Octopus AIM VCT plc

Annual Report and Accounts for the year ended 28 February 2021

Company number: 03477519

For UK investors only

octopus investments

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

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Financial Summary

	Year to 28 February 2021	Year to 29 February 2020
Net assets (£'000)	**182,156**	115,110
Profit after tax (£'000)	**50,850**	992
Net asset value ("NAV") per share (p)	**124.7**	93.3
Dividends per share paid in year (p)	**5.5**	9.0
Total return (%)*	**39.5**	1.3
Final dividend proposed (p)**	**3.5**	3.0
Special dividend proposed (p)**	**2.5**	–
Total ongoing charges (%)***	**1.7**	1.9

*Total return is an alternative performance measure calculated as movement in NAV per share in the period plus dividends paid in the period, divided by the NAV per share at the beginning of the period.

**Both the special dividend and, subject to shareholder approval at the Annual General Meeting, the proposed final dividend, will be paid on 13 August 2021 to shareholders on the register on 9 July 2021.

***Total ongoing charges is an alternative performance measure calculated using the AIC recommended methodology.

Definitions of key terms and alternative performance measures shown above and throughout this report are shown in the Glossary of Terms on Page 69.

Key Dates

Annual General Meeting	22 July 2021
Final dividend payment date	13 August 2021
Half-yearly results to 31 August 2021 announced	November 2021
Annual Results to 28 February 2022 announced	May 2022
Annual Report and Accounts published	June 2022

Chairman's Statement

Introduction
I am pleased to present the Annual Report of the Octopus AIM VCT for the year ended 28th February 2021. I would like to welcome all new shareholders who have joined in the year.

It has been an extraordinary year, beginning just as serious concerns about a new strain of coronavirus, which had emerged from China and was spreading in Europe were gathering pace. Subsequent events have had an impact on peoples' lives, jobs and the wider economy as well as on stock market sentiment both here and around the world.

A total lockdown of our economy in March to protect the National Health Service and to save lives was accompanied by a sharp fall in stockmarket indices which only started to stabilise once our government, in common with others around the world indicated that they were prepared to intervene in any way necessary to contain the financial impact of the pandemic. This was a signal for share prices to start to recover and although there remained volatile months, indices continued to rise despite the Government being forced to lock down again when further waves of the disease hit in November and January.

In the year under review AIM has raised £6.2 billion of further and new capital for companies, a sharp increase on the £3.7 billion raised in the previous year. It was really encouraging to see existing AIM companies successfully raising funds to see them through the crisis, emphasising the advantages of a public market listing. Unsurprisingly the number of new issues remained below average although our investment manager has reported a significant uptick since the start of 2021 with more new companies looking to come to public markets in the next six months. Against this background Octopus AIM VCT made £9.6 million of VCT qualifying investments in the period.

In the year under review, the Company raised £27.8 million net of costs through the issue of new shares and continued to buy back shares from shareholders wishing to sell.

Performance
Adding back the 5.5p of dividends paid out in the year, the NAV per share total return was a pleasing +39.5%. To provide context in the same twelve months the FTSE AIM All-Share Index rose by 39.3%, the FTSE SmallCap (excluding investment companies) Index rose by 21.5% and the FTSE All-Share Index rose by 3.5%, all on a total return basis.

Once again stock specific factors had a significant impact on performance, both positive and negative, and these are covered in more detail in the Manager's review. The need for businesses to adhere to lockdown rules has meant that individual company performances have been even more polarised than usual, although the portfolio's relatively high exposure to the software, environmental and healthcare sectors has provided a significant boost to returns. The purpose of a VCT is to provide capital for small growth companies and 2020 has seen strong performance from those exposed to the new economy which make up a significant proportion of our investment portfolio.

Further details of performance are contained in the Investment Manager's Review on pages 4 to 15.

Dividends
In January 2021 an interim dividend of 2.5p was paid to all shareholders in addition to the 3.0p final dividend for the prior year that had been paid in August 2020. The Board has considered the level of dividend in the context of recent share price movements and on this occasion has chosen to raise the final dividend to 3.5p. In addition, as a result of a number of partial and full disposals of holdings at a profit during the year the board is proposing a special dividend of 2.5p which will be paid at the same time as the final dividend, giving a total payment for the year of 8.5p. This represents a 7.1% yield based on the share price of 119.5p on 28 February 2021. The Board hopes to be able 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.

Cancellation of Share Premium Account
At the last General Meeting, shareholders voted to cancel share premium to create a pool of distributable reserves to the amount of £35.4 million. This is a regular occurrence to enable the continued payment of dividends and buyback of shares. A further resolution to cancel share premium is being proposed at this year's Annual General Meeting

Dividend Reinvestment Scheme
In common with many other VCTs in the industry, the Company has established a Dividend Reinvestment Scheme ("DRIS"). Some shareholders have already taken advantage of this opportunity. For investors who do not require 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 1,328,650 new shares have been issued under this scheme, returning £1.4 million to the Company. The final dividend referred to above will be eligible for the DRIS.

Share Buybacks
During the year to 28 February 2021 the Company continued to buy back and cancel shares in the market from selling shareholders and purchased 3,867,733 Ordinary shares for a total consideration of £3.9 million. We have maintained a discount of approximately 4.5% to NAV (equating to a 5.0% discount to the selling shareholder after costs), which the 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 the Company to grow. As such I hope you will all support the appropriate resolution at the AGM.

Board Changes

At the time of the interim results I welcomed Andrew Boteler who joined the board in March 2020 and whose election was ratified by shareholders at the Annual General Meeting in July. I should now like to announce that after serving on this board since the company was launched in 1998 and as Chairman since 2016 it is now time for me to retire, and I shall not be offering myself for re-election at the forthcoming AGM. I am very pleased to announce that Neal Ransome, who has been a board member since 2016 is to take over as Chairman and Andrew Boteler will chair the audit committee.

Share Issues

During the year 9,686,020 shares were issued under the fundraise that launched on 29 November 2019 and closed on 27 February 2020 raising £9 million after costs.

On 20 August 2020, a prospectus offer was launched alongside Octopus AIM VCT 2 plc to raise a combined total of up to £20 million with a £10 million over allotment facility. This prospectus closed to further applications on 30 November 2020. 15,501,587 shares were issued in the current period, raising £17.2 million after costs.

VCT Status

PricewaterhouseCoopers LLP ("PwC") provides the Board and Investment Manager with advice concerning continuing compliance with HMRC regulations for VCTs. The Board has been advised that Octopus AIM VCT remains in compliance with conditions laid down by HMRC for maintaining approval as a VCT. From 1 March 2020 a key requirement is to maintain at least an 80% qualifying investment level, up from the previous level of 70%. As at 28 February 2021 91.8% of the portfolio as measured by HMRC rules was invested in qualifying investments.

Annual General Meeting ("AGM")

The AGM will take place on 22 July 2021 at 11:45am. In light of the UK government's public health guidelines on the Coronavirus pandemic and the interests of the safety and wellbeing of our shareholders, this year's AGM will be run as a closed meeting and shareholders will not be able to attend in person. However, we intend to host a virtual shareholder event on the same day as the AGM so that shareholders receive an update from the Investment Manager and can ask the Board and the Investment Manager questions. We would encourage all shareholders to submit their votes for the closed AGM via proxy as there will be no opportunity to vote in person. If you have a question you wish to submit to the virtual shareholder event then please send these via email to **AimAGM@octopusinvestments.com** by 5.00pm on 17 July 2021.

Further information can be found in the Directors' Report and Notice of Annual General Meeting on pages 71 and 72.

Formal notices will be sent to shareholders by their preferred method (e-mail or post).

At the AGM a resolution will be proposed to extend the life of the Company until 2027 in order to preserve its VCT status for the benefit of both existing shareholders and new investors who are participating in the latest offer.

Outlook

The recovery in share prices from their lows in March 2020 has continued with remarkably few setbacks given the seriousness of the pandemic and the need for further lockdowns. The conclusion of a Brexit deal removed some of the uncertainty which had overshadowed the UK market for some time and left shares looking relatively undervalued compared with their international competitors. A much quicker than anticipated roll out of vaccines in the UK has further buoyed share prices as investors are now looking through the pandemic as the economy starts to open up again, although there is a note of caution about whether this will lead to inflation.

The portfolio now contains 86 holdings across a range of sectors with exposure to some exciting new technologies in the software, environmental and healthcare sectors. Many of these have been able to raise funds for growth in the past year leaving them well positioned to achieve their ambitions. The balance of the portfolio towards profitable companies remains, and the investment Manager expects to continue to find good opportunities to invest the cash as a recovery in confidence sustains the current increased demand from companies for more growth capital.

Roger Smith
Chairman
27 May 2021

Investment Manager's Review

Introduction

It feels extraordinary to be reporting such a very strong appreciation in the NAV total return in what was a very turbulent year to 28 February 2021. The year started with the stockmarket already in freefall as the severity of the coronavirus pandemic was becoming apparent. This forced our government in common with others around the world to shut down economic activity to protect healthcare systems and save lives. More encouragingly, policies were then put in place to alleviate the worst of the short term social and economic damage wreaked by the virus. Even though individual volatile months followed, the market steadily recovered from its March lows once the economy demonstrated its potential to bounce back as restrictions were eased over the summer. Although we were locked down again in November amid rising cases, the share prices had started to look through the disastrous economic performance in the second quarter of 2020 and hope for better conditions with fewer restrictions to follow. The approval of the first vaccines and a rapid start to rolling them out as well as a Brexit deal achieved at the final deadline all helped sentiment as investors focused on the relative under-valuation of UK assets rather than renewed lockdown measures introduced in January.

In the year to 28 February 2021 AIM excelled itself by successfully raising new capital for its constituents across the market capitalisation range. For portfolio companies this has left many well financed for future growth plans and has particularly helped many in the healthcare and technology sectors to raise money to develop new treatments and products. The Company has deployed existing cash throughout the year as well as raising £27.8 million net of costs for future investments.

Changes to the Board of Directors

You will see from the Chairman's statement that Roger Smith, chairman since 2016 and audit chair before that is not seeking re-election at the AGM. Roger has been a member of the board of the VCT since its inception in 1998 and we as managers would like to extend our thanks to him on behalf of the board and shareholders for all his many years working on our behalf. We have particularly valued his experience and advice and welcomed his robust challenges over the years. We wish him well in his retirement.

The Alternative Investment Market

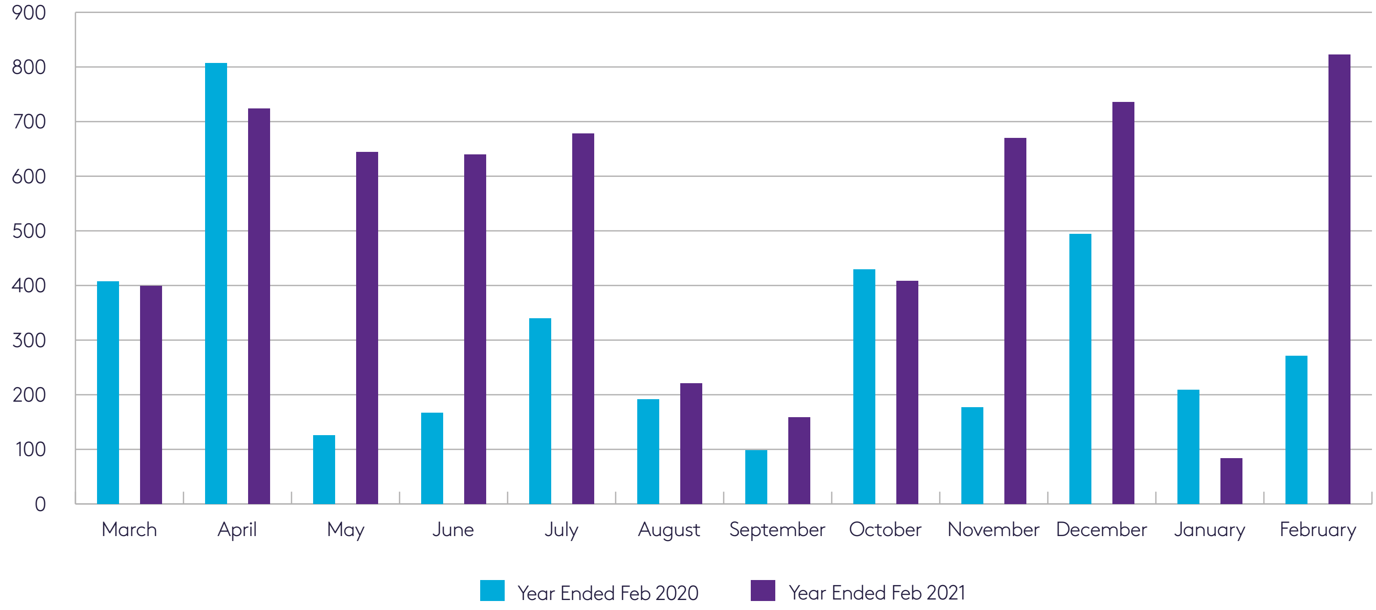
AIM was the best performing UK index in the period, reflecting a higher exposure to growth stocks in the software, technology and healthcare sectors than the wider market. In the twelve months to February 2021 the AIM Index returned 39.3%, well ahead of the Smaller Companies Index (ex-Investment Trusts) which returned a positive 21.5%. The FTSE All-Share Index only achieved a much more modest positive return of 3.5% over the same period, reflecting a much higher weighting in some of the more traditional sectors of the economy including banks, traditional retailers and manufacturing companies.

In the interim report we highlighted the success of AIM in raising new capital for its existing members. In the four months from April onwards we saw a steady procession of companies of all sizes successfully raising money to help with pandemic costs and for growth. You can see on the bar chart below that there was a brief lull in fundraisings in August and September and then a stronger finish to the year. In the twelve months to 28 February 2021 AIM raised a further £5.7 billion of new capital for existing companies which compares to a figure of £3.2 billion the previous year.

Given the background it was not really surprising that AIM raised only £0.5 billion for new companies floating on the market, the same as the previous year which had been overshadowed by Brexit uncertainty. More recent trends have been stronger and anecdotally we are hearing about a healthy pipeline of prospective new entrants from brokers which should be underpinned by a more buoyant market. VCTs play a significant part in the 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 2021.

Funds raised on AIM (£m): March 2020 – February 2021



Source: London Stock Exchange

Performance

Adding back the 5.5p of dividends paid during the year to show the total return, the NAV increased by 39.5% in the year (2020: 1.3% increase). This compares with a total return for the for the FTSE AIM All-Share Index of +39.3%, the FTSE SmallCap Index ex-Investment Trusts of +21.5%, both of which were well ahead of the FTSE All-Share Index which returned a more modest +3.5%. It was a year characterised by individual periods of significant market volatility as investors reacted to unfolding events. Initially share prices fell across the board as the seriousness of the pandemic became apparent and people and companies concentrated on the immediate priorities of keeping themselves and their employees safe. Once the dust had settled, investors quickly focused their attention on those companies showing resilience and balance sheet strength as well as those with an opportunity to capitalise on new opportunities thrown up by the pandemic. This meant that performance was more than ever dominated by stock specific factors.

Among the holdings in the pharmaceutical and healthcare sectors Ergomed had an outstanding year. Profit expectations were upgraded several times as it managed to replace some delayed cancer trials with some trials for Covid-19 drugs fairly early on in the pandemic. It has a range of services it can offer large pharmaceutical companies including the monitoring of drugs for adverse events and conducting drugs trials for very rare diseases. We expect the strong organic growth to continue in the current year.

Another healthcare stock, EKF Diagnostics also performed extremely well, achieving a series of upgrades to forecasts. Like Ergomed, some of its business was negatively impacted by Coronavirus related delays to orders as doctors saw fewer patients and conducted fewer point of care diagnostic tests. However, this was more than made up for orders for Primestore MTM, a Coronavirus sample collection device which has been in strong demand and has generated profits and cash for the Group. Maxcyte, which has developed an instrument which can produce cells safely in large volumes for cell therapy, again saw increased demand for its instruments which have now moved decisively out of the research lab and are being used to develop treatments in the clinic. Forecasts have been upgraded several times and the shares have performed exceptionally well for the VCT. It has announced an intention to seek a dual listing on Nasdaq.

Some of the smaller stocks in the healthcare sector also did very well, helped by much warmer investor attitude towards those needing funding. This has left many of them with cash on the balance sheet and therefore far better equipped for potential success than previous years. Intelligent Ultrasound successfully raised further funds and although its sales of training simulators dipped as a result of the pandemic its software has now been designed into a GE ultrasound machine. It also developed a lung module for use in the Coronavirus pandemic. Verici Dx followed Renalytix AI as a spin-out from EKF Diagnostics, raising finance on AIM. Both shares have done well in the year.

Other portfolio companies benefitted from their exposure to the new economy. The best performing of these was Trackwise Designs which signed a substantial contract with an electric vehicle manufacturer to use its improved harness technology which can also be designed into medical equipment and aircraft to save weight and space. Ilika, which is developing and starting to supply solid state batteries also performed well and both companies successfully raised funds in 2020.

Events forced many companies and individuals to change the way that they operate. In different ways Gear4Music whose high street competition was unable to open their shops in a year when demand for musical instruments was strong, Panoply Holdings which specialises in helping the public sector to embrace efficient ways of working in a digital world and Hasgrove which saw a strong demand for its intranet solution for internal communications were all beneficiaries. GB Group was another strong performer and remains one of the largest holdings in the portfolio even after taking significant profits in the year. Where a company is established and has grown in size we will continue to hold the shares if we still believe it has the capacity to grow further on a medium term time horizon. This helps to balance the portfolio as newly raised cash is invested in earlier stage companies which could take some time to achieve profitability. More details on the performance of individual holdings can be seen on pages 9 to 11.

A few portfolio companies suffered from pandemic related headwinds which resulted in poor share price performances. Quixant, held back in 2019 by the loss of market share of its largest customer was further impacted in 2020 by the closure of its customer base during lockdown. Sales in this division are now stable and it has some exciting new products for the broadcasting sector and a strong balance sheet. Equals Group suffered from a loss of currency trades from tourists using its platform to exchange money. We sold the shares at a loss. Velocity Composites and Mycelx have customers in sectors badly impacted by the pandemic and its economic consequences and so have faced a challenging year. Breedon Group had to cease trade completely in March 2020 although it was allowed to operate in the subsequent lockdowns and we expect demand to rebound strongly in 2021 as the government looks to increase capital spending on building projects. Its shares have therefore already recovered well.

Those consumer facing companies forced to shut faced significant challenges. Vertu Motors was able to adapt relatively swiftly to an on-line world and was helped by being able to keep its workshops open in recent lockdowns. This was not possible for Escape Hunt or Tasty which have only recently been able to start trading again. The VCT does not have a high exposure to consumer facing businesses.

Several portfolio companies found it harder to sell to customers during the pandemic. Adept Telecom's share price suffered from lacklustre figures held back by a decline in demand for on premise telephony solutions adding to the longer term decline of its voice and lines business. However, other areas did well, particularly its connectivity services to London schools. We expect growth to accelerate now that this is no longer a significant part of the business. Restore was also impacted by lockdown which left offices empty and recycling services demand lower. Mattioli Woods and Brooks Macdonald had their revenues impacted by lower market valuations on which revenue is calculated and the difficulty of winning new clients while the country was in lockdown. Among the smaller software holdings Osirium, Falanx and DXS all reported similar problems accessing customers and closing deals.

Investing for a VCT involves backing companies when they are still at a very early stage of development and share price progress depends on them being noticed by a wider pool of investors as they grow over time. This quite often takes longer than first expected and they remain potentially vulnerable until they become profitable and self-financing. Our fear in April 2020 was that the pandemic would make raising enough finance to achieve this much harder. To the credit of AIM investors this has not turned out to be the case and even those companies which have faced more difficult trading conditions have in many cases emerged with stronger balance sheets in 2021.

Although the earlier stage companies in the portfolio represent a relatively small proportion by value we expect them to contribute to future performance as their businesses gather momentum. In the year under review there were some examples of companies that demonstrated that they had started to achieve that resulting in share price outperformance. Examples included Ixico, SDI Group, PCI Pal, Synairgen and Renalytix AI. The last of these was spun out of the holding in EKF Diagnostics since when it has made better than expected progress with its commercialisation strategy for its kidneyintelx test in the US as well as achieving a Nasdaq listing.

Portfolio Activity

Having made eleven qualifying investments at a total cost of £5.8 million in the first half of the year, we added seven further qualifying holdings at a cost of £3.8 million in the second half. A total of £9.6 million was well ahead of the £6.3 million invested in the previous year, and the momentum has continued since the year end with a further £5.7 million of investments committed in a busy AIM market for fundraisings.

In the second half we invested £1.4 million in three new issues, two of which Verici Dx and Abingdon Health were on AIM and the third of which Oberon Investments was listed on the AQSE Growth market. Verici Dx was another spin out from EKF Diagnostics following the success of Renalytix AI. It has two tests for use on kidney transplant patients. The money has been raised to conduct clinical trials which are expected to show that these tests improve the outcome for patients as well as enabling a more precise prescription of anti-rejection drugs following each transplant. Abingdon Health has built the capability to produce lateral flow tests on a large scale, helped by an initial government order for Covid-19 antibody tests. It expects to be able to develop a domestic market for lateral flow test production as the pandemic exposed the weakness of relying solely on offshore suppliers. Oberon Investments is a small investment management company with ambitious growth plans. The money raised from VCTs is being used to develop a corporate advisory arm to the business.

We also made three follow-on investments in the second half with a total value of £2.1 million. The investment in Popsa was modest to fund the ongoing strong growth of its photo book business. Sales have exceeded forecasts and the valuation has been written up with this round although we still hold it at a 20% discount to the fundraise price to reflect the fact that it is a private company. The investment into Reneuron was more substantial. It has focused its resources on getting approval for its treatment for Retinisis Pigmentosa, for which most sufferers cannot be treated leaving them to eventually go blind. Some significant clinical trial results are expected over the next twelve months, and the company is now financed well into 2022. We also made a second investment into the British Honey Company. It has recently acquired another distillery with some established contracts and brands. Our investment is to increase its canning capacity and set the business up for further growth.

We made one further new investment of £0.3 million in a small private company called The Food Marketplace. It operates a platform on which specialist food vendors can market their products to customers. It has been growing very rapidly and we believe the management team has exciting plans to keep the momentum going as lockdown of the retail economy eases.

The non-qualifying element of the equity portfolio comprises the funds raised in share offers awaiting deployment into qualifying investments. Although we still hold some existing non-qualifying AIM holdings where we see the opportunity for further share price progress, we continued to reduce some of these holdings in the year under review. More recently we have reduced the size of our holdings in the Octopus Managed Portfolios (OPM) as we have made qualifying investments and increased our holdings in the FP Octopus Micro-Cap and the FP Octopus Multi-Cap Income Fund with the result that we now no longer have a position in the OPM funds. This strategy is designed to obtain a better return on funds awaiting investment than the very low rates available on cash and in the year we have seen this to be the driver of positive value growth. In the period under review £2.7 million was invested in the FP Octopus Multi-Cap Income Fund and £2.3 million into the FP Octopus Micro-Cap. A net divestment of £17.4 million was made from the OPM funds.

During the year we took profits on rising share prices and sold part of the holdings in Ergomed, Gamma, GB Group, LoopUp, Access Intelligence, Ilika, Synairgen, Trackwise Designs and VR Education as well as disposing of the entire C4X Discovery and Omega Diagnostic holdings, all at a profit. Cello Health was sold as the result of a takeover bid and the entire holding in Equals Group was sold at a loss after a series of profit warnings. In all disposals raised £10.7 million in cash and made an aggregated profit on original cost of £4.8 million. We will continue to take profits in holdings when they become a large percentage of the portfolio with the proceeds financing dividends.

VCT Regulations

There have been no further changes to the VCT regulations since publication of the previous set of audited accounts. As a reminder, the current requirements are that any funds raised after 6 April 2019 should be 30% invested in qualifying holdings within 12 months of the end of the accounting period in which the shares were issued, and for financial years beginning after 6 April 2019 the portfolio will also have to maintain a minimum of 80% invested at cost in qualifying holdings. We are determined to maintain a threshold of quality and to invest where we see the potential for returns from growth. However, the emphasis of the new regulations is definitely to encourage investment into earlier stage companies and to that extent, it seems 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 expect to invest further in those companies as they demonstrate their ability to grow.

At present there has been little change to the profile of the portfolio, as we continue to hold the larger market capitalisation companies, in which we invested several years ago as qualifying companies, or which we bought in the market prior to the rule changes where we see the potential for them to continue to grow.

In order to qualify companies must:

- have fewer than 250 full time equivalent employees;
- have less than £15 million of gross assets at the time of investment and no more than £16 million immediately post investment;
- be less than seven years old from the date of their first commercial sale (or 10 years if a knowledge intensive company) if raising State Aided (ie VCT) funds for the first time;
- 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 from 6 April 2018 £10 million in 12 months and a £20 million lifetime limit if a knowledge intensive company); and
- produce a business plan to show that the funds are being raised for growth and development.

Long-term responsible investing

The investment team has always invested as long-term responsible shareholders and supported businesses in the process of improving the corporate governance structure. As part of the investment process, the team is incorporating a material risk review depending on the exposure of the underlying business where appropriate. These risks span from environmental (emissions, energy management, waste, ecological impact), social (privacy, security, product quality, selling practices), human (labour, health and safety, diversity), business model (product design, supply chain, material sourcing) to leadership (ethics, competitive behaviour, regulatory, critical incidents, and risk management). The team assess the exposure and how well management is managing these material risks. The team believes that assessing these factors allows for informed investment analysis and it forms part of the investment strategy. The investment manager is taking its duty as a shareholder seriously and acting as a steward of capital. This includes regular engagement with the independent non-executive members of boards. The team's stewardship and engagement policy can be found here (**https://media.octopusinvestments.com/m/519bad6a06ce2d77/original/Octopus-Quoted-Smaller-Companies-Engagement-Policy.pdf**).

Coronavirus

The team has continued to work from home for much of the year, operating business as usual, holding meetings with companies and reporting back to your Board on developments within the portfolio on a regular basis.

Reflecting on the underlying portfolio we have been struck by the resilience shown by the companies during what has been a particularly challenging year. The shock of the Coronavirus pandemic led many of them to concentrate on increasing the efficiency of their operations and to embrace new technology. Additionally the majority of our holdings are business rather than directly consumer facing, and many have recurring revenues and are exposed to sectors of the economy which are benefitting from change. When the pandemic struck, forecasts were withdrawn in many cases and then only cautiously reinstated. The result has been that expectations have been upgraded as visibility has improved, supporting rising share prices.

We wrote in last years accounts about our initial concerns about company balance sheets and funding for those companies yet to reach profitability. The willingness of investors to invest money during the pandemic has meant that many companies are now more strongly positioned than they were entering the pandemic and their longer term chances of succeeding in their growth plans have therefore improved despite having to endure difficult trading conditions in the short term.

Outlook and Future Prospects

A year ago we wrote that the uncertainty caused by the Coronavirus pandemic made predictions of any sort almost impossible. In addition, the US was in an election year and Brexit still needed to be settled. Today we have left the EU with a deal, the US has produced a result which ought to provide a more stable environment for global trade and an ongoing roll out of vaccines brings hope that the Coronavirus pandemic can be brought under control. The short term social and economic damage caused by the virus is obvious to all, however, economists have reasons to be more upbeat about the future. A combination of the policy support from governments around the world, the easing of global trade tensions, the growing strength of corporate balance sheets and the spike in the consumer savings ratio could all contribute to a significant pick up in spending and growth later in the year.

We believe that the recent market strength points to a return of investor confidence in UK assets now that Brexit talks are concluded which should be a trigger for the valuation discount to overseas markets to continue to close. Companies, which had been understandably cautious about the path out of lockdown have started to resume guidance on forecasts, many of which have already been raised in 2021 with the prospect of further upgrades to come as long as the recovery continues. This, together with the re-appearance of takeover bids for companies should provide support for share prices. This is despite the looming threat from inflation and its potential impact on equity valuations, the presence of which has started to be felt in particular by very highly rated US technology stocks. More positively, the new issues market has been stronger so far in 2021 supplementing the secondary fundraising market which remained healthy throughout the volatile months of 2020.

The portfolio's strength is that it is well diversified both in terms of sector exposure and in terms of individual company concentration. It now contains 86 holdings with investments across a range of sectors including healthcare and technology and the balance of the portfolio towards profitable companies remains. Encouragingly, as a result of successful fundraises in 2020 a high proportion of the unprofitable companies in the portfolio are now well financed to execute on their growth ambitions. The VCT currently has funds available for the many new investment opportunities that are presenting themselves as well as enabling us to support existing portfolio companies where we can. We remain selective when viewing prospective new investments, and have so far made seven qualifying investments in the new financial year.

The AIM Team
Octopus Investments Limited
27 May 2021

Investment Portfolio

Investee Company	Sector	Book cost as at 28 February 2021 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2021 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus	Fair value as a % of Octopus AIM VCT NAV
Ergomed plc	Pharmaceuticals and Biotechnology	1,278	8,137	9,415	6,488	1.62%	3.48%	5.17%
Learning Technologies Group plc	Software and Computer Services	1,051	6,532	7,583	1,294	0.63%	4.20%	4.16%
GB Group plc	Software and Computer Services	542	6,759	7,301	1,600	0.45%	6.32%	4.01%
Breedon Group plc	Construction and Materials	859	5,809	6,668	544	0.42%	4.68%	3.66%
Trackwise Designs plc	Technology Hardware and Equipment	2,070	3,959	6,029	4,094	8.16%	14.67%	3.31%
Maxcyte Inc	Pharmaceuticals and Biotechnology	1,035	3,757	4,792	4,050	0.66%	1.77%	2.63%
Ilika plc	Energy	758	3,223	3,981	3,210	1.36%	2.78%	2.19%
Scientific Digital Imaging plc	Technology Hardware and Equipment	179	3,727	3,906	2,558	2.27%	3.79%	2.14%
EKF Diagnostics Holdings plc	Medical Equipment and Services	931	2,780	3,711	2,077	1.22%	3.21%	2.04%
IDOX plc	Software and Computer Services	353	2,997	3,350	1,520	1.06%	1.90%	1.84%
Ixico plc	Pharmaceuticals and Biotechnology	1,046	2,166	3,212	1,158	7.78%	12.97%	1.76%
Gear4music (Holdings) plc	Leisure Goods	557	2,450	3,007	2,165	1.91%	3.19%	1.65%
Judges Scientific plc	Electronic and Electrical Equipment	314	2,660	2,974	595	0.80%	1.33%	1.63%
PCI-Pal plc	Software and Computer Services	1,415	1,484	2,899	1,580	6.60%	11.00%	1.59%
Brooks Macdonald Group plc	Investment Banking and Brokerage Services	746	2,131	2,877	(218)	0.96%	13.69%	1.58%
Craneware plc	Health Care Providers	183	2,646	2,829	248	0.51%	1.37%	1.55%
Mattioli Woods plc	Investment Banking and Brokerage Services	529	2,204	2,733	(594)	1.41%	1.93%	1.50%
Creo Medical Group plc	Medical Equipment and Services	1,471	1,095	2,566	647	0.75%	1.88%	1.41%
Intelligent Ultrasound Group plc	Medical Equipment and Services	1,919	531	2,450	591	6.99%	11.66%	1.34%
The Panoply Holdings plc	Software and Computer Services	979	1,403	2,382	1,390	1.65%	2.93%	1.31%
Renalytix AI plc	Health Care Providers	307	1,825	2,132	1,370	0.35%	0.88%	1.17%
Access Intelligence plc	Software and Computer Services	757	1,304	2,061	1,173	2.10%	3.58%	1.13%
Netcall plc	Software and Computer Services	308	1,646	1,954	918	2.00%	3.47%	1.07%
Sosandar plc	Retailers	1,853	79	1,932	79	6.28%	12.00%	1.06%
ReNeuron Group plc	Pharmaceuticals and Biotechnology	1,524	380	1,904	619	3.13%	6.72%	1.05%
Diaceutics plc	Health Care Providers	930	649	1,579	86	1.46%	2.43%	0.87%
Next Fifteen Communications Group plc	Media	515	1,059	1,574	433	0.27%	14.35%	0.86%
Quixant plc	Technology Hardware and Equipment	587	916	1,503	(344)	1.92%	3.19%	0.83%
RWS Holdings plc	Industrial Support Services	143	1,331	1,474	197	0.06%	3.64%	0.81%
Verici Dx plc	Pharmaceuticals and Biotechnology	396	931	1,327	931	1.40%	2.50%	0.73%
British Honey Company plc	Retailers	1,260	46	1,306	46	6.95%	11.59%	0.72%
Gooch & Housego plc	Technology Hardware and Equipment	422	872	1,294	62	0.41%	13.15%	0.71%
Animalcare Group plc	Pharmaceuticals and Biotechnology	306	938	1,244	187	0.92%	3.00%	0.68%
Adept Technology Group plc	Telecommunications Service Providers	601	497	1,098	(223)	1.71%	3.14%	0.60%
Gamma Communications plc	Telecommunications Service Providers	274	807	1,081	222	0.08%	6.12%	0.59%
Advanced Medical Solutions Group plc	Medical Equipment and Services	743	334	1,077	(67)	0.21%	11.23%	0.59%

Investee Company	Sector	Book cost as at 28 February 2021 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2021 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus	Fair value as a % of Octopus AIM VCT NAV
VR Education Holdings plc	Software and Computer Services	979	98	1,077	538	4.05%	8.22%	0.59%
Vertu Motors plc	Retailers	1,266	(257)	1,009	163	0.72%	1.64%	0.55%
Beeks Financial Cloud Group plc	Software and Computer Services	450	531	981	99	1.74%	3.22%	0.54%
Fusion Antibodies plc	Health Care Providers	745	234	979	263	3.50%	6.00%	0.54%
Clinigen Group plc	Pharmaceuticals and Biotechnology	701	127	828	(5)	0.09%	5.32%	0.45%
Synairgen plc	Pharmaceuticals and Biotechnology	147	560	707	560	0.21%	0.85%	0.39%
Restore plc	Industrial Support Services	256	394	650	(184)	0.15%	11.35%	0.36%
Cambridge Cognition Holdings plc	Health Care Providers	601	26	627	472	2.75%	4.59%	0.34%
Vectura Group plc	Pharmaceuticals and Biotechnology	498	122	620	140	0.09%	0.15%	0.34%
Rosslyn Data Technologies plc	Software and Computer Services	429	124	553	124	2.52%	4.21%	0.30%
Genedrive Plc	Pharmaceuticals and Biotechnology	361	135	496	324	0.71%	1.19%	0.27%
Cloudcall Group plc	Software and Computer Services	570	(80)	490	(6)	1.47%	2.45%	0.27%
Abingdon Health plc	Medical Equipment and Services	521	(60)	461	(60)	0.57%	0.94%	0.25%
Oberon Investments Group plc	Investment Banking and Brokerage Services	480	(30)	450	(30)	2.94%	6.13%	0.25%
Falanx Group Limited	Industrial Support Services	900	(465)	435	105	5.71%	9.52%	0.24%
Maestrano Group plc	Software and Computer Services	450	(45)	405	343	1.78%	2.96%	0.22%
DP Poland plc	Travel and Leisure	1,016	(614)	402	71	0.81%	1.36%	0.22%
Feedback plc	Medical Equipment and Services	300	75	375	75	2.81%	4.69%	0.21%
WANdisco plc	Software and Computer Services	145	223	368	(59)	0.14%	0.24%	0.20%
TP Group plc	Aerospace and Defense	648	(323)	325	5	0.68%	2.37%	0.18%
DXS International plc	Software and Computer Services	300	(19)	281	(56)	7.77%	12.95%	0.15%
KRM22 plc	Closed End Investments	681	(408)	273	(61)	2.55%	4.25%	0.15%
LoopUp Group plc	Software and Computer Services	296	(80)	216	77	0.53%	0.89%	0.12%
MyCelx Technologies Corporation	Oil, Gas and Coal	1,470	(1,258)	212	(212)	4.19%	15.85%	0.12%
Staffline Group plc	Industrial Support Services	335	(128)	207	87	0.53%	0.53%	0.11%
Mears Group plc	Software and Computer Services	139	66	205	(125)	0.11%	0.13%	0.11%
Osirium Technologies plc	Software and Computer Services	1,350	(1,146)	204	37	4.76%	11.87%	0.11%
Velocity Composites plc	Aerospace and Defense	799	(611)	188	(113)	2.59%	4.32%	0.10%
Escape Hunt plc	Travel and Leisure	988	(813)	175	88	0.83%	1.38%	0.10%
Verici DX Limited	Pharmaceuticals and Biotechnology	51	119	170	119			0.09%
Enteq Upstream plc	Oil, Gas and Coal	1,032	(872)	160	(46)	1.52%	3.78%	0.09%
Tasty plc	Travel and Leisure	622	(547)	75	27	1.05%	1.85%	0.04%
Microsaic Systems plc	Electronic and Electrical Equipment	1,384	(1,327)	57	(150)	0.43%	0.71%	0.03%
Diurnal Group plc	Pharmaceuticals and Biotechnology	132	(94)	38	15	0.05%	0.08%	0.02%
1Spatial plc	Software and Computer Services	300	(270)	30	6	0.09%	1.00%	0.02%
Haydale Graphene Industries plc	Industrial Materials	598	(574)	24	20	0.09%	0.15%	0.01%
Dods Group plc	Media	203	(181)	22	(2)	0.14%	0.14%	0.01%
Midatech Pharma plc	Pharmaceuticals and Biotechnology	600	(596)	4	(1)	0.02%	0.03%	0.00%
Location Sciences Group plc	Software and Computer Services	763	(762)	1	(2)	0.05%	0.09%	0.00%
Total Quoted Investments		**52,647**	**71,338**	**123,985**	**43,332**			

Investee Company	Sector	Book cost as at 28 February 2021 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2021 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus	Fair value as a % of Octopus AIM VCT NAV
Unquoted Equity Investments								
Hasgrove plc	Media	88	2,442	2,530	1,542	2.50%	14.10%	1.39%
Popsa Holdings Ltd	Software and Computer Services	1,170	927	2,097	131	6.98%	11.64%	1.15%
The Food Marketplace Ltd	Retailers	300	–	300	–	6.62%	11.03%	0.16%
Airnow plc	Software and Computer Services	1,257	(1,007)	250	–	0.48%	0.85%	0.14%
Fusionex International plc	Software and Computer Services	282	(164)	118	–	0.34%	0.57%	0.06%
Rated People Ltd	Software and Computer Services	354	(319)	35	(97)	0.11%	0.33%	0.02%
Total Unquoted Investments		**3,451**	**1,879**	**5,330**	**1,576**			
Loan Notes								
Osirium Technologies plc Loan Notes	Software and Computer Services	600	–	600	–	N/A	N/A	0.33%
Total Loan Notes		**600**	**–**	**600**	**–**			
Total Fixed Asset Investments		**56,698**	**73,217**	**129,915**	**44,908**			
Current Asset Investments								
Octopus Portfolio Manager – Defensive Capital Growth		585	67	652	25	N/A	N/A	0.36%
Octopus Portfolio Manager – Conservative Capital Growth		825	129	954	56	N/A	N/A	0.52%
Octopus UK Micro Cap Growth Fund		5,610	3,980	9,590	2,944	N/A	N/A	5.26%
Octopus UK Multi Cap Income Fund		4,239	777	5,016	630	N/A	N/A	2.75%
Total Current Asset Investments		**11,259**	**4,953**	**16,212**	**3,655**			
Total Fixed and Current Asset Investments				**146,127**				
Money Market Funds				1,326				
Cash at Bank				33,886				
Debtors less Creditors				817				
Total Net Assets				**182,156**				

Top ten holdings

Listed below are the ten largest investments by value, which comprise of quoted level 1 investments and are valued at bid price, as at 28 February 2021.

Ergomed plc

Ergomed provides highly specialised services to the pharmaceutical industry, operating in over 65 countries.

Initial investment date:	July 2014
Cost:	£1,278,000
Valuation:	£9,415,000
Equity held:	1.62%
Last audited accounts:	31 December 2020
Revenue:	£86.4 million
Profit before tax:	£12.6 million
Net assets:	£52.9 million
Dividend received in year:	£nil

Learning Technologies Group plc

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

Initial investment date:	June 2011
Cost:	£1,051,000
Valuation:	£7,583,000
Equity held:	0.63%
Last audited accounts:	31 December 2020
Revenue:	£132.3 million
Profit before tax:	£13.5 million
Net assets:	£269.0 million
Dividend received in year:	£0.03 million

GB Group plc

GB Group is a global technology specialist in fraud, location and identity data intelligence.

Initial investment date:	November 2011
Cost:	£542,000
Valuation:	£7,301,000
Equity held:	0.45%
Last audited accounts:	31 March 2020
Revenue:	£199.1 million
Profit before tax:	£20.6 million
Net assets:	£344.9 million
Dividend received in year:	£0.03 million

Breedon Group plc

Breedon Group is a leading construction material group operating in Great Britain and Ireland.

Initial investment date:	August 2010
Cost:	£859,000
Valuation:	£6,668,000
Equity held:	0.42%
Last audited accounts:	31 December 2020
Revenue:	£928.7 million
Profit before tax:	£48.1 million
Net assets:	£888.4 million
Dividend received in year:	£nil

Trackwise Designs plc

Trackwise Designs manufactures specialist products using printed circuit technology. The specialist circuits are used in RF/antenna and lightweight interconnect products across multiple market sectors and applications.

Initial investment date:	July 2018
Cost:	£2,070,000
Valuation:	£6,029,000
Equity held:	8.16%
Last audited accounts:	31 December 2019
Revenue:	£2.9 million
Loss before tax:	£0.1 million
Net assets:	£6.0 million
Dividend received in year:	£nil

Maxcyte Inc

Maxcyte is a US-based biotechnology company specialising in the development, manufacture and commercialisation of next-generation, cell-based medicine.

Initial investment date:	April 2017
Cost:	£1,035,000
Valuation:	£4,792,000
Equity held:	0.66%
Last audited accounts:	31 December 2020
Revenue:	$26.2 million
Loss before tax:	$11.8 million
Net assets:	$33.2 million
Dividend received in year:	£nil

Ilika plc

Ilika is at the forefront of the development of solid-state battery technology, and is developing products for use in a wide range of applications including medtech, electric vehicles, and consumer electronics.

Initial investment date:	March 2020
Cost:	£758,000
Valuation:	£3,981,000
Equity held:	1.36%
Last audited accounts:	30 April 2020
Revenue:	£0.4 million
Loss before tax:	£3.3 million
Net assets:	£1.7 million
Dividend received in year:	£nil

Scientific Digital Imaging plc

SDI designs and manufactures specialist scientific products for use in a wide range of markets including life sciences, healthcare, and consumer manufacturing.

Initial investment date:	November 2015
Cost:	£179,000
Valuation:	£3,906,000
Equity held:	2.27%
Last audited accounts:	30 April 2020
Revenue:	£24.5 million
Profit before tax:	£3.3 million
Net assets:	£20.1 million
Dividend received in year:	£nil

EKF Diagnostics Holdings plc

EKF Diagnostics Holdings is a global medical manufacturer of point-of-care and laboratory based diagnostic devices and reagents, for use in a wide array of tests. Its products are in regular use in over 100 countries.

Initial investment date:	July 2010
Cost:	£931,000
Valuation:	£3,711,000
Equity held:	1.22%
Last audited accounts:	31 December 2020
Revenue:	£65.3 million
Profit before tax:	£15.4 million
Net assets:	£78.2 million
Dividend received in year:	£0.06 million

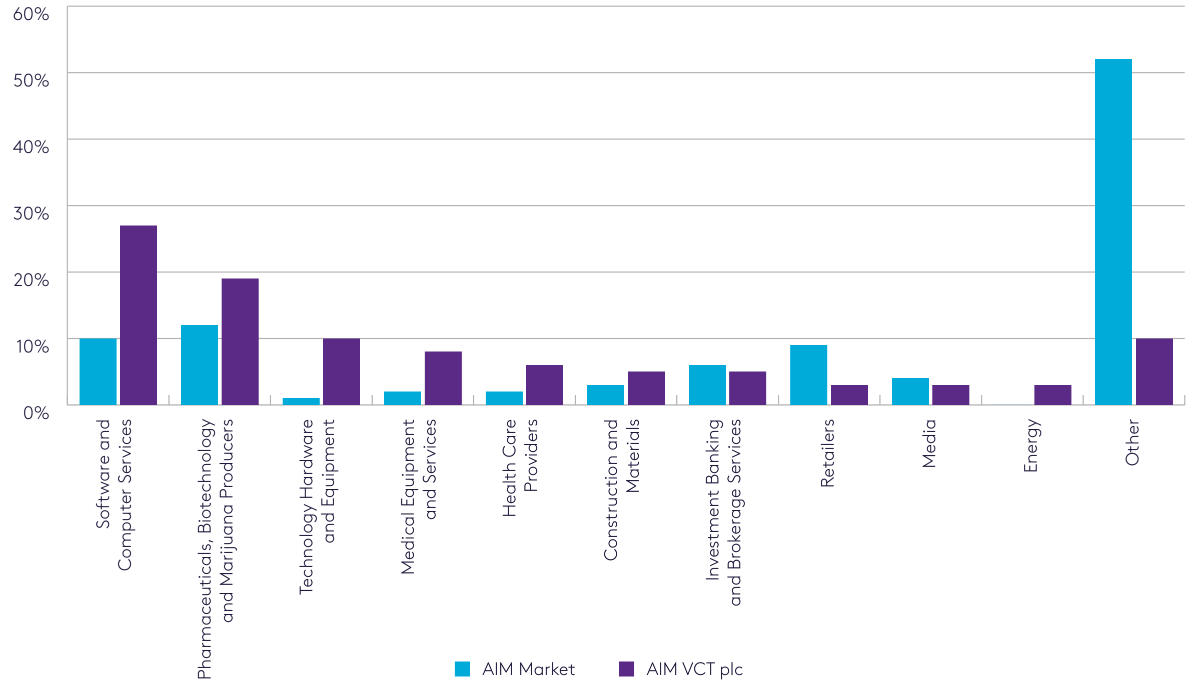
Idox plc

Idox is a leading supplier of specialist information management software with a particular focus on the public sector.

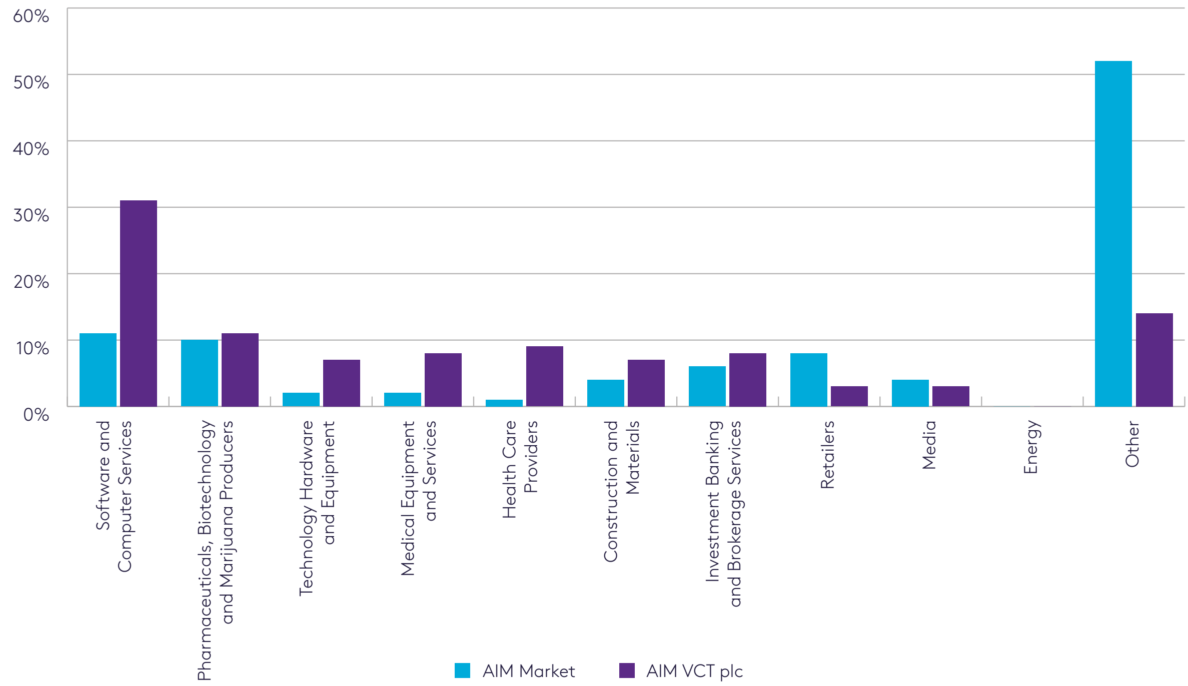
Initial investment date:	May 2007
Cost:	£353,000
Valuation:	£3,350,000
Equity held:	1.06%
Last audited accounts:	31 October 2020
Revenue:	£68.0 million
Profit before tax:	£2.7 million
Net assets:	£47.0 million
Dividend received in year:	£nil

Sector Analysis

The graph below shows the sectors the equity portfolio was invested in by value as at 28 February 2021. It also shows the sectors of the AIM market as a whole as at 28 February 2021:



The graph below shows the sectors the equity portfolio was invested in by value as at 29 February 2020. It also shows the sectors of the AIM market as a whole as at 29 February 2020:



Octopus AIM Team
27 May 2021

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 four other listed investment companies and has over £9.2 billion of funds under management. If you have any questions about this report, or if it would help to speak to one of the fund managers, please do not hesitate to contact Octopus on **0800 316 2295**.

The AIM investment team at Octopus comprises:

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 was involved in the management of this Company's investments as well as other AIM VCTs and IHT portfolios. She joined Octopus Investments Limited in 2008.

Richard Power

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

Edward Griffiths

Edward is an experienced portfolio manager at Octopus Investments Limited, involved particularly in the management of AIM portfolios for private individuals. He joined Octopus Investments Limited in 2004 to help launch the AIM Inheritance Tax Service, having previously worked at Schroder's and State Street.

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 joins the team as a fund manager to work across all the AIM portfolios.

Stephen Henderson

Stephen joined Octopus Investments Limited in 2008. He has particular responsibility for portfolio management across the Octopus AIM Inheritance Tax Service portfolios and Octopus AIM Inheritance Tax ISA portfolios. Stephen conducts analysis 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 a portfolio manager focussing predominantly on the Octopus AIM VCTs and the Eureka EIS portfolio service, and provides analytical support to the team.

Dominic Weller

Having joined Octopus Investments in 2015, Dominic is a co-manager of the Octopus AIM VCT 2 plc, Octopus AIM VCT plc and FP Octopus UK Micro Cap Growth Fund. He is responsible for qualitative and quantitative analysis. His professional background is in strategy consulting with Roland Berger and Clevis Research. Furthermore, he worked for Rocket Internet in international venture development. He holds a degree in International Management and is a Chartered Financial Analyst (CFA).

Jessica Sweeney

Jessica graduated from the University of Liverpool in 2014, where she studied International Business. Starting her career at Octopus shortly after, she has worked in multiple operations functions before moving to the AIM team to assist with the management of AIM portfolios.

Charles Lucas

Charles joined Octopus in 2011 from LV= Asset Management, having previously worked in the Personal Pensions and SIPP space for GE Life and LV=. Charles initially joined Octopus as a member of the operations team, later working as a Project Manager for MiFID II. He has joined the Smaller Companies team as a Product Development Analyst to enhance trading capabilities and performance analytics.

Section 172 (1) Statement

Introduction

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 act in good faith and to promote the success of the Company in accordance with section 172 of the Companies Act 2006 for the benefit of shareholders as a whole as set out in the Strategic Report on pages 2 to 25. KPIs on performance are on pages 21 and 22. As a Venture Capital Trust Company Octopus AIM VCT plc has no employees; however, the Directors also assessed the impact of the Company's activities on other stakeholders, in particular Shareholders and our third party providers, as well as the portfolio of companies.

Shareholder relations

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and annual report and accounts, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is published via the Stock Exchange and on our website at **www.octopusinvestments.com**.

We always welcome questions from our shareholders at the AGM but this year, to ensure we are able to respond to any questions you may have for either the Investment Manager or AIM VCT Board, please send these via email to **AimAGM@octopusinvestments.com** by 5.00pm on 17 July 2021. The AGM also provides the opportunity for shareholders to receive an update on the portfolio and to meet members of the investment team.

The Company monitors the 20% threshold for votes cast against Board recommendations for a resolution but has not yet been required to take any actions in this regard. Provision 4 of the 2018 UK Corporate Governance Code requires a company which has received 20% or more of votes cast against a resolution to explain, when announcing the voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result.

Relations with other key stakeholders

The requirement for the Company to consider the interests of its other key stakeholders is limited as it does not have any employees. The Board considers Octopus Investments Limited to be its key business partner with responsibility for the provision of investment management, administration, custody and company secretarial services.

The Directors of a company are required to act in the way they consider will most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires Directors to include these factors:

- likely consequences of any decisions in the long-term;
- need to act fairly as between members of the Company;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- interests of the Company's employees.

In discharging our section 172 duties we have regard to these factors set out above (although we do not have any employees). We also have regard to other factors where relevant. By considering the Company's purpose and objectives together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and predictable.

It is normal practice for Venture Capital Trusts to delegate authority for day-to-day management of the Company to an Investment Manager and then to engage with the Manager in setting, approving and overseeing the execution of the business strategy and related policies and all administration and control functions. At every Board meeting a review of financial and operational performance, as well as legal and regulatory compliance, is undertaken. The Board also reviews other areas over the course of the financial year including the Company's business strategy; key risks; stakeholder-related matters; diversity and inclusivity; environmental matters; corporate responsibility and governance, compliance and legal matters. The Board formally reviews the performance of the Investment Manager on an annual basis. This is done by all Board members completing an annual questionnaire and discussing the outcome before concluding.

The Board works with Octopus Investments in the selection of third-party providers such as the Registrars, Corporate Broker and VCT Status Adviser. Its selections are made on the basis of quality of service, accuracy, and price. Any errors or delays reflect badly on the Company, but more importantly can cause inconvenience, and potential loss, for shareholders. The performance of third-party providers is generally reviewed annually.

During the period we received sufficient information to help the Board to understand the interests and views of the Company's key stakeholders; investors, investee companies and service providers to the Company, including the Investment Manager.

Investee companies

The Company's performance is directly linked to the performance of its underlying investee companies. The Board has delegated the monitoring of its portfolio companies to the Investment Manager which engages with investee companies through a programme of regular company meetings as part of its investment process.

The Board has also given the Investment Manager discretionary authority to vote on investee company resolutions on its behalf as part of its approach to corporate governance.

Business ethics and governance

The Board is responsible for ensuring that the activities of the Company are conducted in compliance with the law and applicable governance and regulatory regimes, and in adherence with prevailing best practice for the relevant industry. This includes reviewing internal controls, ensuring that there is an appropriate balance of skills and experience represented on the Board, and ensuring that the financial statements give a true and fair view of the state of affairs of the Company. Further detail can be found in the statement of directors' responsibilities on page 33. In the year to 28 February 2021 no areas of concern have been flagged in this regard.

We set out below some examples of how this has worked in 2021

In deciding to enter into a fundraising for the 2020/2021 and 2021/2022 tax year, the Board considered:

- the impact of dilution on shareholders' holdings;
- the ability to adhere to the Company's dividend policy;
- the effect on the Net Asset Value and the ability of the Company to be able to meet HMRC's VCT investment rules and timelines;
- the review of cash forecasts in order to evaluate the cash needs over that period and yet retaining a sufficient cash buffer to operate the Company;
- the costs involved in issuing a prospectus borne by Octopus.

In looking at the long-term strategy of the fund, the Board considered maintaining the Company's dividend policy target of 5p per annum or a 5% yield, whichever is greater at the time. The effect for shareholders will be to provide them ongoing returns via tax-free annual dividends referred to in the Chairman's Statement on page 2.

When considering communication with Shareholders, the Board concluded that the AGM held on 15 July 2020 could not be held in person due to the Coronavirus restrictions. Consequently, it was decided to hold a closed meeting which Shareholders were unable to attend in person. Shareholders were still encouraged to submit their votes by proxy and to send their questions via email to **AimAGM@octopusinvestments.com**. Further details of this year's AGM can be found in the Chairman's Statement on page 2.

The Board considered other stakeholders' interests such as:

- at what level to set the discount to net asset value at which the Company's shares are repurchased balancing the interests of exiting and remaining shareholders; and
- the advantages to shareholders of meeting requests to buy back shares with the requirement for the Company to have adequate liquidity.

The Board considers that the Company's investment operations create employment, aid economic growth, generate tax revenues and produce wealth, thus benefiting the community and the economy more generally.

Business Review

The Company's Objective

The objective of the Company is to invest in a broad range of Alternative Investment Market (AIM) or Aquis Stock Exchange (AQSE) (previously known as New Securities Stock (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.

The Company has been approved as a Venture Capital Trust by HMRC under section 259 of the Income Taxes Act 2007. The shares of the Company were first admitted to the Official List of the UK Listing Authority and trading on the London Stock Exchange on 17 March 1998 and can be found under the TIDM code "OOA". The Company is premium listed.

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 at least 85% in a portfolio of qualifying AIM, AQSE Exchange traded investments or unquoted companies where in the short to medium term, the management views an initial public offering ("IPO") on AIM or AQSE Exchange.

The non-qualifying balance (approximately 15% 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'. 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 investments, 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 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 adjusted share capital and reserves (as defined in the Company's Articles). 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

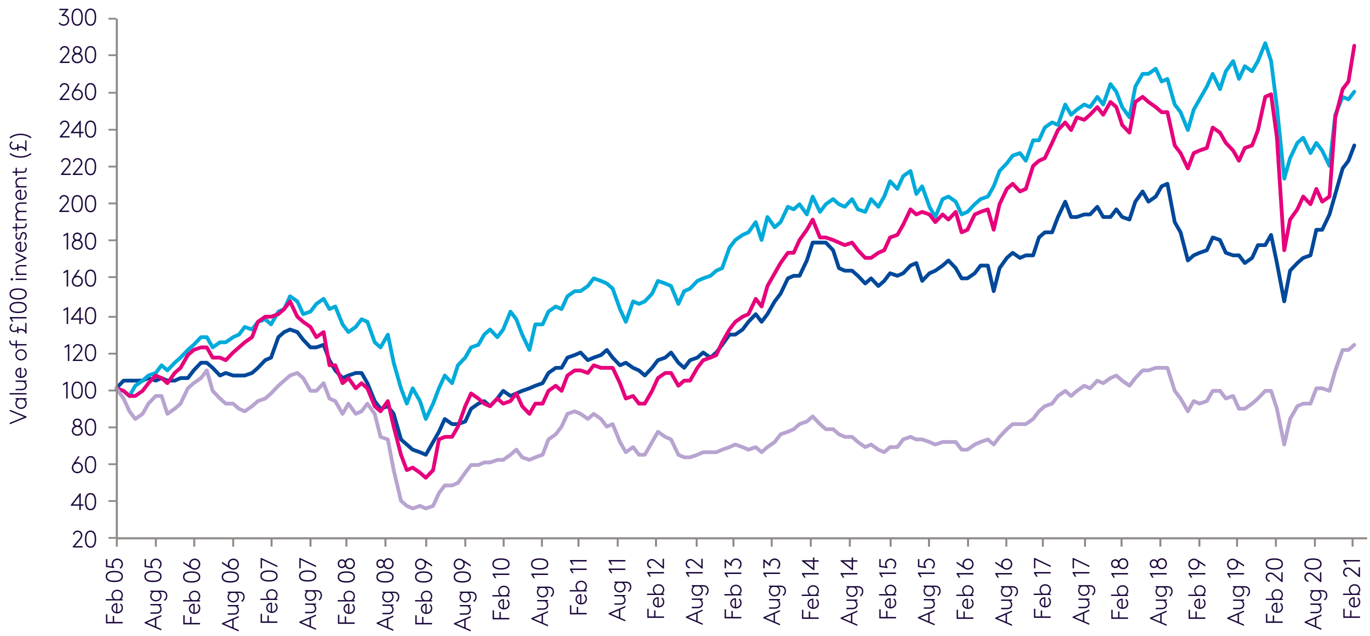
The Company's longer term performance record has allowed the Company to maintain the dividend payments to shareholders in line with the Dividend Policy set out on page 2. The Board believes the Company's business model will enable it to continue to deliver the targeted regular tax-free annual dividends referred to in the Chairman's Statement. Although we have seen a year of uncertainty due to the Coronavirus pandemic the Company has performed well due to the balance of the existing portfolio. The Company has a strong cash position which enables us to invest in new companies and support existing companies. The Outlook statements in both the Chairman's Statement and the Investment Manager's Review on pages 3 and 8 respectively provide further details on the more immediate prospects of the 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 graph below compares the total return of the Company over the period from February 2005 to February 2021 with the total return from notional investments in the FTSE All-Share Index, FTSE SmallCap (ex-investment companies) Index over the same period. The FTSE AIM All-Share Index is a stock market index consisting of all companies quoted on the Alternative Investment Market and the FTSE SmallCap Index is an index of small market capitalisation companies. The Directors consider these to be the most appropriate benchmarks but would remind investors that approximately 12.7% of the FTSE AIM All-share index is attributable to resources, investment vehicles and property sector stocks which VCTs cannot invest in. VCTs are also limited to investing into companies with certain size and age restrictions. The inclusion of the FTSE All-Share index is to provide a wider stockmarket context. Investors should be reminded that shares in VCTs generally continue to trade at a discount to their NAVs.

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
- 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 2021 £'000	Year ended 29 February 2020 £'000
Net profit attributable to shareholders	**50,850**	992
Distributions:		
Interim dividend paid: 2.5p (2020: 2.5p)	**3,668**	2,988
Special dividend paid: nil (2020: 3.5p)	**–**	4,183
Proposed final dividend: 3.5p (2020: 3.0p)	**5,044**	3,973
Proposed special dividend: 2.5p (2020: nil)	**3,603**	–

The proposed final dividend of 3.5p and special dividend of 2.5p for the year ended 28 February 2021 will be paid on 13 August 2021 to shareholders on the register on 9 July 2021 subject to approval at the AGM.

Key Performance Indicators (KPIs)

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

The Board has identified five key performance measures to assess the Company's success in meeting these objectives. Some of these are classified as alternative performance measures ("APMs"*) in line with Financial Reporting Council ("FRC") guidance. The Glossary of terms on page 69 has further details:

1. NAV per share;
2. Total return per share;
3. Dividends per share payable in respect of the year;
4. Total ongoing charges; and
5. VCT Qualification %.

1. NAV per share

The NAV per share of the Company is the sum of the underlying assets less the liabilities of the Company divided by the total number of shares in issue.

Current year (pence per share)	Prior year (pence per share)	Reason for movement
124.7	93.3	The NAV per share has increased from last year's value of 93.3 p to 124.7p. This uplift of 33.7% is mainly driven by portfolio movement benefitting from its relatively high exposure to the technology and healthcare sectors.

2. Total return per share*

Total return is calculated as movement in NAV per share in the period plus dividends paid in the period, divided by the NAV per share at the beginning of the period. Total return per share enables shareholders to evaluate more clearly the performance of the Fund, as it reflects the underlying value of the portfolio at the reporting date. This is the most widely used measure of performance in the VCT sector.

Current year %	Prior year %	Reason for movement
39.5	1.3	As previously considered, the NAV per share has increased from last years' value of 93.3p to 124.7p. This gave a total return of 39.5% or 36.9p per share, after adding back dividends of 5.5p paid in the year.

The Board notes that for the year under review this was ahead of the FTSE AIM All Share Index total return figure of a positive 39.3%. The Board remain confident about achieving the long-term objective of the Company. Performance is also measured against the FTSE SmallCap Index and the FTSE All-Share Index with the latter being provided for wider stock market context. This is also shown on the graph on the previous page. In the year under review the FTSE SmallCap Index rose by 21.5% and the FTSE ALL-Share Index rose by 3.5% all on a total return basis. These indices have been adopted as comparative indices. Further details on performance can be found within the Investment Manager's Review on pages 4 to 15.

3. Dividends per share payable in respect of the year

The Company has a target of paying an annual dividend of 5.0p per share or a 5% yield based on the year end share price, whichever is greater at the time.

Current year (pence per share)	Prior year (pence per share)	Reason for movement
8.5	9.0	Last year the Company declared ordinary dividends of 5.5p per share and special dividend of 3.5p. This year the Company has declared ordinary dividends of 6.0p and a special dividend of 2.5p per share.

The 8.5p dividends declared for the year gives an annual yield of 7.1% based on the year end share price of 119.5p which exceeds the Board's target of 5% yield. Dividends will be paid semi-annually. It remains the intention of the Board to continue this policy, subject to available cash and distributable reserves. However, this is not a guarantee, and no projection or forecast is expressed or implied. A full list of dividends paid can be found in the table on page 66.

4. Total ongoing charges*

The ongoing charges ratio has been calculated using the AIC recommended methodology and exclude irrecoverable VAT, exceptional costs and trail commission. The ratio is calculated by expressing ongoing charges for the year as a percentage of average net asset value during the year.

Current year %	Prior year %	Reason for movement
1.7	1.9	The ongoing charges ratio has decreased slightly from last year primarily due to an increase in average net assets over the year combined with broadly static expenses compared to last year.

The total ongoing charges of the Company for the year to 28 February 2021 is in line with the Board expectations. The expenses incurred by the Company are summarized in notes 3 and 4 to the financial statements on page 52 and 53.

5. VCT Qualification %

The Company must comply with VCT legislation laid down by HMRC. From 1st December 2019 a key requirement is to maintain at least an 80% qualifying investment level.

Current year %	Prior year %	Reason for movement
91.8	91.9	91.8% (as measured by HMRC rules) by value of the Company's investments has been represented throughout the period by shares or securities comprised in qualifying holdings of the Company. The qualification level has decreased by 0.1%. Further details on VCT regulations can be found within the Investment Manager's Review on page 7.

The Chairman's Statement, on pages 2 and 3 includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 4 to 15.

* These KPIs are defined as alternative performance measures ("APMs") and are defined in more detail on the Glossary of terms on page 69.

Viability Statement

In accordance with provision 4.31 of The UK Corporate Governance Code 2018 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 has raised funds under an offer for subscription which closed to new applications on 30 November 2020 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 emerging and principal risks facing the Company and its current position. This includes the impact of the Coronavirus pandemic and any other risks 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 on the following pages.

The Board has also considered the liquidity of the underlying investments and the Company's cash flow projections and found these to be realistic and reasonable. This includes forecasting the potential effects of Coronavirus on the Company's cash flow. The Company's cash flow includes cash equivalents which are short-term, highly liquid investments.

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 2026.

Emerging and Principal Risks, Risk Management and Regulatory Environment

In accordance with the Listing Rules under which the Company operates, the 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	Movement in year
VCT qualifying status risk: The Company is required at all times to observe the conditions for the maintenance of approved VCT status. The loss of such approval could lead to the Company and investors loosing access to the various benefits associated with VCT status and investment.	Octopus continually monitors the Company's compliance with VCT regulations in respect of cash and non-qualifying holdings, distributions, and deployment of funds raised, to ensure ongoing compliance with VCT legislation. Regular updates on compliance are also provided to the Board throughout the year. Additionally, PwC has been retained by the Company to undertake an independent VCT status monitoring role reporting to the Board bi-annually.	= No change
Investment risk: Most of the Company's investments are into companies admitted to trading on AIM and AQSE Exchange which are VCT qualifying holdings and so, by their nature, entail a higher level of risk and lower liquidity than investments in larger quoted companies. The company also makes non-qualifying investments of surplus cash balances into Octopus Portfolio Manager ("OPM"). OPM invests via collective investment schemes into global markets which fluctuate, meaning that investments and the income derived from them may go down as well as up, potentially resulting in investors in OPM not getting all capital back.	The Directors and Octopus aim to limit the risk attached to the portfolio by careful selection and timely realisation of investments, carrying out rigorous due diligence procedures and maintaining a diversified portfolio in terms of business life cycle and 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.	↑ Increase due to Coronavirus pandemic

Liquidity risk: The risk that the Company's available cash will not be sufficient to make new investments, meet its liabilities or maintain its dividend policy.	The Company maintains liquidity by holding adequate levels of cash and OEIC funds which are available within 7 days. The Investment Manager seeks to maintain a proportion of the Company's assets in cash or cash equivalents and liquid investments in order to balance irregular cash flows from realisations. At the balance sheet date the cash and cash equivalents which includes current asset investments amounted to 28.1% of net assets (2020: 29.6%).	= No change
Valuation Risk: Inaccuracies in the valuation of investment assets may result in the Company net asset position being misrepresented and errors in the reported NAV per share.	Investments traded on AIM and AQSE Exchange are valued by Octopus using closing bid prices as reported on Bloomberg. Where investments are unquoted or where there are indicators bid price is not appropriate, alternative valuations techniques are employed in accordance with current International Private Equity and Venture Capital ("IPEV") guidelines, December 2018. These valuations are reviewed by the Board quarterly. Investments in OPM are valued with reference to the daily prices which are prepared by State Street, the Custodian and Fund Administrator and then published by Fund Partners, the Authorised Corporate Director.	= No change
Economic and Price risk: Macroeconomic conditions such as government regulation, political instability or recession could cause volatility in the markets, damaging both the price and underlying value of Company investments. This includes the potential impacts of the Coronavirus outbreak. This risk is amplified for smaller companies earlier in their life cycle.	To mitigate these risks Octopus constantly monitors the markets and the portfolio companies, providing performance update to the Board at each meeting. The risk of material decline in the value of a single security is further mitigated by holding a diversified portfolio, across a broad range of sectors.	↑ Increase due to Coronavirus pandemic
Regulatory and Reputational risk: In addition to specific VCT legislation, the Company is required to comply with the Companies Act, UK Listing Authority regulations and Financial Statements and notes must be prepared under UK GAAP. The Company is also a small registered Alternative Investment Fund ("AIF") and must comply with the requirements of the AIFM Management Directive. Breach of some of these could result in penalties including suspension of the Company's Stock Exchange listing, financial penalties, qualified audit report or loss of shareholder trust.	Day-to-day operational oversight of the Company is carried out by Octopus. Octopus conduct rigorous on boarding procedures for new employees and conduct regular staff reviews and training to ensure that teams charged with oversight of the Company are appropriately qualified to conduct their roles and ensure compliance with relevant legislation. The Board are updated regularly on all regulatory and compliance matters and take specific legal advice where appropriate.	= No change
Operational risk: The Board is reliant on Octopus to manage investments effectively, and manage the services of a number of third parties, in particular the registrar and tax advisers. A failure of the systems or controls at Octopus or third-party providers could lead to an inability to provide accurate reporting and accounting and to ensure adherence to VCT rules.	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. The Investment Manager has operated effectively throughout the Coronavirus pandemic with staff working online and mostly based at home. Other service providers have operated without a marked reduction in service.	= No change

The Board has considered emerging risks. The Board seeks to mitigate risk 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 31 to 34.

Further details of the Company's financial risk management policies are provided in Note 16 to the Financial Statements.

Gender and Diversity

The Board of Directors comprises one female and four 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. If a new Director was to be appointed the appointment would be made on the basis of expertise and knowledge, with the objective of complementing the skillset of existing directors.

Employee, Human Rights, Social and Community Issues, Environment Policy and Greenhouse Gas Emissions

The Board's policy on Employee, Human Rights, Social and Community Issues, Environment Policy and Greenhouse Gas Emissions is discussed in the Directors' Report on page 28.

Climate-related matters

The Board acknowledges the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The approach adopted by the Investment Manager to assessing the climate related risks of potential investee companies is summarised under the headings below. We expect this approach, and related disclosures, to evolve over future periods.

Governance

On a quarterly basis the investment team report to the Octopus Investments ESG Committee (comprised of an Octopus Founder, the CIO and the Impact and Sustainability Director) to review climate related risks and opportunities that have been identified as being financially material to the management of Octopus AIM VCT plc.

Strategy

Octopus AIM VCT plc makes investments into a range of small companies listed on the AIM and AQSE markets. Exposure to climate related risks is assessed on a deal-by-deal basis and analysis considers the physical impact of climate for businesses where this has been identified as a material risk.

Risk Management

Where potential material climate related risks have been identified, the investment team score the company on a 1-7 rating depending on how it is being managed by the company. This is raised with the management team and Board where appropriate as part of the investment process and continues to be monitored through investment committee meetings. As part of climate-related reporting to the ESG Committee, the investment team must highlight the risks and opportunities that have been identified.

Metrics and Targets

The team reviews physical climate related risks as well as transition risks relating to emissions, air quality, water, energy management, waste and ecological impact based on the material exposure of underlying business and tracks how the management team manages these risk exposures. The team will report these to the ESG Committee and track the development of exposure and management.

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

Roger Smith
Chairman
27 May 2021

Details of Directors

The Board comprises five 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.

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 VCT 13 plc and PfP Capital plc. 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 Chair of Babraham Bioscience Technologies Ltd, a Non-Executive Director and Audit Chair of StartCodon Ltd, Henderson International Income Trust plc and Ieso Digital Health Ltd. Joanne became a Director in 2016.

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 Non-Executive Chairman of Proven VCT Plc, which invests in unquoted companies, and a non-executive Director of Polar Capital Global Healthcare Trust Plc. He is also a trustee and director of The Conservation Volunteers, a UK charity dedicated to connecting people and green spaces. Neal is the Chairman of the Audit Committee. Neal became a Director in 2016.

Andrew Boteler

Andrew Boteler is a chartered accountant and was formerly Chief Financial Officer of Gooch & Housgo PLC. Andrew is currently the Finance Director of Riverford Organic Farmers Limited, the largest organic fresh food retailer in the UK. Andrew has over twenty five years working in the manufacuring sector, the last seventeen being spent with high technology manufacturing companies. Andrew became a Director on 19 March 2020.

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 28 February 2021. The Corporate Governance Report on pages 31 to 34 and the Audit Committee Report on pages 35 and 36 form a 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

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Mr Boteler, Mr Hazell-Smith, Mr Ransome and Ms Parfrey will retire as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election. The Board has considered provision 3.21 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 32, 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 it must adhere are detailed on page 7

The Company has maintained compliance with VCT legislation for the year under review and intends to continue to do so for future periods.

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 2 to 3 and the Investment Manager's Review on pages 4 to 15. Further details on the management of financial risk may be found in the Business Review on pages 23 and 24 and in Note 16 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. As discussed in the Viability Statement on page 23 the Directors have considered the Company's cash flow projections, including the potential effects of Coronavirus, and found these to be realistic and reasonable. They are satisfied that no material uncertainties leading to significant doubt about going concern have been identified, and that it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

A Resolution will be put to the Company's AGM on page 72 to approve the Company continuing as a VCT until 2027. The continuation to 2027 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 as defined by the Financial Conduct Authority 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 2 and in the Business Review on page 21.

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 in provision 4.29, 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.

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.

Streamlined Energy and Carbon Reporting

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 Company is a low carbon user, using less than 40,000 kWh of energy in the reporting year, and is therefore out of scope of the detailed requirements under the Streamlined Energy and Carbon Reporting (SECR) regulations.

Financial risk management

The most significant financial risks arising from the Company's financial instruments are price risk, interest rate risk, credit risk and liquidity risk. The policies for managing these risks are regularly reviewed by the Board and full details can be found in Note 16 to the Financial Statements.

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 2021 comprised 146,112,119 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 9,686,020 shares were issued under the fundraise that launched on 29 November 2019 and closed on 27 February 2020 raising £9 million after costs.

On 20 August 2020 a prospectus offer was launched alongside Octopus AIM VCT 2 plc to raise a combined total of up to £20 million with a £10 million over allotment facility. This prospectus closed to further applications on 30 November 2020. 15,501,587 shares were issued in the current period, raising £17.2 million after costs.

During the year 1,328,650 shares were issued to those shareholders who elected to receive shares under the Dividend Reinvestment Scheme ("DRIS") as an alternative to dividends. This returned £1.4 million to the Company.

An additional 25,653 shares were issued as a result of reduced advisor charges. A further 12,220 shares were issued to Octopus employee shareholders as a result of a rebate of part of the annual management fee.

Share Buybacks and Redemptions

During the year, the Company purchased for cancellation 3,867,733 shares at a weighted average price of 101.9p (2020: 3,965,450 shares at a weighted average price of 96.6p) for a total consideration of £3.9 million (2020: £3.80 million), representing 2.7% of the closing 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.

Post Balance Sheet Events

A full list of post balance sheet events since 28 February 2021 can be found in Note 17 to the Financial Statements on page 62.

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 9 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 9 renews the Directors' authority to allot up to 28,822,051 Ordinary shares (representing approximately 20% of the Company's issued share capital as at the date of the Notice of the AGM. The authority conferred by this resolution will expire on the earlier of the next AGM and the date falling 15 months after the date of the passing of the resolution.

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

Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 11 is required so that the Directors may make purchases of up to 21,602,127 Ordinary shares (representing approximately 14.99% of the Company's issued share capital as at the date of the Notice of AGM) and the Resolution seeks 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 Guidance and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

Cancellation of Share Premium Account

The Board considers it appropriate to obtain shareholders' approval for the cancellation of the amount standing to the share premium account of the Company as at 28 February 2021 to create (subject to Court approval) a pool of distributable reserves. A Special Resolution to this effect is being proposed at Resolution 12.

Independent Auditor and Disclosure of Information to Auditor

BDO LLP is the appointed Auditor of the Company and offer themselves for re-appointment. A Resolution to re-appoint BDO LLP as auditor and to authorise the Directors to determine 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.

On behalf of the Board

Roger Smith
Chairman
27 May 2021

Corporate Governance Report

The Board of the Company has considered the principles and provisions of the Association of Investment Companies Code of Corporate Governance ("AIC Code") published in 2019.

The AIC Code, addresses the principles and provisions set out in The UK Corporate Governance Code ("the UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to shareholders.

The AIC Code, includes all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company and other closed-ended Investment Companies. The Board considers that reporting against the principles and recommendations of the UK Code will provide better information to shareholders.

Corporate governance within the closed-ended investment company industry differs from that of other companies. In addition, VCTs differ from most other investment companies in that they have, developed over many years, a complex range of additional legal, tax and regulatory requirements.

The Company, as a VCT and closed-ended investment company has particular factors which have an impact on its governance arrangements. The Company,

- outsources all day-to-day activities (such as portfolio management, administration, accounting and company secretarial). This means that it is governed entirely by a Board of Non-Executive Directors. In these circumstances, the proper oversight of these relationships is the key aspect of achieving good corporate governance;
- does not have Executive Directors or employees. As a consequence, the only "corporate memory" is that of the Non-Executive Directors; and
- does not have customers, only shareholders.

The AIC Code deals with matters such as the relationship with the manager and other service providers. In practice, most of the time spent by the Board of a closed-ended investment company is spent on matters of general corporate governance (e.g. the investment strategy, policy and performance).

The Company is committed to maintaining high standards in corporate governance. The Directors consider that the Company has, throughout the year under review, complied with the provisions set out in the UK Code with the exceptions set out in the Compliance Statement on page 34.

Board of Directors

The Company has a Board of five Non-Executive Directors, all of whom are considered to be independent. The Directors have agreed to submit themselves for annual re-election. 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 NAV 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	6	6	2	2
Stephen Hazell-Smith	6	6	2	2
Joanne Parfrey	6	6	2	2
Neal Ransome	6	6	2	2
Andrew Boteler	6	6	2	2

Additional meetings were held as required to address specific issues including considering recommendations from the Investment Manager, approval of allotments and documentation to shareholders.

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the 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	–
Stephen Hazell-Smith	02/02/1998	AGM 2021
Joanne Parfrey	06/10/2016	AGM 2021
Neal Ransome	06/10/2016	AGM 2021
Andrew Boteler	19/03/2020	AGM 2021

Performance Evaluation and Independence of Directors

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.

We believe (in line with the AIC Code) that members of the Board are independent in character and judgement with respect to their duties to the shareholders.

Length of service is currently one of several indicators for boards to consider when assessing independence of a NED. We believe a more experienced board can better serve the needs of the Company and its shareholders by providing experience across the business /economic cycle.

We believe that the Board continues to have the balance of skills, experience, length of service and knowledge of the Company and its operating environment that enables us to act in the best interest of shareholders.

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 re-appointed 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.

Length of service of the Chairman and other Directors is one of a number of factors taken into account when considering the contribution and ongoing independence of the Board, both individually and in terms of overall composition, including the experience, range of skills and diversity of the Directors. Accordingly the Board's policy on tenure is that the term the Chairman and other Directors serve on the Board should not be restricted to a fixed time limit.

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 2020 AGM to make market purchases of up to 14.99% of the issued Ordinary share capital at any time up to the 2021 AGM and otherwise on the terms set out in the relevant resolution, and authority to make market purchases of up to 14.99% of the Issued Ordinary share capital is being sought at the 2021 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 37 to 39.

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
Andrew Boteler

The Audit Committee is chaired by Neal Ransome and consists of the five independent Directors. The Audit Committee believes Neal Ransome possesses appropriate and relevant financial experience as per the requirements of the UK 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 35 and 36.

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. 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 15 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 2020 AGM was 4.11%, for the resolution to re-elect Roger Smith as a Director. 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

We always welcome questions from our shareholders at the AGM but this year, to ensure we are able to respond to any questions you may have for either the Investment Manager or AIM VCT Board, please send these via email to **AimAGM@octopusinvestments.com** by 5.00pm on 17 July 2021. 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 Code. The preamble to the UK Code does, however, acknowledge that some provisions may have less relevance for investment companies adding that the AIC Code can assist in meeting the obligations under the UK Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 28 February 2021 with the provisions set out in the UK Code. The section references to the UK 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. [2.9 and 2.12]
2. The Company does not have a separate Nomination Committee due to the relatively small size and structure of the Company. Appointments are dealt with by the full Board as and when appropriate. [3.17 and 3.23]
3. 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. [5.32 – 5.41]
4. 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 AGM but are welcome to contact the Board or Octopus at any time. [1.3]
5. The re-election of all directors is sought annually at the Annual General Meeting of the Company. [3.19]

On behalf of the Board

Company Secretary
Octopus Company Secretarial Services Limited
27 May 2021

Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 28 February 2021 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 33.

Matters considered by the Audit Committee in the year

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 Annual Report and Accounts 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 first appointed in 2008 under the name of PKF (UK) LLP, which subsequently merged with BDO LLP, and has held the position for nearly thirteen years. The audit was put out to tender in 2019 and BDO LLP was re-appointed following a competitive audit tender process.

Independence and Objectivity of the Auditor

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.

Auditor Evaluation

The effectiveness of the external audit is assessed as part of the Board evaluation conducted annually and by the quality and content of the Audit Plan and Report provided to the Committee by the Auditor and the resultant discussions on topics raised. The Committee also challenges the Auditor when present at a Committee meeting, if appropriate. The Audit Committee is satisfied that BDO LLP provided effective challenge in carrying out its responsibilities.

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.

Internal Audit

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 internal audit team, which is supported as required by external consultants. 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 Issues

The Audit Committee is responsible for considering significant issues in relation to the Financial Statements. The Committee has 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 and catergorisation 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, as either revenue or capital income. Octopus confirms to the Audit Committee that the revenues are recognised appropriately.

In addition to the above, the Committee has continued to consider the implications of the Coronavirus pandemic. Whilst the social and economic consequences of the pandemic will continue to be felt for some time, the Committee has been encouraged by the manner in which the Investment Manager and the management teams of portfolio companies have generally responded to the pandemic, and it does not consider that this will have an impact upon the long-term viability of the Company. This is discussed further in the Viability Statement on page 23.

These issues were discussed with Octopus and the Auditor at the conclusion of the audit of the Financial Statements. The Committee has considered the whole Annual Report and Accounts for the period ended 28 February 2021 and has reported to the Board that it considers them to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 2021.

N J Ransome

Neal Ransome
Audit Committee Chairman
27 May 2021

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 2021.

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 37 to 39.

Consideration by the Directors of Matters Relating to Directors' Remuneration
The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect.

The Board has not sought advice or services from any external person in respect of its consideration of Directors' remuneration during the year although the Directors expect from time to time to review the fees against those paid to the Board of Directors of other VCTs. The Company does not have a Chief Executive Officer, Senior Management or any employees.

Directors' Remuneration Policy Report
The Board consists entirely of Non-Executive Directors, who meet at least 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.

The Board will review the remuneration of the Directors if thought appropriate, and monitor competitors in the VCT industry on an annual basis.

Statement of Voting at the Annual General Meeting
The 2020 Remuneration Report was presented to the AGM in July 2020 and received shareholder approval following a vote on a show of hands. 96.98% of the votes cost on proxy forms were in favour of the Remuneration Report or at the Chairman's discretion.

Shareholders' views are always considered by the Board, and the methods of contacting the Board are set out on page 34.

Annual Remuneration Report
This section of the report is subject to approval by a simple majority of shareholders at the AGM in July 2021, as in previous years. In light of the ongoing Coronavirus pandemic in the UK, the AGM will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders attempting to attend the AGM will be refused entry. The Board encourages shareholders to vote on the resolutions within the Notice of Annual General Meeting on pages 71 and 72 of the Financial Statements using the proxy form, or electronically at **www.investorcentre.co.uk/eproxy**.

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 20 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 2021 £	Year ended 29 February 2020 £
Roger Smith	**25,000**	25,000
Stephen Hazell-Smith	**20,000**	20,000
Joanne Parfrey	**20,000**	20,000
Neal Ransome	**22,500**	22,500
Andrew Boteler (appointed 19 March 2020)	**20,000**	n/a
Total	**107,500**	87,500

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. There has been no increase to the Director's fees in the reporting period.

Relative Importance of Spend on Pay

The actual expenditure in the current year is as follows:

	Year to 28 February 2021 £'000	Year to 29 February 2020 £'000	% change
Total Dividends paid	**7,635**	10,777	(29.2)
Total Buybacks	**3,940**	3,829	2.9
Total Directors' Fees	**107**	88	21.6

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 Guidance 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 2021	Ordinary shares of 1.0p each 29 February 2020
Roger Smith	**20,000**	20,000
Stephen Hazell-Smith	**139,003**	139,003
Neal Ransome	**27,145**	27,145
Joanne Parfrey	**18,754**	18,754
Andrew Boteler (appointed on 19 March 2020)	**18,727**	n/a

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

Shareholders' Proxy Voting Information

As required by Schedule 8:23 of the Regulations, the votes received for the AGM in 2020 were as follows:

	For		**Discretion***		**Against**	
	No. of Shares	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Approval of Directors' Remuneration Report	3,916,367	87.99	400,260	8.99	134,383	3.02

*Shareholders voting by proxy may give the proxy agent discretion to decide how the shares are to be voted.

By Order of the Board

Roger Smith
Chairman
27 May 2021

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and Accounts 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 Accounts are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Directors' responsibilities pursuant to Disclosure Guidance and Transparency Rules 4 (DTR4)

Roger Smith (Chairman), Stephen Hazell-Smith, Joanne Parfrey Neal Ransome and Andrew Boteler, 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; and
- 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
27 May 2021

Independent auditor's report to the members of Octopus AIM VCT plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Octopus AIM VCT plc (the 'Company') for the year ended 28 February 2021 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cashflow Statement and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

We were re-appointed by the members at the AGM on 15 July 2020 to audit the financial statements for the year ended 28 February 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 13 years, covering the years ended 28 February 2009 to 28 February 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status;
- Reviewing and challenging the forecasted cash flows that support the Directors' assessment of going concern;
- Evaluating management's method of assessing going concern in light of market volatility and the present uncertainties having regard to the liquidity of the investment portfolio;
- Calculating financial ratios to consider the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2021	2020
Key audit matters	Valuation and Ownership of Investments	✓	✓
Materiality	£1,470,000 (2020: £1,080,000) based on 1% (2020: 1%) of Fixed assets investments, Money market funds and OEICs		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

Key Audit Matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of fixed asset investments (Notes 1 and 10 to the financial statements) Fixed asset investments represent the most significant balance in the financial statements and are the primary driver of returns to shareholders and we therefore considered valuation and ownership to be a key audit matter. Quoted Investments: £124m (95%) of the Company's investments held at fair value through profit and loss are quoted investments. Due to the value of these, we considered the valuation and ownership of quoted investments to be a significant audit area. Unquoted investments: £5.9m (5%) of the Company's investments held at fair value through profit and loss are unquoted and are valued using more subjective techniques (level 3). There is a high level of estimation uncertainty involved in determining the unquoted investment valuations. The investment manager's fee is based on the value of the net assets of the fund, as shown in note 3. As the investment manager is responsible for valuing the unquoted investments for the financial statements, there is a potential risk of overstatement. We also consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We performed the following procedures: In respect of 100% of quoted equity investments we have: • Checked that the year-end bid price was used by agreeing all quoted investments to externally quoted prices and, for a sample of investments, reviewing trading volumes around year-end to assess if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding the ownership of all quoted investments held at the balance sheet date. In respect of a sample of unquoted investments we have: • Reviewed the valuation papers prepared by the Investment Manager to check that the assumptions and underlying evidence supporting the year end valuations are in line with UK GAAP and the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation, including challenging key assumptions made in the valuation and checking that the valuation methodology applied remains applicable given the economic impact of Covid-19. • Obtained direct confirmation from the custodian regarding the ownership of all unquoted investments held at the balance sheet date. We also considered the completeness, accuracy and clarity of relevant disclosures in the financial statements with reference to the requirements of applicable accounting standards. **Key observations:** Based on the procedures performed we did not identify any issues relating to the valuation or ownership of fixed asset investments, and consider that the related disclosures are appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels 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 as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company Financial statements	
	2021 £m	2020 £m
Materiality	£1,470,000	£1,080,000
Basis for determining materiality	1% of Fixed asset investments, Money market funds and OEICs	
Rationale for the benchmark applied	We have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of quoted investments, we have applied a percentage of 1% of invested assets (excluding cash).	
Performance materiality	£1,103,000	£810,000
Basis for determining performance materiality	75% of materiality The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower Testing Threshold

Whilst the majority of long term returns are expected to arise from capital, we note that on-going costs and revenue returns are still important to users of the financial statements, despite being considerably smaller in magnitude. Thus, we have set a lower testing threshold for those items impacting revenue return of £270,000 which is based on 10% of gross expenditure. (2020: £260,000).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £74,000 (2020: £22,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the audit committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. 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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation.

We considered areas where the financial statements could be susceptible to material misstatement. Our audit work focused on the valuation of unquoted investments as described in the key audit matters section of this report, where the risk of material misstatement due to fraud is the greatest. We also:

- Obtained independent evidence to support the ownership of investments;
- Recalculated investment management fees in total;
- Obtained independent confirmation of bank balances.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management;
- Review of minutes of board meetings throughout the period;
- Obtaining and reviewing independent reports prepared for the Company on compliance with the relevant tests in order to maintain its qualifying status as a VCT.

We addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Use of our report

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.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
27 May 2021

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

Income Statement

	Notes	Year to 28 February 2021 Revenue £'000	Capital £'000	Total £'000	Year to 29 February 2020 Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	10	**–**	**4,361**	**4,361**	–	349	349
Gain on disposal of current asset investments		**–**	**58**	**58**	–	382	382
Gain on valuation of fixed asset investments	10	**–**	**44,908**	**44,908**	–	505	505
Gain on valuation of current asset investments		**–**	**3,655**	**3,655**	–	1,507	1,507
Investment income	2	**472**	**51**	**523**	776	36	812
Investment management fees	3	**(487)**	**(1,461)**	**(1,948)**	(482)	(1,445)	(1,927)
Other expenses	4	**(707)**	**–**	**(707)**	(636)	–	(636)
Profit/(loss) before tax		**(722)**	**51,572**	**50,850**	(342)	1,334	992
Tax	6	**–**	**–**	**–**	–	–	–
Total comprehensive income/(loss) after tax		**(722)**	**51,572**	**50,850**	(342)	1,334	992
Earnings per share – basic and diluted	8	**(0.5)p**	**37.9p**	**37.4p**	(0.3)p	1.1p	0.8p

- 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 50 to 63 form an integral part of these Financial Statements.

Balance Sheet

	Notes	As at 28 February 2021 £'000	As at 28 February 2021 £'000	As at 29 February 2020 £'000	As at 29 February 2020 £'000
Fixed asset investments	10		**129,915**		81,699
Current assets:					
Investments	11	**16,212**		24,859	
Money market funds	11	**1,326**		1,324	
Debtors	12	**1,864**		78	
Applications cash*	11	**162**		16,456	
Cash at bank	11	**33,724**		7,911	
		53,288		50,628	
Creditors: amounts falling due within one year	13	**(1,047)**		(17,217)	
Net current assets			**52,241**		33,411
Total assets less current liabilities			**182,156**		115,110
Called up equity share capital	14		**1,461**		1,234
Share premium			**57,966**		65,883
Capital redemption reserve			**173**		134
Special distributable reserve			**67,477**		43,630
Capital reserve realised			**(21,945)**		(26,719)
Capital reserve unrealised			**78,169**		31,371
Revenue reserve			**(1,145)**		(423)
Total equity shareholders' funds			**182,156**		115,110
NAV per share – basic and diluted	9		**124.7p**		93.3p

*Cash held but not yet allotted.

The statements were approved by the Directors and authorised for issue on 27 May 2021 and are signed on their behalf by:

Roger Smith
Chairman
Company number: 03477519

The Notes on pages 50 to 63 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Share capital £'000	Share premium £'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 2020	**1,234**	**65,883**	**134**	**43,630**	**(26,719)**	**31,371**	**(423)**	**115,110**
Comprehensive income for the year:								
Management fee allocated as capital expenditure	–	–	–	–	(1,461)	–	–	(1,461)
Current year gains on disposal	–	–	–	–	4,419	–	–	4,419
Current period gains on fair value of investments	–	–	–	–	–	48,563	–	48,563
Capital investment income	–	–	–	–	51	–	–	51
Loss after tax	–	–	–	–	–	–	(722)	(722)
Total comprehensive income for the year	–	–	–	–	3,009	48,563	(722)	50,850
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	(39)	–	39	(3,940)	–	–	–	(3,940)
Issue of shares	266	29,347	–	–	–	–	–	29,613
Share issue costs	–	(1,842)	–	–	–	–	–	(1,842)
Dividends paid	–	–	–	(7,635)	–	–	–	(7,635)
Total contributions by and distributions to owners	227	27,505	39	(11,575)	–	–	–	16,196
Other movements:								
Cancellation of share premium	–	(35,422)	–	35,422	–	–	–	–
Prior years' holding gains now realised	–	–	–	–	1,765	(1,765)	–	–
Total other movements	–	(35,422)	–	35,422	1,765	(1,765)	–	–
Balance as at 28 February 2021	**1,461**	**57,966**	**173**	**67,477**	**(21,945)**	**78,169**	**(1,145)**	**182,156**
As at 1 March 2019	**1,213**	**81,368**	**94**	**36,592**	**(28,999)**	**32,317**	**(81)**	**122,504**
Comprehensive income for the year:								
Management fee allocated as capital expenditure	–	–	–	–	(1,445)	–	–	(1,445)
Current year gains on disposal	–	–	–	–	731	–	–	731
Current period gains on fair value of investments	–	–	–	–	–	2,012	–	2,012
Capital investment income	–	–	–	–	36	–	–	36
Loss after tax	–	–	–	–	–	–	(342)	(342)
Total comprehensive income for the year	–	–	–	–	(678)	2,012	(342)	992
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	(40)	–	40	(3,829)	–	–	–	(3,829)
Issue of shares	61	6,454	–	–	–	–	–	6,515
Share issue costs	–	(295)	–	–	–	–	–	(295)
Dividends paid	–	–	–	(10,777)	–	–	–	(10,777)
Total contributions by and distributions to owners	21	6,159	40	(14,606)	–	–	–	(8,386)
Other movements:								
Cancellation of share premium	–	(21,644)	–	21,644	–	–	–	–
Prior years' holding gains now realised	–	–	–	–	2,958	(2,958)	–	–
Total other movements	–	(21,644)	–	21,644	2,958	(2,958)	–	–
Balance as at 29 February 2020	**1,234**	**65,883**	**134**	**43,630**	**(26,719)**	**31,371**	**(423)**	**115,110**

*Included in these reserves is an amount of £44,387,000 (2020: £16,488,000) which is considered distributable to shareholders.

Cash Flow Statement

	Notes	Year to 28 February 2021 £'000	Year to 29 February 2020 £'000
Cash flows from operating activities			
Profit before tax		**50,850**	992
Adjustments for:			
Increase in debtors		**(114)**	(7)
Increase/(decrease) in creditors		**123**	(84)
Gain on disposal of fixed asset investments	10	**(4,361)**	(349)
Gain on disposal of current asset investments		**(58)**	(382)
Gain on valuation of fixed asset investments	10	**(44,908)**	(505)
Gain on valuation of current asset investments		**(3,655)**	(1,507)
Non-cash distributions	2	**(51)**	–
Cash from operations		**(2,174)**	(1,842)
Income taxes paid		**–**	–
Net cash generated from operating activities		**(2,174)**	(1,842)
Cash flows from investing activities			
Purchase of fixed asset investments	10	**(9,638)**	(6,236)
Proceeds from sale of fixed asset investments	10	**9,070**	7,062
Purchase of current asset investments		**(5,040)**	(1,118)
Proceeds from sale of current asset investments		**17,400**	7,000
Net cash flows from investing activities		**11,792**	6,708
Cash flows from financing activities			
Movement in applications account	13	**(16,293)**	16,286
Purchase of own shares	14	**(3,940)**	(3,829)
Share issues	14	**28,196**	4,755
Share issue costs	14	**(1,842)**	(295)
Dividends paid	7	**(6,218)**	(9,017)
Net cash flows from financing activities		**(97)**	7,900
Increase in cash and cash equivalents		**9,521**	12,766
Opening cash and cash equivalents		**25,691**	12,925
Closing cash and cash equivalents		**35,212**	25,691
Cash and cash equivalents is represented by:			
Cash at bank	11	**33,724**	7,911
Applications cash	11	**162**	16,456
Money market funds	11	**1,326**	1,324
Total cash and cash equivalents		**35,212**	25,691

The Notes on pages 50 to 63 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 (issued 2014 and updated in October 2019 with consequential amendments).'

The principal accounting policies have remained unchanged from those set out in the Company's 2020 Annual Report and Accounts. 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 ("FVTPL"); therefore all gains and losses arising from such investments held are attributable to financial assets held at FVTPL. Accordingly, all interest income, fee income, expenses and gains and losses on investments are attributable to assets held at FVTPL.

Going concern

After reviewing the Company's forecasts and expectations, the Directors have a reasonable expectation that the Company 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. In reaching this conclusion the Directors have had regard to the potential impact on the economy and the Company of the current coronavirus pandemic. See Director's Report on page 27 to 30 for further details.

Revenue and capital

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 as required by the SORP.

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.

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.

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 main accounting and valuation policies used by the Company are disclosed below.

Investments are regularly reviewed to ensure that the fair values are appropriately stated. 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).

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

The Company defines capital as shareholders' funds and its 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.

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 subject to insignificant changes in fair value. The Company holds £162,000 (2020: £16,455,000) of cash on behalf of the Company and Octopus AIM VCT 2 PLC. Of this £97,200 (2020: £9,873,000) is attributable to the Company. This cash is held in an applications bank account until shares are issued. A corresponding creditor is recognised in note 13 on page 58.

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

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

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

Capital 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.

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

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 are allocated to revenue or capital depending on whether the dividend is of a revenue or capital nature. During the year the Company received shares in Verici Dx plc as a result of an in-specie dividend from Renalytix AI plc. This has been treated as capital income.

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 2021 £'000	29 February 2020 £'000
Dividends receivable from fixed asset investments	**425**	715
In-Specie dividend*	**51**	–
Loan note interest receivable	**45**	52
Income receivable on money market securities and bank balances	**2**	9
Capital dividend	**–**	36
	523	812

*The Company received shares in Verici Dx plc as a result of an in-specie dividend from Renalytix AI plc. This has been treated as capital income.

3. Investment Management Fees

	28 February 2021			29 February 2020		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**487**	**1,461**	**1,948**	482	1,445	1,927

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, less deductions outlined below calculated on a quarterly basis.

During the year Octopus charged gross management fees of £2,501,000 (2020: £2,415,000). When the various allowances detailed below are included, the net management fees for the year is £1,948,000 (2020: £1,927,000). At the year end there was £481,000 payable to Octopus (2020: £471,000). Octopus received £588,000 as a result of upfront fees charged on allotments of Ordinary shares (2020: £98,000).

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 2021 the rebate received was £259,000 (2020: £236,000).

The Company also facilitates upfront fees to IFAs where an investor has invested through a financial adviser and has received upfront advice. Where an investor agrees 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 2021 the rebate received was £216,000 (2020: £145,000).

The Company also receives a reduction in the management fee for the investments into other Octopus managed funds, being the Octopus Portfolio Manager, Micro Cap and Multi Cap products, to ensure the Company is not double charged on these products. This amounted to £78,000 for the year to 28 February 2021 (2020: £107,000).

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 2021 £'000	29 February 2020 £'000
IFA charges	**259**	236
Directors' remuneration	**107**	88
Registrars' fees	**61**	53
Audit fees	**36**	26
Printing and postage	**24**	26
VCT monitoring fees	**20**	13
Directors and officers liability insurance	**13**	10
Broker's fees	**7**	6
Other administration expenses	**180**	178
	707	636

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 1.7% of average net assets during the year to 28 February 2021 (2020: 1.9%). Ongoing charges are calculated using the AIC methodology and exclude irrecoverable VAT, exceptional costs and trail commission.

5. Directors' Remuneration

Directors were paid £107,000 in the year to 28 February 2021 (2020: £88,000). This excludes Employer's National Insurance contributions of £9,000 (2020: £7,000) included within other administration expenses above. None of the Directors received any other remuneration, pension contributions or benefits 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 five (2020: four).

6. Tax

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.

The corporation tax charge for the year was £nil (2020: £nil).

Disclosure

Tax reconciliation	**28 February 2021 Total £'000**	29 February 2020 Total £'000
Profit before tax	**50,850**	992
Current tax at 19.0% (2020: 19.0%)	**9,661**	188
Effects of		
Non-taxable income	**(91)**	(145)
Non-taxable capital gains	**(10,067)**	(521)
Non deductible expenses	**2**	–
Excess management expenses on which deferred tax not recognised	**495**	478
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 VCT, 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 2021 there is an unrecognised deferred tax asset of £3,653,000 (2020: £2,830,000) in respect of accumulated surplus management expenses of £19,225,000 (2020: £16,649,000), based on a prospective corporation tax rate of 19% (2020: 17%). This deferred tax asset could in future be used against taxable profits.

Provided the Company continues to maintain its current investment profile, it is unlikely that the expenses will be utilised and that the company will obtain any benefit from this asset.

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 on the record date, the date on which those shareholders on the share register are entitled to the dividend.

Disclosure

	28 February 2021 £'000	29 February 2020 £'000
Dividends paid on Ordinary shares during the year		
Final dividend – 3.0p paid 7 August 2020 (2020: 3.0p)	**3,967**	3,606
Interim dividend – 2.5p paid 15 January 2021 (2020: 2.5p)	**3,668**	2,988
Special dividend – nil paid (2020: 3.5p)	**–**	4,183
	7,635	10,777

During the year £1,417,000 (2020: £1,760,000) of dividends were reinvested under the DRIS, see Note 14.

	28 February 2021 £'000	29 February 2020 £'000
Dividends paid and proposed in respect of the year		
Interim dividend – 2.5p paid 15 January 2021 (2020: 2.5p)	**3,668**	2,988
Special dividend – nil paid (2020: 3.5p)	**–**	4,183
Final dividend proposed: 3.5p payable 13 August 2021 (2020: 3.0p)	**5,044**	3,973
Special dividend proposed: 2.5p payable 13 August 2021 (2020: nil)	**3,603**	–
	12,315	11,144

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 2021			29 February 2020		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Profit attributable to ordinary shareholders (£'000)	**(722)**	**51,572**	**50,850**	(342)	1,334	992
Earnings per ordinary share (p)	**(0.5)**	**37.9**	**37.4**	(0.3)	1.1	0.8

The earnings per share is based on 136,141,642 Ordinary shares (2020: 120,698,159), being the weighted average number of shares in issue during the year, and the profit on ordinary activities after tax for the year of £50,850,000 (2020: £992,000).

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 2021	29 February 2020
Net assets (£'000)	**182,156**	115,110
Shares in issue	**146,112,119**	123,425,722
NAV per share (p)	**124.7**	93.3

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

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 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. The Manager's review changes in fair value of investments for any permanent reductions in value and will give consideration to whether these losses should be transferred to the capital reserve-realised.

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 recognises a hierarchy of fair value measurements, for financial instruments measured at fair value in the Balance Sheet, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). This methodology is adopted by the Company and requires disclosure of financial instruments to be dependent on the lowest significant applicable input as laid out below:

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

Level 2: Inputs for similar assets or liabilities other than the quoted prices included in Level 1 that are directly or indirectly observable, which exist for the duration of the period of investment.

Level 3: This is where inputs are unobservable, where no active market is available and recent transactions for identical instruments do not provide a good estimate of fair value for the asset or liability.

There has been one reclassification from Level 1 to Level 3 in the year as Nektan Limited was de-listed. This holding is held at £nil. Other than this, there have been no reclassifications between levels in the year. The change in fair value for the current and previous year is recognised through the profit and loss account.

Disclosure

	Level 1: Quoted equity investments £'000	Level 3: Unquoted investments £'000	Total £'000
Cost at 1 March 2020	48,877	4,042	52,919
Opening unrealised gain at 1 March 2020	28,478	302	28,780
Valuation at 1 March 2020	**77,355**	**4,344**	**81,699**
Purchases at cost	9,128	510	9,638
In-Specie dividend	51	–	51
Disposal proceeds	(10,742)	–	(10,742)
Profit on realisation of investments	4,870	(509)	4,361
Reclassifications between levels	(9)	9	–
Change in fair value in year	43,332	1,576	44,908
Closing valuation at 28 February 2021	**123,985**	**5,930**	**129,915**
Cost at 28 February 2021	52,647	4,052	56,699
Closing unrealised gain at 28 February 2021	71,338	1,878	73,216
Valuation at 28 February 2021	**123,985**	**5,930**	**129,915**

Level 1 valuations are valued in accordance with the closing 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, December 2018. Level 3 investments include £600,000 (2020: £1,100,000) of loan notes held at cost, which is deemed to be current fair value.

All capital gains or losses on investments are classified at FVTPL. 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 2021 there were no commitments in respect of investments approved by the Manager but not yet completed (2020: £nil).

11. Current Asset Investments and Cash at Bank

Accounting Policy

For the purposes of the cash flow statement, cash at bank comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents. This comprises government securities, investment grade bonds and investments in money market funds.

Current asset investments on the Balance Sheet comprise of investments in 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 within seven days. 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 2021 and at 29 February 2020 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.

	29 February 2020 £'000	29 February 2020 £'000
OEICs:		
FP Octopus UK Micro Cap Growth Fund	**9,590**	4,336
FP Octopus UK Multi Cap Income Fund	**5,016**	1,655
Octopus Portfolio Manager – Conservative Capital Growth	**954**	9,547
Octopus Portfolio Manager – Defensive Capital Growth	**652**	9,321
Total current asset investments	**16,212**	24,859
Money Market Funds*	**1,326**	1,324
Total current asset investments and money market funds	**17,538**	26,183
Cash at bank	**33,724**	7,911
Applications cash	**162**	16,456
Total	**51,424**	50,550

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

12. Debtors

	28 February 2021 £'000	29 February 2020 £'000
Other debtors	**1,763**	5
Prepayments and accrued income	**101**	73
Total	**1,864**	78

13. Creditors: amounts falling due within one year

	28 February 2021 £'000	29 February 2020 £'000
Accruals	**850**	734
Other creditors	**162**	16,455
Trade creditors	**35**	28
Total	**1,047**	17,217

Creditors includes £162,000 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 (2020: £16,455,000). Of this £97,200 (2020: £9,873,000) is attributable to the Company.

14. Share capital

	28 February 2021 £'000	29 February 2020 £'000
Allotted and fully paid up:		
146,112,119 Ordinary shares of 1p (2020: 123,425,722)	**1,461**	1,234

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 19. As the Company is now registered as an AIFM, it is subject to externally imposed capital requirements of €300,000. 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 (£)
19 March 2020	437,120	77	337,000
23 April 2020	235,405	84.4	199,000
28 May 2020	141,379	87.8	124,000
25 June 2020	89,859	91.3	82,000
23 July 2020	129,255	89.6	116,000
27 August 2020	266,860	97.3	260,000
24 September 2020	241,130	96.6	233,000
22 October 2020	501,696	101.8	511,000
19 November 2020	387,995	104.7	406,000
10 December 2020	224,421	109.5	246,000
21 January 2021	630,173	115.1	725,000
25 February 2021	582,440	120.3	701,000
Total	**3,867,733**		**3,940,000**

The total nominal value of the shares repurchased for cancellation was £38,677 representing 2.65% of the issued share capital.

The Company issued the following shares during the year to 28 February 2021:

Date	Number of shares	Price per share (p)	Total value of shares (£)
6 March 2020	9,290,032	101.5	8,794,000
16 April 2020	395,988	92.8	347,000
24 June 2020*	37,873	95.5	36,000
10 August 2020 (DRIS)	743,051	95.6	710,000
28 October 2020	6,938,669	114.8	7,473,000
9 December 2020	8,562,918	121.4	9,702,000
15 January 2021 (DRIS)	585,599	120.8	707,000
Totals	**26,554,130**		**27,769,000**

*Shares issued as a result of reduced adviser charges, and reduced annual management fee for Octopus employees.

The total value net of share issue costs was £26,354,000, excluding the value of shares issued under the DRIS (2020: £4,460,000). This is shown in the cash flow statement.

15. 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 2021 £'000	29 February 2020 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments	**129,915**	81,699
Money market securities	**1,326**	1,324
OEICs	**16,212**	24,859
Total financial assets at fair value through profit or loss	**147,453**	107,882
Financial assets measured at amortised cost		
Cash at bank	**33,886**	24,367
Debtors	**1,864**	78
Total financial assets measured at amortised cost	**35,750**	24,445
Financial liabilities measured at amortised cost		
Creditors	**(1,047)**	(17,217)
Total financial liabilities measured at amortised cost	**(1,047)**	(17,217)

The Company holds six qualifying, unquoted investments; Popsa Holdings Limited, Rated People Limited, Airnow plc, The Food Marketplace and Hasgrove plc, which delisted from AIM in 2013 and Fusionex plc which delisted from AIM in 2017. The Company also holds one unquoted loan note investments Osirium Technologies plc valued at £600,000 held at cost. Unquoted investments and loan notes are included in fixed asset investments in the table above.

Fixed and current asset investments (see Notes 10 and 11) are initially recognised at FVTPL. 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.

16. 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 19. 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 31 to 34, having regard to the possible effects of adverse price movements, and other macro economic affects on the market such as the Coronavirus outbreak 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 Company's portfolio is well diversified with holdings in technology, industrials, pharmaceuticals, support services and many more growing sectors. 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 9 to 11.

By value 68% (2020: 67%) of the Company's net assets comprises equity securities listed on the London Stock Exchange or admitted to trading on AIM. In the context of the short-term market volatility caused by the Coronavirus pandemic, we have increased the sensitivity analysis from 10% in 2019 to 20% in 2020 and 2021. Therefore, a decrease in the bid price of these securities as at 28 February 2021 would have decreased net assets and the total return for the year by £24,797,000 (2020: £15,471,000); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount.

OEIC investments comprised 9% of the Company's net assets by value (2020: 22%). A 20% decrease (2020: 20%) in the price of these securities at 28 February 2021 would have decreased net assets by £3,242,400 (2020: £4,971,800); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount.

Unquoted investments comprised 3% of the Company's net assets by value (2020: 3%). A 20% decrease (2020: 20%) in the price of these securities at 28 February 2021 would have decreased net assets by £1,186,000 (2020: £649,000); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount. The Directors consider this to not be significant.

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 0.1% at 28 February 2021 (2020: 0.75%). The amounts held in floating rate investments at the balance sheet date were as follows:

	28 February 2021 £'000	29 February 2020 £'000
Money Market Funds	**1,326**	1,324
Cash at bank	**33,886**	24,367
	35,212	25,691

Every 1% increase or decrease in the base rate would increase or decrease income receivable from these investments for the year by £352,000 (2020: £257,000).

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.

OPM is a highly diversified product with different combination of funds spread across different asset classes which mitigates the credit risk associated with the AIM VCT's investment.

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 HSBC and BlackRock. The Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. Should the credit quality or the financial position of HSBC or BlackRock deteriorate significantly the Manager will move the cash holdings to another bank or fund.

Other than cash, loan notes or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 28 February 2021 or 29 February 2020. The Company holds one unquoted loan note investments valued at £600,000 (2020: £1,100,000). The Directors consider this to not be significant.

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 seven 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 2021 these investments were valued at £51,424,000 (2020: £50,550,000).

The Company has no debt, therefore no maturity analysis is required.

17. Post Balance Sheet Events

The following events occurred between the balance sheet date and the signing of these Financial Statements.

- a new investment totalling £1,050,000 completed in Evgen Pharma plc;
- a follow on investment totalling £366,279 completed in Cloudcall plc;
- a new investment totalling £1,000,000 completed in In The Style plc;
- a new investment totalling £686,621 completed in Polarean Imaging plc;
- a new investment totalling £213,120 completed in Parsley Box Group plc;
- a new investment totalling £567,000 completed in Crimson Tide plc;
- a new investment totalling £1,799,994 completed in Glantus Holdings plc ;
- an investment of £1,650,000 into FP Octopus UK Multi Cap Income Fund;
- disposal of 132,600 shares in Trackwise plc for total consideration of £319,582;
- disposal of 186,287 shares in Fusionex International plc for total consideration of £297,462;
- disposal of 600,000 shares in Intelligent Ultrasound Group plc for total consideration of £104,041;
- disposal of 373,325 shares in PCI-Pal plc for total consideration of £401,026;
- disposal of 60,000 shares in GB Group plc plc for total consideration of £542,811;
- disposal of 27,500 shares in Renalytix AI plc plc for total consideration of £326,595;
- disposal of 45,000 shares in Access Intelligence plc for total consideration of £61,339;
- disposal of 45,000 shares in Maestrano Group plc plc for total consideration of £7,012; and

- full disposal in Octopus Portfolio Manager – Conservative Capital Growth and Octopus Portfolio Manager – Defensive Capital Growth.

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

- 18 March 2021: 582,234 shares at a price of 121.5p per share;
- 22 April 2021: 873,887 shares at a price of 126.0p per share; and
- 20 May 2021: 614,431 shares at a price of 126.2p per share.

The following shares have been issues since the year end:

- 16 April 2021: 68,692 shares at a price of 137.9p per share.

18. Contingencies, guarantees and financial commitments

At 28 February 2021 there were no commitments in respect of investments approved by the Manager but not yet completed (2020: £nil).

19. Related Party Transactions

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

The Company has paid Octopus £1,948,000 (2020: £1,927,000) 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 £5,040,000 into Octopus managed funds (2020: £1,119,000), being the Octopus Portfolio Manager, Micro Cap and Multi 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.

See Note 3 to the Financial Statements for more information on the management fee charges and rebates.

The Company holds £162,000 (2020: £16,455,000) of cash on behalf of the Company and AIM VCT 2 PLC. Of this £97,200 (2020: £9,873,000) is attributable to the Company.

Octopus received £nil (2020: £nil) transaction fees and directors' fees from investee companies.

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 NAV 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. This offer closed to new applications, fully subscribed, on 27 February 2017.

A further combined offer for subscription with Octopus AIM VCT 2 plc was launched on 16 June 2017 to raise up to £18 million with an over allotment of £6 million. This offer closed, fully subscribed, on 10 November 2017.

A combined fund raise with Octopus AIM VCT 2 plc by way of an issue of new shares was launched on 3 August 2018 to raise up to £12 million for the Company with an over-allotment facility of £6 million. This offer closed, fully subscribed, on 28 September 2018.

A combined fund raise with Octopus AIM VCT 2 plc by way of an issue of new shares was launched on 29 November 2019 to raise up to £12 million for the Company with an over-allotment facility of £6 million. This offer closed, fully subscribed, on 27 February 2020.

A combined fund raise with Octopus AIM VCT 2 plc by way of an issue of new shares was launched on 20 August 2020 to raise up to £12 million for the Company with an over-allotment facility of £6 million. This offer closed, fully subscribed, on 30 November 2020.

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 80% 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 Finance Act 2018 contained some further adjustments to the VCT regulations. The new requirements are that any funds raised in accounting periods beginning on or after 6 April 2018 should be 30% invested in qualifying holdings within 12 months of the end of the accounting period in which the shares were issued, and for financial years ending after 6 April 2019 the portfolio will also have to maintain a minimum qualifying investment of 80%. 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 9.00am-5.30pm, 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 unaudited 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 during the period ending	Ordinary shares 2020/21	Ordinary shares 2019/20	Ordinary shares 2018/19	Ordinary shares 2017/18	Ordinary shares 2016/17	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			–	–	–	–	–	–	–	–	–	–	–	–	37.25	–	–
28 February 2002			–	–	–	–	–	–	–	–	–	–	–	2.55	6.50	–	–
28 February 2003			–	–	–	–	–	–	–	–	–	–	–	1.50	3.50	–	–
29 February 2004			–	–	–	–	–	–	–	–	–	–	–	0.50	0.50	–	0.15
28 February 2005			–	–	–	–	–	–	–	–	–	–	0.50	0.50	0.50	–	6.50
28 February 2006			–	–	–	–	–	–	–	–	–	–	2.25	2.31	2.15	–	1.00
28 February 2007			–	–	–	–	–	–	–	–	–	–	5.80	7.21	6.70	4.00	9.35
29 February 2008			–	–	–	–	–	–	–	–	–	–	5.00	5.38	5.00	5.00	11.00
28 February 2009			–	–	–	–	–	–	–	–	–	–	5.00	2.93*	2.72*	4.35	6.00
28 February 2010			–	–	–	–	–	–	–	–	–	–	2.50	1.47*	1.36*	4.05*	3.00*
28 February 2011			–	–	–	–	–	–	–	2.59*	5.29*	5.59*	2.50	1.47*	1.36*	1.53*	1.13*
29 February 2012			–	–	–	–	–	–	–	5.18*	5.29*	5.59*	5.00	2.93*	2.72*	3.05*	2.26*
28 February 2013			–	–	–	–	–	2.39*	5.51*	5.18*	5.29*	5.59*	5.00	2.93*	2.72*	3.05*	2.26*
28 February 2014			–	–	–	–	1.96*	4.79*	5.51*	5.18*	5.29*	5.59*	5.00	2.93*	2.72*	3.05*	2.26*
28 February 2015			–	–	–	2.17*	4.30*	5.27*	6.06*	5.69*	5.81*	6.15*	5.50	3.23*	3.00*	3.19*	2.36*
29 February 2016			–	–	–	8.07*	7.28*	8.91*	10.25*	9.63*	9.83*	10.40*	9.30	5.45*	5.07*	5.40*	4.00*
28 February 2017			–	–	4.52*	4.34*	3.91*	4.79*	5.51*	5.18*	5.29*	5.59*	5.00	2.93*	2.72*	2.90*	2.15*
28 February 2018			–	4.47*	4.97*	4.77*	4.30*	5.27*	6.06*	5.69*	5.81*	6.15*	5.50	3.23*	3.00*	3.19*	2.36*
28 February 2019			4.48*	4.47*	4.97*	4.77*	4.30*	5.27*	6.06*	5.69*	5.81*	6.15*	5.50	3.23*	3.00*	3.19*	2.36*
29 February 2020		8.27*	7.33*	7.32*	8.14*	7.81*	7.04*	8.62*	9.92*	9.32*	9.51*	10.07*	9.00	5.28*	4.90*	5.22*	3.87*
28 February 2021	5.93*	5.06*	4.48*	4.47*	4.97*	4.77*	4.30*	5.27*	6.06*	5.69*	5.81*	6.15*	5.50	3.23*	3.00*	3.19*	2.36*
Cumulative dividends paid	**5.93**	**13.33**	**16.29**	**20.73**	**27.58**	**36.72**	**37.40**	**50.57**	**60.97**	**65.01**	**69.03**	**73.04**	**83.85**	**61.18**	**105.41**	**54.38**	**64.38**
Adjusted NAV as at 28 February 2021 (assuming investment at 100p)**	**134.4**	**114.6**	**101.5**	**101.4**	**112.7**	**108.2**	**97.6**	**119.4**	**137.5**	**129.1**	**131.8**	**139.5**	**124.7**	**73.1**	**67.9**	**72.4**	**53.6**
Adjusted NAV plus cumulative dividends paid***	**140.30**	**127.94**	**117.83**	**122.11**	**140.33**	**144.97**	**134.98**	**170.02**	**198.46**	**194.10**	**200.87**	**212.53**	**208.55**	**134.31**	**173.35**	**126.77**	**117.96**

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.

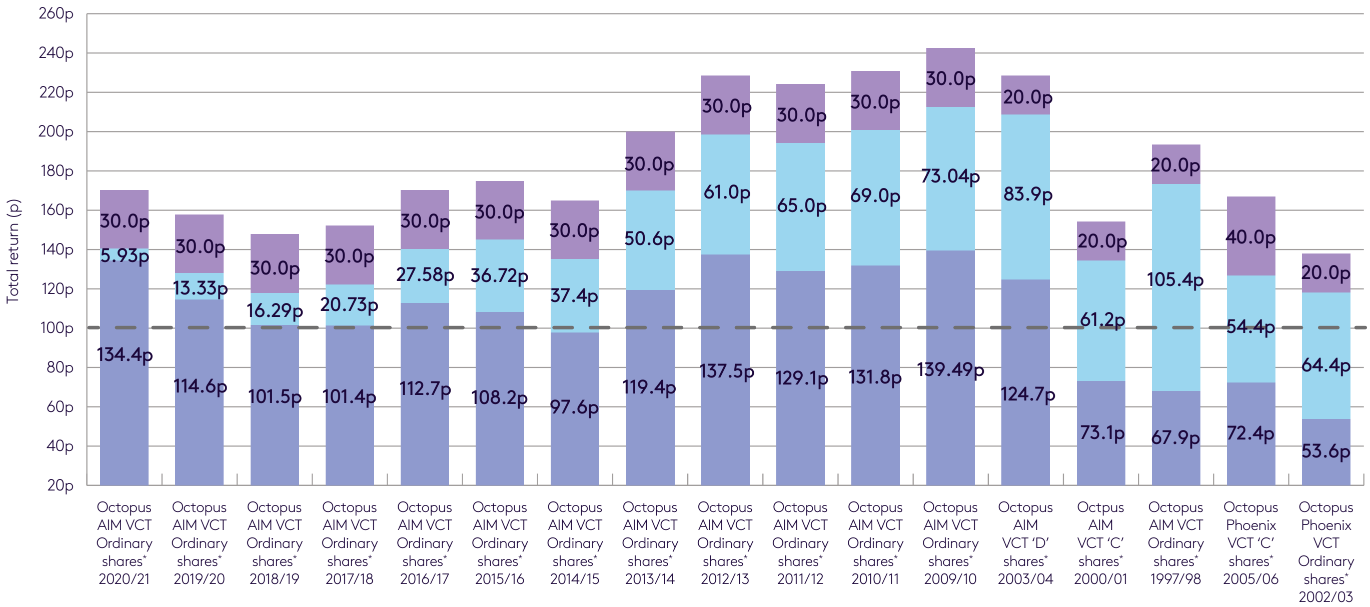
*Notional dividends adjusting for conversion and assuming an investment at 100p, of Phoenix 'C' shares into Phoenix Ordinary shares, and relevant AIM VCT shares into AIM VCT Ordinary shares.

**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 3.5p and special dividend of 2.5p will, if approved by shareholders, be paid on 13 August 2021 to shareholders on the register on 9 July 2021.

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 now only one share class, Ordinary shares. For Ordinary shares, 'C' shares and 'D' shares together with Octopus Phoenix VCT Ordinary shares and 'C' shares, the figures above represent a NAV, rebased to assume investment at 100p, and adjusted in accordance with the relevant conversion factors. Investment has been assumed at the first allotment of each tax year.

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 26 May 2021	125.5 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 70.

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 6325**. 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**.

Glossary of Terms

Alternative performance measure ("APM")
A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. These APMs will help Shareholders to understand and assess the Company's progress. A number of terms within this Glossary have been identified as APMs.

Net asset value or NAV
The value of the VCTs' total assets less liabilities. It is equal to the total shareholders' funds.

Net asset value per share or NAV per share
The sum of the underlying assets less the liabilities of the Company divided by the total number of shares in issue.

Ongoing charges ratio (APM)
The ongoing charges ratio has been calculated using the AIC recommended methodology and excludes irrecoverable VAT, exceptional costs and trail commission. The figure shows the annual percentage reduction in shareholder returns as a result of recurring operational expenses. It informs shareholders of the likely costs that will be incurred in managing the fund in the future.

This is calculated by expressing your expenses of £2,360,628 which includes the expenses listed out in Note 4 on page 53 excluding irrecoverable VAT, exceptional costs and trail commission as a percentage of average net assets during the year of £142,541,033.

Total Return (APM)
Total return is calculated as movement in NAV per share in the period plus dividends paid in the period, dividend by the NAV per share at the beginning of the period. Total return on the NAV per share enables shareholders to evaluate more clearly the performance of the Fund, as it reflects the underlying value of the portfolio at the reporting date.

Directors and Advisers

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

Company Number
Registered in England No: 03477519

Secretary and Registered Office
Octopus Company Secretarial Services Limited
(appointed on 11 October 2019)
33 Holborn
London
EC1N 2HT

Suzanna Waterhouse, ACIS (resigned on 11 October 2019)

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

Tax Advisor
PricewaterhouseCoopers LLP
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/

Corporate Broker
Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

020 7886 2500

Notice of Annual General Meeting

In light of the ongoing Coronavirus pandemic it has been agreed that the meeting will be held on a closed basis. This means that shareholders will not be able to attend the Annual General Meeting ("AGM") in person. Therefore, we strongly encourage all shareholders to appoint the Chair of the Meeting as their proxy to vote on their behalf. However, the board intends to hold a shareholder event after the AGM at 12:00pm to enable shareholders to receive a presentation on the fund performance from the Portfolio Manager and ask the Board any questions relating to the AGM resolutions or the Report & Accounts.

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 22 July 2021 at 11.45am for the purposes of considering and if thought fit, passing the following resolutions of which resolutions 1 to 9 and 13 will be proposed as Ordinary resolutions and resolutions 10, 11 and 12 will be proposed as Special resolutions:

Ordinary Business

1. TO receive and adopt the financial statements for the year to 28 February 2021 and the Directors' and Auditor's Reports thereon.

2. TO approve a final dividend of 3.5p.

3. TO approve the Directors' Remuneration Report.

4. TO re-elect Stephen Hazell-Smith as a Director.

5. TO re-elect Joanne Parfrey as a Director.

6 TO re-elect Neal Ransome as a Director.

7. TO re-elect Andrew Boteler as a Director.

8. 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 9 and 13 as Ordinary Resolutions and Resolutions 10, 11 and 12 as Special Resolutions:

9. Authority to allot relevant securities
THAT, the Directors be generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to allot shares up to a maximum of 28,822,051 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 AGM next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in general meeting but so that such authority allows the Company to make Offers or agreements before the expiry thereof which would or might require relevant securities to be allotted after the expiry of such authority).

10. Empowerment to make allotments of equity securities
TO empower the Directors pursuant to s571(1) of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 9 as if s560(1) of the said Act did not apply to any such allotments and so that:

(a) Reference to allotment in this Resolution shall be construed in accordance with s560(1) of the said Act; and

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

And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the AGM of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

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

(a) the number of Ordinary shares so authorised to be purchased shall not exceed 21,602,127 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 AGM 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.

12. Cancellation of Share Premium

THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the share premium account of the Company as at 28 February 2021 be cancelled.

13. Continuation of the company as a VCT

THAT, the Company continue as a Venture Capital Trust until 2027.

Company Secretary
Octopus Company Secretarial Services Limited

4 June 2021

Notes:

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

The AGM will be run as a closed meeting and shareholders or proxies will not be able to attend in person. Shareholders or proxies attempting to attend the AGM will be refused entry.

(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 AGM 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.

Questions from our shareholders in relation to the AGM can be sent via email to **AimAGM@octopusinvestments.com**. The Company may, however, elect to provide answers to questions raised within a reasonable period of days after the conclusion of the AGM.

(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 AGM; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM, 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 AGM 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 AGM, 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 04 June 2021 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 144,110,259 Ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 04 June 2021 are 144,110,259.

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