



Annual report and accounts for the year ended 28 February 2018

Company number: 03477519

For UK investors only

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

Financial Summary

	Year to 28 February 2018	Year to 28 February 2017
Net assets (£'000)	127,070	99,915
Net profit after tax (£'000)	6,476	15,123
Net asset value (NAV) per share	116.1p	114.4p
Ordinary Dividends per share paid in year	5.5p	5.0p
Proposed Final Dividend per share*	3.0p	3.0p
Total Return**	6.3%	17.5%

*Subject to shareholder approval at the Annual General Meeting, the proposed final dividend will be paid on 20 July 2018 to shareholders on the register on 22 June 2018.

**Total return is calculated as (movement in NAV + dividends paid in the period) divided by the NAV at the beginning of the period.

Key Dates

Annual General Meeting	3 July 2018 (11.00 a.m. at 33 Holborn, London EC1N 2HT)
Final dividend payment date	20 July 2018
Half yearly results to 31 August 2018 announced	October 2018
Annual results to 28 February 2019 announced	May 2019
Annual Report and Accounts published	June 2019

Strategic Report

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

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

The Company's Objective

The objective of the Company is to invest in a broad range of AIM or NEX Exchange traded companies in order to provide shareholders with attractive tax-free dividends and long-term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

Investment Policy

The Company's investment policy has been designed and updated to ensure continuing compliance with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 85% in a portfolio of qualifying AIM and NEX Exchange traded investments or unquoted companies where the management views an initial public offering (IPO) on AIM or NEX Exchange is a short to medium term objective. The non-qualifying balance (approximately 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'. Moody's is an independent rating agency and is not registered in the EU. A proportion of the balance could be invested in funds managed by Octopus or other direct equity investments. This provides a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors. In order to qualify as an investment in a qualifying VCT holding, the Company's holdings in any one company (other than another VCT) must not exceed 15% by value of its investments at the time of investment. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, shareholders should be aware that the Company's qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

The Company's Articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting therefrom any balance to the credit or debit of the profit and loss account. However, investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any borrowings.

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

Future Prospects

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



On behalf of the Board
Roger Smith
Chairman
15 May 2018

Chairman's Statement

Introduction

The year to 28 February 2018 was another period during which smaller companies outperformed the stockmarket as a whole demonstrating considerable resilience despite some significant challenges that surfaced during the year. The political agenda continued to be dominated by Brexit with little time for any other business and the uncertain mood was exacerbated by the unexpected General Election result in June. Despite almost daily negative press, the economy continued to grow in 2017, helped by an international economic recovery which acted as a counter to some of the headwinds caused by a squeeze on the domestic consumer. There was increased stockmarket volatility in the second half of the period and the portfolio was not immune to this. However, it is encouraging to report another year of positive total returns as a result of the progress made by many of the companies in our portfolio.

During the year your Company raised £27.2 million net of costs by 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 Net Asset Value per share total return was +6.3%. In the same twelve months the FTSE All Share Index rose by 4.4%, the FTSE SmallCap (excluding investment companies) Index by 7.9% and the FTSE AIM All Share Index by 16%, all on a total return basis. In the year the AIM market has raised £6.9 billion of new capital for companies.

In the interim accounts I reported that we had invested £5.3 million in qualifying holdings. In the second half of the year we invested a further £3.1 million in qualifying investments which comprised four new holdings and one follow-on investment. This total of £8.4 million compares with £3.4 million in the previous year. In addition we invested £15.3 million in non-qualifying holdings in the year in order to put the funds raised to work prior to finding appropriate qualifying investments. We made disposals totalling £4.9 million realising a £0.5 million gain on prior year opening value.

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

New VCT Rules

The latest November budget came at the end of the Patient Capital Review that was designed to see where funding gaps for small growing companies exist and address them. It has resulted in some further amendments to VCT legislation, mostly around increasing the speed at which new money raised needs to be invested and raising the overall percentage to be held in qualifying companies from 70% to 80%. This is covered in detail in the Manager's section of the report. At this stage there has been little impact on the portfolio itself and no need to change our investment policy. This situation may alter in the future, with change more likely to be evolutionary than immediate, although there are signs of a developing trend towards investing in smaller

and earlier stage companies which fit the HMRC regulations. These may take a few years to contribute meaningfully to performance, not least because the companies will invariably require second stage additional capital.

Dividends

An interim dividend of 2.5p was paid to shareholders in January 2018 in addition to the 3.0p final dividend that had been paid in July 2017. It is the Board's intention to continue to pay a minimum of 2.5p each half year and to adjust the final dividend annually, based on the year-end share price, so that shareholders receive either 5p per annum or a 5% yield, whichever is the greater at the time. This will enable dividends to progress with a rising NAV, whilst maintaining the minimum historic level. With respect to the year to 28 February 2018 the Board has so far declared and paid an interim dividend of 2.5p and now has pleasure in recommending a final dividend of 3.0p, which brings the total dividend for the year to 5.5p which is a 5% yield based on the share price of 110.0p on 28 February 2018 and greater than the targeted minimum of 5p.

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 635,361 new shares have been issued under this scheme. The dividend referred to above will be eligible for the DRIS.

Share Buybacks

During the year to 28 February 2018 the Company continued to buy back shares in the market from selling shareholders and purchased 1,586,953 Ordinary shares for a total consideration of £1,792,616. We have maintained a discount of approximately 4.5% (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.

Share Issues

In the year to 28 February 2018 we have raised a total of £28.9 million of new capital in two offers. A small £4.3 million net of costs Top-up issue was launched on 6 February 2017, which closed fully subscribed on 27 February 2017 with the new shares issued in early March. This was well supported by existing shareholders. A prospectus was published on 16 June 2017, which allowed for a maximum of £24 million net of costs to be raised. This offer closed in November 2017 having raised the full amount.

VCT Status

PricewaterhouseCoopers LLP 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 is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT. A key requirement is to maintain at least a 70% qualifying investment level which will rise to 80% for financial years ending after 6 April 2019. As at 28 February 2018 some 87.3% of the portfolio as measured by HMRC rules was invested in qualifying investments.

Risks and Uncertainties

In accordance with the Listing Rules under which the Company operates the Board has to comment on the potential risks and uncertainties which could have a material impact on the Company's performance. A risk arises from the requirement to maintain compliance with HMRC regulations requiring 70% of the Company's assets to be invested in qualifying holdings which will rise to 80% by the year to 28 February 2020. Other risks include economic conditions which impact particularly on smaller companies in which the Company invests and this could have an adverse impact on share prices. Further details of the risks faced by the Company and the processes in place to mitigate them are set out on pages 19 to 20.

Annual General Meeting

The Annual General Meeting will be held on 3 July 2018. I very much hope that you will be able to come. After the formal business our Investment Managers will make a presentation. At the Annual General Meeting, a resolution will be proposed to extend the life of the Company until 2024 in order to preserve the VCT status of the Company.

Outlook

Against a background of continued, albeit subdued, growth in the last year, smaller companies have generally managed to prosper. All the uncertainties around Brexit, political stability and the resilience of domestic economic growth that we have talked about previously are still unresolved and will remain so in the foreseeable future, and these, together with recent heightened international tensions could very well lead to further bouts of increased market volatility in the coming year. However, global growth has been rising and this has provided some support for our economy. It is to be hoped that smaller, well funded and managed companies can continue to grow without being upset by changes in external economic conditions.



Roger Smith
Chairman
15 May 2018

Investment Manager's Review

Introduction

Despite being a year filled with newspaper headlines predicting economic gloom and emphasising an unstable political situation caused by a minority government post the June General Election, equity markets showed surprising resilience in the year to 28 February 2018. Although there were bouts of volatility, notably in the second half, all indices rose, with smaller companies outperforming their larger peers. The pound has remained relatively weak, but the initial impact of its fall on overseas earners in the FTSE100 immediately post the referendum has washed through and smaller companies have generally seen their businesses grow faster and been rewarded with higher share prices in the year under review. There have been some notable contributors to the portfolio, both positive and negative, but we are pleased to report a rise in the NAV and the maintenance of the 5% yield objective.

In the year to 28 February 2018 AIM has continued to raise new capital for companies, both already quoted and new flotations, and your Company has deployed existing cash steadily throughout the year as well as raising new cash for future investments. The latest prospectus offer closed in November 2017 having raised the full £24 million net, which added to the cash already raised made a total of £28.9 million net for the year. The investment rate picked up in 2017 and although the new year fundraising season has been slower getting into full swing we have already seen some companies with ambitions to float later in 2018, as well as some earlier stage companies looking to raise money now with the intention of floating at some time in the future, many of which will be VCT qualifying. We have invested £2 million since the year end.

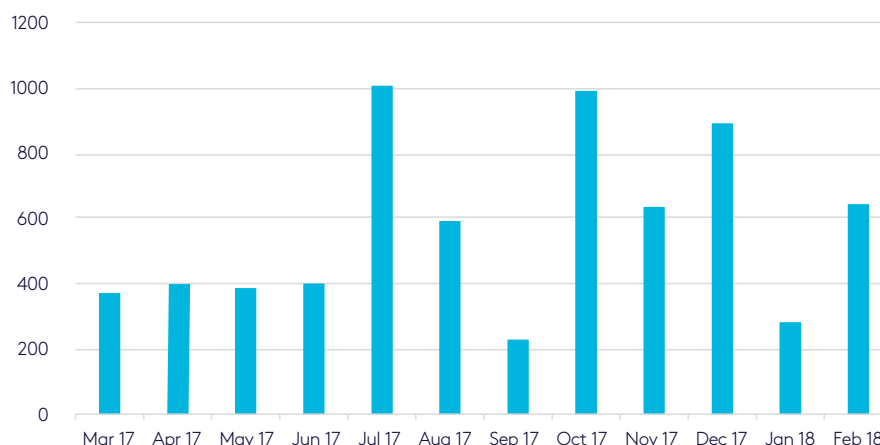
The Alternative Investment Market

AIM performed exceptionally well in the twelve months to 28 February 2018, producing a total return of 16%, well ahead of the 4.4% achieved by the FTSE All share Index. This reflected a general enthusiasm for smaller company shares as well as some particularly strong performances from some of the larger constituents of the AIM index such as Fevertree, Hutchison China Medtech, ASOS, Plus 500 and IQE. Without these top five contributors AIM's performance would have been 9.3 percentage points lower over the year and more in line with the FTSE Smallcap Index (excluding investment companies) which achieved a total return of 7.9%. Share trading volumes were once again higher, helped by smaller companies continuing to be seen as an attractive asset class. In addition, September once again saw a reasonable results season confirming that for many smaller companies the economy remained supportive despite the volatility seen in the aftermath of the surprise General Election result in June. Although the total number of AIM companies has shrunk further, to 950 at 28 February 2018 compared with 973 a year earlier, we believe that the quality has continued to rise. The number of new issues once again rose, and included a mixture of early stage companies accessing state aided finance and some already well established companies.

Companies have continued to raise new capital throughout the year. In the twelve months to 28 February 2018 AIM raised a further £5.3 billion of new capital for existing companies as well as a total of £1.6 billion for new companies floating on the market, demonstrating AIM's ability to provide finance for good growth companies as well as attracting new entrants. VCTs play a significant part in that funding process and we identify below the companies we have invested in during the second half of the year.

The graph below shows the total fundraising by AIM that has been undertaken in the twelve months to 28 February 2018.

Funds raised on AIM (£m): March 2017 – February 2018



Source: London Stock Exchange

Performance

Adding back the dividends paid during the year to show the total return, the Net Asset Value increased in the year, giving a total return of 6.3% (2017: 17.5%). This compares with a total return for the FTSE SmallCap Index ex Investment Trusts of 7.9% and for AIM of 16.0% and the FTSE All Share Index of 4.4%. The NAV didn't manage to keep pace with the AIM Index in a year when some particularly large constituents in the index dominated and drove its superior returns. It was also a year of two halves and the NAV didn't advance in the second half in less certain market conditions when some shares that had performed well in the first half paused for breath. Individual months in the year under review saw share prices suffering significant bouts of volatility and once again the market generally remained wary of smaller companies that have yet to make a profit (of which there are several in the VCT) although more established companies exceeding expectations once again performed well. Cash rose as a result of the successful fundraising and a proportion of this was invested in Octopus Portfolio Manager and the Octopus UK Micro-Cap Growth fund ahead of being deployed in order to reduce any drag on performance.

The market continued to reward companies that met or exceeded expectations with higher share prices and this resulted in some very good contributions to performance from many of the more established and profitable companies in the portfolio, as well as from some of the more recent investments whose businesses made significant progress in the year. Among the larger holdings, GB Group, RWS, Quixant, Learning Technologies and Craneware were significant contributors to performance for the year as a whole. The particular factors that drove the individual share prices were as ever stock specific, with Quixant and Craneware demonstrating strong organic growth leading to forecast upgrades and GB Group, RWS and Learning Technologies supplementing organic growth with earnings enhancing acquisitions. For example, as a result of the latest acquisition of Moravia, RWS has moved into a new market providing localisation and translation services to some of the largest software companies in the world. As well as adding a new leg to the business, there should be plenty of opportunities to cross-sell its core patent translation to these clients in the future, further underpinning the on-going opportunity to grow organically. Learning Technologies and GB Group also benefitted from acquisitions that they had already made, and recognition of the opportunities that these opened up for future growth. Thus, although these shares have all performed very well we continue to hold them for the longer-term growth opportunities that we still feel they have. Among some of the more recent investments, Yu Group, the alternative energy supplier to small and medium sized corporates and Loop-up, the software company providing sophisticated yet simple to use conference call services, both demonstrated that they could continue the strong growth in profits they had enjoyed post-flotation, and their shares performed exceptionally well in the period.

Some companies suffered from specific headwinds which resulted in poor share price performance. The biggest detractor from performance in the year was IDOX, which was beset by problems in the second half of the year. A statement that profits would fall short of expectations for the year to October was followed a month later by the news that there had been an attempt in one part of the business to book some revenue early. The Chief Executive subsequently left on health grounds with the previous Chief Executive stepping into the breach. The company has since had a clean audit and published lower than originally expected figures. Profit expectations for the current year have been reined in. This remains a substantial business with important public sector customers but the shares will need some time to recover from this episode.

We wrote about Tasty in the interim report and unfortunately the second half of the year was just as challenging in terms of cost pressures and a consumer squeezed by the effects of inflation. Recovery in the shares still seems some way off. The other underperformer in the same sector that we wrote about in the interim report was DP Poland which operates the Dominos Pizza franchise in Poland. Although not yet profitable, it has demonstrated that it can roll out both owned and sub-franchised stores and that the model produces profitable stores. The shares have been affected in the short term by worries over competition, but we believe that the share price will recover once it achieves critical mass. The other company to suffer from internal problems was TLA. Its shares were suspended in June following the discovery of accounting irregularities. It finally produced its results for 2016 in November, and its shares were re-listed at a far lower level than the suspension price. A new finance director has been appointed in early 2018 and the latest report from the company indicates that it is trading profitably despite all the problems. The shares have started to recover but will probably need further reassurance in the shape of clean figures showing the expected recovery in profitability before that process is complete.

Elsewhere, early stage companies yet to reach profitability were responsible for most of the drag on performance, some of which had setbacks or found themselves in need of cash to achieve the next milestone. Futura Medical, Microsaic, Oxford Pharmascience, Midatech Pharma and Sphere Medical all came into that category. Sphere Medical found that it was unable to raise sufficient funds on AIM and so announced the decision to de-list. The proposed structure would have been non-qualifying and so we had no choice but to sell the shares at a loss.

There are a number of more recent constituents of the portfolio that have yet to make an impression in public markets and whose shares have been dull awaiting evidence of progress in their businesses. These include some very recent holdings such as appScatter, Beeks Financial and Escape Hunt as well as some investments from the previous year such as Osirium and Free Agent. Investing for a VCT involves backing companies when they are small and still at an early stage of development, and share

price progress depends on them being noticed by a wider circle of investors as they produce results and develop their businesses. Although the earlier stage companies in the portfolio represent a relatively small proportion by value we expect them to contribute to future performance when they start to demonstrate growth in their businesses. In the year under review there were some examples of companies that demonstrated that they had started to achieve that and whose share outperformed. These included Cambridge Cognition, Ergomed, Nasstar, Wandisco and Mycelx. The last of these companies was helped by a recovery in the oil price and increased demand for its technology to clean hydrocarbons out of water.

The non-qualifying element of the equity portfolio also did well in the year as our earlier strategy of investing in larger more liquid, profitable companies to counterbalance new earlier stage qualifying holdings continued to pay off. Further investments were made into Octopus Portfolio Manager and the Octopus UK Micro Cap Growth funds to manage liquidity while cash is awaiting investment.

Portfolio Activity

Having made seven new qualifying investments in Escape Hunt, Faron Pharmaceuticals, Maxcyte, Velocity Composites, DP Poland, appScatter and FairFX at a total cost of £5.3 million in the first half of the year, we added four further new qualifying holdings at a cost of £2.6 million in the second half, as well as a follow-on qualifying investment of £0.4 million into Faron Pharmaceuticals. Total investment of £8.4 million in qualifying investments for the year was considerably higher than last year's £3.4 million, reflecting a more buoyant AIM market. Four of the five new qualifying investments were new issues. Beeks Financial Cloud Group provides direct connection to exchange servers for foreign exchange and derivatives traders. It is expanding its operations into new markets and is expected to return to profitability in 2018. Fusion Antibodies is a Northern Ireland based contract research organisation servicing the pharmaceutical industry and specialising in the humanisation of antibodies. PCI-Pal has developed software for call centres to protect customers from fraud when they are making payments over the telephone and is launching this through re-seller partners in the US. Popsa is an earlier stage private company which is looking to float on AIM in the future. It has a mobile app which enables customers to create albums of photos on their phones easily. The follow-on investment in Faron Pharmaceuticals is to invest in the development of its next products which will follow on from Traumakine, the drug currently undergoing Phase III trials.

The manager continued to use non-qualifying investments to manage liquidity while awaiting new qualifying investment opportunities. We have held onto existing AIM holdings where we see the opportunity for further development but have invested any new funds raised into a mixture of the Octopus managed portfolios with a small proportion going into the FP Octopus UK Micro Cap Growth fund. This strategy is designed to obtain a

better return on funds awaiting investment than the very low rates available on cash.

There were no major sales in the year although we took the opportunity to take some profits in Quixant, Wandisco, Restore, Netcall, and Gooch and Housego. We sold the entire holding in Ideagen after the shares had a very good run. SQS, a non-qualifying holding, was taken over for cash and we tendered our shares in Tyrattech at book cost after it disposed of the revenue generating portion of its business. The disposal of Gordon Dadds resulted from an existing investment in Work Group which had ceased to be qualifying when it turned itself into a cash shell and de-listed. We sold the shares at a loss after they re-listed once the deal was done and Gordon Dadds reversed into it. Other significant losses came from the disposals of Sphere and Oxford Pharmascience both of which were unable to be held under VCT rules post significant corporate actions. In all disposals raised £4.9 million in cash.

New VCT Regulations

The budget in November 2017 contained some further adjustments to the VCT regulations in the light of the Patient Capital Review, a year-long consultation which was published at around the same time. We do not believe that there needs to be any material change to our investment approach although the new requirements are that any funds raised after 6th April 2018 should be 30% invested in qualifying holdings within 12 months, and for financial years ending after 6 April 2019 the portfolio will have to maintain a minimum qualifying investment of 80% (currently 70%).

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 that over a number of years the portfolio will see a rise in the number of younger companies receiving an 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; and
- have less than £15 million of gross assets at the time of investment and no more than £16 million immediately post investment; and

- be less than seven years old from the date of their first commercial sale (or 10 years if a knowledge intensive company) if raising State Aided (ie VCT) funds for the first time; and
- have raised no more than £5 million of State Aided funds in the previous 12 months and less than the lifetime limit of £12 million (or from 6th 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.

The latest changes are to encourage VCTs to keep their investment rate up after raising money – hence the 70% limit will rise to 80% from our year ending 28 February 2020. However, allowing knowledge intensive companies to raise up to £10 million of the £20 million lifetime limit in a twelve month period rather than the existing £5 million will improve flexibility as will the proposed change to the amount of time allowed for re-investment of cash from sales of qualifying holdings from six to twelve months.

Outlook and Future Prospects

The uncertainty that has dominated market sentiment for some time continues, with the key unknown, about the nature of our eventual relationship with the EU and the consequent impact on our economy, yet to be resolved. The recent rise in geopolitical tensions in the Middle East and Russia could be an added threat to short term market stability as could the prospect of a further increase in interest rates from the current historically low

levels. A rise in the rate of inflation has exacerbated the longer term squeeze on UK consumers and this dampened the rate of economic growth towards the end of 2017, which has been further affected by poor weather in the first quarter of 2018. However, international growth has been picking up and so we still believe that the UK economy can continue its subdued growth of around 1.4%, in line with the Bank of England's most recent forecasts. Barring any capital market shocks, this would seem to be a reasonable background for smaller companies to make progress.

The portfolio now contains 76 holdings with investments across a range of sectors including several such as Craneware, Gooch and Housego, Gear4music, Clinigen, Cello, DP Poland and GB Group that have significant international exposure, providing some balance. Domestic companies such as Breedon, Vertu and Staffline have already demonstrated their management's ability to grow their businesses successfully in difficult economic conditions and there are a number of newer holdings that we expect to demonstrate progress over the coming twelve months. The balance of the portfolio towards profitable companies remains. The VCT currently has funds available for new investments which should allow us to take advantage of any dip in valuations should sentiment weaken in the future and we remain selective when viewing new investment opportunities.

Investment Portfolio

Investee Company	Sector	Book cost as at 28 February 2018 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2018 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus
Breedon Group plc	Construction & Building	859	4,722	5,581	340	0.49	2.85
Quixant plc	Technology Hardware	642	4,794	5,436	585	2.11	5.19
GB Group plc	Support Services	715	4,223	4,938	1,498	0.76	10.45
Learning Technologies Group plc	Support Services	1,319	3,258	4,577	2,125	1.02	1.83
Yu Group plc	Utilities	705	3,677	4,382	3,239	2.71	9.51
Staffline Recruitment Group plc	Support Services	334	3,222	3,556	(462)	1.32	15.44
Brooks Macdonald Group plc	Finance	746	2,365	3,111	6	1.12	11.51
Mattioli Woods plc	Finance	529	2,382	2,911	(119)	1.52	2.15
RWS Holdings plc	Support Services	367	2,414	2,781	716	0.23	6.25
Gear4music Holdings plc	Media	557	2,017	2,574	(52)	1.92	5.52
Craneware plc	Software	183	2,301	2,484	842	0.52	1.81
Ergomed plc	Pharmaceuticals & Biotech	1,440	396	1,836	(45)	1.99	7.03
Gooch & Housego plc	Electronic & Electrical	472	1,155	1,627	251	0.47	15.86
IDOX plc	Software	353	1,228	1,581	(1,820)	1.13	2.04
Animalcare Group plc	Pharmaceuticals & Biotech	306	1,235	1,541	(468)	0.92	2.63
DP Poland plc	Leisure & Hotels	1,016	522	1,538	(970)	3.10	6.51
LoopUp Group plc	Software	480	1,056	1,536	826	1.14	4.01
Advanced Medical Solutions Group plc	Pharmaceuticals & Biotech	757	764	1,521	522	0.22	9.64
Next Fifteen Communications Group plc	Media	687	766	1,453	176	0.43	12.87
Netcall plc	Telecommunication Services	308	1,143	1,451	(444)	2.07	3.59
Clinigen Group plc	Pharmaceuticals & Biotech	935	497	1,432	148	0.13	4.46
Cello Group plc	Media	895	534	1,429	36	1.16	3.85
EKF Diagnostics Holdings plc	Health	931	481	1,412	415	1.21	2.47
Faron Pharmaceuticals Oy	Pharmaceuticals & Biotech	776	557	1,333	557	0.49	1.05
Adept Telecom plc	Telecommunication Services	601	729	1,330	-	1.81	3.54
FairFx Group plc	Finance	948	376	1,324	376	1.05	1.95
Restore plc	Support Services	341	957	1,298	365	0.23	10.60
Vertu Motors plc	General Retailers	1,265	(119)	1,146	(113)	0.70	4.36
Abcam plc	Pharmaceuticals & Biotech	537	604	1,141	366	0.04	2.74
appScatter Group plc	Software	1,257	(155)	1,102	(155)	3.06	5.36
Judges Scientific plc	Electronic & Electrical	314	745	1,059	234	0.82	1.37
Escher Group Holdings plc	Software	1,003	46	1,049	165	3.13	5.48
Nasstar plc	Software	481	528	1,009	192	1.67	4.58
Cambridge Cognition Holdings plc	Health	601	343	944	283	4.14	10.79
Gamma Communications plc	Telecommunication Services	488	397	885	255	0.14	9.96
Fusion Antibodies plc	Health	577	289	866	289	3.19	5.52
Brady plc	Software	947	(99)	848	(313)	1.79	3.01
Escape Hunt plc	Leisure & Hotels	988	(168)	820	(168)	3.61	6.02
MyCelx Technologies Corporation	Oil Equipment	1,470	(697)	773	486	4.34	9.27
PCI-Pal plc	Support Services	720	48	768	48	3.76	6.27

Investee Company	Sector	Book cost as at 28 February 2018 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2018 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus
TLA Worldwide plc	Media	807	(61)	746	(464)	2.81	4.69
CityFibre plc	Telecommunication Services	1,025	(333)	692	(33)	0.26	0.61
Osirium Technologies plc	Electronic & Electrical	750	(91)	659	130	4.63	15.31
Futura Medical plc	Pharmaceuticals & Biotech	968	(314)	654	(212)	1.40	7.23
Beeks Financial Cloud Group plc	Software	570	68	638	68	2.32	5.26
Scientific Digital Imaging plc	Electronic & Electrical	179	446	625	179	2.49	8.58
Velocity Composites plc	Industrial	799	(188)	611	(188)	2.63	4.93
WANdisco plc	Software	145	454	599	289	0.20	0.33
Omega Diagnostics Group plc	Health	465	109	574	(134)	3.01	5.26
Iomart Group plc	Software	268	272	540	109	0.14	12.16
Plastics Capital plc	Engineering & Machinery	400	80	480	(36)	1.03	7.67
Access Intelligence plc	Software	495	(24)	471	33	2.97	5.55
Mears Group plc	Support Services	139	332	471	(134)	0.12	0.14
Maxcyte Inc	Pharmaceuticals & Biotech	511	(65)	446	(65)	1.20	3.36
Vectura Group plc	Pharmaceuticals & Biotech	498	(63)	435	(435)	0.09	0.15
Haydale Graphene Industries plc	Chemicals	598	(172)	426	(217)	1.37	5.00
Sinclair IS Pharma plc	Pharmaceuticals & Biotech	765	(400)	365	(136)	0.32	0.54
TP Group plc	Engineering & Machinery	648	(345)	303	(109)	0.70	2.90
Microsaic Systems plc	Engineering & Machinery	1,084	(813)	271	(27)	5.99	9.98
Tasty plc	Leisure & Hotels	622	(369)	253	(1,310)	2.49	4.36
Enteq Upstream plc	Oil Services	1,032	(794)	238	41	1.66	2.77
FreeAgent Holdings plc	Media	277	(56)	221	(182)	0.81	3.37
Nektan Limited	Software	845	(725)	120	25	1.33	7.39
Dods Group plc	Media	203	(90)	113	4	0.24	0.24
Genedrive Plc	Pharmaceuticals & Biotech	210	(121)	89	(11)	1.40	2.34
Midatech Pharma plc	Pharmaceuticals & Biotech	600	(524)	76	(198)	0.37	1.59
ReNeuron Group plc	Pharmaceuticals & Biotech	324	(262)	62	(87)	0.20	1.32
1Spatial plc	Software	300	(267)	33	19	0.12	0.74
Proxama plc	Software	763	(757)	6	(101)	0.22	0.37
Bond International Software plc	Software	2	-	2	-	N/A	N/A
Total Quoted Investments		45,142	44,460	89,602	7030		

Investee Company	Sector	Book cost as at 28 February 2018 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2018 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus
Unquoted Investments							
Popsa Holdings Ltd	Software	720	-	720	-	6.9	11.5
Hasgrove plc	Media	88	132	220	70	0.74	4.38
Fusionex International plc	Software	282	(164)	118	(157)	0.34	0.57
Rated People Ltd	Software	354	(267)	87	0	0.51	1.49
Total Unquoted Investments		1,444	(299)	1,145	(87)		
Loan Notes							
Nektan Limited	Software	500	-	500	-		
Total Loan Notes		500	-	500	-		
Total Fixed Asset Investments		47,086	44,161	91,247	6,943		
Current Asset Investments							
Octopus Portfolio Manager – Conservative Capital Growth		10,450	379	10,829	77		
Octopus Portfolio Manager – Defensive Capital Growth		10,450	181	10,631	(18)		
Money Market Funds		4,300	-	4,300	-		
Octopus UK Micro Cap Growth Fund		2,850	649	3,499	482		
Total Current Asset Investments		28,050	1,208	29,259	541		
Total Fixed and Current Asset Investments				120,506			
Cash at Bank				7,475			
Debtors less Creditors				(911)			
Total Net Assets				127,070			

Top ten holdings

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

Breedon Group plc

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

Initial investment date:	August 2010
Cost:	£859,000
Valuation:	£5,581,000
Equity held:	0.49%
Last audited accounts:	31 December 2017
Revenue:	£652.4 million
Profit before tax:	£71.2 million
Net assets:	£528 million
Dividend received in year:	£nil



Quixant plc

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

Initial investment date:	May 2013
Cost:	£642,000
Valuation:	£5,436,000
Equity held:	2.11%
Last audited accounts:	31 December 2017
Revenue:	\$109.2 million
Profit before tax:	\$15.0 million
Net assets:	\$47.2 million
Dividend received in year:	£0.03 million



GB Group plc

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

Initial investment date:	November 2011
Cost:	£715,000
Valuation:	£4,938,000
Equity held:	0.76%
Last audited accounts:	31 March 2017
Revenue:	£87.5 million
Profit before tax:	£10.1 million
Net assets:	£94.2 million
Dividend received in year:	£0.03 million



Learning Technologies Group plc

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

Initial investment date:	June 2011
Cost:	£1,319,000
Valuation:	£4,577,000
Equity held:	1.02%
Last audited accounts:	31 December 2017
Revenue:	£52.1 million
Profit before tax:	£0.7 million
Net assets:	£76.8 million
Dividend received in year:	£0.01 million



Yü Group plc

Yü Energy is an independent supplier of gas and electricity focused on servicing SME businesses throughout the UK.

Initial investment date:	March 2016
Cost:	£705,000
Valuation:	£4,382,000
Equity held:	2.71%
Last audited accounts:	31 December 2017
Revenue:	£47.0 million
Profit before tax:	£2.2 million
Net assets:	£8.8 million
Dividend received in year:	£0.01 million



Staffline Group plc

Staffline is a provider of labour to employers.

Initial investment date:	December 2004
Cost:	£334,000
Valuation:	£3,556,000
Equity held:	1.32%
Last audited accounts:	31 December 2017
Revenue:	£957.8 million
Profit before tax:	£24.1 million
Net assets:	£95.8 million
Dividend received in year:	£0.10 million



Brooks MacDonald Group plc

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

Initial investment date:	March 2005
Cost:	£746,000
Valuation:	£3,111,000
Equity held:	1.12%
Last audited accounts:	30 June 2017
Revenue:	£91.7 million
Profit before tax:	£8.0 million
Net assets:	£85.7 million
Dividend received in year:	£0.06 million



Mattioli Woods plc

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

Initial investment date:	November 2005
Cost:	£529,000
Valuation:	£2,911,000
Equity held:	1.52%
Last audited accounts:	31 May 2017
Revenue:	£50.5 million
Profit before tax:	£7.6 million
Net assets:	£72.6 million
Dividend received in year:	£0.04 million



RWS Holdings plc

RWS is the world leader in translation and localisation, intellectual property support solutions and life sciences language services.

Initial investment date:	December 2009
Cost:	£367,000
Valuation:	£2,781,000
Equity held:	0.23%
Last audited accounts:	30 September 2017
Revenue:	£164.0 million
Profit before tax:	£33.9 million
Net assets:	£158.9 million
Dividend received in year:	£0.04 million



Gear4Music plc

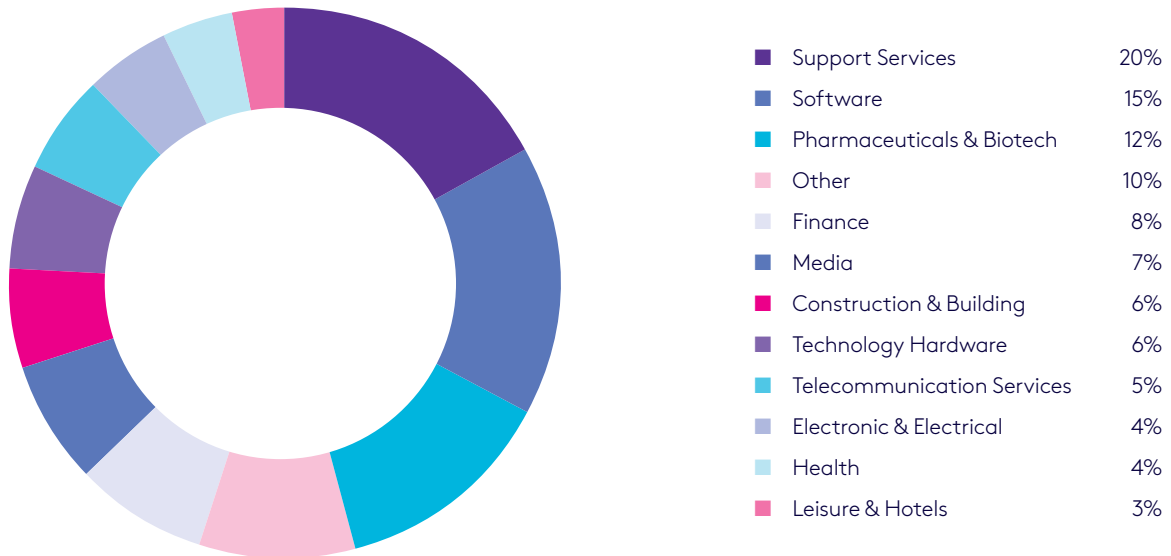
Gear4Music is the largest UK based online retailer of musical instruments and music equipment.

Initial investment date:	May 2015
Cost:	£557,000
Valuation:	£2,574,000
Equity held:	1.92%
Last audited accounts:	28 February 2017
Revenue:	£56.1 million
Profit before tax:	£2.6 million
Net assets:	£11.7 million
Dividend received in year:	£nil

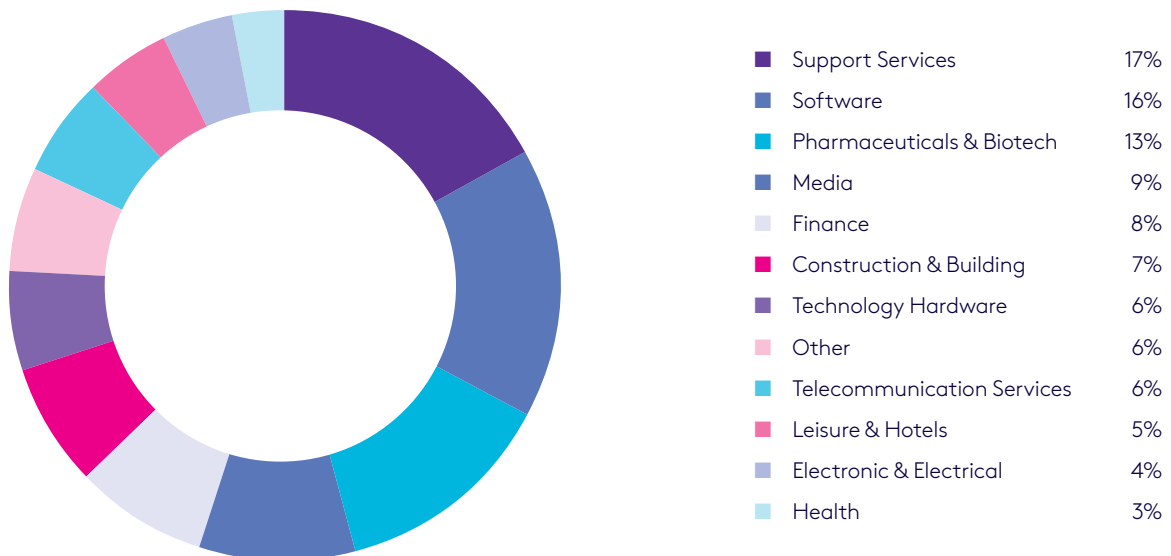


Sector Analysis

The graph below shows the sectors the equity portfolio Fund is invested in by value as at 28 February 2018:



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



The Investment Manager

Personal Service

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

The AIM investment team at Octopus comprises:

Andrew Buchanan

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

Kate Tidbury

Kate has had an extensive career which has included periods as an investment analyst with Sheppards and Chase and Panmure Gordon and then as an Investment Manager specialising in ethical and smaller companies with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000 where she became involved in the management of this Company's investments as well as other AIM VCTs and IHT portfolios. She joined Octopus in 2008.

Richard Power

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

Edward Griffiths

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

Stephen Henderson

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

Mark Symington

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

Dominic Weller

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

Chris McVey

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

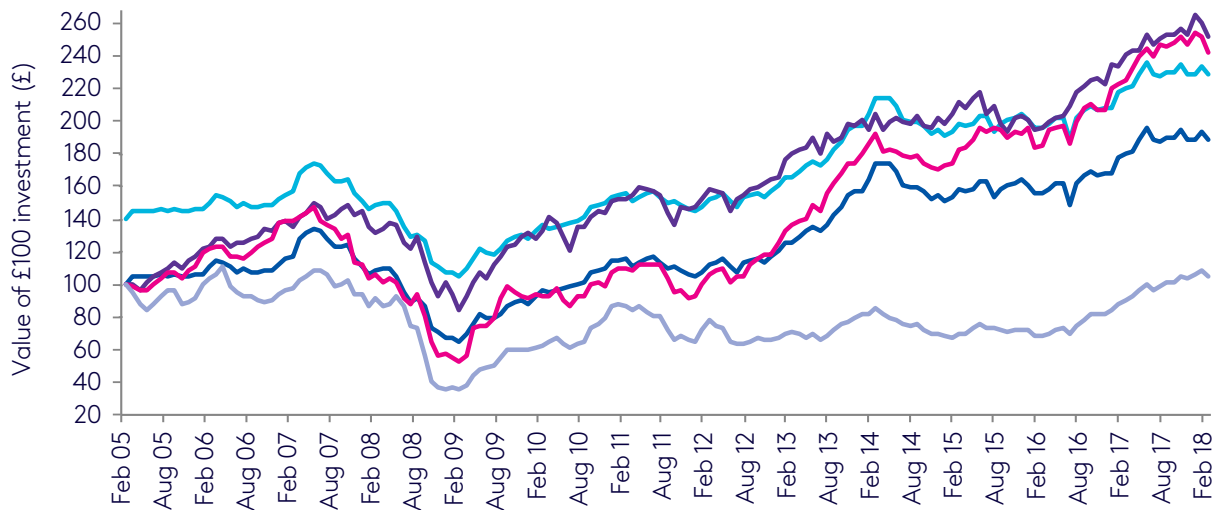
Business Review

Performance

The Board is responsible for the Company’s investment strategy and performance, although the management of the Company’s investment portfolio is delegated to Octopus through the investment management agreement, as referred to in the Directors’ Report.

The graph below compares the total return of the Company over the period from February 2005 to February 2018 with the total return from notional investments in the FTSE All-Share Index, FTSE SmallCap Index ex investment trusts and the FTSE AIM All-Share Index over the same period. The Directors consider these to be the most appropriate benchmarks from a general investor’s perspective against which to measure the performance of the Company, but it should be remembered that venture capital trusts need to invest in newly issued shares, so comparisons with indices is of limited value, even historically. Investors should be reminded that shares in venture capital trusts generally continue to trade at a discount to their net asset values.

Octopus AIM VCT plc – Portfolio Performance



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

Results and Dividend

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Net profit attributable to shareholders	6,476	15,123
Appropriations:		
Interim dividend paid: 2.5 pence per Ordinary share (2017: 2.5 pence per Ordinary share)	2,733	2,180
Proposed final dividend: 3.0 pence per Ordinary share (2017: 3.0 pence per Ordinary share)	3,264	2,709

The proposed final dividend will, if approved by shareholders, be paid on 20 July 2018 to shareholders on the register on 22 June 2018.

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 a number of performance measures to assess the Company's success in meeting these objectives. These KPIs are:

- net asset value per share;
- dividends per share paid in the year;
- total return per share; and
- the total expense as a proportion of shareholders' funds;

As previously discussed, the net asset value per share has increased from last years' value of 114.4p to 116.1p. This gives a total return of 6.3% or 7.2p per share, which is in line with Board expectations when considering the long term objectives of the Company.

The 5.5p of dividends paid in the year is higher than the targeted minimum yield of 5% based on the share price of 108.75p at the beginning of the year.

The ongoing charges of the Company for the year to 28 February 2018 were 2.0% of average net assets during the year (2017: 2.0%), which is in line with Board expectations. Ongoing charges are calculated using the AIC methodology and exclude irrecoverable VAT, exceptional costs and trail commission.

Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE SmallCap Index, FTSE AIM All Share Index and the FTSE All-Share Index. This is shown in the graph on the previous page. These indices have been adopted as informal benchmarks.

The Chairman's Statement, on pages 3 and 4 includes a review of the Company's activities and future prospects. Further details are also provided within the Investment Manager's Review on pages 5 to 15.

Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2016 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 10 November 2017 and, under VCT rules, subscribing investors are required to hold their investment for a five year period in order to benefit from the associated tax reliefs. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a five year period is considered to be a reasonable time horizon for this.

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

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

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 28 February 2023.

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
<p>VCT qualifying status risk: The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 and the Finance Act 2016 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, investors being liable to pay income tax on dividends received from the Company, and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.</p>	<p>Prior to investment, Octopus seeks assurance from HMRC that any portfolio asset will meet the legislative requirements for VCT investments.</p> <p>Furthermore, 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 (See page 7 and 8 of the Investment Manager's Review and page 23 of the Directors' Report for details on recent changes to VCT legislation).</p> <p>Additionally, PricewaterhouseCoopers LLP has been retained by the Company to undertake an independent VCT status monitoring role reporting to the Board bi-annually.</p>
<p>Investment risk: Most of the Company's investments are into companies admitted to trading on AIM or NEX 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. This risk will be amplified by the emphasis in new legislation on encouraging investment into earlier stage companies (see "new VCT Regulations" page 7 and 8). The company also makes non-qualifying investments into Octopus UK Micro-Cap Growth. Octopus UK Micro-Cap Growth invests into UK smaller companies quoted on the LSE, AIM and NEX markets.</p>	<p>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. No material changes to the investment approach are considered necessary as a result of new legislation.</p> <p>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.</p>
<p>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.</p>	

Valuation Risk: Inaccuracies in the valuation of investment assets may result in the Company net asset position being misrepresented and errors in the reported net asset value per share.

Investments traded on AIM and NEX Exchange are valued by Octopus using closing bid prices as reported on Bloomberg. Where investments are unquoted or there are limited trading volumes, alternative valuations techniques are employed in accordance with current International Private Equity and Venture Capital (IPEV) guidelines.

Investment in OPM is 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.

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.

Operational risk: The Board is reliant on Octopus for all day-to-day operational and investment management for the Company.

The Board reviews annually, with professional assistance where appropriate, the system of internal controls, both financial and non-financial, operated by the Company and the Investment Manager (to the extent the latter are relevant to the Company's internal controls). These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Octopus has a significant commitment to Small Cap investment and a broad team focused on quoted and unquoted investments. This mitigates the risk of a knowledge or skills gap resulting from a key person with sector and product experience leaving.

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 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.

The Board seeks to mitigate the internal risks by setting policy, regularly reviewing performance, enforcing contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies the principles detailed in the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Details of the Company's internal controls are contained in the Corporate Governance section on pages 27 to 30.

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

Employee, Human Rights, Social and Community Issues

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

Environment Policy and Greenhouse Gas Emissions

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

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



Roger Smith
Chairman
15 May 2018

Details of Directors

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

Roger Smith (Chairman)

Roger Smith is chairman of a family owned investment company with a wide range of interests and investments. He was deputy chairman of Tricentral 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 Business agent.com. Prior to the merger in 2010 he was chairman of Octopus Phoenix VCT PLC. Stephen became a Director in 1998.

Joanne Parfrey

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

Neal Ransome

Neal Ransome is a chartered accountant and was a partner at PwC from 1996 to 2013. He was Chief Operating Officer of PwC's Advisory business and led its Pharmaceutical and Healthcare Corporate Finance practice. Neal was formerly a director of Quercus (General Partner) Ltd, a unit trust invested in healthcare properties, and Parity Group Plc, an AIM listed professional services company. He is currently a non-executive director of Proven VCT Plc, which invests in unquoted companies, and of Polar Capital Global Healthcare Trust Plc. He is also a Trustee and Council Member of the RSPB, the UK's largest nature conservation charity. Neal is the Chairman of the Audit Committee.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 28 February 2018. The Corporate Governance Report on pages 27 to 30 and the Audit Committee Report on pages 31 and 32 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 Smith, Mr Hazell-Smith, Mr Ransome and Ms Parfrey will retire as Directors at the forthcoming Annual General Meeting ("AGM"), and being eligible, offer themselves for re-election. The Board has considered provision B.7.2 of The UK Corporate Governance Code and, following a formal performance evaluation as part of the Board Evaluation, further details of which can be found on page 28, believes that all Directors continue to be effective and demonstrate commitment to their roles. The Board therefore recommends their re-election at the forthcoming AGM.

Directors' and Officers' Liability Insurance

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

VCT Regulation

Compliance with required rules and regulations is considered when all investment decisions are made. The Company is further monitored on a continual basis to ensure compliance. The main criteria to which the Company must adhere is as follows:

The Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 70% must comprise eligible Ordinary shares. For accounting periods ending on or after 6 April 2019 this requirement increases to 80%.

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

The Finance Act 2014 amended the VCT Rules such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received

by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks. However, the Company has sufficient liquidity to allow dividends to continue to be paid at a level in line with the Company's current dividend policy.

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

The budget in November 2017 contained some further adjustments to the VCT regulations in light of the Patient Capital Review. See pages 7 and 8 of the Investment Manager's Review for a summary of the new changes.

The Company has maintained compliance with VCT legislation for the year under review and will 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 3 and 4 and the Investment Manager's Review on pages 5 to 15. Further details on the management of financial risk may be found in the Business Review on pages 17 to 21 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. Thus, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

A Resolution will be put to the Shareholders at the Company's AGM on 3 July 2018 to approve the Company continuing as a VCT to 2024. The continuation to 2024 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 (71.8% of net assets) and, accordingly, the Company has adequate financial resources to continue meeting the expenses of commitments under share buybacks and to remain in operational existence for a period of at least twelve months.

Dividend

The proposed final dividend is set out in the Financial Summary on page 1, the Chairman's Statement on page 3 and in the Business Review on page 18.

Management

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

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

As required by the Listing Rules, the Directors confirm that, in their opinion, the continuing appointment of Octopus as Investment Manager is in the best interest of the shareholders as a whole. In reaching this conclusion the Directors have taken into account the performance of the investment portfolio and the ability of Octopus to produce satisfactory investment performance in the future. No Director has an interest in any contract to which the Company is a party.

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

Whistleblowing

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

Bribery Act

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

Share Capital

The Company's share capital as at 28 February 2018 comprised 109,415,232 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 3,649,371 shares were issued under a Top-Up offer launched on 6 February 2017, raising £4.3 million after costs.

On 16 June 2017 a prospectus offer was launched alongside Octopus AIM VCT 2 plc to raise up to £30 million with a £10 million over allotment facility. This prospectus closed to new applications fully subscribed 10 November 2017 having raised £24 million net of costs. 19,329,755 shares were issued under the offer.

During the year 635,361 shares were issued to those shareholders who elected to receive shares under the Dividend Re-investment Scheme ("DRIS") as an alternative to dividends. This returned £749,000 to the Company.

An additional 13,504 shares were issued as a result of reduced advisor charges. A further 7,301 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 1,586,953 shares at a weighted average price of 113.0p per share (2017: 2,059,061 shares at a weighted average price of 99.8p per share) for a total consideration of £1.79 million (2017: £2.05 million), representing 1.45% of the opening share capital. These were repurchased in accordance with the Company's share buyback facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

Post Balance Sheet Events

A full list of post balance sheet events since 28 February 2018 can be found in note 17 to the financial statements on page 57.

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 as 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 21,761,147 Ordinary shares (representing approximately 20% of the Company's issued share capital as at the date of the Notice of the Annual General Meeting). The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

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

Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 11 is required so that the Directors may make purchases of up to 16,309,980 Ordinary shares (representing approximately 14.99% of the Company's issued share capital as at the date of the Notice of Annual General Meeting) 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).

Amendment to the Articles of Association

It is proposed to adopt new Articles of Association (“Articles”) which amend Article 145. The current Articles prohibit the distribution of the Company’s capital profits. The new Articles proposed for adoption under Resolution 12 allow the distribution of capital profits where, as is the case now, investment company status under company legislation does not require a company to prohibit the distribution of capital profits in its articles.

Cancellation of Share Premium Account

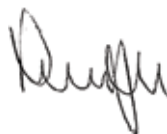
The Board considers it appropriate to obtain shareholders’ approval for the cancellation of the amount standing to the share premium account of the Company as at 28 February 2015 to create (subject to Court approval) a pool of distributable reserves. A Special Resolution to this effect is being proposed at Resolution 13.

Independent Auditor and Disclosure of Information to Auditor

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

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

On behalf of the Board



Roger Smith
Chairman
15 May 2018

Corporate Governance Report

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

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

The Company is committed to maintaining high standards of corporate governance. The Directors consider that the Company has, throughout the year under review, complied with the provisions set out in The UK Corporate Governance Code with the exceptions set out in the Compliance Statement on page 30.

Board of Directors

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

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

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;

- approval of the appropriate dividend to be paid to the shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value to the share price; and
- monitoring shareholder profiles and considering shareholder communications.

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

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

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

During the year the following meetings were held:

	Full Board meetings held	No. of meetings attended	Audit Committee meetings held	Audit Committee meetings attended
Roger Smith	5	5	2	2
Stephen Hazell-Smith	5	5	2	2
Joanne Parfrey	5	5	2	2
Neal Ransome	5	5	2	2

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

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the AGM and that Directors appointed by the Board should seek re-appointment at the next AGM. The Directors have agreed to submit themselves for annual re-election. This practice was followed during the year under review.

	Date of Original Appointment	Due date for Election/Re-election
Roger Smith	02/02/1998	AGM 2018
Stephen Hazell-Smith	02/02/1998	AGM 2018
Joanne Parfrey	06/10/2016	AGM 2018
Neal Ransome	06/10/2016	AGM 2018

The Board does not have a policy of limiting the tenure of any Director as the Board does not consider that a Director's length of service reduces his or her ability to act independently of the Manager.

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

Performance Evaluation

In accordance with The UK Corporate Governance Code, each year a formal performance evaluation is undertaken of the Board, its Committee and the Directors in the form of a questionnaire completed by each Director. The Chairman provides a summary of the findings to the Board, which are discussed at the next meeting and an action plan agreed if required. During the year no issues were identified requiring an action plan. The performance of the Chairman is evaluated by the other Directors.

Appointment and Replacement of Directors

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

Powers of the Directors

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company and any directions given by shareholders by Special Resolution, the Articles of Association specify that the business of the Company is to be managed by the Directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular the Directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the Company's 2017 AGM to make market purchases of up to 10% of the issued Ordinary share capital at any time up to the 2018 AGM and otherwise on the terms set out in the relevant resolution, and authority to make market purchases of up to 14.99% of the Issued Ordinary share capital is being sought at the 2018 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 33 to 35.

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

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

Audit Committee:

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

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

The Audit Committee Report is given on pages 31 and 32.

Internal Controls

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded

and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with Octopus.

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

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

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

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

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in note 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 2017 AGM was 2.34%, for the resolution to approve the Directors' Remuneration Report. No communication was received from shareholders giving reasons for the votes against the resolution.

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

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. In addition to the formal business of the AGM, the Board is available to answer any questions a shareholder may have.

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

Compliance Statement

The Listing Rules require the Board to report on compliance throughout the accounting period with all relevant provisions set out in The UK Corporate Governance Code. The preamble to The UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies adding that the AIC Code and AIC Guide can assist in meeting the obligations under The UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 28 February 2018 with the provisions set out in The UK Corporate Governance Code. The section references to The UK Corporate Governance Code are shown in brackets.

1. The Company does not have a Chief Executive Officer or a senior independent director. The Board does not consider this necessary due to the nature of the Company. [A.2.1 and A.4.1]
2. New Directors have not received a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. [B.4.1]

3. The Company does not have a separate Nomination Committee due to the relatively small size and structure of the Company. Appointments are dealt with by the full Board as and when appropriate. [B.2.1 – 2.4]
4. The Company does not have a Remuneration Committee given the size of the Company and as it does not have any executive directors. The whole Board deals with any matters of this nature. [D.1.1 – 2.4]
5. The Company has no major shareholders therefore shareholders are not given the opportunity to meet any Non-Executive Directors at a specific meeting other than the Annual General Meeting but are welcome to contact the Board or Octopus at any time. [E.1.1 and E.1.2]

By Order of the Board



Suzanna Waterhouse, GradICSA
Company Secretary
15 May 2018

Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 28 February 2018 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 29.

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

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- reviewing and making recommendations to the Board in relation to Octopus' internal controls (including internal financial control) and risk management systems to the extent they are relevant to the Company's internal controls;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the Investment Manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to propriety of financial reporting or other matters.

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The Committee meets twice per year and has direct access to BDO LLP, the Company's external auditor. Non-audit services are not provided by the external auditor and therefore the Audit Committee does not believe there are any influences on their independence or objectivity. When considering whether to recommend the re-appointment of the external auditor, the Committee takes into account the tenure of the current auditor in addition to comparing the fees charged to similar sized VCTs. The current auditor was appointed in 2008 under the name of PKF (UK) LLP, which subsequently merged with BDO LLP, and has held the position for nearly nine years. The Committee put the external audit out to tender in respect of the year ending 28 February 2019.

The Audit Committee undertook a competitive audit tender process as required for all Public Interest Entities who have had the same auditor for 10 years. Following the robust process, the Board is recommending that BDO LLP be re-appointed as auditors at the AGM.

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

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

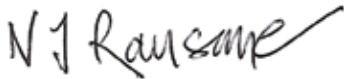
The Audit Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements. The Committee and the Auditors have identified the most significant risks for the Company as:

- Valuation of investments: The Committee gives special audit consideration to the valuation of investments and supporting data provided by Octopus. The impact of this risk would be a large gain or loss in the Company's results. The valuations are supported variously by stock market quotations, investee company audited accounts and third party evidence (where relevant). These give comfort to the Audit Committee.
- Management override of financial controls: The Committee specifically reviews all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the completion of the financial statements.

- Recognition of revenue from investments: Investment income is the Company's main source of revenue. The revenue return is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice. Octopus confirms to the Audit Committee that the revenues are recognised appropriately.

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

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the financial statements to 28 February 2018.



Neal Ransome
Audit Committee Chairman
15 May 2018

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 2018.

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 40.

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.

An Ordinary Resolution to approve the remuneration policy of the Company was put to, and approved by, shareholders at the 2017 AGM and will remain in force for a three year period. The Board will review the remuneration of the Directors if thought appropriate, and monitor competitors in the VCT industry on an annual basis.

Statement of Voting at the Annual General Meeting (AGM)

The 2017 Remuneration Report was presented to the AGM in July 2017 and received shareholder approval following a vote on a show of hands. 97.66% of the votes cast 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 30.

Annual Remuneration Report

This section of the report is subject to approval by a simple majority of shareholders at the AGM in July 2018, as in previous years.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to Octopus through the investment management agreement, as referred to in the Directors' Report. The performance graph on page 17 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 2018 £	Year ended 28 February 2017 £
Roger Smith	25,000	22,517
Stephen Hazell-Smith	20,000	19,008
Joanne Parfrey	20,000	8,051
Neal Ransome	22,500	9,058
Michael Reeve (resigned 7 July 2016)	–	8,620
Marion Sears (resigned 6 October 2016)	–	10,980
Total	87,500	78,234

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

Relative Importance of Spend on Pay

The actual expenditure in the current year is as follows:

	Year to 28 February 2018 £'000	Year to 28 February 2017 £'000	% change
Total Dividends paid	5,442	4,291	26.8
Total Buybacks	1,792	2,054	(12.8)
Total Directors' Fees	88	78	12.8

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 2018	Ordinary shares of 1.0p each 28 February 2017
Roger Smith	20,000	20,000
Stephen Hazell-Smith	139,003	139,003
Neal Ransome	17,423	–
Joanne Parfrey	–	–

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

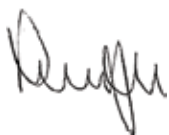
Shareholders Proxy Voting Information

As required by Schedule 8:23 of the Regulations, the votes received for the AGM in 2017 were as follows:

	For		Discretion*		Against	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Approval of Directors' Remuneration Policy	4,356,931	87.51	529,832	10.64	91,878	1.85
Approval of Directors' Remuneration Report	4,363,711	86.85	543,261	10.81	117,422	2.34

*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
15 May 2018

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

Website Publication

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

Directors' Responsibility Statement pursuant to DTR4

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

- the financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board



Roger Smith
Chairman
15 May 2018

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

Opinion

We have audited the financial statements of Octopus AIM VCT plc (the "company") for the year ended 28 February 2018, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of its 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.

Basis for opinion

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

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.

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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

Valuation of quoted investments, current asset investments in OEIC and money market funds (Notes 1, 10 and 11 to the financial statements)

The investment portfolio at the year-end principally comprised quoted investments (£89,602k), current asset investments in OEIC funds (£24,959k) and money market funds (£4,300k).

We focused on the valuation of these investments as they represent the most significant balance in the Statement of Financial Position in the Financial Statements and underpin the principal activity of the entity.

Audit response

We responded to this matter by testing the valuation of 100% of quoted investments, OEIC funds and money market funds.

We confirmed the bid prices used in the year-end valuation against independent third party data sources and for a sample of investments assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value.

Our application of materiality

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

We determined final materiality for the financial statements as a whole to be £1,210,000 based on 1% of the value of investments. On the basis of our risk assessment, together with our assessment of the control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, namely £910,000. Our objective in adopting this approach was to ensure that total detected and undetected audit differences do not exceed our final materiality of £1,210,000 for the financial statements as a whole.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (1% invested assets)	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	<ul style="list-style-type: none"> The value of investments The level of judgement inherent in the valuation The range of reasonable alternative valuation 	1,210,000 (2017: 890,000)
Performance materiality	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> Financial statement materiality Risk and control environment History of prior errors (if any) 	910,000 (2017: 670,000)
Specific materiality – classes of transactions and balances which impact on revenue profits (10% gross expenditure)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> The level of net income return 	230,000 (2017: 80,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £12,000 (2017: £9,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

Other information

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 28 February 2009 and subsequent financial periods. We were recommended for reappointment as auditors in respect of the year ending 28 February 2019 by the Board. The period of total uninterrupted engagement is 10 years, covering the years ended 28 February 2009 to 2018.

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

Our audit opinion is consistent with the additional report to the audit committee.

Neil Fung-On (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street,
London,
W1U 7EU
15 May 2018

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

Income Statement

	Notes	Year to 28 February 2018			Year to 28 February 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	10	–	477	477	–	1,178	1,178
Gain on valuation of fixed asset investments	10	–	6,943	6,943	–	14,258	14,258
Gain on valuation of current asset investments		–	541	541	–	668	668
Investment income	2	843	–	843	858	–	858
Investment management fees	3	(432)	(1,296)	(1,728)	(353)	(1,059)	(1,412)
Other expenses	4	(600)	–	(600)	(427)	–	(427)
Net return on ordinary activities before taxation		(189)	6,665	6,476	78	15,045	15,123
Taxation	6	–	–	–	–	–	–
Net return on ordinary activities after taxation		(189)	6,665	6,476	78	15,045	15,123
Earnings per share – basic and diluted	8	(0.2p)	6.7p	6.5p	0.1p	17.7p	17.8p

- 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.

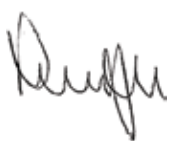
The Company has no recognised gains or losses other than the results for the period as set out above. Accordingly a Statement of Comprehensive Income is not required.

The Notes on pages 45 to 57 form an integral part of these Financial Statements.

Balance Sheet

	Notes	As at 28 February 2018		As at 28 February 2017	
		£'000	£'000	£'000	£'000
Fixed asset investments	10		91,247		79,919
Current assets:					
Investments	11	29,259		14,858	
Debtors	12	52		332	
Cash at bank		7,475		13,679	
		36,786		28,869	
Creditors: amounts falling due within one year	13	(963)		(8,873)	
Net current assets			35,823		19,996
Net assets			127,070		99,915
Called up equity share capital	14		1,094		873
Share premium			63,098		35,422
Capital redemption reserve			61		45
Special distributable reserve			46,483		53,717
Capital reserve realised			(29,277)		(28,020)
Capital reserve unrealised			45,367		37,445
Revenue reserve			244		433
Total equity shareholders' funds			127,070		99,915
Net asset value per share – basic and diluted	9		116.1p		114.4p

The statements were approved by the Directors and authorised for issue on 15 May 2018 and are signed on their behalf by:



Roger Smith
Chairman
Company number: 03477519

The Notes on pages 45 to 57 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 2016	760	21,643	24	60,062	(26,518)	20,898	355	77,224
Total comprehensive income for the year	-	-	-	-	(1,502)	16,547	78	15,123
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	(21)	-	21	(2,054)	-	-	-	(2,054)
Issue of shares	134	14,413	-	-	-	-	-	14,547
Share issue costs	-	(634)	-	-	-	-	-	(634)
Dividends paid	-	-	-	(4,291)	-	-	-	(4,291)
Balance as at 28 February 2017	873	35,422	45	53,717	(28,020)	37,445	433	99,915
As at 1 March 2017	873	35,422	45	53,717	(28,020)	37,445	433	99,915
Total comprehensive income for the year	-	-	-	-	(1,257)	7,922	(189)	6,476
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	(16)	-	16	(1,792)	-	-	-	(1,792)
Issue of shares	237	29,399	-	-	-	-	-	29,636
Share issue costs	-	(1,723)	-	-	-	-	-	(1,723)
Dividends paid	-	-	-	(5,442)	-	-	-	(5,442)
Balance as at 28 February 2018	1,094	63,098	61	46,483	(29,277)	45,367	244	127,070

*Included in these reserves is an amount of £17,450,000 (2017: £26,130,000) which is considered distributable to shareholders.

Cash Flow Statement

	Notes	Year to 28 February 2018 £'000	Year to 28 February 2017 £'000
Cash flows from operating activities			
Return on ordinary activities before tax		6,476	15,123
Adjustments for:			
Decrease/(increase) in debtors	12	280	(284)
(Decrease)/increase in creditors	13	(7,910)	6,451
Gain on disposal of fixed assets	10	(477)	(1,178)
Gain on valuation of fixed asset investments	10	(6,943)	(14,258)
Gain on valuation of current asset investments		(541)	(668)
Cash from operations		(9,115)	5,186
Cash flows from investing activities			
Purchase of fixed asset investments	10	(8,947)	(3,391)
Net investment in current asset investments		(14,850)	(8,900)
Sale of fixed asset investments	10	5,039	3,486
Net cash flows from investing activities		(18,758)	(8,805)
Cash flows from financing activities			
Purchase of own shares		(1,792)	(2,054)
Share issues		27,164	13,422
Dividends paid	7	(4,693)	(3,800)
Net cash flows from financing activities		20,679	7,568
(Decrease)/increase in cash and cash equivalents		(7,194)	3,949
Opening cash and cash equivalents		18,969	15,020
Closing cash and cash equivalents		11,775	18,969
Cash and cash equivalents comprise			
Cash at Bank		7,475	13,679
Money Market Funds		4,300	5,290
		11,775	18,969

The Notes on pages 45 to 57 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Principal Accounting Policies

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

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

Basis of preparation

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

The principal accounting policies have remained unchanged from those set out in the Company's 2017 Annual Report and financial statements. A summary of the principal accounting policies is set out below.

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

The Company presents its Income Statement in a three column format to give shareholders additional detail of the performance of the Company, split between items of a revenue or capital nature.

Going Concern

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

Key judgements and estimates

The preparation of the financial statements requires the Board to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments particularly unquoted investments. Estimates

are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

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

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

Although the Company believes that the assumptions concerning the business environment and estimate of future cash flows are appropriate, changes in estimates and assumptions could require changes in the stated values. This could lead to additional changes in fair value in the future (see Note 10).

Revenue and capital

The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes gains and losses on disposal and holding gains and losses on investments.

Upon disposal of investments, gains relating to the assets are transferred from the capital reserve – unrealised to the capital reserve – realised.

Cash and liquid resources

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

Financial instruments

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

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

Financing strategy and capital structure

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

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

Reserves

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

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

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

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

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

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

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

Functional and presentational currency

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

2. Income

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

Dividends receivable are brought into account when the Company's right to receive payment is established and it is probable that payment will be received.

Fixed returns on debt and money market securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

	28 February 2018 £'000	28 February 2017 £'000
Loan note interest receivable	58	59
Income receivable on money market securities and bank balances	11	20
Dividends receivable from fixed asset investments	774	779
	843	858

3. Investment Management Fees

	28 February 2018			28 February 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	432	1,296	1,728	353	1,059	1,412

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

The Company now pays ongoing adviser charges to Independent Financial Advisers (IFAs). 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 2018 the rebate received was £248,000 (2017: £114,000).

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 2018 the rebate received was £118,000 (2017: £141,000).

The Company also receives a reduction in the management fee for the investments into other Octopus managed funds, being the Octopus Portfolio Manager and Micro Cap products, to ensure the Company is not double charged on these products. This amounted to £64,000 for the year to 28 February 2018 (2017: £24,000).

During the year Octopus charged gross management fees of £2,158,000 (2017: £1,691,000). At the year end there was £471,000 payable to Octopus (2017: £399,000). Octopus received £651,000 as a result of upfront fees charged on allotments of Ordinary shares (2017: £348,000).

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

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.

	28 February 2018 £'000	28 February 2017 £'000
Directors' remuneration	88	78
IFA charges	248	114
Registrars' fees	54	94
Audit fees	25	25
Printing and postage	23	26
Legal and professional fees	–	–
VCT monitoring fees	10	10
Brokers' fees	6	6
Directors and officers liability insurance	7	6
Tax advisory fees	3	3
Other administration expenses	136	65
	600	427

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

The ongoing charges of the Company were 2.0% of average net assets during the year to 28 February 2018 (2017: 2.0%). Ongoing charges are calculated using the AIC methodology and exclude irrecoverable VAT, exceptional costs and trail commission.

5. Directors' Remuneration

Directors' emoluments	28 February 2018 £'000	28 February 2017 £'000
Roger Smith	25	22
Stephen Hazell-Smith	20	19
Michael Reeve (Retired on 7 July 2016)	–	9
Marion Sears (Retired on 6 October 2016)	–	11
Joanne Parfrey	20	8
Neal Ransome	23	9
	88	78

None of the Directors received any other remuneration or benefit from the Company during the year. The Company has no employees other than Non-Executive Directors. The average number of Non-Executive Directors in the year was four (2017: four). The above table represents the gross remuneration received by the Directors and excludes Employer's National Insurance contributions, which amounted to £8,000 (2017: £6,000). The Directors received £nil pension contributions from the Company during the year (2017: £nil).

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

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

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 (2017: £nil).

Tax reconciliation	28 February 2018 £'000	28 February 2017 £'000
Profit on ordinary activities before taxation	6,476	15,123
Current tax at 19.1% (2017: 20.0%)	1,237	3,025
Effects of		
Non-taxable income	(150)	(160)
Non-taxable capital gains	(1,520)	(3,221)
Excess management expenses on which deferred tax not recognised	433	356
Total tax charge	–	–

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

As at 28 February 2018, there is an unrecognised deferred tax asset of £1,657,000 (2017: £1,359,000) in respect of accumulated surplus management expenses of £9,744,000 (2017: £7,553,000), based on a prospective corporation tax rate of 17% (2017: 17%). This deferred tax asset could in future be used against taxable profits. The reduction in the standard rate of corporation tax was substantively enacted on 26 October 2015 and will be effective from 1 April 2020.

7. Dividends

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

	28 February 2018 £'000	28 February 2017 £'000
Dividends paid on Ordinary shares during the year		
Final dividend – 3.0p per share paid 4 August 2017 (2016: 2.8p per share)	2,709	2,111
Interim dividend – 2.5p per share paid 19 January 2018 (2017: 2.5p per share)	2,733	2,180
	5,442	4,291

During the year £749,000 (2017: £491,000) of dividends were reinvested under the DRIS, see note 14. The 2017 dividend and share issue balances in the Cash Flow Statement have been updated to reflect this, as previously these were shown gross of DRIS elections.

	28 February 2018 £'000	28 February 2017 £'000
Dividends in respect of the year		
Interim dividend – 2.5p per share paid 19 January 2018 (2017: 2.5p per share)	2,733	2,180
Final dividend proposed: 3.0p per share payable 20 July 2018 (2017: 3.0p per share)	3,264	2,621
	5,997	4,801

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 2018			28 February 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit attributable to ordinary shareholders	(189)	6,665	6,476	78	15,045	15,123
Earning per Ordinary share	(0.2p)	6.7p	6.5p	0.1p	17.7p	17.8p

The earnings per share is based on 98,888,742 Ordinary shares (2017: 84,880,191), being the weighted average number of shares in issue during the year.

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

9. Net asset value per share

	28 February 2018 £'000	28 February 2017 £'000
Net assets	127,070	99,915
Shares in issue	109,415,232	87,366,893
Net Asset Value per share	116.1p	114.4p

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

In the case of investments admitted to trading on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. This is consistent with the IPEV Guidelines.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve – unrealised. The Managers 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 regarding financial instruments that are measured in the balance sheet at fair value requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

Fusionex International plc delisted during the year. This has therefore been reclassified to Level 3 (2017: £nil). The change in fair value for the current and previous year is recognised through the profit and loss account.

	Level 1: Quoted investments £'000	Level 3: Unquoted investments £'000	Total £'000
Cost at 1 March 2017	42,081	1,062	43,143
Opening unrealised gain at 1 March 2017	36,981	(205)	36,776
Valuation at 1 March 2017	79,062	857	79,919
Purchases at cost	8,227	720	8,947
Disposal proceeds	(4,919)	(120)	(5,039)
Gain on realisation of investments	477	–	477
Reclassification between levels	(275)	275	–
Change in fair value in year	7,030	(87)	6,943
Closing valuation at 28 February 2018	89,602	1,645	91,247
Cost at 28 February 2018	45,144	1,944	47,088
Closing unrealised gain at 28 February 2018	44,458	(299)	44,159
Valuation at 28 February 2018	89,602	1,645	91,247

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. Hasgrove is valued at the latest buyback price, prior to delisting, whilst Rated People is valued at the latest fundraise price. Fusionex is held at the latest traded price as a listed company before delisting. Nektan loan is held at cost and subsequently measured at amortised cost.

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

At 28 February 2018 there were no commitments in respect of investments approved by the Manager but not yet completed (2017: £nil).

11. Current Asset Investments

Current asset investments on the Balance Sheet comprise of Open Ended Investment Companies (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 7 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.

Current asset investments at 28 February 2018 and at 28 February 2017 comprised of money market funds* and deposits and OEICs. These fall into level 1 of the fair value hierarchy as defined in the Fixed asset investment accounting policy in Note 10 above.

	28 February 2018 £'000	28 February 2017 £'000
Money Market Funds	4,300	5,290
OEICs:		
Octopus Portfolio Manager – Conservative Capital Growth	10,829	4,153
Octopus Portfolio Manager – Defensive Capital Growth	10,631	4,049
Octopus UK Micro Cap Growth Fund	3,499	1,366
	29,259	14,858

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

12. Debtors

	28 February 2018 £'000	28 February 2017 £'000
Prepayments and accrued income	52	48
Other Debtors	–	284
	52	332

13. Creditors: amounts falling due within one year

	28 February 2018 £'000	28 February 2017 £'000
Accruals	700	545
Trade Creditors	22	40
Other Creditors	241	8,288
	963	8,873

Creditors includes £241,000 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 (2017: £8,288,000). Of this £143,000 (2017: £4,973,000) is attributable to the Company.

14. Share Capital

	28 February 2018 £'000	28 February 2017 £'000
Allotted and fully paid up:		
109,415,232 Ordinary shares of 1p (2017: 87,366,893 shares of 1p)	1,094	873

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 2. As the Company is now registered as an AIFM, it is subject to externally imposed capital requirements, namely if the value of assets under management (AUM) exceeds €250 million then an additional amount of Company funds equal to 0.02% of the excess over €250 million (subject to a cap of €10 million capital requirement) will be required.

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

Date	Number of shares	Price per share (p)	Total value of shares (£)
03 March 2017	174,092	109.3	190,283
13 April 2017	259,620	111	288,178
22 May 2017	232,278	116	269,442
29 June 2017	63,545	114	72,441
11 August 2017	200,007	113.5	227,008
14 September 2017	151,977	112.5	170,974
20 October 2017	183,580	114	209,281
17 November 2017	94,352	114	107,561
21 December 2017	38,107	109.5	41,727
25 January 2018	189,395	113.9	215,721
Total	1,586,953		1,792,616

The total nominal value of the shares repurchased for cancellation was £15,870 representing 1.45% of the issued share capital.

The Company issued the following shares during the year to 28 February 2018:

Date	Number of shares	Price per share (p)	Total value of shares (£)
03 March 2017	3,454,226	121.1	4,183,068
13 April 2017	195,145	123.0	240,028
04 August 2017	7,432,367	125.9	9,357,350
04 August 2017 (DRIS)	289,872	118.9	344,658
11 August 2017*	20,805	125.9	26,193
08 September 2017	3,554,233	125.0	4,442,791
27 October 2017	6,080,353	127.9	7,776,771
15 November 2017	2,229,409	126.4	2,817,973
20 November 2017	33,393	126.4	42,209
19 January 2018 (DRIS)	345,489	117.1	404,568
Total	23,635,292		29,635,609

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

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 2018 £'000	28 February 2017 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments	91,247	79,919
Money market securities	4,300	5,290
OEICs	24,959	9,568
Total financial assets at fair value through profit or loss	120,506	94,777
Financial assets measured at amortised cost		
Cash at bank	7,475	13,679
Debtors	52	54
Total financial assets measured at amortised cost	7,527	13,733
Financial liabilities measured at amortised cost		
Creditors	(963)	(8,595)
Total financial liabilities measured at amortised cost	(963)	(8,595)

The Company holds four qualifying, unquoted investments; Popsa Holdings Limited, Rated People Limited and Hasgrove plc, which delisted from AIM in 2013 and Fusionex plc which delisted from AIM in 2017, are valued using the recent transaction price. The Company also holds one unquoted loan note investments, with a value of £500,000, held at cost. These were issued by Nektan Limited.

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

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

The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. The Directors believe that the fair value of the assets held at the year end is equal to their book value.

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 2. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 27 to 30, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in smaller companies, by their nature, usually involve a higher degree of risk than investments in larger companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out in the Investment Manager's Review on pages 9 to 11.

By value 70.1% (2017: 79.1%) of the Company's net assets comprises equity securities listed on the London Stock Exchange or admitted to trading on AIM. A 10% increase in the bid price of these securities as at 28 February 2018 would have increased net assets and the total return for the year by £8,960,000 (2017: £7,906,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

OEIC investments comprised 19.6% of the Company's net assets by value (28 February 2017: 9.6%). A 10% increase in the price of these securities at 28 February 2018 would have increased net assets by £2,496,000; a corresponding fall would have reduced net assets and the total return for the year by the same amount. The unquoted investments are not exposed to significant market risk and a reasonable change in assumptions would not result in a material impact.

Interest rate risk

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

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 0.5% at 28 February 2018 (2017: 0.25%). The amounts held in floating rate investments at the balance sheet date were as follows:

	28 February 2018 £'000	28 February 2017 £'000
Money Market Funds	4,300	5,290
Cash at bank	7,475	13,679
	11,775	18,969

A 1% increase in the base rate would increase income receivable from these investments for the year by £117,750 (2017: £189,690).

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 A1.

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.

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 28 February 2018 or 28 February 2017.

Liquidity risk

The Company's financial assets include investments in AIM-traded companies, which by their nature involve a higher degree of risk than investments on the main market. As a result, the Company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

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

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

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 28 February 2018 these investments were valued at £36,734,000 (2017: £28,537,000).

17. Post Balance Sheet Events

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

- Five new investments totalling £2.9 million completed in Osirium Technologies plc, VR Education plc, Diurnal Group plc, Access Intelligence plc and KRM 22 plc.
- Disposal of 120,000 shares in Quixant plc for total consideration of £516,000, 92,400 shares in Faron Pharmaceuticals for total consideration of £151,000 and 589,235 shares in Escher Group Holdings plc for total consideration of £1.1 million.
- The Company repurchased the following shares:

Date	Number of shares	Price per share (p)	Total value of shares (£)
1 March 2018	312,441	111.0	346,810
29 March 2018	73,937	109.8	81,182
27 April 2018	342,921	115.0	394,360
Total	729,299		822,352

- The Company issued the following shares:

Date	Number of shares	Price per share (p)	Total value of shares (£)
13 April 2018	119,802	122.8	147,117
Total	119,802		147,117

18. Contingencies, guarantees and financial commitments

At 28 February 2018 there were no commitments in respect of investments approved by the manager but not yet completed (2017: £nil).

19. Related Party Transactions

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

The Company has paid Octopus £1,728,000 (2017: £1,412,000) 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 £14.9 million into Octopus managed funds (2017: £8.9 million), being the Octopus Portfolio Manager and Micro Cap funds. To ensure the Company is not double charged management fees on these products, the Company receives a reduction in the management fee as a percentage of the value of these investments.

Octopus received £nil (2017: £nil) transaction fees and directors' fees from investee companies.

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

Shareholder Information and Contact Details

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

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

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

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

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

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

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

On 12 August 2010, following approval at the Extraordinary General Meeting on 4 August 2010, shareholders of Octopus Phoenix VCT had their shares converted into Octopus AIM VCT shares on a relative net asset value basis using the conversion factor of 0.42972672. On the same day, Octopus Phoenix VCT was placed into members' voluntary liquidation.

The offer for subscription in the prospectus dated 9 July 2010 relating to the issue of new shares in connection with the merger with Octopus Phoenix VCT Plc was extended by a supplemental prospectus and closed on 19 April 2011 raising £10 million. A subsequent offer raised £1.9 million, closing on 5 April 2012.

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

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

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

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

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

An Offer for subscription to raise up to £4.3 million by way of an issue of new shares was launched on 6 February 2017. 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.

Venture Capital Trusts ("VCTs")

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

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

The Company has been approved as a VCT by HMRC. In order to maintain its approval, the Company must comply with certain requirements on a continuing basis including the provisions of chapter 3 of the Income Tax Act 2007; in particular s280A:

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

- a minimum of 10% of each qualifying investment must be in Ordinary shares with no preferential rights.

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

VCT Legislation

The budget in November 2017 contained some further adjustments to the VCT regulations. The new requirements are that any funds raised after 6th April 2018 should be 30% invested in qualifying holdings within 12 months, 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 9.00 am – 5.30 pm, Monday to Friday, excluding public holidays in England and Wales), or by writing to them at:

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

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

Dividends paid in the period ended	Ordinary shares 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	-	-	-	-	-	-	-	-	-	3.30	4.52	4.20	1.00	3.35
29 February 2008	-	-	-	-	-	-	-	-	-	5.00	5.38	5.00	6.00	12.00
28 February 2009	-	-	-	-	-	-	-	-	-	5.00	4.16'	3.86'	5.00	10.00
28 February 2010	-	-	-	-	-	-	-	-	-	5.00	2.93*	2.72*	2.70*	2.00
28 February 2011	-	-	-	-	-	-	-	5.28*	5.59*	5.00	2.93*	2.72*	5.77*	4.27
29 February 2012	-	-	-	-	-	-	5.18*	5.28*	5.60*	5.00	2.94*	2.72*	3.06*	2.26
28 February 2013	-	-	-	-	-	2.76*	5.18*	5.28*	5.59*	5.00	2.94*	2.72*	3.06*	2.26
28 February 2014	-	-	-	1.96*	4.79*	5.51*	5.18*	5.28*	5.60*	5.00	2.94*	2.72*	3.06*	2.26
28 February 2015	-	-	2.17*	4.30*	5.27*	6.06*	5.69*	5.81*	6.16*	5.50	3.23*	2.99*	3.19*	2.36
29 February 2016	-	-	8.07*	7.28*	8.91*	10.25*	9.63*	9.83*	10.41*	9.30	5.46*	5.06*	5.40*	3.99
28 February 2017	-	4.52*	4.34*	3.91*	4.79*	5.51*	5.18*	5.29*	5.60*	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*	6.16*	5.50	3.23*	3.00*	3.19*	2.36
Cumulative dividends paid	4.47	9.49	19.36	21.76	29.02	36.16	41.72	47.87	50.71	66.35	50.94	95.84	44.34	56.92
Adjusted NAV as at 31 August 2017** (assuming investment at 100p)	94.4	105.0	100.8	90.8	111.2	128.0	120.2	122.7	129.9	116.1	68.1	63.3	67.4	49.9
Adjusted NAV plus cumulative dividends paid**	98.86	114.47	120.14	112.60	140.23	164.17	161.90	170.61	180.57	182.45	119.03	159.09	111.73	106.81

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

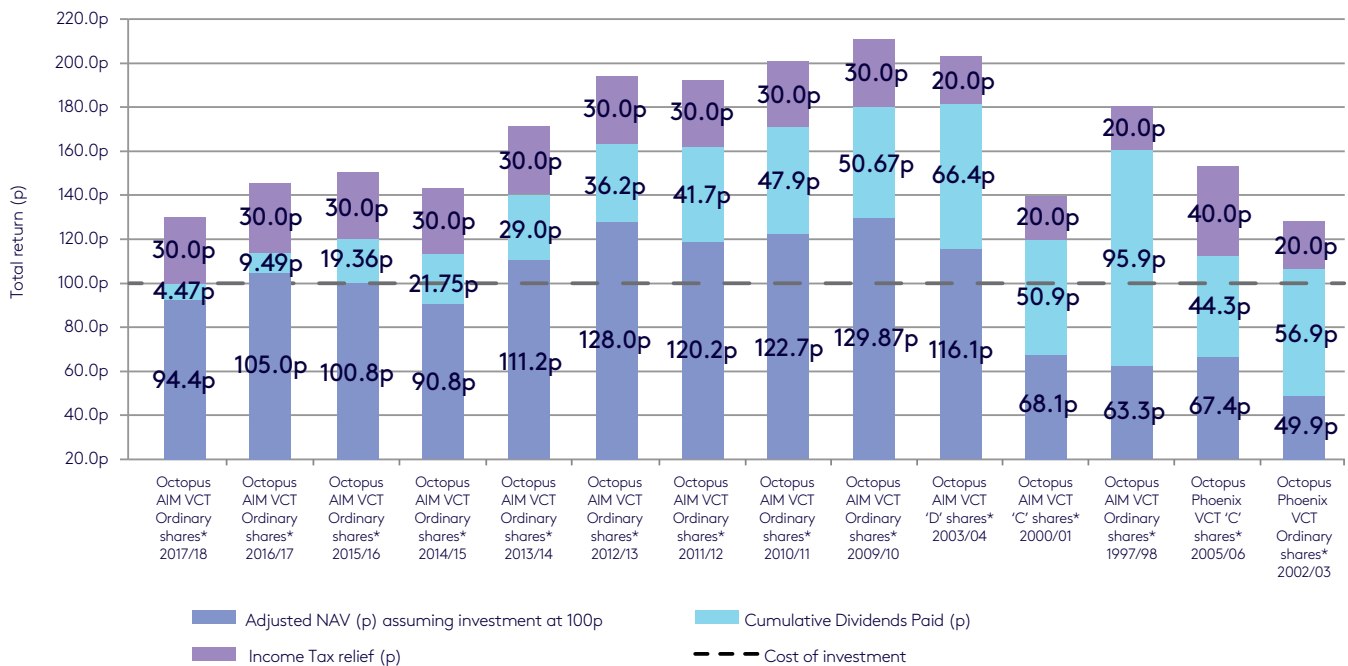
*Notional dividends adjusting for conversion & assuming an investment at 100p, of Phoenix 'C' shares into Phoenix Ordinary shares, and relevant AIM VCT shares into AIM VCT Ordinary shares.

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

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

The proposed final dividend of 3.0p per share will, if approved by shareholders, be paid on 20 July 2018 to shareholders on the register on 22 June 2018.

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 (14 May 2018)	116.0p 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 63.

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**.

Directors and Advisers

Board of Directors

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

Company Number

Registered in England No: 03477519

Secretary and Registered Office

Suzanna Waterhouse, GradICSA
33 Holborn
London
EC1N 2HT

Investment and Administration Manager

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

Custodians

Octopus Investments Limited
33 Holborn
London
EC1N 2HT

Bankers

HSBC Bank Plc
31 Holborn
London
EC1N 2HR

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Taxation Advisor

PricewaterhouseCoopers UK
1 Embankment Place
London
WC2N 6RH

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrar

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus AIM VCT plc (the "Company") will be held at 33 Holborn, London, EC1N 2HT on Tuesday, 3 July 2018 at 11.00 am for the purposes of considering and if thought fit, passing the following resolutions of which resolutions 1 to 9 and 14 will be proposed as Ordinary resolutions and resolutions 10 to 13 will be proposed as Special resolutions:

Ordinary Business

1. TO receive and adopt the financial statements for the year to 28 February 2018 and the Directors' and Auditor's Reports thereon.
2. TO approve a final dividend of 3.0 pence per share.
3. TO approve the Directors' Remuneration Report.
4. TO re-elect Roger Smith as a Director.
5. TO re-elect Stephen Hazell-Smith as a Director.
6. TO re-elect Joanne Parfrey as a Director.
7. TO re-elect Neal Ransome 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 14 as Ordinary Resolutions and Resolutions 10 to 13 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 21,761,147 shares (representing approximately 20% of the Ordinary share capital in issue as at the date of this Notice, such authority to expire at the later of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in general meeting but so that such authority allows the Company to make Offers or agreements before the expiry thereof which would or might require relevant securities to be allotted after the expiry of such authority).

10. Empowerment to make allotments of equity securities

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

- (a) Reference to allotment in this Resolution shall be construed in accordance with s560(1) of the said Act; and
- (b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

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

11. Authority to make market purchases

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

- (a) the number of Ordinary shares so authorised to be purchased shall not exceed 16,309,980 Ordinary shares;
- (b) the minimum price which may be paid for an Ordinary share shall be 1p;
- (c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to the higher of (i) 105% of the average of the middle market quotations for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased; and (ii) the amount stipulated by Article 5(b) of the Market Abuse Regulations;
- (d) the authority conferred by this resolution comes to an end at the conclusion of the next Annual General Meeting of the Company or upon the expiry of 15 months from the passing of this Resolution, whichever is the later, unless renewed, varied or revoked by the Company in general meeting; and

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

12. Adoption of Articles of Association

THAT the Articles of Association produced to the meeting, and for the purposes of identification initialled by the Chairman, be adopted as the Articles of Association of the Company.

13. 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 2015 be cancelled.

14. Continuation of the company as a VCT

THAT the Company continue as a Venture Capital Trust until 2024.

By order of the Board



Suzanna Waterhouse, GradICSA
Company Secretary
15 May 2018

Notes:

- (a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.
- (b) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (c) A form of proxy is enclosed which, to be effective, must be completed and delivered to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ or alternatively, you may register your proxy electronically at www.investorcentre.co.uk/eproxy, in each case, so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form.
- Appointment of a proxy, or any CREST proxy instruction (as described in paragraph (d) below) will not preclude a member from subsequently attending and voting at the meeting should he or she choose to do so. This is the only acceptable means by which proxy instructions may be submitted electronically.
- (d) To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (e) Any person receiving a copy of the Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person') should note that the provisions in Notes (a) and (b) above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
- (f) Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the AGM which relates to the business of the meeting although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.
- (g) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
- (h) Under sections 338 and 338A Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:
- (i) To give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or
 - (ii) To include in the business to be dealt with at the meeting any matters (other than a proposed resolution) which may be properly included in the business.

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

- (i) (In the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
- (ii) It is defamatory of any person; or
- (iii) It is frivolous or vexatious.

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

- (i) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, **www.octopusinvestments.com** under Venture Capital Trusts. Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules and a copy of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.
- (j) As at 14 May 2018 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 108,805,735 Ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 May 2018 are 108,805,735.

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