	1.45*	1.07
28 February 2017	2.17*	1.96*	2.39*	2.76*	2.59*	2.64*	2.50*	2.50	1.47*	1.36*	1.45*	1.07
Cumulative dividends paid	**14.58**	**17.46**	**23.80**	**30.09**	**36.04**	**42.05**	**42.84**	**60.85**	**48.84**	**93.86**	**41.21**	**54.56**
Adjusted NAV as at 28 February 2017 (assuming initial investment at 100p)**	**99.30**	**89.50**	**109.60**	**126.10**	**118.40**	**120.90**	**127.96**	**114.40**	**67.10**	**62.30**	**66.40**	**49.20**
Adjusted NAV plus cumulative dividends paid***	**113.88**	**106.96**	**133.40**	**156.19**	**154.44**	**162.95**	**170.80**	**175.25**	**115.94**	**156.16**	**107.61**	**103.76**

Following the merger with Octopus Phoenix VCT Plc and various share reorganisations, there is 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.

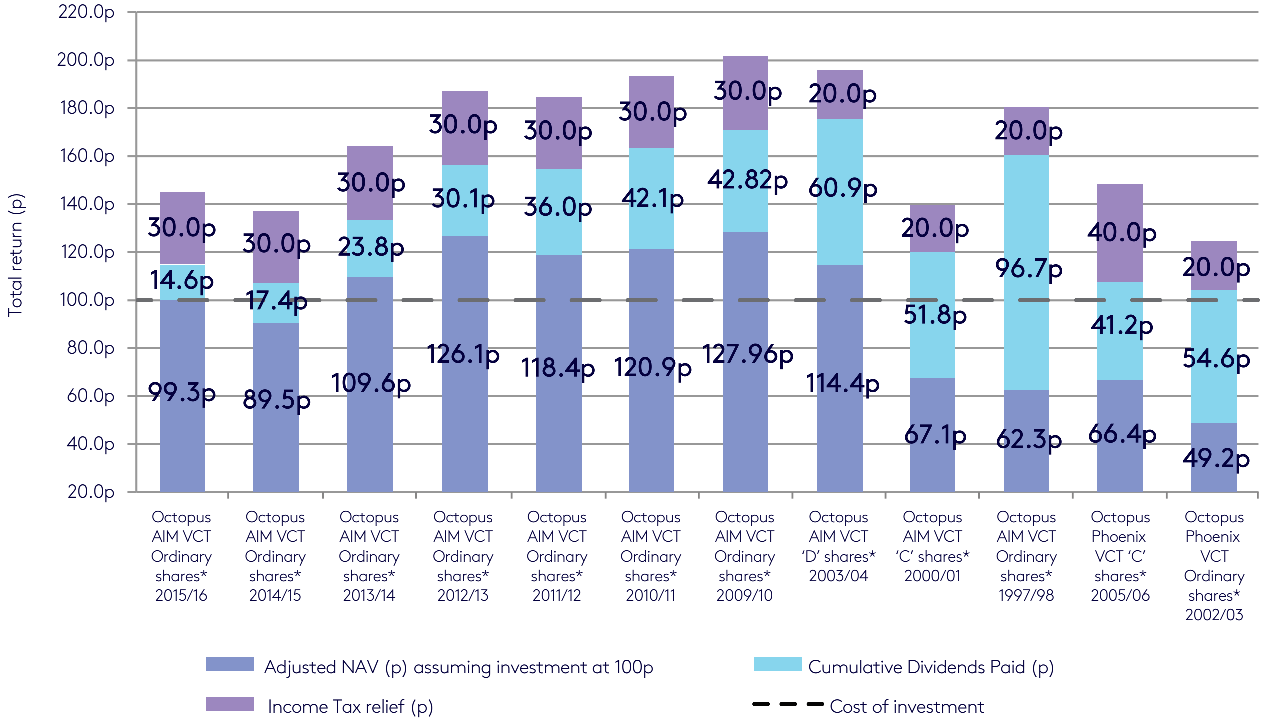
*Notional dividends adjusting for conversion & assuming an investment at 100p, of Phoenix 'C' shares into Phoenix Ordinary shares, and relevant AIM VCT shares into AIM VCT Ordinary shares.

**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 where appropriate, assuming an investment at 100p, showing the notional return to shareholders based on their original investment share class.

The proposed final dividend of 3p per share will, if approved by shareholders, be paid on 4 August 2017 to shareholders on the register on 7 July 2017.

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 that date, 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 page 56. Investment has been assumed at the first allotment of each tax year.

Dividend Reinvestment Scheme ("DRIS")

The Company established a DRIS in 2014, under which shareholders are given the opportunity to automatically re-invest future dividend payments by subscribing for new Ordinary Shares. This allows participating shareholders to re-invest the growth in their shareholdings and, subject to personal circumstances, benefit from additional income tax reliefs.

Any shareholder wishing to reinvest their dividends can request a DRIS instruction form by calling Computershare on **0370 703 6325**. The application form and rules can also be found in the Document Library on the Octopus website: **www.octopusinvestments.com/investors/shareholder-information/aim-vct-plc/**.

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 (18 May 2017)	115.5p per share

Buying and selling shares

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

Buyback of Shares

The Company operates a policy of buying its own shares for cancellation as they become available, and envisages that purchases will be made at a 5% discount to the prevailing NAV. The Company is, however, unable to buy back shares directly from shareholders. If you are considering selling your shares or trading in the secondary market, please contact Panmure Gordon (UK) Limited, the Company's broker.

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

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

Secondary Market

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

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

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

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to Computershare, under the signature of the registered holder or via the Computershare online share portal at: **www-uk.computershare.com/investor/**. Computershare's contact details are provided on page 61.

Other information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Investment Manager's website at **www.octopusinvestments.com** by navigating to Investor, Shareholder Information, Octopus AIM VCT plc. Other statutory information can also be found there. For any queries regarding access to this, please call Octopus on **0800 316 2295**.

Electronic Communications

We also publish reports and accounts and all other correspondence electronically. This cuts the cost of print and reduces the impact on the environment. If, in future, you would prefer to receive a letter or email telling you a report is available to view or to receive documents by email, please complete the enclosed form or contact Octopus on **0800 316 2295** or

Computershare on **0370 703 6326**. Alternatively you can sign up to receive e-communications via the Computershare online shareholder portal: **www-uk.computershare.com/investor/**.

Warning to Shareholders

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

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

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

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

Directors and Advisers

Board of Directors
Roger Smith (Chairman)
Stephen Hazell-Smith
Joanne Parfrey
Neal Ransome

Company Number
Registered in England No: 03477519

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

Investment and Administration Manager
Octopus Investments Limited
33 Holborn
London
EC1N 2HT
Tel: 0800 316 2295
www.octopusinvestments.com

Custodians
Octopus Investments Limited
33 Holborn
London
EC1N 2HT

Bankers
HSBC Bank Plc
31 Holborn
London
EC1N 2HR

Independent Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Taxation Advisor
PricewaterhouseCoopers UK
1 Embankment Place
London
WC2N 6RH

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

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0370 703 6325
(calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate.)
www.computershare.com/uk
www-uk.computershare.com/investor/

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus AIM VCT plc (the "Company") will be held at 33 Holborn, London, EC1N 2HT on Thursday, 20 July 2017 at 11.00 am for the purposes of considering and if thought fit, passing the following resolutions of which resolutions 1 to 10 and 13 will be proposed as Ordinary resolutions and resolutions 11 and 12 will be proposed as Special resolutions:

Ordinary Business

1. To receive and adopt the financial statements for the year to 28 February 2017 and the Directors' and Auditor's Reports thereon.

2. To approve a final dividend of 3.0 pence per share.

3. To approve the Directors' Remuneration Policy.

4. To approve the Directors' Remuneration Report.

5. To elect Joanne Parfrey as a Director.

6. To elect Neal Ransome as a Director.

7. To re-elect Roger Smith as a Director.

8. To re-elect Stephen Hazell-Smith as a Director.

9. To re-appoint BDO LLP as auditor of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider and if thought fit, pass Resolutions 10 and 13 as Ordinary Resolutions and Resolutions 11 and 12 as Special Resolutions:

10. 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 18,116,510 shares (representing approximately 20% of the Ordinary share capital in issue as at the date of this Notice, such authority to expire at the later of the conclusion of the Company's 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).

11. 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 10 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.

12. 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 number of Ordinary shares so authorised to be purchased shall not exceed 9,058,255 Ordinary shares;

(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 the higher of (i) 105% 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; and (ii) the amount stipulated by Article 5(b) of the Market Abuse Regulations;

(d) the authority conferred by this resolution 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, unless renewed, varied or revoked by the Company in general meeting; 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.

13. Continuation of the company as a VCT

To continue the Company as a Venture Capital Trust until 2023.

By order of the Board

Nicola Board

Nicola Board ACIS
Company Secretary
19 May 2017

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) It is defamatory of any person; or

(iii) It is frivolous or vexatious.

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

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

(j) As at 18 May 2017 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 90,582,552 Ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 18 May 2017 are 90,582,552.