OCTOPUS
AIM VCT PLC

Annual Report & Accounts for the year ended 29 February 2016

Registered Number: 03477519

FOR UK INVESTORS ONLY

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OCTOPUS INVESTMENTS

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

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Financial Summary

	As at 29 February 2016	As at 28 February 2015
Net assets (£'000)	**77,224**	72,612
Net profit/(loss) after tax (£'000)	**742**	(5,226)
Net asset value (NAV) per share	**101.6p**	110.2p
Ordinary Dividends per share paid in year	**5.3p**	5.5p
Special Dividend per share paid in year	**4.0p**	–
Proposed Final Dividend per share*	**2.5p**	2.8p

*Subject to shareholder approval at the Annual General Meeting, the proposed final dividend will be paid on 22 July 2016 to shareholders on the register on 24 June 2016.

Key Dates

Annual General Meeting	7 July 2016 (11.00 a.m. at 33 Holborn, London EC1N 2HT)
Final dividend payment date	22 July 2016
Half yearly results to 31 August 2016 announced	October 2016
Annual results to 28 February 2017 announced	June 2017
Annual Report and financial statements published	June 2017

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 following sections form part of the Strategic Report:

- Our Strategy
- Chairman's Statement
- Investment Manager's Review
- Business Review

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.

OUR STRATEGY

THE COMPANY'S OBJECTIVE

The objective of the Company is to invest in a broad range of AIM or ISDX Growth Market traded companies in order to generate income and long-term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

INVESTMENT POLICY

The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 80% in a portfolio of qualifying AIM and ISDX Growth Market traded investments or unquoted companies where the management views an initial public offering (IPO) on AIM or the ISDX Growth Market is a short to medium term objective. Now that the qualifying target has been achieved the Board intends that approximately 20% of its funds will be invested in non-qualifying investments generally comprising other equities, gilts, floating rate securities and short-term money market deposits with, or issued by, major companies and institutions with a minimum Moody's long term debt rating of 'A'. A proportion of the 20% could be invested in authorised funds managed by Octopus or direct in equity investments and bonds. This 20% will provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors. The maximum amount invested in any one company is limited to the amount permitted pursuant to VCT legislation in a fiscal year and no more than 15% of the Company's assets, at cost, will be invested in the same company. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, shareholders should be aware that the Company's qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

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 5. 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 6 and 10 respectively provide further comments on the future prospects of the Company.

On behalf of the Board
Michael Reeve
Chairman
27 May 2016

Chairman's Statement

INTRODUCTION

The year to 29 February 2016 was characterised by an unsettled stock market which had the effect of dampening the enthusiasm for share prices, even when companies demonstrated good business progress. The year opened with worries about an impending General Election which turned briefly to euphoria on the news of a single party majority in May, before international political and economic concerns once again created the conditions for market volatility. This uncertainty has continued into 2016, with attention now on the European Referendum in June. Against this background performance was rather muted with the 9.3p of dividends per share paid out in the year only just exceeding the fall in the Net Asset Value per share (NAV) to give a small positive total return. Some of the mature holdings in the portfolio have seen their share prices advance on good news but it has been significantly harder for the earlier stage companies which have yet to make a profit. Their shares have tended to fare much worse in a risk averse market even when they have met expectations.

Royal Assent was also given to the second Finance Act of the year in November, bringing new VCT regulations which reconcile with EU State Aid rules. Your Managers are not expecting to have to change their approach in any substantial way as a result of these new regulations.

During the year your company raised £12.4 million by the issue of new shares and a further £8.7 million has been raised since the year end. Your Company continued to buy back from selling shareholders.

PERFORMANCE

Adding back the 5.3p of ordinary and 4p special dividends paid out in the year, the Net Asset value rose marginally, by 0.6%. This compares with a fall in the AIM index of 1.7%, a fall in the FTSE All Share Index of 7.3% and a rise in the Smallcap Index ex Investment Trusts of 1.6%, all on a total return basis.

As these figures suggest it has been smaller companies' shares which have performed relatively well, reflecting the fact that larger companies are perceived to be more exposed to international concerns about Chinese growth and the weak oil price, as well as political worries around the Eurozone and the effects of the immigration crisis. However, within the portfolio, performance has tended to polarise with the better established and profitable companies seeing their share prices advance on good news, and those yet to make a profit struggling to get investor attention and seeing their share prices under pressure, particularly those thought to be in need of further funding.

There have been signs that the appetite for takeovers has started to revive. In the year under review, the cash offer for Advanced Computer software completed and Chime Communications, Synabor and Enables IT were all subject to takeover bids. Several other portfolio companies have accelerated their growth through acquisitions during the year.

2016 did not match the previous year for the amount raised by new issues on AIM although secondary fundraisings were even more in evidence. In the year under review AIM has raised £5.4 billion in new capital, fulfilling its purpose of providing additional growth capital for its members. After a strong December and January for fundraisings, February was quieter although the pipeline of new companies looking to float on AIM seems to be steady.

In the interim accounts I reported that we had invested £4 million in qualifying holdings. In the second half of the year we invested a further £1.9 million in qualifying investments which included three new holdings in Scientific Digital Imaging, Tyratech and Haydale Graphene together with two further follow-on investments into Microsaic and Nektan. The last was in the format of a convertible loan note. In addition we invested £5.2 million in non-qualifying holdings in the year, in order to put the funds raised to work in the market. We made disposals totalling £5.9 million at a net profit of £4.3 million.

Further details of performance are contained in the Investment Managers' Review on pages 7 to 18.

NEW VCT REGULATIONS

VCTs have always been subject to UK regulations, not least as they confer tax benefits on investors. In recent years these regulations have become subject themselves to European State Aid rules. The Chancellor proposed new rules in his Summer Budget in July 2015 and, following discussions with European authorities in Brussels, these became law following the granting of Royal Assent in November 2015. These are in addition to existing rules which already limited investment to companies with gross assets of no more than £15 million, 250 employees and where no more than £5 million of State Aided funds had been raised within the past 12 months.

The new rules now in force relate to the age of companies receiving a first investment, a lifetime limit on State Aided funds and rules designed to target any funds raised on a company's growth. They also recognise that there is a class of company which is 'knowledge intensive' and therefore hungrier for capital, and some of the limits are more generous for these types of companies.

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

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

Follow-on investments are allowed to provide further capital for an existing investment up to the lifetime limit, and in certain circumstances a company may obtain clearance to raise money to develop a new business or market. Money raised from VCTs is not allowed to be used for acquisitions, or to buy out debt or existing equity. In addition, non-qualifying purchases of AIM shares are no longer allowed.

Draft clarification notes to go with the VCT legislation have just been published and so it is still too early to come to any conclusions about what effect these new rules will have on VCT qualifying deal flow for AIM companies. Your VCT has made two investments since the rules became law and has seen a steady flow of qualifying opportunities. At 88%, the VCT is well above the minimum 70% qualifying requirement and therefore under no immediate pressure to invest its cash.

DIVIDENDS

An interim dividend of 2.5p was paid to shareholders in January 2016. It is your Board's intention to continue to pay a minimum of 2.5p each half year and to adjust annually, based on the year end share price, the final dividend so that shareholders receive either 5p per annum or a 5% yield, whichever is the greater at the time. This will enable dividends to progress with a rising NAV, whilst maintaining the minimum historic level. With respect to the year to February 2016 your Board has so far declared and paid an interim dividend of 2.5p and now has pleasure in recommending a final dividend of 2.5p, which brings the total dividend for the year to 5p which is higher than an annualised yield of 5%, based on the share price of 95.875p on 29 February 2016.

Special dividends are by definition special and do not form part of the minimum payment. A 4p special dividend was paid in respect of the year to 28 February 2015 following the exceptional profit realised on the takeover of Advanced Computer Software. No special dividend is proposed for the year ended 29 February 2016.

DIVIDEND REINVESTMENT SCHEME

In common with many other VCTs in the industry, your Company has started a Dividend Reinvestment Scheme (DRIS). Some shareholders have already taken advantage of this opportunity. For investors who do not need income, but value the additional tax relief on their reinvested dividends, this is an attractive scheme and I hope more shareholders will find it useful. In the course of the year 468,005 new shares have been issued under this scheme. The dividend referred to above will be eligible for the DRIS.

SHARE BUY BACKS

In the year ended 29 February 2016 we bought back 1,494,656 shares for cancellation. The average month end discount to Net Asset Value at which your shares have traded through the year has been 5.1% compared to the closing monthly bid price in line with the Board's policy of 5%.

SHARE ISSUES

In the year to 29 February 2016 we have raised a total of £12.4 million of new capital. This figure is made up, first, of £8.5 million raised under the combined offer with Octopus AIM VCT 2 plc ("AIM VCT 2") which launched on 29 August 2014. This offer closed, fully subscribed, on 1 July 2015. A further combined fundraise with AIM VCT 2 was launched on 21 December 2015 to raise up to £20 million, with an overallotment facility of £10 million. By the year end £3.9 million had been raised under this offer. At the date of this report a further £8.7 million had been raised in the period since 29 February 2016. The offer remains open and the Company can raise up to a further £5.4 million before reaching the maximum of £18 million.

VCT STATUS

PricewaterhouseCoopers LLP provides your Board and Investment Manager with advice concerning continuing compliance with HMRC regulations for VCTs. Your Board has been advised that Octopus AIM VCT is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT. A key requirement is to maintain at least a 70% qualifying investment level. As at 29 February 2016 some 88% of the portfolio as measured by HMRC rules was invested in qualifying investments.

RISKS AND UNCERTAINTIES

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 7 July 2016. 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 2022 in order to preserve the VCT status of the Company for the benefit of both existing shareholders and new investors participating in the present share offer. I have been Chairman since the formation of the Company and will be retiring at the Annual General Meeting. I am delighted to announce that Roger Smith will be succeeding me. We will seek to appoint a new non-executive director during the course of the year.

OUTLOOK

Markets have been generally more volatile in the last few months in the face of more pronounced fears about global economic growth. While many of the widely reported international concerns are of less relevance to smaller UK companies such as those in the portfolio, the EU Referendum is now casting a shadow over the market which will continue until the result is known at the end of June.

Despite this background there is no reason to be disheartened as far as smaller companies are concerned, and the performance of your portfolio depends as ever, more on the progress made by individual companies rather than any macro-economic or political factors. There are several holdings in the healthcare and technology sector expected to move into profit over the next two or more years and among the more mature holdings a number have produced good results in the recent March results season.

Michael Reeve

Michael Reeve
Chairman
27 May 2016

Investment Manager's Review

INTRODUCTION

Smaller company share prices proved resilient during the year to 29 February 2016 in contrast to the FTSE 100 which saw some steep declines in some of its members exposed to a weak oil price and international markets. At the interim stage we reported that the wider stock market had once again become a more difficult place after an initial burst of enthusiasm following the General Election result in May had passed. This more cautious tone persisted for the remainder of the year, with the result that the NAV total return was slightly down in the second half although it remained just in positive territory for the year as a whole.

It was the share prices of earlier stage companies needing cash to fulfil growth plans that were most affected and we talk about some examples in the portfolio later on in this report. More established and profitable companies saw their share prices advance despite market conditions and these contributed positively to performance in the year. Overall it seems quite likely, at this stage, that similar conditions will prevail through 2016, with companies only seeing their share prices advance as a result of positive results rather than on any general market trends.

While AIM itself has had some criticism in 2015, it has continued to support existing companies even though the number of new flotations was lower than in the previous twelve months. The benefit of increased market nervousness is that valuations have tended to be more realistic, which bodes well for investing the cash being raised under the current offer.

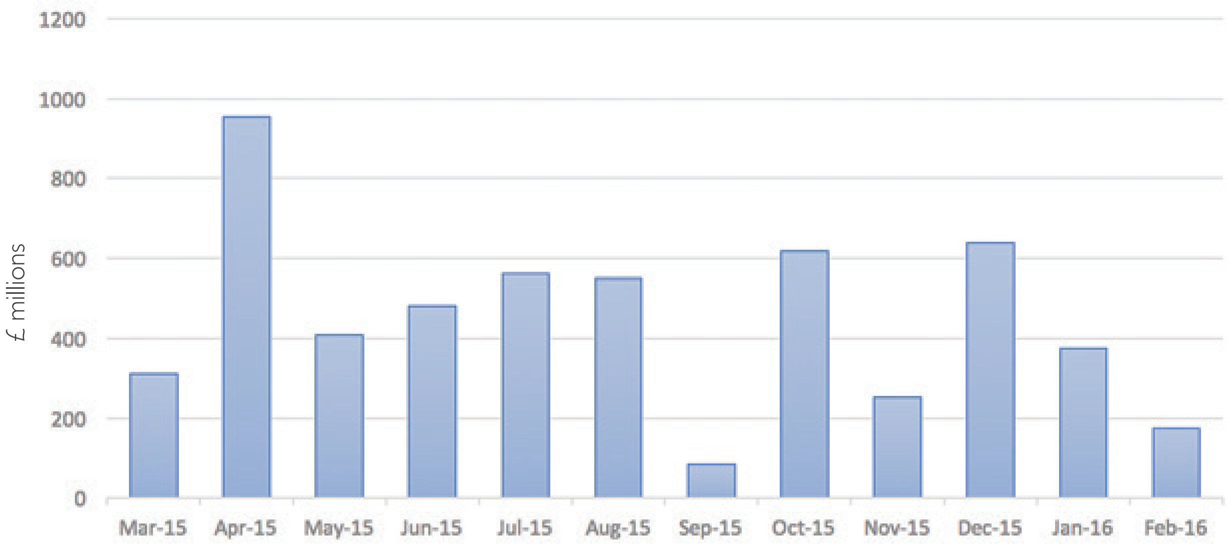
THE ALTERNATIVE INVESTMENT MARKET

The year to 29 February 2016 started well with the AIM Index participating in a general rise in the stock market. However, its higher exposure to resource stocks meant that it could not sustain this rise as worries about a Chinese slowdown intensified, and it ended 1.7% down by the end of the period, behind smaller companies generally although still well ahead of the FTSE 100. Despite this volatility and a lower level of new listings on AIM than in 2014, the market raised a very substantial sum, £5.4 billion, for existing AIM listed companies for the year as a whole. That is the highest level of secondary fundraising on AIM since 2010 and is proof that the market will support companies with good reasons for asking for additional growth capital. The ability of AIM to attract a range of new issues and to raise further funds for small growing companies is its most important characteristic as far as the VCT is concerned.

2015 finished with a large number of companies testing the temperature of the water, as they examined the possibility of floating in the first quarter of 2016. These are beginning to come through in the form of prospectus's landing on our desks although this has been slower than we expected at the end of 2015, probably as a result of more turbulent market conditions. However, assuming that owners and managers set a higher priority on growth than some arbitrary valuation, we would expect to see a healthy flow of new companies coming to AIM in 2016. We also expect to see many existing AIM companies continue to use their listing to raise finance for further growth.

The graph below shows the total AIM fundraising that has been undertaken in the twelve months to 29 February 2016.

FUNDS RAISED ON AIM DURING THE YEAR ENDED 29 FEBRUARY 2016



Source: London Stock Exchange

PERFORMANCE

Dividend payments in the year were higher than usual as a result of a special dividend paid out of the profit from the Advanced Computer Software holding which was taken over in March 2015. Adding these back to show the total return, the Net Asset Value decreased in the year by slightly less than the 9.8p of dividends paid out, giving a total return of 0.6%. This compares with a total return for the FTSE Smallcap Index of 1.6% and for AIM of -1.7%. The FTSE All Share Index was affected by a sell-off in larger companies perceived to be exposed to global growth and a weak oil price and it underperformed returning -7.3% in the twelve month period. The portfolio benefited from its exposure to small growing companies many of which are operating in a domestic economy that has been enjoying better growth than many of its international counterparties.

Within the portfolio it was the older, more established and already profitable companies that tended to perform best in these market conditions, with a number of the not yet profitable earlier stage companies seeing their share prices decline. Among the latter MyCelx, highlighted in the accounts a year ago, continued to suffer from a weak share price as a result of fears about the prolonged effect of a low oil price. The management has cut costs and is preserving its cash. Several other earlier stage companies had a negative impact on the performance of the NAV in the year including Oxford Pharmascience and Proxama. Oxford Pharmascience has a technology that reduces the harmful effects of drugs on the stomach through slow release of the active ingredients. Although the share price has performed poorly, the company raised £20 million in 2015 and so has cash to fund further trials if it should prove necessary. Proxama, a company with near field communications technology to allow people to transact by tapping their mobile phone, has seen its share price decline on fears that it will need more money in order to execute its strategy. It has recently announced a series of contracts that indicate that it may now be managing to get some sales traction.

EKF Diagnostics was the other holding that performed particularly badly in the year. Difficulties with its US molecular diagnostics laboratory were compounded by some lumpy order patterns in its point of care diagnostics business, and the company ended up announcing a strategic review which resulted in a potential bid. When any formal bid failed to materialise, the company announced that it would be cutting costs and concentrating its efforts on restoring shareholder value through focusing on the point of care business.

On a positive note some of the more established holdings in the portfolio enjoyed strong share price gains in the year and more than compensated for the poor share price performance of anything considered by the market to be small and early stage. Breedon, Staffline, Brooks Macdonald, Idox, Vertu Motors and GB Group all saw their share prices respond well to good figures showing strong progress in their respective businesses with the promise of further growth to come. In particular, Breedon has made a takeover bid for Hope Group, a rival UK aggregates and cement business which will double its size, making it the largest independent UK based aggregates business and give it a much coveted entry into the London cement market. It is awaiting the approval of the Competition and Markets Authority. They are all now well established, and by VCT standards, sizeable businesses.

Encouragingly, several other portfolio companies saw their businesses develop significantly in the year and were rewarded with share price gains. Tasty, a restaurant operator, has now built its estate to more than 50 outlets and has the funding to grow it by 15 units a year out of existing resources. This fund first invested in 2007 and it took three years before the company reached profitability, since then it has accelerated its growth plans. Adept Telecom made a significant acquisition, increasing its ability to win business with larger customers and Animalcare demonstrated that it could successfully launch several new animal medicines into the market in a twelve month period. DP Poland, which owns the Dominos Pizza franchise in Poland, is still a long way from profitability but it has now demonstrated a financial model that works, and the shares have strengthened as a result. Learning Technologies also reaped the benefit of several acquisitions made since it reversed the business of Epic into Indeed On-line and is now bidding for and winning substantial government contracts.

Among the non-qualifying holdings Skyepharma was the best performer, and is now subject to a takeover bid from Vectura, another mid-sized pharmaceutical company specialising in the respiratory sector. The combined group will be cash generative as well as having a portfolio of products in development providing potential for future growth. RWS, Restore and Gooch & Housego all performed well in the year.

PORTFOLIO ACTIVITY

In addition to the £4 million invested in six qualifying investments in the first half of the year, we invested a further £1.9 million in five further qualifying investments in the second half. Two of these were follow-on investments into Nektan and Microsaic, both of which have yet to generate any significant sales and are still proving their business models. All of the new investments were in existing AIM companies. Among them only Scientific Digital Imaging is already profitable, although Tyratech is already selling its head lice treatment based on natural plant extracts to WalMart in the US and Boots in the UK and will be using the funds raised to accelerate its sales towards profitability. Haydale also has existing sales. It has a technology to functionalise graphene to enable its properties of strength and conductivity to be used in conjunction with other substances.

We have also invested a proportion of our newly raised cash in non-qualifying holdings with a view to improving returns by putting liquid assets to work. We invested in a number of larger AIM companies, which we know well and which, as relatively developed profitable and dividend paying companies, represent a balance to the risk, which the younger qualifying companies necessarily inject into the portfolio. In total we invested £5.2 million into new non-qualifying holdings in the year. In aggregate therefore we have invested over £11.1 million in the year to February 2016, which compares with the £12.4 million raised by the company.

During the year we made disposals of £5.9 million realising an overall profit over book cost of £4.3 million. The major sale in the year was the disposal of Advanced Computer Software Group, which we detailed in the interim statement. In the second half of the year Chime Communications and Synabor were taken over for cash. Enables IT was also taken over, and as a result the fund now has a holding in 1Spatial, a software group which specialises in managing vast quantities of geospatial data. The holding in Staffline was trimmed, but the only other holding which was sold entirely in the second half was Goals Soccer Centres, which had always been a non-qualifying holding and produced a small profit.

OUTLOOK

Markets have had a very unsettled start to 2016, with worries about a further slowdown in China, continuing weakness in the oil price and worries about the possibility of rising interest rates exacerbated by a new uncertainty posed by the EU referendum in June. Despite the US raising rates in December, the prospect of a rate rise in the UK still seems to be some way off, and forecasts remain for slow economic growth. As far as the domestic economy is concerned this is a similar outlook to this time last year and goes some way to explain why many smaller UK focused companies have continued to publish encouraging trading statements which have often been followed by upgrades to analysts' forecasts. On a more cautious note, it has become apparent in the recent reporting season that the market is very nervous about companies disappointing with some share prices falling substantially on bad news. Inevitably it is the still unprofitable companies perceived to need further funding that are most vulnerable in this situation, with the specific risk increased where VCTs are no longer able to follow their money at a lower price under new regulations and therefore at risk of returns being diluted. We believe that share price performance will continue to be driven by the progress of individual companies and take comfort from the fact that 85% by value of the equity portfolio is represented by profitable companies and 70% by dividend paying companies.

A relatively positive UK economic outlook is also a reason to believe that capital raising and flotations will remain a significant feature of AIM this year. In those circumstances we would expect to invest the present cash balance profitably for shareholders in new qualifying holdings.

The AIM Team
Octopus Investments Limited
27 May 2016

Investment Portfolio

Quoted Investments	Sector	Cost as at 29 February 2016 (£'000)	Cumulative change in fair value (£'000)	Fair Value at 29 February 2016 (£'000)	Movement in year (£'000)	% equity held by AIM VCT plc	% equity held by all funds managed by Octopus
Staffline Recruitment plc	Support Services	334	4,626	4,960	1,756	1.3%	11.0%
Breedon Aggregates Limited	Construction & Building	859	3,971	4,830	1,413	0.6%	1.2%
GB Group plc	Support Services	715	2,220	2,935	1,034	0.9%	9.0%
Brooks MacDonald Group plc	Finance	746	1,979	2,725	583	1.1%	8.3%
Quixant plc	Technology Hardware	697	1,952	2,649	500	2.3%	6.4%
Tasty plc	Leisure & Hotels	622	1,834	2,456	402	2.8%	5.2%
Idox plc	Software	353	2,040	2,393	493	1.3%	3.6%
Mattioli Woods plc	Finance	529	1,740	2,269	261	1.6%	2.4%
Learning Technologies Group plc	Support Services	1,320	782	2,102	876	1.5%	2.4%
Vertu Motors plc	General Retailers	1,265	449	1,714	153	0.7%	5.0%
TLA Worldwide plc	Media	807	888	1,695	(40)	2.8%	6.1%
Netcall plc	Telecommunication Services	437	1,236	1,673	(463)	2.6%	4.5%
Ergomed plc	Pharmaceuticals & Biotech	1,440	31	1,471	15	3.1%	10.7%
RWS Holdings plc	Support Services	368	884	1,252	127	0.3%	6.7%
Skyepharma plc	Pharmaceuticals & Biotech	672	448	1,120	241	0.3%	0.6%
Animalcare Group plc	Food Producers & Processors	306	805	1,111	66	2.6%	6.8%
Restore Group plc	Support Services	467	605	1,072	78	0.4%	9.6%
Gooch & Housego plc	Electronic & Electrical	489	549	1,038	216	0.5%	11.9%
Cello Group plc	Media	895	122	1,017	(73)	1.4%	5.4%
Craneware plc	Software	183	831	1,014	303	0.5%	1.9%
Nektan Limited	Software	845	(339)	506	(714)	2.6%	16.2%
Abcam Plc	Pharmaceuticals & Biotech	895	109	1,004	109	0.1%	2.1%
Clinigen Group plc	Pharmaceuticals & Biotech	935	47	982	47	0.1%	3.3%
DP Poland plc	Leisure & Hotels	546	401	947	64	2.8%	4.7%
Adept Telecom plc	Telecommunication Services	601	321	922	304	1.9%	3.8%
Escher Group Holdings plc	Software	1,003	(119)	884	(147)	3.2%	5.5%
Bond International plc	Software	354	496	850	17	2.2%	3.3%
Brady plc	Software	947	(99)	848	(432)	1.8%	3.0%
CityFibre Infrastructure Holdings Plc	Telecommunication Services	1,025	(201)	824	(201)	0.6%	1.6%
Advanced Medical Solutions	Pharmaceuticals & Biotech	757	48	805	48	0.2%	7.7%
Nasstar plc	Software	481	312	793	(24)	2.5%	7.1%
Judges Scientific plc	Electronic & Electrical	314	442	756	(101)	0.8%	1.4%
Next Fifteen plc	Media	688	45	733	45	0.5%	7.0%
SQS Software plc	Software	291	404	695	(57)	0.4%	13.1%
Oxford Pharmascience Group plc	Pharmaceuticals & Biotech	1,350	(709)	641	(709)	1.1%	3.5%
Sinclair Pharma plc	Pharmaceuticals & Biotech	764	(151)	613	48	0.3%	0.6%
EKF Diagnostics plc	Health	931	(322)	609	(706)	1.3%	2.4%
Tyratech	Chemicals	600	–	600	–	5.5%	19.9%
Cambridge Cognition Group plc	Health	601	(43)	558	(17)	5.0%	17.8%
Ideagen plc	Software	418	140	558	102	0.7%	5.4%
Omega Diagnostics plc	Health	465	90	555	29	3.5%	6.2%
Gear4Music Holdings plc	Media	557	(44)	513	(44)	2.0%	5.1%
Gamma Communications Plc	Telecommunication Services	488	24	512	24	0.1%	7.3%
Haydale Graphene Plc	Chemicals	598	(131)	467	(131)	2.5%	9.0%

Mears Group plc	Support Services	139	320	459	(78)	0.1%	0.1%
Iomart Group plc	Software	268	122	390	86	0.1%	8.1%
Plastics Capital plc	Engineering & Machinery	400	(16)	384	(56)	1.1%	9.1%
Midatech Pharma plc	Pharmaceuticals & Biotech	600	(218)	382	(274)	0.7%	3.0%
Access Intelligence plc	Software	375	(19)	356	169	2.7%	5.3%
Microsaic plc	Engineering & Machinery	625	(314)	311	(325)	2.3%	8.6%
Proxama plc	Software	763	(458)	305	(244)	3.0%	12.1%
Vianet Group plc	Support Services	359	(77)	282	42	1.1%	4.6%
Scientific Digital	Healthcare equipment	179	89	268	89	3.5%	12.0%
Futura Medical plc	Pharmaceuticals & Biotech	613	(371)	242	(129)	1.1%	5.2%
Fusionex International plc	Software	282	(44)	238	(451)	0.4%	1.3%
Sphere Medical	Health	600	(375)	225	(375)	2.6%	4.4%
ReNeuron Group Plc	Pharmaceuticals & Biotech	324	(146)	178	(146)	0.2%	1.2%
Tangent Communications plc	Support Services	578	(419)	159	(14)	2.1%	4.7%
WANdisco plc	Software	241	(88)	153	(379)	0.4%	0.7%
Altitude Group plc	Media	600	(450)	150	(117)	3.9%	4.5%
TP Group plc	Engineering & Machinery	648	(502)	146	(66)	1.3%	6.3%
Enteq Upstream plc	Oil Services	1,032	(908)	124	(26)	1.7%	3.7%
MyCelx Technologies plc	Oil Equipment	1,470	(1,369)	101	(912)	5.3%	11.5%
Dods Group plc	Media	203	(114)	89	34	0.2%	0.2%
1Spatial plc	Software	300	(253)	47	(28)	0.1%	0.2%
Tanfield Group plc	Engineering & Machinery	226	(182)	44	(17)	0.6%	0.6%
Lombard Medical Technologies plc	Health	408	(368)	40	(166)	0.3%	0.7%
Work Group plc	Support Services	943	(911)	32	(15)	4.1%	6.2%
Clean Air Power Limited	Industrial	485	(485)	–	(161)	2.0%	8.8%
Total Quoted Investments		42,619	21,157	63,776	1,936		

Unquoted Investments	Sector	Cost as at 29 February 2016 (£'000)	Cumulative change in fair value (£'000)	Fair Value at 29 February 2016 (£'000)	Movement in year (£'000)	% equity held by AIM VCT plc	% equity held by all funds managed by Octopus
Hasgrove plc	Media	88	62	150	70	2.2%	13.0%
Rated People Limited	Software	354	(322)	32	(322)	0.5%	1.5%
Total Unquoted Investments		442	(260)	182	(252)		

Loan Note Investments	Sector	Cost as at 29 February 2016 (£'000)	Cumulative change in fair value (£'000)	Fair Value at 29 February 2016 (£'000)	Movement in year (£'000)	% equity held by AIM VCT plc	% equity held by all funds managed by Octopus
Nektan Limited	Software	500	–	500	–	N/A	16.2%
Access Intelligence plc	Software	120	–	120	–	N/A	5.3%
Total Loan Note Investments		620	–	620	–		

Total Investments		43,681	20,897	64,578	1,684		
Money Market Funds				5,269			
Total fixed asset investments and money market funds				69,847			
Cash at bank				9,751			
Debtors less creditors				(2,374)			
Total net assets				77,224			

TOP TEN HOLDINGS

Listed below are the ten largest investments, valued at bid price, as at 29 February 2016:

STAFFLINE RECRUITMENT PLC

Staffline is a provider of labour to employers.

Investment date:	December 2004
Cost:	£334,000
Valuation:	£4,960,000
Equity held:	1.3%
Last audited accounts:	31 December 2015
Revenue:	£702.2 million
Profit before tax:	£5.5 million
Net assets:	£73.2 million

BREEDON AGGREGATES LIMITED

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

Initial investment date:	August 2010
Cost:	£859,000
Valuation:	£4,830,000
Equity held:	0.6%
Last audited accounts:	31 December 2015
Revenue:	£318 million
Profit before tax:	£31.3 million
Net assets:	£233 million

GB GROUP PLC

GB Group specialises in ID verification to help customers avoid ID theft and fraud and to verify the age and circumstances of both customers and employees for regulatory and commercial reasons.

Initial investment date:	November 2011
Cost:	£715,000
Valuation:	£2,935,000
Equity held:	0.9%
Last audited accounts:	31 March 2015
Revenue:	£57.3 million
Profit before tax:	£5.9 million
Net assets:	£46.1 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:	£2,725,000
Equity held:	1.1%
Last audited accounts:	30 June 2015
Revenue:	£77.7 million
Profit before tax:	£11.4 million
Net assets:	£74.2 million

QUIXANT PLC

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

Initial investment date:	September 2013
Cost:	£697,000
Valuation:	£2,649,000
Equity held:	2.3%
Last audited accounts:	31 December 2015
Revenue:	$41.8 million
Profit before tax:	$9.2 million
Net assets:	$25.7 million

TASTY PLC

Tasty is the operator of Wildwood and Dim T restaurants in the 'casual dining' sector.

Initial investment date:	May 2007
Cost:	£622,000
Valuation:	£2,456,000
Equity held:	2.8%
Last audited accounts:	27 December 2015
Revenue:	£35.8 million
Profit before tax:	£3.1 million
Net assets:	£19.2 million

IDOX PLC

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

Initial investment date:	May 2008
Cost:	£353,000
Valuation:	£2,393,000
Equity held:	1.3%
Last audited accounts:	31 October 2015
Revenue:	£62.6 million
Profit before tax:	£9.8 million
Net assets:	£53.6 million

idox One company: Infinite possibilities

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:	£2,269,000
Equity held:	1.6%
Last audited accounts:	31 May 2015
Revenue:	£34.6 million
Profit before tax:	£5.3 million
Net assets:	£39.5 million

Mattioli Woods plc PENSIONS & WEALTH MANAGEMENT

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:	£1,320,000
Valuation:	£2,102,000
Equity held:	1.5%
Last audited accounts:	31 December 2015
Revenue:	£19.9 million
Profit before tax:	£1.5 million
Net assets:	£25.5 million

ltg learning technologies group

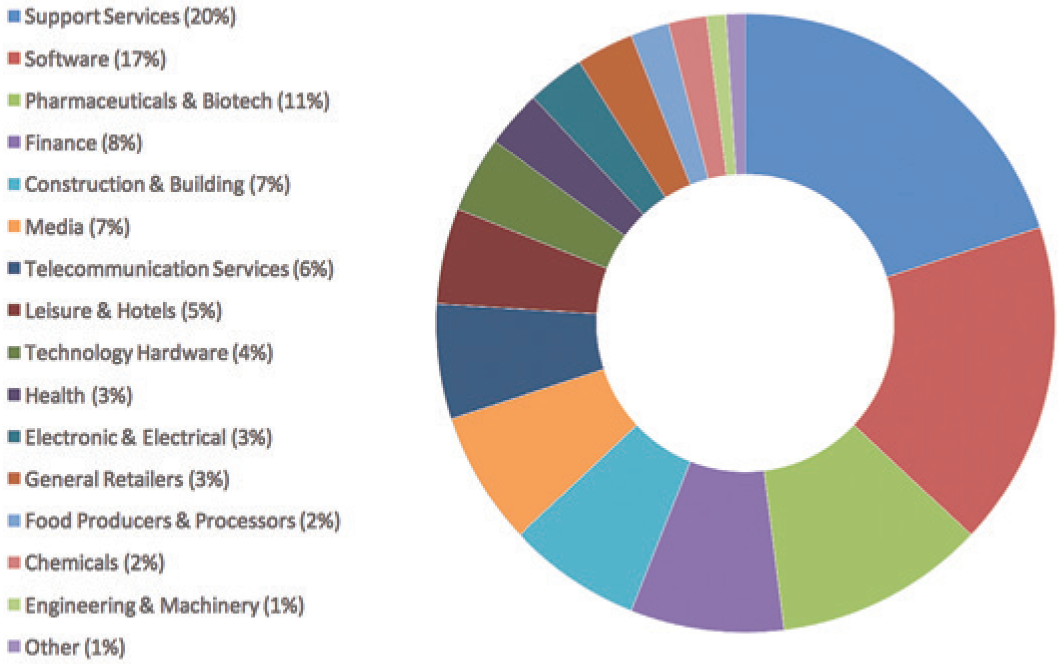
VERTU MOTORS PLC

The Vertu Motors group operates a nationwide chain of 120 franchised motor dealerships offering sale, servicing, parts and bodyshop facilities for new and used car and commercial vehicles.

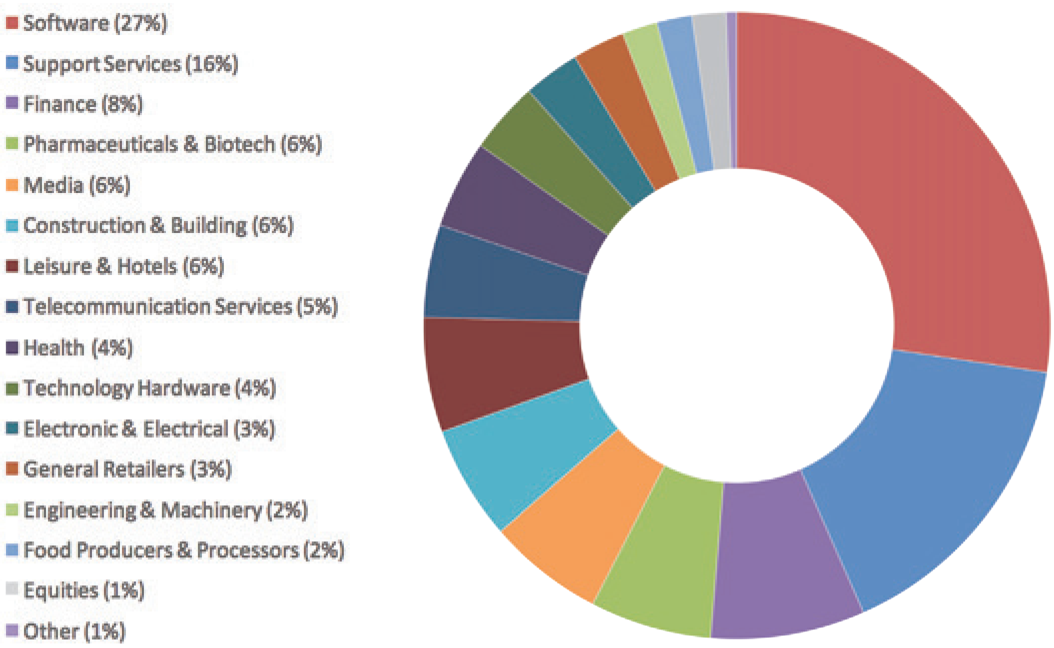
Investment date:	December 2006
Cost:	£1,265,000
Valuation:	£1,714,000
Equity held:	0.7%
Last audited accounts:	29 February 2016
Revenue:	£2.4 billion
Profit before tax:	£26 million
Net assets:	£197.9 million

SECTOR ANALYSIS

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



The graph below shows the sectors the equity portfolio Fund is invested in by value as at 28 February 2015:



The Investment Manager

PERSONAL SERVICE

At Octopus, we have a dual focus on managing your investments and keeping you informed throughout the investment process. We are committed to providing our investors with regular and open communication. Our updates are designed to keep you involved about the progress of your investment.

We are working hard to manage your money in the current climate. We share your goal to make money from your investment. If you have any questions about this report, or if it would help to speak to one of the fund managers, please do not hesitate to contact Octopus on **0800 316 2295**.

Octopus was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus also acts as Investment Manager to 6 other listed investment companies and has over £5 billion of funds under management.

The AIM investment team of 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 2006 as well as other AIM VCT portfolios.

KATE TIDBURY

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

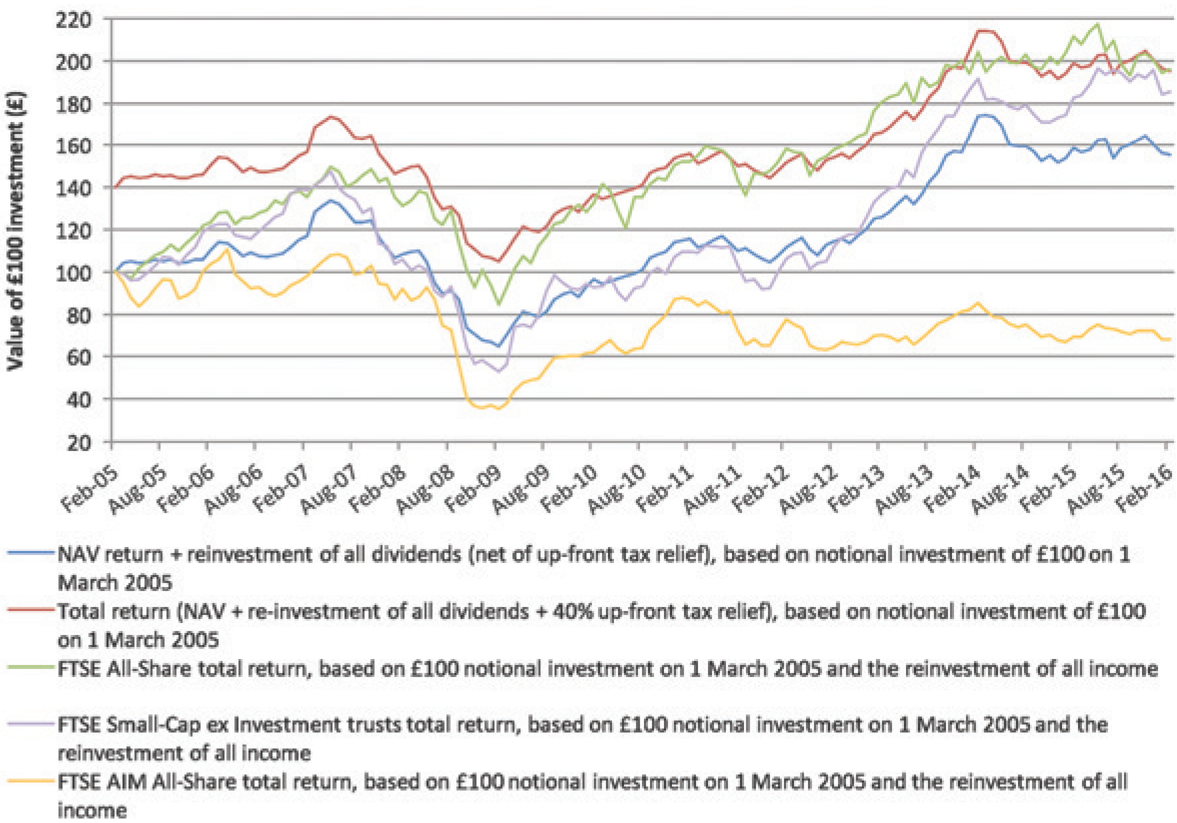
Business Review

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 2016 with the total return from notional investments in the FTSE All-Share Index, FTSE Small-Cap ex-investment trusts Index 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



RESULTS AND DIVIDEND

	Year ended 29 February 2016 £'000	Year ended 28 February 2015 £'000
Net profit/(loss) attributable to shareholders	**742**	(5,226)
Appropriations:		
Interim dividend paid: 2.5 pence per Ordinary share (2015: 2.5 pence per Ordinary share)	**1,822**	1,578
Proposed final dividend: 2.5 pence per Ordinary share (2015: 2.8 pence per Ordinary share)	**2,080**	2,042
Special dividend: nil pence per Ordinary share (2015: 4.0 pence per Ordinary share)	**–**	2,917

The proposed final dividend will, if approved by shareholders, be paid on 22 July 2016 to shareholders on the register on 24 June 2016.

KEY PERFORMANCE INDICATORS ("KPIs")

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

The Board has a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV per share plus dividends, is also measured against the FTSE Small-Cap Index and the FTSE All-Share Index. This is shown in the graph on page 19 of the Strategic Report. These indices have been adopted as an informal benchmark. Investment performance is measured against the Company's peer group of the other AIM VCTs. The Chairman's Statement, on pages 4 to 6, includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 7 to 18. Further details of the Company's risk management policies are provided in Note 16 to the financial statements. The ongoing charges of the Company were 2.3% of average net assets during the year to 29 February 2016 (2015: 2.3%).

VIABILITY STATEMENT

In accordance with provision C.2.2 of The UK Corporate Governance Code 2014 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a period of five years, which was considered to be a reasonable time horizon given that the Company had raised funds under an offer for subscription which closed on 10 August 2015, a further fundraising launched on 21 December 2015 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 an 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 2021.

PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT

In accordance with the Listing Rules under which your Company operates, your Board is required to comment on the potential risks and uncertainties which could have a material impact on the Company's performance. Risks include the current challenging economic conditions which impact particularly on smaller companies in which your Company invests and this could have an adverse impact on share prices.

Investments are made on a selective, stock-picking basis. Octopus researches all potential investments carefully, including meeting with the management before investing and engaging in regular meetings with them thereafter. However, as all equities carry a level of risk, the Board also sets certain other parameters to mitigate risk, namely control of gearing (the Company has never had any debt), size of investment (a maximum of 10% at cost of portfolio value), sector spread and investment of the non-VCT qualifying element of the portfolio. The policy is to take some profits once a holding has reached a certain weighting of the portfolio in order to secure value.

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

Risk	How Mitigated
VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 and the Finance (No. 2) Act 2015 for the maintenance of approved VCT status. Amongst other criteria a risk arises from the requirement to maintain compliance with HMRC regulations requiring 70% of your Company's assets to be invested in qualifying holdings. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, investors being liable to pay income tax on dividends received from the Company, and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.	Octopus keeps the Company's VCT qualifying status under continual review and reports to the Board regularly throughout the year. PricewaterhouseCoopers LLP has been retained by the Company to undertake an independent VCT status monitoring role reporting to the Board bi-annually
Valuation risk: Investments may be valued inappropriately which may result in an inaccurate representation of the Company's net assets and net asset value per share.	AIM quoted and unquoted investments are valued by Octopus in accordance with the valuation methodology and the accounting policy set out in Note 10 of the Financial Statements, which takes into account current industry guidelines and is compliant with International Private Equity and Venture Capital (IPEV) Guidelines ("IPEV Guidelines") and current financial reporting standards.

Investment risk: the majority of the Company's investments are in companies admitted to trading on AIM or ISDX Growth Market which are VCT qualifying holdings and which, by their nature, entail a higher level of risk and lower liquidity than investments in larger quoted companies.	The Directors and Octopus aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out rigorous due diligence procedures and by maintaining a wide spread of holdings in terms of financing stage, industry sector and geographical location. The Board reviews the investment portfolio with Octopus on a regular basis.
Financial risk: as a VCT, the Company is exposed to market price risk, credit risk, fair value risk, liquidity risk and interest rate risk.	The Company's income and expenditure is predominantly denominated in sterling and hence the Company has limited foreign currency risk. The Company is financed through equity and does not have any borrowings as the Directors consider it inappropriate to finance the Company's activities through borrowing. The Company does not use derivative financial instruments. Accordingly, the Manager seeks to maintain a proportion of the Company's assets in cash or cash equivalents in order to balance irregular cash flows from realisations. At the balance sheet date the cash and cash equivalents amounted to 12.6% of net assets. See Our Strategy on page 2. The financial risks are considered in more detail below.
Regulatory and Reputational risk: the Company is required to comply with the Companies Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. The Company is also a small registered Alternative Investment Fund Manager ("AIFM") and has to comply with the requirements of the AIFM Directive. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties, qualified audit report or loss of shareholder trust.	The regulatory requirements are continually considered and adhered to by Octopus and the Board and legal advice is taken when appropriate.

Operational risk: the Board is reliant on Octopus to manage investments effectively.	The Board reviews annually, with professional assistance where appropriate, the system of internal controls, both financial and non-financial, operated by the Company and the Investment Manager (to the extent the latter are relevant to the Company's internal controls). These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained. Octopus has a significant commitment to Small Cap investment which means it has a broad team focused on quoted and unquoted investments. This mitigates the short term risk of any one individual leaving.
Credit risk: Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.	The Company has cash deposits which are held on the balance sheet of HSBC Bank plc and also in cash funds managed by BlackRock. The risk of loss to this cash is deemed to be low due to the historical credit ratings and a current Standard & Poor's rating of AA- for HSBC and AAAm for BlackRock. The Investment Manager and the Board carry out a regular review of counterparty risk.
Economic risk: Events such as an economic recession and movement in interest rates could affect smaller companies' valuations.	Octopus constantly monitors the markets and the portfolio companies and reports to the Board at each meeting. The risk that the value of a security or portfolio of securities could decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.
Price risk: the risk that the value of a security or portfolio of securities will decline in the future.	This risk is mitigated by holding a diversified portfolio, across a broad range of sectors and by constant monitoring of each company's value
Liquidity risk: the risk that the Company's available cash will not be sufficient to meet its financial obligations.	This is managed by frequent budgeting and close monitoring of available cash resources and is discussed at each Board meeting.
Market risk: A substantial portion of the Company's investments are in AIM and ISDX Growth Market traded companies, as well as some unquoted companies. All of these investments involve a higher degree of risk than investment in larger fully listed companies. In particular, smaller companies often have limited product lines, markets or financial resources, may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes.	Each company in the portfolio is regularly monitored by the Investment Managers.

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 31 to 35.

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

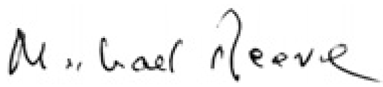
GENDER AND DIVERSITY

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.

HUMAN RIGHTS ISSUES

Due to the structure of the Company with no employees and only four Non-Executive Directors, there are no Human Rights Issues to report.

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



Michael Reeve
Chairman
27 May 2016

Details of Directors

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

MICHAEL REEVE MBE MA FCA (CHAIRMAN)

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

ROGER SMITH

Roger Smith is chairman of a family owned investment company with a wide range of interests and investments. He was deputy chairman of Tricentrol Plc, and chairman of European Motor Holdings PLC from 1992 to 2007. He was the chairman of the Central Finance Board of the Methodist Church until recently having served on the Board for 19 years. Roger became a director in 1998 and is chairman of the Audit Committee.

STEPHEN HAZELL-SMITH

Stephen Hazell-Smith was the Managing Director of Close Investment Limited until September 2001, having previously founded Rutherford Asset Management in 1993. Prior to this he gained experience of investment in smaller companies at GT Investment Management where he was responsible for launching its first UK Equity Fund. He also worked at Mercury Asset Management from 1989 to 1992 and was the chairman of PLUS Markets Group PLC between the years of 2005 and 2010. He is a director of Puma VCT 10 and chairman of Businessagent.com. Prior to the merger in 2010 he was chairman of Octopus Phoenix VCT PLC. Stephen became a director in 1998.

MARION SEARS BSC (HONS)

Marion Sears is a Non-Executive director of Dunelm Group Plc, Persimmon Plc and Fidelity European Values Plc. She is also a director of WA Capital Limited, a private investment company. She was previously a Managing Director of Investment Banking at JP Morgan. Marion became a director in 2011.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 29 February 2016. The Corporate Governance Report on pages 31 to 35 and the Audit Committee Report on pages 36 to 37 form part of this Directors' Report.

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

DIRECTORS

Brief biographical notes on the Directors are given on page 25.

Mr Reeve will retire at the conclusion of the Annual General Meeting. In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Mr Hazell-Smith, Ms Sears, and Mr Smith will retire as Directors at the 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 32, believes that Mr Hazell-Smith, Ms Sears and Mr Smith continue to be effective and demonstrate commitment to their roles. The Board therefore recommends their re-election at the forthcoming AGM.

Further details can be found in the Corporate Governance report on pages 31 to 35.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

VCT REGULATION

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

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

For this purpose, a "VCT qualifying holding" consists of up to £5 million invested in any one year in new shares or securities of a UK AIM-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 (No. 2) Act 2015 received Royal Assent in November 2015 and 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 Company will continue to ensure its compliance with the qualification requirements.

GOING CONCERN

The Company's business activities and the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 to 6 and the Investment Manager's Review on pages 7 to 18. Further details on the management of financial risk may be found in the Business Review on pages 19 to 24 and in Note 16 to the Financial Statements.

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

A Resolution will be put to the Shareholders at the Company's AGM on 7 July 2016 to approve the Company continuing as a VCT to 2022. The continuation to 2022 will allow shareholders who have participated in the current offer 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 (83.6% 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 the foreseeable future.

DIVIDEND

The proposed final dividend is set out in the Financial Summary on page 1, the Chairman's Statement on page 5 and in the Business Review on page 20.

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.

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.

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.

SHARE CAPITAL

The Company's share capital as at 29 February 2016 comprised 76,011,211 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 7,611,945 (2015: 3,142,052) Ordinary shares were issued through an Offer for subscription combined with AIM VCT 2 plc, which was launched on 29 August 2014 and closed on 10 August 2015 and raised £17.9 million in aggregate.

A further Offer for subscription was launched on 21 December 2015, again combined with AIM VCT 2 plc, to raise up to £12 million with an overallotment facility of £6 million. Up to 29 February 2016 3,798,270 shares were issued for £3.9 million.

In addition, 3,201 Ordinary shares were issued as a result of reduced adviser charges, in accordance with the terms and conditions of offers dated 1 February 2013 and 3 February 2014. 330,128 Ordinary shares were issued under the Dividend Reinvestment Scheme ("DRIS") in respect of the final and special dividends for the year to 28 February 2015, and 137,877 Ordinary shares in respect of the interim dividend for the period 1 March to 31 August 2015.

A further 8,134,501 shares have been issued for £8.7 million, up to the date of this report, including 533 under the DRIS.

SHARE BUYBACKS AND REDEMPTIONS

During the year, the Company purchased for cancellation 1,494,656 shares at a weighted average price of 100.3p per share (2015: 715,794 shares at a weighted average price of 107.6p per share) for a total consideration of £1.5 million (2015: £771,000), representing 2.0% of share capital. These were repurchased in accordance with the Company's share buyback facility to assist the marketability of the shares and prevent them trading at a wide discount to the NAV.

CANCELLATION OF SHARE PREMIUM ACCOUNT

On 18 August 2015 the High Court of Justice, Chancery Division, approved the cancellation of the Company's share premium account as at 5 April 2014. As a result of this cancellation £4.685 million was transferred to the special distributable reserve.

RIGHTS ATTACHING TO THE SHARES AND RESTRICTIONS ON VOTING AND TRANSFER

Subject to any suspension or abrogation of rights pursuant to relevant law or the Company's Articles of Association, the Ordinary shares confer on their holders (other than the Company in respect of any Treasury shares) the following principal rights:

(a) the right to receive profits available for distribution, such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in a general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;

(b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities pari passu with the other holders of Ordinary shares; and

(c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands, every member present or represented and voting has one vote, and on a poll, every member present or represented and voting has one vote for every share of which that member is the holder. The appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

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

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the Company's Articles of Association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the Directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the Register of Members. The Directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The Directors may also refuse to register an Ordinary share transfer if it is in respect of a certificated share which is not fully paid up or on which the Company has a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis, or if, in the opinion of the Directors (and with the concurrence of the UK Listing Authority), exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell-out rules relating to the shares in the Company's Articles of Association, shareholders are subject to the compulsory acquisition provisions in s974 to s991 of the Companies Act 2006.

DIRECTORS' AUTHORITY TO ALLOT SHARES, TO DISAPPLY PRE-EMPTION RIGHTS

The authority proposed under Resolution 8 is required so that the Directors may issue shares in connection with the current offer or other offers if the Directors believe this to be in the best interests of the Company and the Shareholders as a whole. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in whole or part, to purchase Ordinary shares in the market. Resolution 8 renews the Directors' authority to allot up to 16,641,903 Ordinary shares (representing approximately 20% of the Company's issued share capital as at 27 May 2016 – the latest practicable date before publication of this document). The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

Resolution 9 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 8 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 10 is required so that the Directors may make purchases of up to 8,320,951 Ordinary shares, representing approximately 10% of the Company's issued share capital as at 27 May 2016 and the Resolution seeks renewal of such authority until the next AGM (or the expiry of 15 months, if earlier). The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase.

This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-sale in appropriate market conditions.

SUBSTANTIAL SHAREHOLDINGS

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

INDEPENDENT AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

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

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

POST BALANCE SHEET EVENTS

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

Company	Date	Number of shares	Cost £'000
Yu Group Plc	14 March 2016	381,081	705
Osirium Technologies	11 April 2016	480,769	750

There have been no disposals to date since year end.

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

- 24 March 2016: 417,359 Ordinary shares at a price of 97.5p
- 22 April 2016: 331,981 Ordinary shares at a price of 101.0p
- 20 May 2016: 186,857 Ordinary shares at a price of 100.0p

The following shares have been issued since the year end:

- 10 March 2016: 1,755,594 Ordinary shares at a price of 108.2p
- 10 March 2016: 533 Ordinary shares at a price of 106.2p
- 31 March 2016: 2,730,270 Ordinary shares at a price of 108.8p
- 5 April 2016: 2,362,215 Ordinary shares at a price of 108.8p
- 14 April 2016: 671,247 Ordinary shares at a price of 110.6p
- 12 May 2016: 614,642 Ordinary shares at a price of 111.2p

Further details on the post balance sheet events are disclosed in Note 18.

On behalf of the Board

Michael Reeve
Chairman
27 May 2016

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

The Company is committed to maintaining high standards in corporate governance. The Directors consider that the Company has, throughout the year under review, complied with the provisions set out in The UK Corporate Governance Code with the exceptions set out in the Compliance Statement on pages 34 and 35.

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
Michael Reeve	5	3	2	1
Marion Sears	5	5	2	2
Stephen Hazell-Smith	5	5	2	2
Roger Smith	5	5	2	2

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

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the 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 Re-election
Michael Reeve*	02/02/1998	–
Marion Sears	01/10/2011	AGM 2016
Stephen Hazell-Smith	02/02/1998	AGM 2016
Roger Smith	02/02/1998	AGM 2016

*Michael Reeve is retiring at the conclusion of the Annual General Meeting.

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

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

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 2015 AGM to make market purchases of up to 10% of the issued ordinary share capital at any time up to the 2016 AGM and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2016 AGM as set out in the notice of meeting.

BOARD COMMITTEES

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 38 to 40.

The Board does not have a separate Nomination Committee as there has not been a requirement for a Committee. Gender and diversity considerations would normally be a function of a Nomination Committee but 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:
Roger Smith (Chairman)
Marion Sears
Stephen Hazell-Smith
Michael Reeve

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

The Audit Committee Report is given on pages 36 and 37.

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 guidelines for internal control.

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in Note 16 to the Financial Statements.

STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETING

The most significant portion of the votes cast against a resolution at the 2015 AGM was 5.75%, for the resolution to authorise the Directors to make market purchases of the Company's own shares. 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 29 February 2016 with the provisions set out in The UK Corporate Governance Code. The section references to The UK Corporate Governance Code are shown in brackets.

1. The Company does not have a Chief Executive Officer or a senior independent director. The Board does not consider this necessary due to the nature of the Company. [A.2.1 and A.4.1]
2. New Directors have not received a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. [B.4.1]
3. The Company does not have a separate Nomination Committee due to the relatively small size and structure of the Company. Appointments are dealt with by the full Board as and when appropriate. [B.2.1 – 2.4]

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

By Order of the Board

Nicola Board

Nicola Board, ACIS
Company Secretary
27 May 2016

Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 29 February 2016 and describes the work of the Audit Committee in discharging its responsibilities.

The Committee's key objective is the provision of effective governance of the appropriateness of the Company's financial reporting, the performance of the auditor and the management of the internal control and business risks systems. The Directors forming the Audit Committee can be found on page 33.

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;
- 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 eight years.

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 process, the performance of which has been outsourced to Ernst & Young. The Octopus Compliance Department reports to the Board on the outcome of the internal audits that have taken place insofar as these relate to the Company and confirms 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.
- 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 29 February 2016.

Roger Smith
Audit Committee Chairman
27 May 2016

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 29 February 2016.

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 43 to 46.

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 Boards 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 to be paid higher fees than the other Directors in recognition of his more onerous role. 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. There will be no payment for loss of office unless approved by a separate shareholder resolution.

The remuneration policy was implemented with effect from 17 July 2014 following shareholder approval at the 2014 AGM and will remain unchanged for a three year period. The Board will review the remuneration of the Directors if thought appropriate, and monitor competitors in the VCT industry on an annual basis.

ANNUAL REMUNERATION REPORT

This section of the report is subject to approval by a simple majority of shareholders at the AGM in July 2016, 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 19 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 29 February 2016	Year ended 28 February 2015
Michael Reeve	**£24,450**	£24,450
Marion Sears	**£18,340**	£18,340
Stephen Hazell-Smith	**£18,340**	£18,340
Roger Smith	**£18,340**	£18,340
Total	**£79,470**	£79,470

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

The Chairman of the Company receives 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 ended 29 February 2016 £'000	Year ended 28 February 2015 £'000
Total Dividends paid	**6,781**	3,307
Total Buybacks	**1,499**	771
Total Directors Fees	**79**	79

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

STATEMENT OF DIRECTORS' SHAREHOLDINGS (AUDITED)

There are no guidelines or requirements for Directors' to own shares in the Company. The interests of the Directors, and their connected persons, in shares of the Company during the year (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued Ordinary shares of 1p are shown in the table below:

	Ordinary shares of 1p each 29 February 2016	Ordinary shares of 1p each 28 February 2015
Michael Reeve	**25,194**	25,116
Marion Sears	**9,572**	9,572
Stephen Hazell-Smith	**136,493**	136,493
Roger Smith	**20,000**	20,000

All of the Directors' shares were held beneficially. Mr Smith jointly holds shares through a nominee company. There have been the following changes in the Directors' share interests between 29 February 2016 and the date of this report:

	Shares acquired	Resultant Shareholding
Michael Reeve	**556**	25,750
Marion Sears	**176**	9,748
Stephen Hazell-Smith	**2,510**	139,003
Roger Smith	**149**	20,149

SHAREHOLDERS' PROXY VOTING INFORMATION

As required by Schedule 8:23 of the Regulations, the votes received for the AGM in 2015 were as follows:

	For		Discretion		Against	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Approval of Directors' Remuneration Report	826,687	95.5	19,567	2.2	19,701	2.3

By Order of the Board

Michael Reeve
Chairman
27 May 2016

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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"), (United Kingdom accounting standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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, Directors' Report and Directors' 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, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. The Directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for ensuring the annual report and the financial statements are made available on the Company's website. Financial statements are published on the 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 Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with UK GAAP, including FRS 102, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- the annual report, including the strategic report, includes a fair review of the development and

performance of the business and the financial position of the Company taken as a whole, together with a description of the principal risks and uncertainties that it faces.

On Behalf of the Board

Michael Reeve
Chairman
27 May 2016

Report of the Independent Auditor

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

Our opinion on the financial statements

In our opinion the Octopus AIM VCT plc financial statements for the year ended 29 February 2016, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' :

- give a true and fair view of the state of the company's affairs as at 29 February 2016 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

What our opinion covers

Our audit opinion on the financial statements covers the:

- Income Statement;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- related notes

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

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

AN OVERVIEW OF THE SCOPE OF THE AUDIT INCLUDING OUR ASSESSMENT OF THE RISK OF MATERIAL MISSTATEMENT

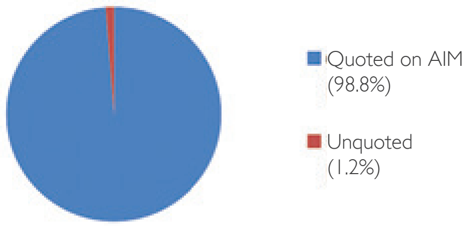
Our audit approach was developed by obtaining an understanding of the company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions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

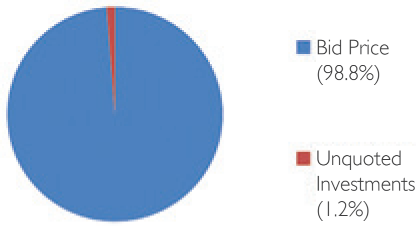
Below are those risks which we considered to have the greatest effect on the overall audit strategy including the allocation of resources in the audit, and our audit response:

VALUATION OF INVESTMENTS

Investments compromise 98.8% of quoted assets and 1.2% unquoted assets. There is a risk that there is not beneficial ownership of the holdings and that the investments are not correctly valued at fair value as at the reporting date.

We have confirmed the existence of title to custodian confirmations and have confirmed the valuation of quoted investments to an independent source.





In respect of equity unquoted investments, we reviewed the valuation methodology and supporting documentation. 1.2% of the portfolio is unquoted investments.

REVENUE RECOGNITION

We also consider revenue recognition to be a significant risk. Revenue can be volatile and difficult to predict therefore this increases the risk of misstatement and errors.

We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for interest income receivable based on the interest rates applicable to cash and current asset investments and average balances in the year.

In respect of dividends receivable, we reviewed the income arising for all of the quoted shares held and agreed the income received to dividend history from Bloomberg.

The audit committee's consideration of their key issues is set out on pages 36 to 37.

MATERIALITY IN CONTEXT

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

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	• The value of investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuation	650,000
Specific materiality – classes of transactions and balances which impact on revenue profits	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• The level of net income return	86,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £7k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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

STATEMENT REGARDING THE DIRECTORS' ASSESSMENT OF PRINCIPAL RISKS, GOING CONCERN AND LONGER TERM VIABILITY OF THE COMPANY

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statements set out on pages 26 and 27, in relation to going concern, and on pages 20 and 21 in relation to longer-term viability; and

- the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
27 May 2016

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

Income Statement

	Notes	Year to 29 February 2016 Revenue £'000	Capital £'000	Total £'000	Year to 28 February 2015 Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on disposal of fixed asset investments	10	–	59	59	–	(298)	(298)
Gain/(loss) on valuation of fixed asset investments	10	–	1,684	1,684	–	(4,005)	(4,005)
Investment income	2	816	–	816	703	–	703
Investment management fees	3	(340)	(1,021)	(1,361)	(302)	(906)	(1,208)
Other expenses	4	(456)	–	(456)	(418)	–	(418)
Net return on ordinary activities before taxation		20	722	742	(17)	(5,209)	(5,226)
Taxation	6	–	–	–	–	–	–
Net return on ordinary activities after taxation		20	722	742	(17)	(5,209)	(5,226)
Earnings per share – basic and diluted	8	0.0p	1.0p	1.0p	0.0p	(8.8p)	(8.8p)

- 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

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 51 to 65 form an integral part of these Financial Statements.

Statement of Financial Position

	Note	As at 29 February 2016 £'000	As at 29 February 2016 £'000	As at 28 February 2015 £'000	As at 28 February 2015 £'000
Fixed asset investments*	10		**64,578**		57,711
Current assets:					
Investments*	11	**5,269**		454	
Debtors	12	**48**		203	
Cash at bank		**9,751**		14,992	
		15,068		15,649	
Creditors: amounts falling due within one year	13	**(2,422)**		(748)	
Net current assets			**12,646**		14,901
Net assets			**77,224**		72,612
Called up equity share capital	14		**760**		656
Shares to be issued			**–**		319
Share premium			**21,643**		13,951
Capital redemption reserve			**24**		9
Special distributable reserve			**60,062**		63,684
Capital reserve realised			**(26,518)**		(29,810)
Capital reserve unrealised			**20,898**		23,468
Revenue reserve			**355**		335
Total equity shareholders' funds			**77,224**		72,612
Net asset value per share – basic and diluted	9		**101.6p**		110.2p

*Held at fair value through profit & loss (FVTPL).

The statements were approved by the Directors and authorised for issue on 27 May 2016 and are signed on their behalf by:

Michael Reeve
Chairman
Company number: 03477519

The Notes on pages 51 to 65 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Shares to be issued £'000	Capital redemption reserve £'000	Special distributable reserves £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
As at 1 March 2014	**547**	**873**	**1,327**	**2**	**64,455**	**(27,338)**	**29,512**	**352**	**69,730**
Management fee allocated as capital expenditure	–	–	–	–	–	(906)	–	–	(906)
Current period (loss) on disposal						(298)	–	–	(298)
Current period loss on fair value of investments	–	–	–	–	–	–	(4,005)	–	(4,005)
Prior period holding gains/losses now realised	–	–	–	–	–	2,039	(2,039)	–	–
Loss on ordinary activities after tax	–	–	–	–	–	–	–	(17)	(17)
Total other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Contributions by and distributions to owners:									
Repurchase and cancellation of own shares	(7)	–	–	7	(771)	–	–	–	(771)
Issue of shares	116	13,717	(1,327)	–	–	–	–	–	12,506
Share issue costs	–	(639)	–	–	–	–	–	–	(639)
Cash received for shares to be issued	–	–	319	–	–	–	–	–	319
Dividends paid	–	–	–	–	–	(3,307)	–	–	(3,307)
Balance as at 28 February 2015	**656**	**13,951**	**319**	**9**	**63,684**	**(29,810)**	**23,468**	**335**	**72,612**
As at 1 March 2015	**656**	**13,951**	**319**	**9**	**63,684**	**(29,810)**	**23,468**	**335**	**72,612**
Management fee allocated as capital expenditure	–	–	–	–	–	(1,021)	–	–	(1,021)
Current period gains on disposal	–	–	–	–	–	59	–	–	59
Current period gain on fair value of investments	–	–	–	–	–	–	1,684	–	1,684
Prior period holding gains/losses now realised	–	–	–	–	–	4,254	(4,254)	–	–
Gain on ordinary activities after tax	–	–	–	–	–	–	–	20	20
Total other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Cancellation of Share Premium	–	(4,658)	–	–	4,658	–	–	–	–
Contributions by and distributions to owners:									
Repurchase and cancellation of own shares	(15)	–	–	15	(1,499)	–	–	–	(1,499)
Issue of shares	119	12,989	(319)	–	–	–	–	–	12,789
Share issue costs	–	(639)	–	–	–	–	–	–	(639)
Dividends paid	–	–	–	–	(6,781)	–	–	–	(6,781)
Balance as at 29 February 2016	**760**	**21,643**	**–**	**24**	**60,062**	**(26,518)**	**20,898**	**355**	**77,224**

The Notes on pages 51 to 65 form an integral part of these Financial Statements.

Statement of Cash Flows

	Note	Year to 29 February 2016 £'000	Year to 28 February 2015 £'000
Cash flows from operating activities			
Return on ordinary activities before tax		**742**	(5,226)
Adjustments for:			
Decrease in debtors	12	**155**	51
Increase in creditors	13	**1,674**	574
(Gain)/loss on disposal of fixed assets	10	**(59)**	298
(Gain)/loss on valuation of fixed asset investments	10	**(1,684)**	4,005
Cash from operations		**828**	(298)
Income taxes paid		**–**	–
Net cash generated from operating activities		**828**	(298)
Cash flows from investing activities			
Purchase of fixed asset investments	10	**(11,043)**	(5,291)
Sale of fixed asset investments	10	**5,919**	3,845
Net cash flows from investing activities		**(5,124)**	(1,446)
Cash flows from financing activities			
Purchase of own shares	15	**(1,499)**	(771)
Share issues*	15	**12,469**	13,194
Decrease in shares to be issued	15	**(319)**	(1,008)
Dividends Paid*	7	**(6,781)**	(3,307)
Net cash flows from financing activities		**3,870**	8,108
(Decrease)/increase in cash and cash equivalents		**(426)**	6,364
Opening cash and cash equivalents		**15,446**	9,082
Closing cash and cash equivalents		**15,020**	15,446
Cash and cash equivalents comprise			
Cash at Bank		**9,751**	14,992
Money Market Funds		**5,269**	454
		15,020	15,446

*Includes £491,000 of dividends where shares were issued under the DRIS.

The Notes on pages 51 to 65 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's 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.

This is the first year in which the financial statements have been prepared under FRS 102. The Company has adopted FRS 102 for the year ended 29 February 2016. The main changes as a result have been changes to the fixed asset investments' fair value hierarchy, the exemption to consolidate subsidiaries and presentational changes to the primary statements and associated reconciliations. The accounting policies have not materially changed from last year. There have been no changes to the measurement of the assets and liabilities as a result of the transition to FRS 102.

A review of any required changes to comparative figures has taken place and it has been deemed that no such restatements are necessary.

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 2015 Annual Report and financial statements, however there have been slight revisions as result of the adoption of FRS 102. A summary of the principal accounting policies is set out below.

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

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

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

Going Concern

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

Key judgements and estimates

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

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Unquoted investments are valued in accordance with current IPEV Guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of the subsidiary companies of investee companies and liquidity or marketability of the investments held.

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

By virtue of FRS 102 section 9.9, the Company does not have to produce consolidated financial statements owing to the fact that its interests in subsidiaries are all held as part of an investment portfolio (as defined by FRS 102), and therefore its interests in subsidiaries are excluded from consolidation. They have therefore been treated in the same way as other investee companies and are held at fair value. These financial statements are therefore separate financial statements which is consistent with the treatment in previous years.

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 cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial instruments

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

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

Financing strategy and capital structure

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

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

Reserves

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

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

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

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

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.

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

Capital redemption reserve – includes amounts which are transferred following the redemption or purchase of the Company's own shares for cancellation.

Shares to be issued – amounts received for shares that have not been allotted at balance sheet date.

Functional and presentational currency

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

2. INCOME

Accounting Policy

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

Dividends receivable are brought into account when the Company's right to receive payment is established and it is probable that payment will be received. Fixed returns on debt and money market securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

Disclosure

	29 February 2016 £'000	28 February 2015 £'000
Loan note interest receivable	45	–
Income receivable on money market securities and bank balances	70	51
Dividends receivable from fixed asset investments	701	652
	816	703

3. INVESTMENT MANAGEMENT FEES

	29 February 2016			28 February 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	340	1,021	1,361	302	906	1,208
	340	1,021	1,361	302	906	1,208

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 advisor charges to Independent Financial Advisor's (IFA's). The Company is rebated for this cost by way of a reduction in the management fee. Ongoing advisors charges are an ongoing fee of up to 0.5% per annum for a maximum of 9 years paid to Advisors who are on an advised and ongoing fee structure.

During the year the total gross management fee came to £1,496,000, before rebated IFA charges of £135,000 were applied, resulting in a net fee paid to Octopus of £1,361,000 (2015: £1,208,000). At the year end there was £360,000 payable (2015: £nil). Octopus received £263,000 (2015: £286,000) as a result of upfront fees charged on allotments of Ordinary Shares.

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

4. OTHER EXPENSES

Accounting Policy

All expenses are accounted for on an accruals basis.

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

Disclosure

	29 February 2016 £'000	28 February 2015 £'000
Directors' remuneration	**79**	79
IFA charges	**135**	124
Registrars' fees	**68**	41
Audit fees	**22**	22
Printing and postage	**17**	37
Legal and professional fees	**10**	–
Tax monitoring fees	**10**	10
Brokers' fees	**6**	6
Directors and officers liability insurance	**6**	5
Other administration expenses	**103**	94
Total Other Expenses	**456**	418

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 2.3% of average net assets during the year to 29 February 2016 (2015: 2.3%).

5. DIRECTORS' REMUNERATION

	29 February 2016 £'000	28 February 2015 £'000
Directors' emoluments		
Michael Reeve	**25**	25
Marion Sears	**18**	18
Roger Smith	**18**	18
Stephen Hazell-Smith	**18**	18
	79	79

None of the Directors received any other remuneration or benefit from the Company during the year. The Company has no employees other than Non-Executive Directors. The average number of Non-Executive Directors in the year was four (2015: four). The above table represents the gross remuneration received by the Directors and excludes Employer's National Insurance contributions, which amounted to £6,000 (2015: £6,000). The Directors received £nil pension contributions from the Company during the year (2015: £nil).

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

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

Accounting Policy

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the current tax rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the "marginal" basis as recommended in the SORP.

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

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

Disclosure

The corporation tax charge for the year was £nil (2015: £nil).

Factors affecting the tax charge for the current year:

The tax charge for the year differs from the effective small company rate of corporation tax in the UK of 20.0% (2015: 20.0%). The differences are explained below.

Tax reconciliation:

	29 February 2016 £'000	28 February 2015 £'000
Profit/(loss) on ordinary activities before tax	742	(5,226)
Current tax at 20.0% (2015: 20.0%)	148	(1,045)
Income not liable to tax	(143)	(130)
(Gains)/losses not deductible for tax	(349)	861
Excess management expenses carried forward not recognised	344	314
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 29 February 2016, there is an unrecognised deferred tax asset of £1,327,000 (2015: £1,157,000) in respect of accumulated surplus management expenses of £7,369,000 (2015: £5,785,000), based on a prospective corporation tax rate of 18% (2015 – 20%).

The reduction in the standard rate of corporation tax was substantively enacted on 26 October 2015 and will be effective from 1 April 2020.

7. DIVIDENDS

Accounting Policy

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

Disclosure

	29 February 2016 £'000	28 February 2015 £'000
Dividends paid on ordinary shares during the year		
Final dividend – 2.8p per share paid 7 August 2015 (2015: 3.0p per share)	**2,042**	1,729
Special dividend – 4.0p per share paid 7 August 2015 (2015: 0p per share)	**2,917**	–
Interim dividend – 2.5p per share paid 14 January 2016 (2015: 2.5p per share)	**1,822**	1,578
	6,781	3,307

	29 February 2016 £'000	28 February 2015 £'000
Dividends in respect of the year		
Interim dividend – 2.5p per share paid 14 January 2016 (2015: 2.5p per share)	**1,822**	1,578
Final dividend proposed: 2.5p per share payable 22 July 2016 (2015: 3.0p share)	**2,080**	2,042
Special dividend: nil per share (2015: 4.0p per share)	**–**	2,917
	3,902	6,538

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.

Dividends relating to the 2015 financial year differ from those published in the prior year accounts as there were 1,336,865 shares issued and 145,000 shares bought back between the publication of the report and the record date of the final dividend.

8. EARNINGS PER SHARE

	29 February 2016			28 February 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) attributable to ordinary shareholders	**20**	**722**	**742**	(17)	(5,209)	(5,226)
Earnings/(loss) per ordinary share	**0.0p**	**1.0p**	**1.0p**	0.0p	(8.8p)	(8.8p)

The earnings/(loss) per share is based on 72,226,744 Ordinary shares (2015: 59,233,368), 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

	29 February 2016	28 February 2015
Net assets (£'000)	**77,224**	72,612
Shares in Issue	**76,011,211**	65,898,868
Net Asset Value per share (p)	**101.6**	110.2

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

10. FIXED ASSET INVESTMENTS

Accounting Policy

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

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being fair value through profit or loss ("FVTPL") on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

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

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve – unrealised.

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

Fair value hierarchy

Paragraph 34.22 of FRS 102 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 (a): quoted prices in active markets for an identical asset. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the current bid price.

Level (b): where quoted prices are not available, the price of a recent transaction for an identical asset, providing there has been no significant change in economic circumstances or a significant lapse in time since the transaction took place.

Level (c) (i): the fair value of financial instruments that are not traded in an active market and do not meet the definition in Level (b) (for example investments in unquoted companies) is determined by using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level c (i). The Company holds no such investments in the current or prior year.

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

There have been no transfers between these classifications in the year (2015: nil). The change in fair value for the current and previous year is recognised through the profit and loss account.

	Level (a): Quoted investments £'000	Level (c): Unquoted investments £'000	Total £'000
Cost at 1 March 2015	33,317	926	34,243
Opening unrealised gain at 1 March 2015	23,760	(292)	23,468
Valuation at 1 March 2015	**57,077**	**634**	**57,711**
Purchases at cost	10,543	500	11,043
Disposal proceeds	(5,659)	(260)	(5,919)
Gain on realisation of investments	(121)	180	59
Change in fair value in year	1,936	(252)	1,684
Closing valuation at 29 February 2016	**63,776**	**802**	**64,578**
Cost at 29 February 2016	42,619	1,062	43,681
Closing unrealised gain at 29 February 2016	21,157	(260)	20,897
Valuation at 29 February 2016	**63,776**	**802**	**64,578**

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

Level (c) (ii) investments are valued in accordance with IPEV Guidelines. Rated People is valued at latest fundraising price, whilst Hasgrove is valued at tender offer price. Nektan and Access Intelligence loans are held at cost.

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

At 29 February 2016 there were no commitments in respect of investments approved by the Manager but not yet completed (2015: £nil).

11. CURRENT ASSET INVESTMENTS

Accounting Policy

Current asset investments comprise of money market funds and deposits and are designated as FVTPL. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve – unrealised.

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

Disclosure

Current asset investments at 29 February 2016 and at 29 February 2016 comprised of money market funds*. These fall into level (a) of the fair value hierarchy as defined in the fixed asset investment accounting policy.

	29 February 2016 £'000	28 February 2015 £'000
Opening cost and valuation	454	453
Purchases at cost	4,815	1
Closing cost and valuation	5,269	454

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

12. DEBTORS

	29 February 2016 £'000	28 February 2015 £'000
Prepayments and accrued income	48	38
Other debtors	–	165
	48	203

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29 February 2016 £'000	28 February 2015 £'000
Accruals	134	113
Trade Creditors	2,288	635
	2,422	748

Trade creditors includes £1,884,000 cash held on behalf of the Company and AIM VCT 2 plc to be allotted as part of the current share offer (2015: £531,000). Of this £1,130,000 is attributable to the Company.

14. SHARE CAPITAL

	29 February 2016 £'000	28 February 2015 £'000
Allotted and fully paid up: 76,011,211 Ordinary shares of 1p (2015: 65,624,446 Ordinary shares of 1p)	**760**	656

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 (£)
02 April 2015	91,390	103.25	94,360
23 April 2015	75,184	103.25	77,627
19 June 2015	145,000	107.50	155,875
16 October 2015	267,317	100.60	268,921
27 November 2015	119,164	104.50	124,526
23 December 2015	239,060	100.50	240,255
22 January 2016	390,000	96.25	375,375
12 February 2016	167,541	96.75	162,096
Totals	**1,494,656**		**1,499,035**

The total nominal value of the shares repurchased for cancellation was £14,947 representing 2.0% of the issued share capital.

The Company issued the following shares during the year to 29 February 2016:

Date	Number of shares	Price per share (p)	Total value of shares (£)
26 March 2015	3,124,992	116.1	3,628,116
04 April 2015	2,603,678	115.2	2,999,437
24 April 2015	549,611	115.2	633,152
01 July 2015	1,336,865	120.0	1,604,238
07 August 2015	323,669	106.2	343,736
11 November 2015	6,459	106.2	6,859
14 January 2016	137,877	105.8	145,874
04 February 2016	3,798,270	107.7	4,090,737
Totals	**11,881,421**		**13,452,149**

Included in the above are 468,005 shares issued to shareholders who elected to receive Ordinary Shares under the Dividend Reinvestment Scheme, as an alternative to the dividends paid during the year. The value of these shares was £491,000.

As at 29 February 2016 there were 76,011,211 Ordinary shares of 1p each in issue.

15. RECONCILIATION OF MOVEMENTS IN EQUITY

	2016 £'000	2015 £'000
Shareholder funds at start of the year	72,612	69,730
Return on ordinary activities after tax	742	(5,226)
Shares bought for cancellation	(1,499)	(771)
Issue of shares	12,469	13,194
Decrease in shares to be issued	(319)	(1,008)
Dividends paid	(6,781)	(3,307)
Shareholder funds at end of year	77,224	72,612

Included within these reserves is an amount of £33,899,000 (2015: £34,209,000) which is considered distributable to shareholders.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	29 February 2016 £'000	28 February 2015 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments	64,578	57,711
Money market securities	5,269	454
Total financial assets at fair value through profit or loss	69,847	58,165
Financial assets measured at amortised cost		
Cash at bank	9,751	14,992
Debtors	48	36
Total financial assets measured at amortised cost	9,799	15,028
Financial liabilities measured at amortised cost		
Creditors	(2,422)	(901)
Total financial liabilities measured at amortised cost	(2,422)	(901)

The Company also holds two qualifying, unquoted investments; Rated People Limited which was purchased in the prior period and Hasgrove which delisted from AIM in 2013.

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

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

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

17. FINANCIAL RISK MANAGEMENT

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

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 2. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 31 to 35, 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 at page 11.

By value 82.6% (2015: 78.8%) 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 29 February 2016 would have increased net assets and the total return for the year by £6,378,000 (2015: £5,720,000); 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.

Interest rate risk

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

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 0.5% at 29 February 2016 (2015: 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	2016 £'000	2015 £'000
Current asset investments	**5,269**	454
Cash at bank	**9,751**	14,992
	15,020	15,446

A 1% increase in the base rate would increase income receivable from these investments for the year by £150,200 (2015: £154,460).

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager and the Board carry out a regular review of counterparty risk. Where financial assets expose the Company to credit risk, the carrying values of financial assets represent the maximum exposure at the balance sheet date.

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

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

Credit risk arising on the sale of investments is considered to be small due to the short settlement and the contracted agreements in place with the settlement lawyers.

The Company's interest-bearing deposit and current accounts are maintained with BlackRock and HSBC, respectively.

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 29 February 2016 or 28 February 2015.

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 29 February 2016 these investments were valued at £15,020,000 (2015: £15,446,000).

18. POST BALANCE SHEET EVENTS

Since the year end, the Company has invested £705,000 into Yu Group plc, and £750,000 into Osirium Technologies plc. Ltd.

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

- 24 March 2016: 417,359 Ordinary Shares at a price of 97.50p per share
- 22 April 2016: 331,981 Ordinary Shares at a price of 101.0p per share
- 20 May 2016: 186,857 Ordinary Shares at a price of 100.0p per share

The following shares have been issued since the year end:

- 10 March 2016: 1,755,594 Ordinary Shares at a price of 108.2p per share
- 10 March 2016: 533 Ordinary Shares at a price of 106.2p per share
- 31 March 2016: 2,730,270 Ordinary Shares at a price of 108.8p per share
- 5 April 2016: 2,362,215 Ordinary Shares at a price of 108.8p per share
- 14 April 2016: 671,247 Ordinary Shares at a price of 110.6p per share
- 12 May 2016: 614,642 Ordinary Shares at a price of 111.2p per share

19. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 29 February 2016 there were no commitments in respect of investments approved by the manager but not yet completed (2015: £nil).

20. RELATED PARTY TRANSACTIONS

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

The Company has paid Octopus £1,361,000 (2015: £1,208,000) 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.

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 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 AIM VCT 2 plc 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 AIM VCT 2 plc was launched on 21 December 2015 to raise up to £12 million with an over-allotment facility of £6 million. This offer remains open for investment until 1 December 2016 unless fully subscribed earlier.

VENTURE CAPITAL TRUSTS ("VCTS")

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

- up to 30% up-front income tax relief;

- exemption from income tax on dividends paid; and
- exemption from capital gains tax on disposals of shares in VCTs.

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

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

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

VCT LEGISLATION

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

DIVIDENDS

Dividends will be paid by the Company's Registrar, Capita Asset Services ("Capita") 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 Capita shareholder portal at: **www.capitashareportal.com**. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to Capita, by calling **0371 664 0324** (calls cost 10p per minute plus network extras. Lines are open Monday–Friday 9.00am–5.30pm), or by writing to them at:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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 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
Sunday, 28 February 1999									1.88		
Tuesday, 29 February 2000									3.13		
Wednesday, 28 February 2001									37.24		
Thursday, 28 February 2002								2.55	6.50		
Friday, 28 February 2003								1.50	3.50		
Sunday, 29 February 2004								0.50	0.50		0.15
Monday, 28 February 2005							0.50	0.50	0.50		6.50
Tuesday, 28 February 2006							2.25	2.31	2.15		1.00
Wednesday, 28 February 2007							3.30	4.52	4.20	1.00	3.35
Friday, 31 August 2007							2.50	2.69	2.50	3.00	6.00
Friday, 29 February 2008							2.50	2.69	2.50	3.00	6.00
Sunday, 31 August 2008							2.50	2.69	2.50	2.00	5.00
Saturday, 28 February 2009							2.50	1.47*	1.36*	3.00	5.00
Monday, 31 August 2009							2.50	1.46*	1.36*	1.35	1.00
Sunday, 28 February 2010							2.50	1.47*	1.36*	1.35*	1.00
Tuesday, 31 August 2010							-	1.46*	1.36*	2.70*	2.00
Monday, 28 February 2011					5.28*	5.59*	5.00	1.47*	1.36*	3.06*	2.27
Wednesday, 31 August 2011				2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
Wednesday, 29 February 2012				2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
Friday, 31 August 2012				2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
Thursday, 28 February 2013			2.76*	2.59*	2.64*	2.79*	2.50	1.47*	1.36*	1.53*	1.13
Saturday, 31 August 2013		2.40*	2.76*	2.59*	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
Friday, 28 February 2014	1.96*	2.40*	2.76*	2.59*	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
Sunday, 31 August 2014	2.35*	2.90*	3.31*	3.11*	3.17*	3.36*	3.00	1.76*	1.63*	1.74*	1.29
Saturday, 28 February 2015	1.96*	2.40*	2.73*	2.59*	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.07
Monday, 31 August 2015	5.32*	6.51*	7.50*	7.04*	7.19*	6.80*	6.80	7.01*	6.51*	3.95*	2.92
Monday, 29 February 2016	1.96*	2.39*	2.76*	2.59*	2.64*	2.50*	2.50	2.58*	2.39*	1.45*	1.07
Cumulative dividends paid	**13.54**	**19.01**	**24.57**	**30.87**	**36.76**	**37.84**	**55.85**	**48.92**	**93.96**	**38.31**	**52.41**
Adjusted NAV as at 29 February 2016 (assuming initial investment at 100p)**	**79.50**	**97.32**	**112.02**	**105.18**	**107.41**	**113.65**	**101.60**	**59.59**	**55.35**	**58.98**	**43.66**
Adjusted NAV plus cumulative dividends paid* **	**93.04**	**116.33**	**136.59**	**136.04**	**144.17**	**151.49**	**157.45**	**108.51**	**149.31**	**97.28**	**96.07**

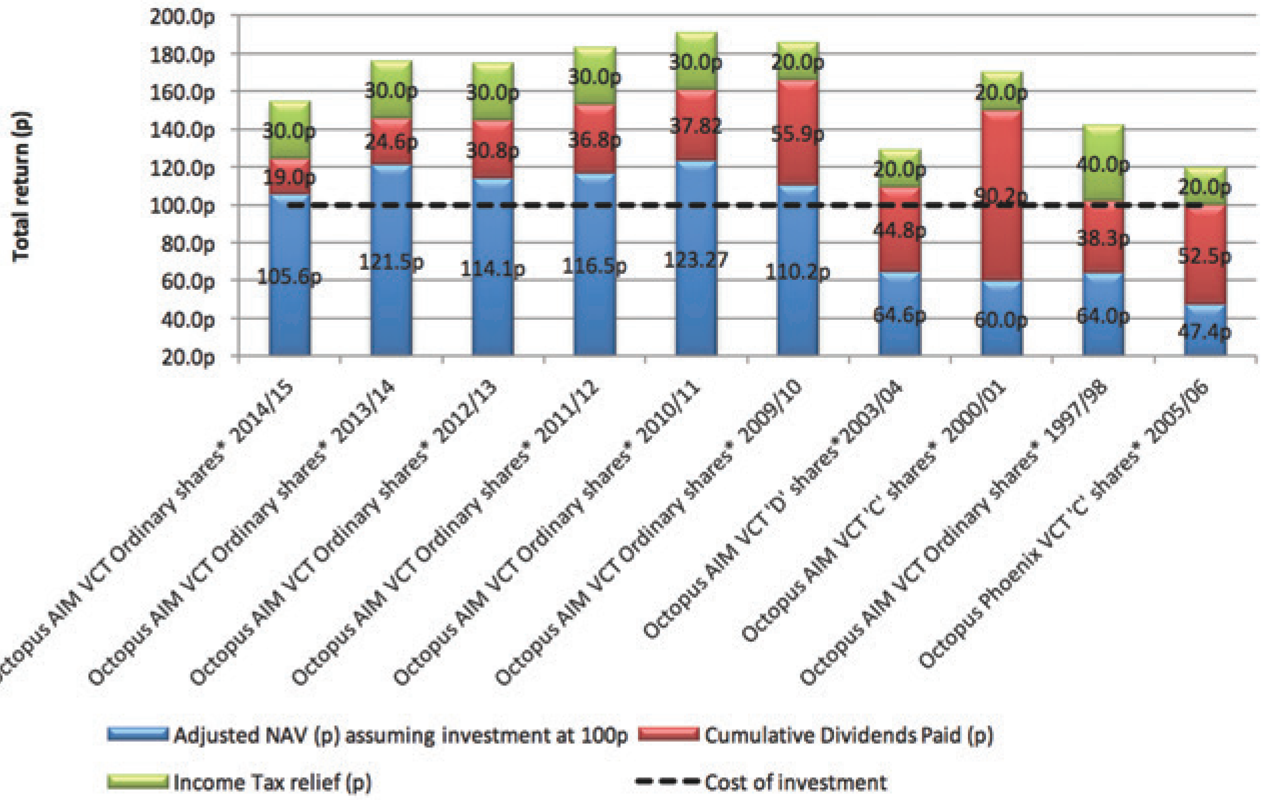
Following the merger with Octopus Phoenix VCT Plc and various share reorganisations, there is only one share class, Ordinary shares. For Octopus Phoenix VCT Plc Ordinary shares and C shares, the figures above represent a notionally adjusted NAV per share in accordance with the relevant conversion factors listed in the shareholder information sector on page 66.

*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 2.5p will, if approved by shareholders, be paid on 22 July 2016 to shareholders on the register on 24 June 2016.

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



*Following the merger of Octopus AIM VCT and Octopus Phoenix VCT and various share re-organisations, there is only one share class, Ordinary shares. At various dates, indicated above, Ordinary shares (pre May 2008), 'C' shares and 'D' shares together with Octopus Phoenix VCT Ordinary shares and 'C' shares were acquired. The figures above represent a NAV, rebased to assume investment at 100p, and adjusted in accordance with the relevant conversion factors listed on page 66. Investment has been assumed at the first allotment of each tax year.

DIVIDEND REINVESTMENT SCHEME ("DRIS")

The Company adopted 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 Capita on **0371 664 0324**. 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 (27 May 2016)	100.5p per share

BUYING AND SELLING SHARES

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

BUYBACK OF SHARES

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

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

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

SECONDARY MARKET

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

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

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

NOTIFICATION OF CHANGE OF ADDRESS

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to Capita, under the signature of the registered holder or via the Capita online share portal at: **www.capitashareportal.com**. Capita's contact details are provided on page 72.

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 Capita on **0371 664 0324**. Alternatively you can sign up to receive e-communications via the Capita online shareholder portal: **www.capitashareportal.com**.

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

COMPANY NUMBER
Registered in England No: 03477519

SECRETARY AND REGISTERED OFFICE
Nicola Board ACIS
33 Holborn
London
EC1N 2HT

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

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EC1N 2HT

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31 Holborn
Holborn Circus
London
EC1N 2HR

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55 Baker Street
London
W1U 7EU

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1 Embankment Place
London
WC2N 6RH

VCT STATUS ADVISER
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

REGISTRAR
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0371 664 0324
(calls cost 10p per minute plus network extras)
www.capitaassetservices.com

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus AIM VCT PLC ("the Company") will be held at 33 Holborn, London, EC1N 2HT on Thursday, 7 July 2016 at 11.00 am for the purposes of considering and if thought fit, passing the following resolutions of which resolutions 1 to 8 and 11 will be proposed as Ordinary resolutions and resolutions 9 and 10 will be proposed as Special resolutions:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 29 February 2016 and the Directors' and Auditor's Reports thereon.
2. To approve a final dividend of 2.5 pence per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Roger Smith as a Director.
5. To re-elect Marion Sears as a Director.
6. To re-elect Stephen Hazell-Smith as a Director.
7. 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 8 and 11 as Ordinary Resolutions and Resolutions 9 and 10 as Special Resolutions:

8. **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 16,641,903 shares (representing approximately 20% of the ordinary share capital in issue at 27 May 2016) this authority to expire at the later of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in general meeting but so that such authority allows the Company to make Offers or agreements before the expiry thereof which would or might require relevant securities to be allotted after the expiry of such authority).

9. **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 8 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.

10. **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 8,320,951 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 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;

(d) the authority conferred comes to an end at the conclusion of the next Annual General Meeting of the Company or upon the expiry of 15 months from the passing of this Resolution, whichever is the later; and

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

11. Continuation of the company as a VCT

To continue the Company as a Venture Capital Trust until 2022.

By order of the Board.

33 Holborn
London
EC1N 2HT

Nicola Board

Nicola Board ACIS
Company Secretary
27 May 2016

NOTES:

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

(b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, **Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, BR3 4ZF** so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the Annual General Meeting.

(c) As an alternative to returning a hard-copy proxy form by post, you can appoint a proxy by sending it by fax to Octopus Investments Limited on 020 7657 3338. For the proxy appointment to be valid, your appointment must be received by Octopus Investments Limited in such time as it can be transmitted to the registrars of the Company so as to be received no later than 48 hours before the time appointed for the meeting or any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Capita Asset Services will not be liable for any proxy forms rendered illegible by means of fax transmission.

(d) You may submit your proxy electronically using the Shareportal Service at **www.capitashareportal.com** If not already registered for the share portal, you will need your investor code which can be found on your share certificate. If you cannot locate your investor code, please contact Capita Asset Services, between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number **0371 664 0324** or, if telephoning from outside the UK, on **+44 20 8639 3399**. Calls to Capita's helpline (**0371 664 0324**) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

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

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

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

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

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

(ii) To include 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/investors/shareholder-information/aim-vct-plc/**

(j) Copies of the Directors' Letters of Appointment and the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.

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