Octopus AIM VCT plc

Annual Report and Accounts for the year ended 28 February 2022

Company number: 03477519

For UK investors only

octopus investments

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

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Financial Summary

	Year to 28 February 2022	Year to 28 February 2021
Net assets (£'000)	**168,169**	182,156
Profit/(Loss) after tax (£'000)	**(19,459)**	50,850
Net asset value ("NAV") per share (p)	**104.8**	124.7
Dividends per share paid in year (p)	**8.5**	5.5
Total return (%)*	**(9.1)**	39.5
Final dividend proposed (p)**	**3.0**	3.5
Special dividend proposed (p)**	**–**	2.5
Total ongoing charges (%)***	**1.9**	1.7

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

**The proposed final dividend, will be paid on 12 August 2022 to shareholders on the register on 29 July 2022.

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

Definitions of key terms and alternative performance measures shown above and throughout this report are shown in the Glossary of Terms on page 71.

Key Dates

Shareholder event	12 July 2022
Annual General Meeting	21 July 2022
Final dividend payment date	12 August 2022
Half-yearly results to 31 August 2022 published	November 2022

Chair's Statement

Introduction

Having been appointed chair at the Company's Annual General Meeting in July 2021, I am pleased to present the Annual Report of Octopus AIM VCT plc for the year ended 28 February 2022. I would like to welcome all new shareholders who have joined in the year.

It has been another challenging year when the pandemic and its consequences have continued to have an impact on stock market sentiment and movements as well as on peoples' lives, jobs and the wider economy.

The year started strongly with the country emerging from lockdown in the spring of 2021, helped by the successful roll-out of covid-19 vaccines and growing evidence that the economy had become more resilient to the more recent restrictions imposed as a result of the pandemic. Share prices were buoyed by optimism and by the half year end, at the end of August, the Net Asset Value (NAV) had risen by 10.6% on a total return basis. The second half of the year was more challenging as the economy had to contend with supply chain and labour constraints as well as uncertainty resulting from the threat of further lockdowns as cases rose towards the end of 2021. Although growth exceeded expectations so did inflation which has risen faster and to higher levels than central banks first predicted with the result that further interest rate rises are now firmly on the cards in 2022. The start of 2022 also saw an escalation in international tensions with Russia which culminated in the invasion of Ukraine in late February. This has weighed heavily on market sentiment. Against this background the NAV gave up all of its first half gains and finished the year 9.1% down on a total return basis.

In the year under review AIM raised £8.3 billion of new capital for existing companies, a substantial increase on the £6.2 billion raised in the previous year. It was really encouraging to see existing AIM companies successfully raising funds to see them through the crisis and put them on a growth track on the other side, emphasising the advantages of a public market listing. This was also the year when the number of new issues recovered very strongly (£1.9 billion compared to £0.4 billion in the previous year), and our Investment Manager was able to invest a record amount in new qualifying investments.

Coronavirus

I am pleased to say that in the second year of the crisis, Board meetings and other Company business continued seamlessly on the usual schedule using the by now well established medium of remote communications.

I am sorry that it was not possible to hold an open Annual General Meeting for the second year running in 2021 because of the on-going coronavirus situation. The Board takes its shareholder communications very seriously and I hope that any shareholder who had a question was able to submit it by email as advised. A summary of the answers to questions we received was posted on the Octopus website. There was also a presentation from the Manager which I hope those who attended found informative. I look forward to welcoming you to our AGM on 21 July 2022.

Performance

The NAV on 28 February 2022 was 104.8p per share, a significant decrease on the NAV of 124.7p per share reported at 28 February 2021. Adding back the 8.5p of dividends paid in the year, gives a total negative return of -9.1%. In the same year, the FTSE AIM All Share Index fell by 11.3%, the FTSE SmallCap (excluding investment companies) Index rose by 12.0% and the FTSE All Share Index rose by 16.0%, all on a total return basis. The AIM index and our own portfolio performed less well than the other indices largely due to our greater exposure to growth stocks in the software, technology and healthcare sectors as inflationary pressures intensified.

Once again stock specific factors had a significant impact on performance, both positive and negative, and these are covered in more detail in the Investment Manager's Review. In addition, as the year progressed, fears about inflation and the extent of likely interest rate rises increased stock market volatility and caused some rotation away from more highly rated growth stocks. Appetite for risk waned before falling away sharply in response to the deteriorating situation in the Ukraine in February. As a result, some of the earlier stage companies exposed to the new economy saw their share prices fall from recent highs even though the companies continue to perform well. The purpose of a VCT is to provide capital for small growth companies and those companies exposed to the new economy make up a significant proportion of our investment portfolio. These trends worked against us in the second half of the year.

Dividends

In January 2022 an interim dividend for the year to 28 February 2022 of 2.5p was paid to all shareholders. This was in addition to the 3.5p final dividend and 2.5p special dividend that had been paid in August 2021 and which related to the previous financial year ended 28 February 2021. The special dividend was paid following a number of partial disposals of holdings from the portfolio. The Board is recommending a final dividend of 3.0p in respect of the year to February 2022. The Board has considered the level of dividend in the context of the second half NAV fall and more recent share price movements and on this occasion has chosen a final dividend of 3.0p, which brings the total dividends for the year to February 2022 to 5.5p, which is a 5.4% yield based on the share price of 102.5p on 28 February 2022 and greater than the targeted minimum of 5.0p.

Dividend Reinvestment Scheme

In common with many other VCTs in the industry, the Company has established a Dividend Reinvestment Scheme ("DRIS"). Some shareholders have already taken advantage of this opportunity. For investors who do not require income, but value the additional tax relief on their reinvested dividends, this is an attractive scheme and I hope more shareholders will find it useful. In the course of the year 1,868,171 new shares have been issued under this scheme, returning £2.3 million to the Company. The final dividend referred to above will be eligible for the DRIS.

Cancellation of Share Premium Account

At the last Annual General Meeting, shareholders voted to cancel share premium to create a pool of distributable reserves to the amount of £58.0 million. This is a regular occurrence, and common practice, to enable the continued payment of dividends and buyback of shares. A further resolution to cancel share premium is being proposed at this year's Annual General Meeting.

Share Buybacks

During the year to 28 February 2022 the Company continued to buy back shares in the market from selling shareholders and purchased 6,271,209 ordinary shares for a total consideration of £7,522,000. We have maintained a discount of approximately 4.5% to NAV (equating to a 5.0% discount to the selling shareholder after costs), which the Board monitors and intends to retain as a policy which fairly balances the interests of both remaining and selling shareholders. Buybacks remain an essential practice for VCTs, as providing a means of selling is an important part of the initial investment decision and has enabled the Company to grow. As such I hope you will all support the appropriate resolution at the AGM.

Share Issues

On 19 August 2021, a prospectus offer was launched alongside Octopus AIM VCT 2 plc to raise a combined total of up to £30 million with a £10 million over allotment facility. There was strong appetite for the share issue, and it closed fully allotted on 13 September 2021. The Company issued 18,657,106 shares under the offer raising £23.2 million after costs.

Board Changes

Roger Smith, our former Chair resigned from the Board in July 2021. Roger had been a member of this Board since 1998 and I would like to extend our thanks to him on behalf of the Board, shareholders and the Manager for all his many years working on our behalf. We wish him well for the future.

VCT Status

PricewaterhouseCoopers LLP were engaged throughout the year to provide the Board and Manager with advice concerning continuing compliance with HMRC regulations for VCTs. The Board has been advised that the Company is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT. From 1st December 2020 a key requirement is to maintain at least an 80% qualifying investment level, up from the previous level of 70%. As at 28 February 2022, 90.4% of the Company's portfolio was in VCT qualifying investments.

Annual General Meeting ("AGM")

The AGM will take place on 21 July 2022 at 12.00pm. Further information can be found in the Directors' Report and Notice of Annual General Meeting on pages 28 and 73 respectively.

We will also be hosting a virtual shareholder event prior to the AGM, on 12 July 2022 at 11.00am. This will enable shareholders to receive an update from the Manager and provide an opportunity for questions to the Board and the Manager. There will not be a presentation from the Manager at the AGM itself.

Formal notices will be sent to shareholders by their preferred method (e-mail or post) and shareholders are encouraged to submit their votes by proxy. We always welcome questions from our shareholders at the AGM, please send these via email to **AimAGM@octopusinvestments.com** by 5.00pm on 18 July 2022. At the AGM a resolution will be proposed to extend the life of the Company until 2028.

Outlook

The Russian invasion of Ukraine resulted in sharp share price falls in late February and March as the stockmarket tried to digest the impact of war in Europe including the effect of sanctions on already rising energy prices. Concerns about how long the current inflationary environment will remain and how far interest rates will have to rise have further unsettled the stock market in April and May despite some encouraging trading updates from companies. More positively, analysts' forecasts for growth in 2022 look quite modest, reflecting some caution about the challenges companies still face dealing with a bounce back in demand, increased staff turnover, and well documented supply chain issues as we emerge from covid restrictions. This should leave scope for these forecasts to be upgraded as the year progresses and is one of the reasons that individual share prices have bounced off their lows as the company financial results season has progressed.

The portfolio contains 94 holdings across a range of sectors with exposure to some exciting new technologies in the environmental and healthcare sectors. Many of these have been able to raise funds for growth in the past two years leaving them well positioned to achieve their ambitions. These are difficult macroeconomic and geopolitical times, but the balance of the portfolio towards profitable companies remains, and the Manager remains confident that there will continue to be sufficient opportunities to invest our funds in good companies seeking more growth capital.

N J Ransome

Neal Ransome
Chair
27 May 2022

Investment Manager's Review

Introduction

The year under review started well, with share prices rising as the country emerged from the disruption of a further lockdown, helped by a growing optimism that this would be the last based on the successful roll out of covid-19 vaccines. The economy bounced back very strongly in 2021 although the pace of growth stoked inflationary pressures caused by constraints on supply chains and the availability of labour. This tempered investors' appetite for risk and led to a weakness in some of the more highly rated shares in the portfolio towards the end of 2021 despite an on-going trend to upgrade forecasts. Appetite for risk declined further as international tensions with Russia rose in early 2022, culminating in the shock of the Russian invasion of Ukraine just before the period end. This precipitated a sharp fall in share prices and investors sought to reduce risk by rotating into energy and defence stocks which are not part of the VCT universe. This resulted in the NAV giving up all of its earlier gains and ending the year with a negative total return of 9.1%. March started very negatively but share prices have recovered from their lows in response to an encouraging results season.

In the year to 28 February 2022 AIM once again excelled itself in successfully raising capital for its constituents across the market capitalisation range. For portfolio companies this has left many well financed for future growth plans and has particularly helped many in the healthcare and technology sectors to raise money to develop new treatments and products. New issues have also returned with the pandemic highlighting the attractiveness of a public market listing for accessing growth capital.

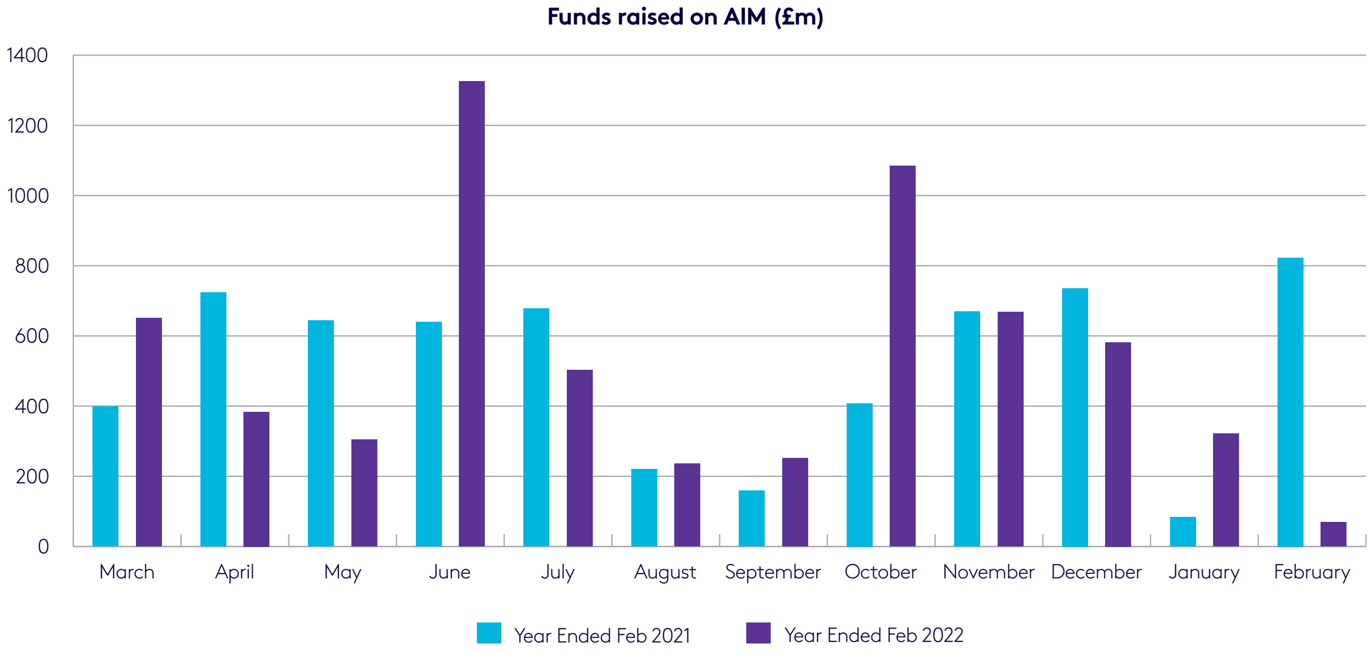
The Alternative Investment Market

AIM trailed the other major UK indices in 2021, a reversal of the situation in 2020 when its performance had outshone the wider market. Its higher exposure to growth stocks in the software, technology and healthcare sectors counted against it as sentiment moved against highly rated growth stocks as inflationary pressures intensified, particularly in the second half of the year. Towards the end of the period the FTSE All Share Index moved even further ahead because of its high exposure to resource and Oil and Gas sectors which are not a large part of AIM and not VCT qualifying activities. In the 12 months to February 2022 the AIM Index fell 11.3% compared with a gain of 12.0% for the FTSE SmallCap index (excluding investment companies) and 16.0% for the FTSE All Share Index on a total return basis. Although VCTs have additional constraints on what they can invest in, the AIM index is considered to be the most appropriate broad equity market index for comparative purposes, given the nature of the underlying investments. The FTSE Smaller Companies and All Share indices provide wider market context. There were some quite sharp movements away from growth and momentum driven shares as investors sought value in more traditional sectors.

In the interim report we highlighted the success of AIM in raising new capital for its existing members and a resurgence in the number of companies looking to float on the market. The bar chart on the next page shows that the monthly figures were stronger than the previous year in most cases. In the year to 28 February 2022 AIM raised £8.3 billion of new capital for existing companies which compares to a figure of £6.2 billion the previous year.

It was really encouraging to see AIM raise £1.9 billion for new listings, a huge advance on the figure of £0.4 billion in each of the previous two years. Anecdotally, we are still hearing about a healthy pipeline of new issues from brokers and we hope that the current more volatile market conditions do not affect this. VCTs play a significant part in the funding process and we identify below the companies we have invested in during the year, which include many that are developing technologies to help solve the climate and healthcare problems that face us.

The graph below shows the total fundraising by AIM that has been undertaken in the twelve months to 28 February 2022 and the prior year comparison.



Source: London Stock Exchange

Performance

Adding back the 8.5p of dividends paid in the year, the NAV total return fell by 9.1%. This compares with a fall in the FTSE AIM All Share Index of 11.3%, a rise in the FTSE SmallCap (excluding investment companies) of 12.0% and a rise in the FTSE All Share Index of 16.0%, all on a total return basis, the wide divergence in the performance of the AIM and other indices is a reversal of what happened in the previous year and is covered in detail in the section on the Alternative Investment Market. It was a year characterised by individual months of significant market volatility as investors reacted to unfolding events. The first half was generally positive as bounce-back growth in the economy exceeded expectations and was generally accompanied by upgrades to what were very conservatively set forecasts against the background of another lockdown early in 2021. The second half of the year was much more difficult as investors confronted rising inflationary and interest rate expectations as global economies responded to unprecedented growth in demand with all the resulting pressures on supply chains and labour costs. The consensus moved from inflation being transitory to a longer term issue particularly as a steep rise in energy costs emerged as an additional factor. There was a growing acceptance that interest rates would have to rise sooner and faster than had been expected earlier in the year causing some of the higher rated shares in the portfolio to come under pressure despite mostly positive updates from companies. The deepening crisis in Ukraine led to further risk aversion with the result that the Net Asset Value fell sharply at the end of the period and post the period end. It is interesting to note that many of the standout performers in the first half ended up detracting from performance for the year as a whole as the stockmarket entered a phase of rapid sector rotation away from the pharmaceutical and technology sectors, following the lead of the US. More details on the performance of individual holdings can be seen on pages 9 to 11.

There was a much more mixed picture from the pharmaceutical and healthcare sectors with share prices affected by a fall in US sector valuations in the second half of the year. Among the largest detractors for the year were Renalytix AI and Maxcyte, two stars of the first half with US listings on the NASDAQ exchange. We had taken profits in Renalytix earlier in the year and we view both as having good potential newsflow justifying their positions in the portfolio. Other detractors in the sector were Creo Medical whose roll-out of its novel endoscopic devices had been slowed by the impact of covid on hospital procedures, but which had a successful fundraising to finance further growth, EKF which had benefitted from strong covid related revenues in 2021 and Ixico which unfortunately lost a multi-million pound contract when a Phase 3 drugs trial in Huntingdon's disease was stopped. It will take time for Ixico to re-build its credibility despite winning further contracts since. Reneuron was another detractor after its drug trial for the treatment of Retinisis Pigmentosa ran into difficulties. It is now concentrating on developing revenues from its Exosome technology platform. Not all share prices in the sector were affected as badly. Ergomed had another outstanding year with analysts upgrading profits several times. Despite this, in the second half its shareprice was one of those affected by the general de-rating of growth companies although positive results post the period end have restored some of this in recent weeks. Ergomed has a range of services it can offer large pharmaceutical companies including the monitoring of drugs for regulatory purposes and the conducting of drugs trials for very rare diseases. We expect the strong organic growth to continue in the current year although we did take some profits in the shares into rising prices in order to manage the overall size of the holding.

A significant driver of performance continued to be upgrades to profit forecasts. Next Fifteen was buoyed by the need for companies and government institutions to embrace change and new ways of doing things in the light of covid challenges and Learning Technologies successfully raised money to acquire GP Strategies. Learning Technologies shares performed well in the year although investors have not yet factored in the full potential for upgrades following the deal. Hasgrove, a private company providing intranet software as a service continued its profitable growth path and its shares were revalued upwards in the year as a consequence. Other outperformers as a consequence of profit upgrades included Vertu Motors, Judges Scientific and Brooks Macdonald. All three are longstanding holdings in the portfolio. In online consumer facing businesses Sosandar and Popsa (an unquoted investment) outstripped growth expectations and Popsa closed a new round of funding at a significantly increased valuation in December. Online clothing retailer Sosandar's tie-ups with M&S, John Lewis and Next have been going well, advancing the point of profitability. Gear4Music had started the year well but disappointed at the end of the period as a result of disruption to its supply chain.

The biggest detractor from performance in the year was Trackwise Designs which had risen to new highs on the back of a large contract from an electric bus manufacturer. The shares fell on the news that production was delayed and this meant that it had to call on investors for further funding to cover the costs of the delay. We had taken some profits but it was still one of the larger holdings when the news broke.

GB Group was another detractor from performance after many years of positive contributions to the movement in the NAV. It made the strategically important acquisition of US based Acuant, adding to its ability to detect identity fraud, raising £305 million in equity as well as debt to pay for it. The equity was raised at a discount and investor caution about highly rated shares has meant that they have struggled to perform since. We expect the situation to change given time and results showing the benefit of the acquisition.

Among the smaller and earlier stage companies many of them gave up earlier strong gains as the year progressed and appetite for risk waned. We had taken profits in some of these when we had considered that the share price had run too far in the short term but we recognise that many of them will take time to demonstrate progress and will only be rewarded by share price gains when they do so. The majority are well funded and so will have the chance to develop their technologies, many of which aim to solve climate and healthcare challenges.

Investing for a VCT involves backing companies when they are small and still at an early stage of development and share price progress depends on them being noticed by a wider circle of investors as they produce results and develop their businesses over time. This often takes longer than expected and such companies remain potentially vulnerable until they achieve profitability. Our fear two years ago was that the pandemic would make raising enough finance to achieve this much harder. To the credit of AIM investors this has not turned out to be the case and even those companies that faced more difficult trading conditions have had the chance to strengthen their balance sheets.

Portfolio Activity

Having made thirteen qualifying investments at a total cost of £12.6 million in the first half of the year, we added seven qualifying investments totalling £9.0 million in the second half. This made a record total investment of £21.6 million in qualifying investments for the year, a significant increase on last year's £9.6 million, reflecting a busy AIM market for fundraisings and the resumption of new issues.

Of the thirteen first half investments, three were follow-ons into Cloudcall Group, The British Honey Company and Engage XR Holdings plc and six were new entrants to the AIM market; In The Style, Parsley Box, Glantus, Lung Life, Spectral MD and GENinCode. Eluceda was a small investment into a private company. In addition we made three new qualifying investments into Evgen Pharma, Polarean and Crimson Tide, all existing AIM companies whose progress we had been watching for some time.

We invested in four new issues in the second half of the year. Three of these are addressing green energy solutions. We invested £1.1 million into Gelion which has developed zinc bromide batteries that are cheaper, more robust and safer than lithium-ion batteries. They are initially being targeted as a replacement for diesel generators and for green energy storage although they have many potential uses. The company has also developed some performance additives which can improve the safety and longevity of lithium-ion batteries which if they can be commercially adopted will have widespread attraction as attention focuses on the shortage of raw materials for the anticipated demand as the world electrifies. We invested £3.0 million in Libertine, which has developed a powertrain solution for use with a variety of different fuels. It is designed to be easily adaptable for trucks so that fleet operators can reduce their carbon footprint in an affordable and practical way. The technology is still at prototype stage. We invested £1.8 million into Clean Power Hydrogen that has developed a membrane free technology designed to produce hydrogen from renewable power. We also invested £0.5 million into Strip Tinning, a supplier of smart connectors to the automotive industry. Also in the area of green energy solutions we made an investment of £1.0 million into Velocys, an existing AIM company that is developing and commercialising a technology to produce low carbon aviation fuel.

We made two follow-on investments in the second half; a further £0.4 million into Popsa which continues to have very good growth momentum. It remains a private company. The other investment was £1.2 million into Feedback. It has two significant opportunities to pursue, one with the new NHS treatment hubs and the other in India.

During the year we took profits in several holdings in response to rising share prices. We sold part of the holdings in Ergomed, PCI Pal, Renalytix AI, Reneuron Intelligent Ultrasound, GB Group, Access Intelligence, Gear4Music and Trackwise Designs. We also sold the entire Parsley Box holding at a loss after a series of profit warnings. Vectura, Cloudcall and Clinigen were all subject to successful cash takeover bids although Clinigen has been concluded since the period end. In all, disposals made a £4.0 million profit over original cost and generated £6.3 million of cash proceeds.

Liquidity

The issue of liquidity within investment funds has remained a topic of discussion this year. Shareholders may be interested to know that at the year end 23.8% of the Company's net assets were held in cash or collective investment funds providing short-term liquidity, 70.9% in individual quoted shares and 5.5% was held in unquoted single company investments. Shareholders should be aware that a proportion of the quoted holdings may have limited liquidity owing to the size of the investee company and the overall proportion held by the Company.

Non-qualifying investments are used to manage liquidity while awaiting new qualifying investment opportunities. Although we still hold some existing non-qualifying AIM holdings where we see the opportunity for further share price progress, we continued to reduce some of these holdings in the year under review. In the year we increased our holding in the FP Octopus Multi-Cap Income Fund as well as adding a small new holding in the FP Octopus Future Generation Fund. This strategy is designed to obtain a better return on funds awaiting investment than the very low rates available on cash. In the year under review £1.7 million was invested into the FP Octopus Multi-Cap Income Fund and £0.4 million into the FP Octopus Future Generation Fund.

VCT Regulations

There have been no further changes to the VCT regulations since publication of the previous set of audited accounts. As a reminder, the key requirements are that 30% of any funds raised should be invested in qualifying holdings within 12 months of the end of the accounting period in which the shares were issued, and the Company has to maintain a minimum of 80% of the portfolio (at cost) invested in qualifying holdings. We are determined to maintain a threshold of quality and to invest where we see the potential for returns from growth. Over time there has been a gradual change to the profile of the portfolio towards earlier stage companies, although we continue to hold the larger market capitalisation companies, in which we invested several years ago as qualifying companies, or which we bought in the market prior to the rule changes where we see the potential for them to continue to grow.

In order to qualify, companies must:

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

Coronavirus

Although the pandemic and its consequences remained a very real problem for individuals, companies and the economy it was noticeable in 2021 that many companies had learned to live with the challenges posed by repeated lockdowns, and more latterly with the stress of sudden bounceback in demand and we have been struck by the resilience shown by the companies during what has been a particularly challenging two years. The shock of the coronavirus pandemic led many companies to concentrate on increasing the efficiency of their operations and to embrace technology. Additionally the majority of investee companies are business rather than directly consumer facing, and many have recurring revenues. When the pandemic struck, forecasts were withdrawn in many cases and then only cautiously reinstated. The result was that expectations were upgraded significantly as 2021 progressed and visibility improved, providing a support to share prices.

Long-term responsible investing

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

Outlook and Future Prospects

The increased volatility that we were already seeing at the year end has continued as the terrible events in the Ukraine have unfolded, having an immediate impact on appetite for risk. Economists are still struggling to measure the impact of war, Russian sanctions and the already present problem of inflation and energy price spikes on economic growth although there is still a consensus around the conservative nature of earnings forecasts at this stage of the year. After a long period when the stock market was driven by growth and momentum, investors are taking a much more cautious stance rotating into less highly rated defensive sectors as protection against rising inflation and interest rates. This has caused the retreat of some of the more highly rated shares on AIM and contributed to the recent underperformance of the AIM Index after a very strong two years. Some individual companies have been caught out by the challenge of managing stretched supply chains and staff shortages against the background of very strong growth as the global economy has bounced back from the pandemic. More recently rapidly rising energy costs have been an additional obstacle to manage. However, for many of the already established companies in the portfolio a background of very modest economic growth is helpful to meeting forecasts which appear to be set conservatively at this stage of the year, particularly for those able to pass on increased costs.

The volatility we have already seen in the market since the year end has resulted in many shares now being priced well below their recent peaks. The ability of companies to raise growth capital during the pandemic has supported the case for public markets and the strong flow of AIM fundraisings in 2021 looks as though it is continuing in 2022 despite a recent pause as a result of the more challenging investment backdrop. Post the year end we have made a further three follow-on qualifying investments totalling £0.6 million. A more cautious market should provide opportunities to invest the Company's cash at attractive valuations. The portfolio now contains 94 holdings with investments across a range of sectors including both domestic and international exposure and the balance towards profitable companies remains.

The Octopus Quoted Companies team
27 May 2022

Investment Portfolio

Investee Company	Sector	Book cost as at 28 February 2022 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2022 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus	Fair value as a % of Octopus AIM VCT NAV
Ergomed plc	Pharmaceuticals & Biotechnology	1,176	7,373	8,549	(109)	0.98%	3.23%	5.08%
Learning Technologies Group plc	Software & Computer Services	1,051	7,111	8,163	580	0.39%	5.82%	4.85%
Breedon Group plc	Construction & Materials	859	5,037	5,896	(773)	0.28%	5.39%	3.51%
GB Group plc	Software & Computer Services	505	4,104	4,609	(2,196)	0.22%	5.33%	2.74%
Libertine Holdings plc	Industrial Engineering	3,000	1,500	4,500	1,500	7.20%	18.19%	2.68%
Judges Scientific plc	Electronic & Electrical Equipment	314	3,315	3,629	655	0.53%	1.33%	2.16%
Brooks Macdonald Group plc	Investment Banking & Brokerage Services	746	2,831	3,577	700	0.45%	16.80%	2.13%
SDI Group plc	Electronic & Electrical Equipment	179	3,392	3,571	(335)	1.46%	3.65%	2.12%
Mattioli Woods plc	Investment Banking & Brokerage Services	529	2,580	3,108	376	0.09%	8.87%	1.85%
IDOX plc	Software & Computer Services	353	2,734	3,087	(263)	0.84%	1.92%	1.84%
Next Fifteen Communications Group plc	Media	515	2,541	3,057	1,483	0.17%	13.39%	1.82%
Sosandar plc	Retailers	1,853	984	2,837	905	3.64%	12.86%	1.69%
EKF Diagnostics Holdings plc	Medical Equipment & Services	931	1,738	2,670	(1,041)	0.95%	3.69%	1.59%
TPXimpact Holdings plc	Software & Computer Services	979	1,535	2,515	132	1.01%	4.64%	1.50%
Craneware plc	Health Care Providers	183	2,218	2,401	(428)	0.44%	1.03%	1.43%
Ilika plc	Electronic & Electrical Equipment	1,058	1,263	2,321	(1,960)	0.89%	3.08%	1.38%
Clean Power Hydrogen plc	Alternative Energy	1,800	520	2,320	520	1.00%	2.55%	1.38%
Intelligent Ultrasound Group plc	Medical Equipment & Services	1,830	417	2,247	(90)	4.43%	11.07%	1.34%
Maxcyte Inc	Pharmaceuticals & Biotechnology	1,035	1,178	2,213	(2,578)	0.32%	1.41%	1.32%
LungLife AI Inc	Pharmaceuticals & Biotechnology	2,079	47	2,126	47	3.09%	7.73%	1.26%
Netcall plc	Software & Computer Services	308	1,528	1,836	(118)	1.44%	3.47%	1.09%
Gear4music (Holdings) plc	Leisure Goods	529	1,259	1,788	(1,065)	1.21%	3.02%	1.06%
Access Intelligence plc	Software & Computer Services	678	1,040	1,718	(127)	0.89%	2.13%	1.02%
Animalcare Group plc	Pharmaceuticals & Biotechnology	306	1,411	1,717	473	1.46%	4.56%	1.02%
ENGAGE XR Holdings plc	Software & Computer Services	1,879	(183)	1,696	(281)	3.54%	15.02%	1.01%
Quixant plc	Technology Hardware & Equipment	587	1,031	1,618	115	1.28%	3.19%	0.96%
PCI-Pal plc	Software & Computer Services	1,098	513	1,611	(638)	3.10%	7.74%	0.96%
Ixico plc	Pharmaceuticals & Biotechnology	1,046	560	1,606	(1,606)	5.17%	12.92%	0.95%
Vertu Motors plc	Retailers	1,265	335	1,600	592	0.52%	1.69%	0.95%
Trackwise Designs plc	Technology Hardware & Equipment	1,934	(374)	1,560	(4,073)	3.85%	9.69%	0.93%
Creo Medical Group plc	Medical Equipment & Services	1,471	35	1,506	(1,059)	0.43%	1.97%	0.90%
Beeks Financial Cloud Group plc	Software & Computer Services	450	964	1,414	432	1.07%	6.22%	0.84%
Glantus Holdings plc	Industrial Support Services	1,800	(459)	1,341	(459)	3.11%	7.93%	0.80%
Advanced Medical Solutions Group plc	Medical Equipment & Services	743	582	1,325	248	0.14%	12.54%	0.79%
Feedback plc	Medical Equipment & Services	1,500	(191)	1,309	(266)	5.04%	12.75%	0.78%
Diaceutics plc	Health Care Providers	930	281	1,211	(367)	0.97%	2.47%	0.72%
The British Honey Company plc	General Retailers	1,260	(103)	1,157	(149)	4.63%	11.58%	0.69%
Spectral MD Holdings Ltd	Health Care Providers	2,115	(968)	1,147	(968)	1.76%	7.69%	0.68%
RWS Holdings plc	Industrial Support Services	143	977	1,121	(354)	0.04%	4.08%	0.67%
Gamma Communications plc	Telecommunications Service Providers	274	781	1,056	(26)	0.05%	6.28%	0.63%
Gooch & Housego plc	Technology Hardware & Equipment	422	613	1,035	(259)	0.28%	12.75%	0.62%
Cambridge Cognition Holdings plc	Health Care Providers	601	412	1,012	386	1.83%	4.59%	0.60%
Verici Dx plc	Pharmaceuticals & Biotechnology	447	424	871	(625)	0.89%	2.21%	0.52%

Investee Company	Sector	Book cost as at 28 February 2022 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2022 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus	Fair value as a % of Octopus AIM VCT NAV
Gelion plc	Electronic & Electrical Equipment	1,140	(314)	826	(314)	0.49%	1.25%	0.49%
Restore plc	Industrial Support Services	256	559	815	165	0.09%	11.49%	0.48%
Adept Technology Group plc	Software & Computer Services	601	171	772	(326)	1.43%	3.14%	0.46%
Renalytix plc	Health Care Providers	288	436	724	(1,177)	0.25%	0.57%	0.43%
Oberon Investments Group plc	Investment Banking & Brokerage Services	480	240	720	270	1.94%	7.88%	0.43%
GENinCode plc	Medical Equipment & Services	1,200	(491)	709	(491)	1.90%	4.74%	0.42%
Velocys plc	Alternative Energy	996	(326)	670	(326)	0.60%	1.51%	0.40%
Fusion Antibodies plc	Health Care Providers	745	(122)	623	(356)	2.34%	5.84%	0.37%
Polarean Imaging plc	Medical Equipment & Services	687	(80)	607	(80)	0.36%	0.91%	0.36%
Clinigen Group plc	Pharmaceuticals & Biotechnology	375	198	573	129	0.03%	0.08%	0.34%
Evgen Pharma plc	Pharmaceuticals & Biotechnology	1,050	(525)	525	(525)	3.18%	7.96%	0.31%
ReNeuron Group plc	Pharmaceuticals & Biotechnology	1,485	(965)	520	(1,335)	2.03%	5.06%	0.31%
DXS International plc	Software & Computer Services	300	206	506	225	5.18%	12.95%	0.30%
MyCelx Technologies Corporation	Oil, Gas & Coal	1,470	(982)	489	277	2.79%	15.82%	0.29%
Strip Tinning Holdings plc	Electronic & Electrical Equipment	506	(55)	451	(55)	1.20%	3.01%	0.27%
In The Style plc	Retailers	1,000	(550)	450	(550)	0.63%	7.49%	0.27%
Crimson Tide plc	Software & Computer Services	567	(151)	416	(151)	1.92%	4.79%	0.25%
KRM22 plc	Closed End Investments	681	(381)	299	27	1.70%	4.25%	0.18%
Falanx Group Limited	Industrial Support Services	900	(615)	285	(150)	3.80%	9.50%	0.17%
Rosslyn Data Technologies plc	Software & Computer Services	429	(154)	275	(279)	1.68%	4.21%	0.16%
DP Poland plc	Travel & Leisure	1,016	(756)	260	(142)	0.51%	1.27%	0.15%
Mears Group plc	Industrial Support Services	139	107	246	41	0.02%	0.13%	0.15%
Cordel Group plc	Software & Computer Services	443	(222)	222	(177)	1.16%	2.89%	0.13%
WANdisco plc	Software & Computer Services	145	72	217	(151)	0.09%	0.23%	0.13%
Velocity Composites plc	Aerospace & Defense	799	(602)	197	9	1.73%	4.32%	0.12%
XP Factory plc	Travel & Leisure	988	(805)	183	7	0.32%	0.81%	0.11%
Staffline Group plc	Industrial Support Services	334	(156)	178	(30)	0.00%	0.22%	0.11%
TP Group plc	Aerospace & Defense	648	(504)	144	(181)	0.47%	1.15%	0.09%
Enteq Technologies plc	Oil, Gas & Coal	1,032	(892)	139	(21)	1.00%	2.49%	0.08%
Synairgen plc	Pharmaceuticals & Biotechnology	147	(37)	111	(597)	0.14%	0.35%	0.07%
Trellus Health (Restricted)	Health Care Providers	136	(41)	95	(41)	0.17%	0.50%	0.06%
Tasty plc	Travel & Leisure	622	(540)	82	7	0.79%	1.85%	0.05%
Genedrive Plc	Pharmaceuticals & Biotechnology	361	(298)	63	(433)	0.33%	0.82%	0.04%
Abingdon Health plc	Medical Equipment & Services	521	(464)	57	(404)	0.30%	0.74%	0.03%
Osirium Technologies plc	Software & Computer Services	1,350	(1,308)	42	(162)	1.34%	14.84%	0.02%
1Spatial plc	Software & Computer Services	300	(260)	40	9	0.06%	4.67%	0.02%
Diurnal Group plc	Pharmaceuticals & Biotechnology	132	(97)	35	(3)	0.03%	0.07%	0.02%
Microsaic Systems plc	Electronic & Electrical Equipment	1,384	(1,356)	28	(28)	0.27%	0.68%	0.02%
LoopUp Group plc	Software & Computer Services	296	(273)	22	(194)	0.19%	0.48%	0.01%
Haydale Graphene Industries plc	Industrial Materials	598	(582)	16	(9)	0.05%	0.12%	0.01%
Merit Group plc	Media	203	(189)	14	(6)	0.00%	0.12%	0.01%
Midatech Pharma plc	Pharmaceuticals & Biotechnology	600	(599)	1	(2)	0.01%	0.02%	0.00%
Location Sciences Group plc	Software & Computer Services	765	(760)	1	(1)	0.01%	0.02%	0.00%
Total Quoted Investments		**70,876**	**48,423**	**119,299**	**(20,600)**			

Investee Company	Sector	Book cost as at 28 February 2022 £'000	Cumulative change in Fair Value £'000	Fair Value as at 28 February 2022 £'000	Movement in Year £'000	% equity held by Octopus AIM VCT plc	% equity held by all funds managed by Octopus	Fair value as a % of Octopus AIM VCT NAV
Unquoted Equity Investments								
Popsa Holdings Ltd		1,590	3,788	5,377	2,861	6.81%	11.35%	3.20%
Hasgrove plc		88	3,334	3,421	892	2.63%	14.31%	2.03%
The Food Marketplace Ltd		300	(60)	240	(60)	6.60%	10.99%	0.14%
Eluceda Limited		300	(60)	240	(60)	2.45%	4.09%	0.14%
Rated People Ltd		354	(305)	49	14	0.12%	0.34%	0.03%
appScatter Group plc		1,256	(1,258)	0	(250)			0.00%
Total Unquoted Investments		**3,888**	**5,439**	**9,327**	**3,397**			
Loan Notes								
Osirium Technologies plc Loan Notes		600	–	600	–	N/A	N/A	0.36%
Total Loan Notes		**600**	**–**	**600**	**–**			
Total Fixed Asset Investments		**75,364**	**53,862**	**129,226**	**541**			
Current Asset Investments								
FP Octopus UK Micro Cap Growth Fund P Class		5,610	3,325	8,935	(655)	N/A	N/A	5.31%
FP Octopus UK Multi Cap Income S Acc		5,889	1,171	7,060	394	N/A	N/A	4.20%
FP Octopus UK Future Generations Fund		600	(52)	548	(52)	N/A	N/A	0.33%
Total Current Asset Investments		**12,099**	**4,444**	**16,543**	**(313)**			
Total Fixed and Current Asset Investments				**145,769**				
Money Market Funds				1,326				
Cash at Bank				22,156				
Debtors less Creditors				(1,082)				
Total Net Assets				**168,169**				

Top ten holdings

Listed below are the ten largest investments by value, which comprise of eight quoted level 1 investments which are valued at bid price and two level 3 investments which are valued in accordance with IPEV guidelines (explained further on page 58), as at 28 February 2022.

Ergomed plc

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

Initial investment date:	July 2014
Cost:	£1,176,000
Valuation:	£8,549,000
Equity held:	0.98%
Fair Value as a % of NAV:	5.08%
Last audited accounts:	31 December 2021
Revenue:	£118.6 million
Profit before tax:	£14.3 million
Net assets:	£67.2 million
Dividend received in year:	£nil

Learning Technologies Group plc

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

Initial investment date:	June 2011
Cost:	£1,051,000
Valuation:	£8,163,000
Equity held:	0.39%%
Fair Value as a % of NAV:	4.85%
Last audited accounts:	31 December 2021
Revenue:	£258.2 million
Profit before tax:	£9.3 million
Net assets:	£371.3.0 million
Dividend received in year:	£0.04 million

Breedon Group plc

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

Initial investment date:	August 2010
Cost:	£859,000
Valuation:	£5,896,000
Equity held:	0.28%
Fair Value as a % of NAV:	3.51%
Last audited accounts:	31 December 2021
Revenue:	£1,232.5 million
Profit before tax:	£114.3 million
Net assets:	£949.8 million
Dividend received in year:	£nil

Popsa Holdings Ltd (unquoted)

Popsa is a software technology company enabling consumers to create photobooks on mobile devices from various sources.

Initial investment date:	April 2018
Cost:	£1,590,000
Valuation:	£5,377,000
Equity held:	6.81%
Fair Value as a % of NAV:	3.20%
Last audited accounts:	31 December 2020
Revenue:	£19.2 million
Profit before tax:	£0.8 million
Net assets:	£5.7 million
Dividend received in year:	£nil

GB Group plc

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

Initial investment date:	November 2011
Cost:	£505,000
Valuation:	£4,609,000
Equity held:	0.22%
Fair Value as a % of NAV:	2.74%
Last audited accounts:	31 March 2021
Revenue:	£217.7 million
Profit before tax:	£34.3 million
Net assets:	£364.3 million
Dividend received in year:	£0.03 million

Libertine Holdings plc

Libertine is a linear generator technology business, supporting powertrains in heavy transport vehicles in the switch to fossil-free fuel sources.

Initial investment date:	December 2021
Cost:	£3,000,000
Valuation:	£4,500,000
Equity held:	7.20%
Fair Value as a % of NAV:	2.68%
Last audited accounts:	7 December 2021
Revenue:	Not available
Loss before tax:	Not available
Net assets:	£0.08 million
Dividend received in year:	£nil

Judges Scientific plc

Judges Scientific is a group of scientific instrumentation businesses, serving a vast array of academic and industrial customers across the globe.

Initial investment date:	May 2012
Cost:	£314,000
Valuation:	£3,629,000
Equity held:	0.53%
Fair Value as a % of NAV:	2.16%
Last audited accounts:	31 December 2021
Revenue:	£91.3 million
Profit before tax:	£14.6 million
Net assets:	£43.4 million
Dividend received in year:	£0.03m

Brooks Macdonald Group plc

Brooks Macdonald is a provider of wealth and investment management services, operating from offices across the United Kingdom.

Initial investment date:	March 2005
Cost:	£746,000
Valuation:	£3,577,000
Equity held:	0.45%
Fair Value as a % of NAV:	2.13%
Last audited accounts:	30 June 2021
Revenue:	£118.2 million
Profit before tax:	£25.1 million
Net assets:	£134.0 million
Dividend received in year:	£0.09 million

SDI Group plc

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

Initial investment date:	November 2015
Cost:	£179,000
Valuation:	£3,571,000
Equity held:	1.46%
Fair Value as a % of NAV:	2.12%
Last audited accounts:	30 April 2021
Revenue:	£35.1 million
Profit before tax:	£5.6 million
Net assets:	£26.8 million
Dividend received in year:	£nil

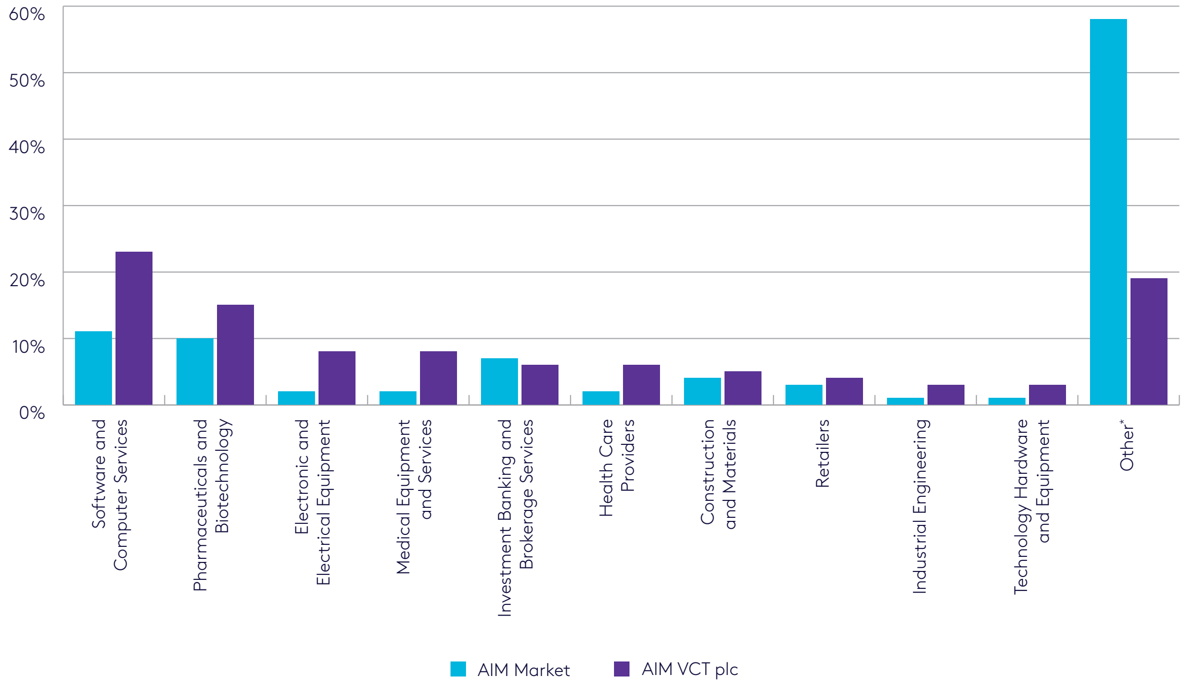
Hasgrove plc (unquoted)

Hasgrove is the holding company for Interact, a SaaS business which provides an intranet product which focuses on the communication and collaboration requirements of large organisations.

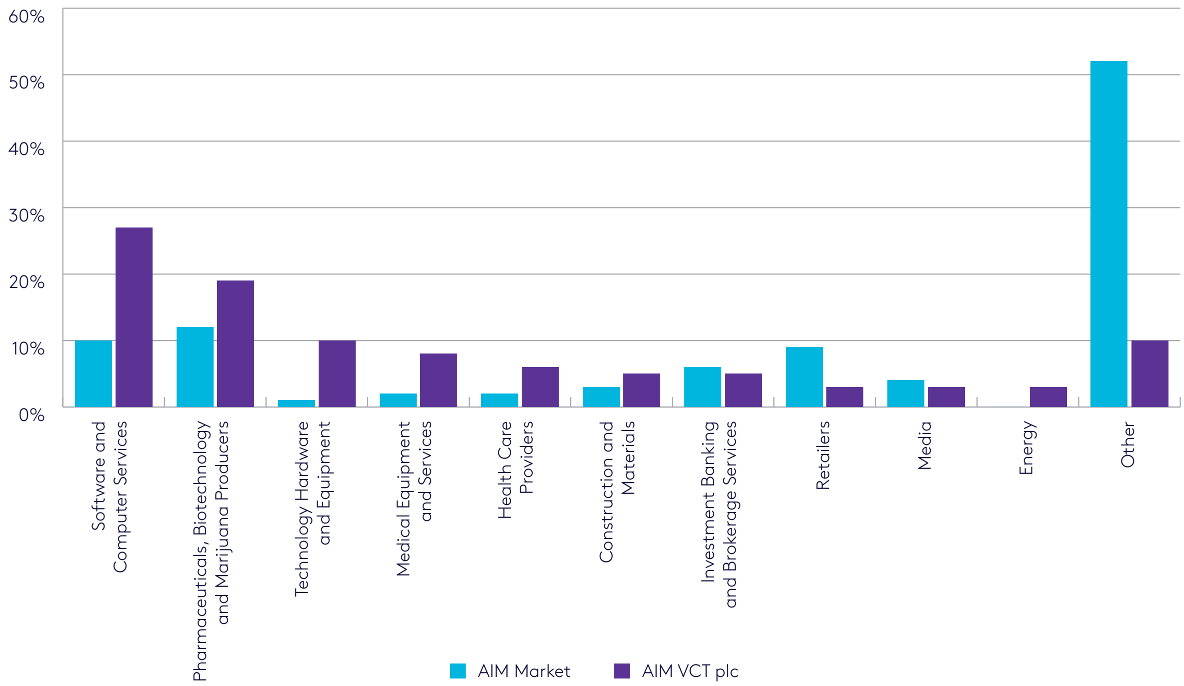
Initial investment date:	September 2016
Cost:	£88,000
Valuation:	£3,421,000
Equity held:	2.63%
Fair Value as a % of NAV:	2.03%
Last audited accounts:	31 December 2020
Revenue:	£19.9 million
Profit before tax:	£5.5 million
Net assets:	£7.0 million
Dividend received in year:	£nil

Sector Analysis

The graph below shows the sectors the equity portfolio was invested in by value as at 28 February 2022. It also shows the sectors of the AIM market as a whole as at 28 February 2022:



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



*Other include Technology, hardware and Equipment, Industrial Support Services, Media Alternative energy, Leisure Goods, General Retailers, Telecommunications Service Providers, Oil, Gas and Coal, Travel and Leisure, Aerospace and Defense, Closed End Investments, Industrial Materials and Personal Care, Drug and Grocery Stores.

The Investment Manager

Personal Service

Octopus was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus Investments Limited also acts as Investment Manager to four other listed investment companies and has a total of over £11.3 billion of funds under management. If you have any questions about this report, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on **0800 316 2295**.

The Quoted Companies team at Octopus comprises:

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

Richard Power
With overall responsibility for the Quoted Companies team at Octopus, Richard has over 25 years' experience of smaller company investing. He is lead fund manager of our FP Octopus UK Micro Cap Growth Fund, also oversees the investment process of the team which include the AIM IHT portfolios, and AIM VCTs. Richard is also a co-manager on the FP Octopus UK Multi Cap Income and FP Octopus UK Future Generation Funds. Richard started his career in 1995 at Duncan Lawrie, where he managed a successful small companies fund. He subsequently joined Close Brothers to manage a smaller companies investment trust before moving to Octopus Investments Limited to head up the Quoted Companies team in 2004.

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

Chris McVey
Chris is a fund manager on the team and joined Octopus in December 2016. He has been a specialist within the quoted UK Smaller Company market for almost 20 years. He joined Octopus from Citigroup where he was most recently a UK Small and Mid-Cap Equity research analyst focussing across a variety of sectors. Prior to this he spent almost seven years on the Smaller Companies team at Gartmore as an investment manager and analyst. He is lead manager on the FP Octopus UK Multi Cap Income Fund, and a co-manager on the FP Octopus UK Micro Cap Growth Fund and works across all the Quoted team portfolios.

Stephen Henderson
Stephen joined Octopus Investments Limited in 2008. He has particular responsibility for portfolio management across the Octopus AIM Inheritance Tax Service portfolios and Octopus AIM Inheritance Tax ISA portfolios. Stephen conducts analysis as a member of the operations team. Having helped in the Multi Manager team, he joined the Quoted Companies 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 Cape Town, South Africa. Mark is a fund manager focussing predominantly on the Octopus AIM VCTs and the Eureka EIS portfolio service and provides analytical support to the team.

Dominic Weller
Dominic is a fund manager on the Quoted Companies team. He works across sectors and co-manages the FP Octopus UK Future Generations Fund, FP Octopus UK Micro Cap Growth Fund, FP Octopus UK Multi Cap Income Fund and the Octopus AIM VCTs. He is a member of the Octopus Investments Responsible Investment Committee and leads the team's stewardship efforts. He is a CFA charter holder.

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

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

Freda Isingoma
Freda started her career as an Investment Analyst at Charterhouse CCF before joining the Quoted Companies team at Close Brothers in 2001, focused on managing the AIM VCT, inheritance tax and smaller companies portfolios. In 2008 she moved to South Africa to join Investec Asset Management, where she co-managed the Africa Fund (a listed equity portfolio investing across Africa). In 2010 she ventured into entrepreneurship launching a beauty service brand in South Africa, and more recently a UK based art investment business specialising in providing investment and ecosystem impact solutions for the African art market. She joined Octopus in January 2022 and is focused primarily on the AIM VCT portfolios.

Section 172 (1) Statement

Introduction

The purpose of the report is to provide shareholders with sufficient information to enable them to assess the extent to which the Directors have performed their legal duty to act in good faith and to promote the success of the Company in accordance with section 172 of the Companies Act 2006 for the benefit of shareholders as a whole, as set out in the Strategic Report on pages 18 and 19. KPIs on performance are on pages 21 and 22.

The directors of a company are required to act in the way they consider will most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172(1) requires a director to have regard, amongst other matters, to the:

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

In discharging the Board's section 172 duties regard has been given to the above factors. The Board also has regard to other factors where relevant. By considering the Company's purpose and objectives together with its strategic priorities and having a process in place for decision-making, the Board aims to ensure that decision making is consistent and predictable.

As a Venture Capital Trust Octopus AIM VCT plc has no employees. However, the Directors assessed the impact of the Company's activities on other stakeholders. The Company considers its shareholders, the Manager, investee companies and other service providers to be its key stakeholders.

Shareholder engagement

Shareholder engagement is given high priority by the Board. The Company engages with its shareholders via various media including, but not limited to, the Annual General Meeting, the Annual Report and Accounts and RNS announcements.

The AGM gives shareholders the opportunity to exercise their right to vote on resolutions and engage with the Board and the Manager. On 22 July 2021, following the AGM which, as a result of the pandemic, was held as a closed meeting, the Company held an online Shareholder Event that was attended by many more than would normally attend the AGM. The event gave shareholders the opportunity to hear directly from the Manager and the Board, thereby maximising engagement during the pandemic. The voting results from all General Meetings are published on the Company's website.

The Board regularly disseminates information to shareholders, including a weekly NAV, through RNS releases on the London Stock Exchange. Shareholders receive annual report and accounts which aim to provide a full understanding of the Company's activities and results. This information, together with the interim accounts, prospectus and other shareholder information is published via the London Stock Exchange and on the Manager's website at **www.octopusinvestments.com**.

The Board always welcome questions from our shareholders at the AGM. To ensure we are able to respond to any questions you may have for either the Manager or the Board, we would request that you please send these via email to **AimAGM@octopusinvestments.com** by 5.00pm on 18 July 2022.

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

Engagement with the Manager

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

Engagement with investee companies

The Company's performance is directly linked to the performance of its underlying investee companies. The Board has delegated the monitoring of its investee companies to the Manager which engages with investee companies through a programme of regular company meetings as part of its investment process. The Board has also given the Manager discretionary authority to vote on investee company resolutions on its behalf as part of its approach to corporate governance.

Engagement with other key stakeholders and environment

During the period the Board received sufficient information to assist in understanding the interests and views of the Company's key stakeholders; investors, investee companies and service providers to the Company, including the auditor, lawyers, and registrar.

The Board recognises the importance of ESG and the Octopus Group, of which the Manager forms a part, certified as a B Corp in February 2021. B Corp Certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials. Certified B Corps are recognised as leaders in the global movement for an inclusive, equitable, and regenerative economy. The Board welcomes the benefits this will bring to the Company.

The Manager is developing processes and practices that deliver on ESG principles. This includes the development and implementation of internal processes and checks in line with the UN Principles of Responsible Investing ("UNPRI") and working towards meeting the requirements of the UK Stewardship Code managed by the Financial Reporting Council ("FRC"). The Manager will continue to monitor the ESG practices of existing investee companies and over the coming year we will review our portfolio to confirm our compliance with these expectations. An example of this is the ongoing assessment of the carbon emission levels of companies within the portfolio, and their progression towards furthering sustainability and environmental goals regarding net zero ambition and decarbonisation.

The Board has moved to a largely paperless operation over the past 24 months, and the increasing use of conferencing platforms has reduced travel throughout the business.

Key Decisions made during the year

Some of the key decisions made by the Company during the year that required the Board to take into consideration section 172(1) factors include:

- On 19 August 2021 the Board issued an offer for subscription of shares. This was in line with the Company's objectives, having discussed this with the Manager, and allowed new and existing shareholders to invest in the Company.
- The Company continued to buy back shares, providing liquidity to shareholders who wished to sell their shares. The Board maintained a discount of approximately 4.5% to NAV, therefore balancing the interests of both remaining and selling shareholders.
- The Board looks to create shareholder value. During the year, following targets agreed with the Manager, dividends totalling 8.5p were paid to shareholders (comprising final and special dividends of 3.5p and 2.5p in respect of the previous financial year, and an interim dividend 2.5p in respect of this financial year.

Business Review

The Company's Objective

The objective of the Company is to invest in a broad range of Alternative Investment Market (AIM) or Aquis Stock Exchange (AQSE) (previously known as New Securities Stock (NEX) Exchange) traded companies in order to provide shareholders with attractive tax-free dividends and long-term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

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

Investment Policy

The Company's investment policy has been designed and updated to ensure continuing compliance with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be at least 85% in a portfolio of qualifying AIM, AQSE Exchange traded investments or unquoted companies where in the short to medium term, the management views an initial public offering ("IPO") on AIM or AQSE Exchange.

The non-qualifying balance (approximately 11% of its funds) will be invested in permitted investments held for short-term liquidity, generally comprising short-term cash or money market deposits with a minimum Moody's long-term debt rating of 'A'. A proportion of the balance could be invested in funds managed by Octopus or other direct equity investments. This provides a reserve of liquidity which should maximise the Company's flexibility as to the timing of investments, disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors. 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 value of its investment at the time of investment. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, shareholders should be aware that the Company's qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value, to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available.

The Company's Articles permit borrowings of amounts up to 10% of the adjusted share capital and reserves (as defined in the Company's Articles). However, investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any borrowings.

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

Future Prospects

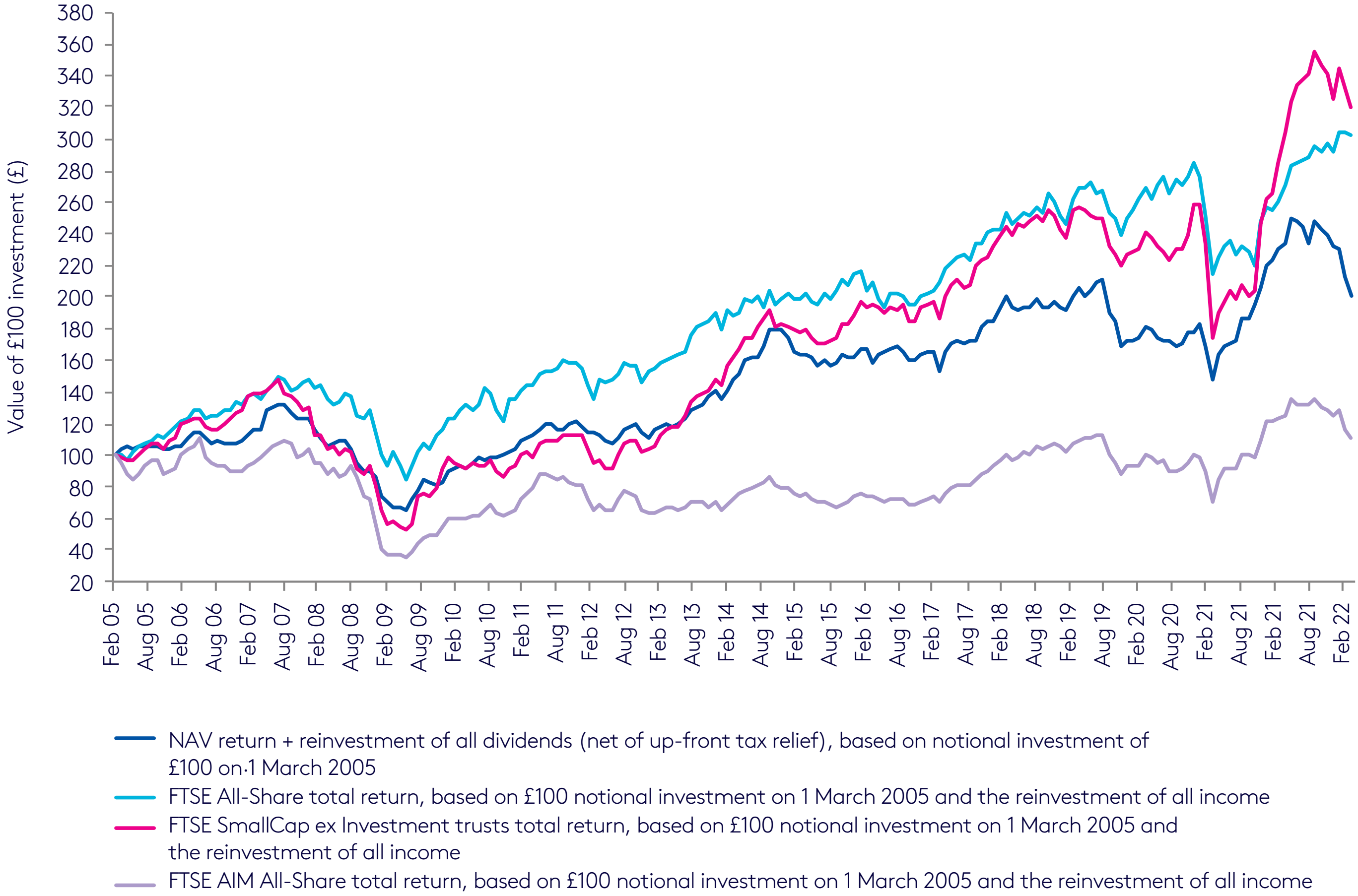
The Company's longer term performance record has allowed the Company to maintain the dividend payments to shareholders in line with the Dividend Policy set out on page 2. The Board believes the Company's business model will enable it to continue to deliver the targeted regular tax-free annual dividends referred to in the Chair's Statement. We have seen another year of uncertainty due to the ongoing coronavirus pandemic and the war in Ukraine and, despite marginally outperforming the FTSE AIM All Share Index, the Company has performed less well than the FTSE SmallCap Index due to our greater exposure to growth stocks in the software, technology and healthcare sectors as inflationary pressures intensified. However, the Company has a strong cash position which enables us to invest in new companies and support existing companies. The Outlook statements in both the Chair's Statement and the Investment Manager's Review on pages 3 and 8 respectively provide further details on the more immediate prospects of the Company.

Performance

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

The graph below compares the total return of the Company over the period from February 2005 to February 2022 with the total return from notional investments in the FTSE All-Share Index, FTSE AIM All-Share Index and FTSE SmallCap (excluding investment companies) Index over the same period. The FTSE AIM All-Share Index is a stock market index consisting of all companies quoted on the Alternative Investment Market and the FTSE SmallCap Index is an index of small market capitalisation companies. The Directors consider these to be the most appropriate benchmarks but would remind investors that approximately 16.5% of the FTSE AIM All-share index is attributable to resources, investment vehicles and property sector stocks in which VCTs cannot invest in. VCTs are also limited to investing into companies with certain size and age restrictions. The inclusion of the FTSE All-Share index is to provide a wider stockmarket context. Investors should be reminded that shares in VCTs generally continue to trade at a discount to the NAVs.

Octopus AIM VCT plc – Portfolio Performance



Results and Dividend

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Net (loss)/profit attributable to shareholders	**(19,459)**	50,850
Distributions:		
Interim dividend paid: 2.5p (2021: 2.5p)	**4,031**	3,668
Proposed final dividend: 3.0p (2021: 3.5p)	**4,795**	5,044
Special dividend: nil (2021: 2.5p)	**–**	3,603

The proposed final dividend of 3.0p for the year ended 28 February 2022 will be paid on 12 August 2022 to shareholders on the register on 29 July 2022 subject to approval at the AGM.

Key Performance Indicators (KPIs)

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

The Board has identified five key performance measures to assess the Company's success in meeting these objectives. Some of these are classified as alternative performance measures ("APMs"*) in line with Financial Reporting Council ("FRC") guidance. The glossary of terms on page 71 has further details:

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

1. NAV per share

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

Current year (pence per share)	Prior year (pence per share)	Reason for movement
104.8	124.7	The NAV per share has decreased from last year's value of 124.7p to 104.8p. This fall of 16.0% is mainly driven by a fall in the overall market due to the outbreak of war in Ukraine.

2. Total return per share*

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

Current year %	Prior year %	Reason for movement
(9.1)	39.5	As previously considered, the NAV per share has decreased from last years' value of 124.7p to 104.8p. This gave a total negative return of -9.1% or 11.4p per share, after adding back dividends of 8.5p paid in the year.

The Board notes that for the year under review this was ahead of the FTSE AIM All Share Index total return figure of a negative 11.3%. The Board remain confident about achieving the long-term objective of the Company. Performance is also measured against the FTSE SmallCap Index and the FTSE All-Share Index with the latter being provided for wider stock market context. This is also shown on the graph on the previous page. In the year under review the FTSE SmallCap Index rose by 12.0% and the FTSE ALL-Share Index rose by 16.0% all on a total return basis. These indices have been adopted as comparative indices. Further details on performance can be found within the Investment Manager's Review on pages 4 to 15.

3. Dividends per share payable in respect of the year

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

Current year (pence per share)	Prior year (pence per share)	Reason for movement
5.5	8.5	Last year the Company declared ordinary dividends of 6.0p per share and special dividend of 2.5p. This year the Company has declared ordinary dividends of 5.5p per share and no special dividend.

The 5.5p dividends declared for the year gives an annual yield of 5.4% based on the year end share price of 102.5p which exceeds the Board's target of 5% yield. Dividends will be paid semi-annually. It remains the intention of the Board to continue this policy, subject to available cash and distributable reserves. However, this is not a guarantee, and no projection or forecast is expressed or implied. A full list of dividends paid can be found in the table on page 68.

4. Total ongoing charges*

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

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

The total ongoing charges of the Company for the year to 28 February 2022 is in line with the Board expectations. The expenses incurred by the Company are summarized in notes 3 and 4 to the financial statements on page 54 and 55.

5. Qualifying % under VCT rules

The Company must comply with VCT legislation laid down by HMRC. A key requirement is to maintain at least an 80% qualifying investment level.

Current year %	Prior year %	Reason for movement
90.8	91.8	90.8% (as measured by HMRC rules) by value of the Company's investments was represented at the end of the period by shares or securities comprised in qualifying holdings of the Company. The qualification level has decreased by 1.0%. Further details on VCT regulations can be found within the Investment Manager's Review on page 7.

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

*These KPIs are defined as alternative performance measures ("APMs") and are defined in more detail on the Glossary of terms on page 71.

Viability Statement

In accordance with provision 4.31 of The UK Corporate Governance Code 2018 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a period of five years, which was considered to be a reasonable time horizon given that the Company has raised funds under an offer for subscription which closed to new applications on 13 September 2021 and, under VCT rules, subscribing investors are required to hold their investment for a five year period in order to benefit from the associated tax reliefs. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a five year period is considered to be a reasonable time horizon for this.

The Board carried out a robust assessment of the emerging and principal risks facing the Company and its current position. This includes the impact of the coronavirus pandemic, the war in Ukraine and any other risks which may adversely impact its business model, future performance, solvency or liquidity. Particular consideration was given to the Company's reliance on, and close working relationship with, the Manager. The principal risks faced by the Company and the procedures in place to monitor and mitigate them are set out on the following pages.

The Board has also considered the liquidity of the underlying investments and the Company's cash flow projections considering the material inflows and outflows of the Company including investment activity, buybacks, dividends and fees and found these to be realistic and reasonable. The Company's cash flow includes cash equivalents which are short-term, highly liquid investments.

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 28 February 2027.

Emerging and Principal Risks, Risk Management and Regulatory Environment

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

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

Risk	Mitigation	Change in year
VCT qualifying status risk: The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 and the Finance Act 2018 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment.	Prior to investment, Octopus seeks assurance from the Company's VCT status adviser that any portfolio asset will meet the legislative requirements for VCT investments. Furthermore, Octopus continually monitors the Company's compliance with VCT regulations in respect of cash and non-qualifying holdings, distributions, and deployment of funds raised, to ensure ongoing compliance with VCT legislation. Regular updates on compliance are also provided to the Board throughout the year. Additionally, PwC has been engaged throughout the year by the Company to undertake an independent VCT status monitoring role reporting to the Board bi-annually.	= No change
Investment risk: Most of the Company's investments are into companies admitted to trading on AIM and AQSE Exchange which are VCT qualifying holdings and so, by their nature, entail a higher level of risk and lower liquidity than investments in larger quoted companies. The Company also makes non-qualifying investments into FP Octopus UK Micro Cap Growth Fund, FP Octopus UK Multi Cap Income Fund and FP Octopus UK Future Generations Fund. FP Octopus UK Micro Cap Growth Fund invests into smaller companies quoted on the LSE, AIM and AQSE markets. FP Octopus UK Multi Cap Income Fund and FP Octopus UK Future Generations Fund invest into companies quoted on the LSE, AIM and AQSE markets. Non-qualifying investments have also been made into OPM which invests via collective investment schemes into global markets. As markets fluctuate investments and the income derived from any of the collective investments referred to above may go down as well as up, potentially resulting in investors not getting all their capital back	The Directors and Octopus aim to limit the risk attached to the portfolio by careful selection and timely realisation of investments, carrying out rigorous due diligence procedures and maintaining a diversified portfolio in terms of business life cycle and sector. The Board reviews the investment portfolio with Octopus on a regular basis. The FP Octopus UK Micro Cap Growth Fund, FP Octopus UK Multi Cap Income Fund and FP Octopus UK Future Generations Fund are all regulated collective investment schemes with daily pricing and liquidity. The MicroCap Fund is invested in small companies and the other funds are invested across the wider UK stock market. The OPM Service is a discretionary management service offering a range of risk-targeted portfolios which invest in underlying collective investment schemes. The portfolios selected target defined levels of volatility at the lower end of the risk spectrum and have been specifically chosen for their lower risk investment approach to accessing global markets and the ability to offer daily liquidity.	= No change

Liquidity risk: The risk that the Company's available cash will not be sufficient to make new investments, meet its liabilities or maintain its dividend policy.	The Company maintains liquidity by holding adequate levels of cash and OEIC funds which are available within 7 days. The Manager seeks to maintain a proportion of the Company's assets in cash or cash equivalents and liquid investments in order to balance irregular cash flows from realisations. At the balance sheet date the cash and cash equivalents which includes current asset investments amounted to 23.8% of net assets (2021: 28.2%).	= No change
Valuation Risk: Inaccuracies in the valuation of investment assets may result in the Company net asset position being misrepresented and errors in the reported NAV per share.	Investments traded on AIM and AQSE Exchange are valued by Octopus using closing bid prices as reported on Bloomberg. Where investments are unquoted or where there are indicators bid price is not appropriate, alternative valuations techniques are employed in accordance with current International Private Equity and Venture Capital ("IPEV") guidelines, December 2018. These valuations are reviewed by the Board quarterly. Investment in Octopus Portfolio Manager ("OPM"), FP Octopus UK Micro Cap Growth Fund, FP Octopus UK Multi Cap Income Fund and FP Octopus UK Future Generations Fund are all valued with reference to the daily prices which are published by Fund Partners, the Authorised Corporate Director.	= No change
Economic and Price risk: Macroeconomic conditions such as government regulation, political instability, inflation or recession could cause volatility in the markets, damaging both the price and underlying value of Company investments. This includes the potential impacts of the Coronavirus outbreak. This risk is amplified for smaller companies earlier in their life cycle.	To mitigate these risks Octopus constantly monitors the markets and the portfolio companies, providing performance update to the Board at each meeting. The risk of material decline in the value of a single security is further mitigated by holding a diversified portfolio, across a broad range of sectors. The Manager continues to monitor the impact of macroeconomic conditions including the coronavirus pandemic and the war in Ukraine. The continuous assessment ensures that exposure to the risks for each portfolio company will be addressed, and appropriate actions, where possible, will be implemented.	↑ Increase due to war in Ukraine
Regulatory and Reputational risk: In addition to specific VCT legislation, the Company is required to comply with the Companies Act, UK Listing Authority regulations and Financial Statements and notes must be prepared under UK GAAP. The Company is also a small registered Alternative Investment Fund ("AIF") and must comply with the requirements of the AIFM Management Directive. Breach of some of these could result in penalties including suspension of the Company's Stock Exchange listing, financial penalties, qualified audit report or loss of shareholder trust.	Day-to-day operational oversight of the Company is carried out by the Manager. The Manager conducts rigorous on boarding procedures for new employees and conduct regular staff reviews and training to ensure that teams charged with oversight of the Company are appropriately qualified to conduct their roles and ensure compliance with relevant legislation. The Board are updated regularly on all regulatory and compliance matters and take specific legal advice where appropriate.	= No change

Operational risk: The Board is reliant on Octopus to manage investments effectively, and manage the services of a number of third parties, in particular the registrar and tax advisers. A failure of the systems or controls at Octopus or third-party providers could lead to an inability to provide accurate reporting and accounting and to ensure adherence to VCT rules.	The Board reviews annually, with professional assistance where appropriate, the system of internal controls, both financial and non-financial, operated by the Company and the Manager (to the extent the latter are relevant to the Company's internal controls). These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained. The Manager has operated effectively throughout the coronavirus pandemic with staff working online and mostly based at home. Other service providers have operated without a marked reduction in service.	= No change
Emerging Risk: The Board has considered emerging risks. The Board seeks to mitigate risk by setting policy, regularly reviewing performance, enforcing contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies the principles detailed in the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Details of the Company's internal controls are contained in the Corporate Governance section on pages 32 to 35.	The Board along with the Manager are regularly reviewing the risks, the most recent emerging risk being the war in Ukraine. The situation is still developing and we will continue to monitor it and the potential impacts.	↑ Increase due to war in Ukraine

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

Gender and Diversity

The Board of Directors comprises one female and three male Non-Executive Directors with considerable experience of the VCT industry. The gender, diversity and constitution of the Board is reviewed on an annual basis. If a new Director was to be appointed the appointment would be made on the basis of expertise and knowledge, with the objective of complementing the skillset of existing directors.

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

The Board's policy on Employee, Human Rights, Social and Community Issues, Environment Policy and Greenhouse Gas Emissions is discussed in the Directors' Report on page 29.

Climate-related matters

While not a requirement, the Board acknowledges the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and have given some initial disclosure under the main headings below, which we will continue to evolve over future periods:

- **Governance:** On an annual basis the Octopus Investments Responsible Investment Committee (comprised of an Octopus Founder, the CIO, the Heads of the Investment Teams and the Impact Centre of Expertise) reviews climate related risks and opportunities that have been identified as being financially material to the management of the Company.
- **Strategy:** The Company makes investments into a range of sectors but the companies receiving funding are small companies specifically listed on the AIM Market. Exposure to climate related risks is assessed on a deal-by-deal basis by the investment team. The analysis considers transition risks and the physical risks and impacts of climate change for industries and sectors where this has been identified as a material issue. The team are also focused on identifying investment opportunities in companies that are well positioned to benefit from the transition to a lower carbon economy.
- **Risk Management:** Where potential material climate related risks have been identified, the investment team assesses how well the risk is managed by the Company. This is raised with the management team and the Board, where appropriate, as part of the investment process and is continually monitored through investment committee meetings. As part of climate-related reporting to the ESG Committee, the investment team must highlight the risks and opportunities that have been identified.
- **Metrics:** Where relevant for the industry and sector, the team reviews metrics reported by the Company to understand material exposures, how they are being managed and Company performance. This includes areas such as energy management, energy use, carbon footprint disclosures and commitments to appropriate carbon reduction pathways for the sector and industry.

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

N J Ransome

Neal Ransome
Chair
27 May 2022

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.

Neal Ransome (Chair)

Neal Ransome is a chartered accountant and was a partner at PwC from 1996 to 2013. He was Chief Operating Officer of PwC's Advisory business and led its Pharmaceutical and Healthcare Corporate Finance practice. Neal was formerly a director of Quercus (General Partner) Limited, a unit trust invested in healthcare properties, and Parity Group Plc, an AIM listed professional services company. He is currently non-executive chair of Proven VCT Plc, which invests in unquoted companies, and a non-executive director of Polar Capital Global Healthcare Trust Plc. He is also a trustee and director of The Conservation Volunteers, a UK charity dedicated to connecting people and green spaces. Neal became a director of the Company in 2016 and was appointed as chair of Octopus AIM in 2021.

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 chair of PLUS Markets Group PLC from 2005 to 2010. He is a director of PfP Capital plc and Puma VCT 13 plc. Prior to its merger with Octopus AIM in 2010 he was chair of Octopus Phoenix VCT PLC. Stephen became a director of the Company in 1998.

Joanne Parfrey

Joanne Parfrey has a degree in Chemistry from Oxford University and is an accountant by training. Joanne spent a number of years in corporate finance with the BOC Group plc and Elementis plc before moving to private equity in 2000, joining LGV Capital. She was formerly a non-executive director of Guy's and St Thomas' Enterprises Limited and Essentia Trading Limited. She is currently chair of Babraham Research Campus, audit chair of Henderson International Income Trust plc, audit chair of Start Codon Limited and audit chair of Ieso Digital Health Limited. Joanne became a director of Octopus AIM in 2016.

Andrew Boteler

Andrew Boteler is a chartered accountant and was formerly Chief Financial Officer of Gooch & Housego PLC. Andrew is currently the Finance Director of Riverford Organic Farmers Limited, one of the largest organic fresh food retailers in the UK. In July 2021 Andrew became a non-executive director of LungLife AI ,Inc and holds the positions of chair of the audit committee, chair of the remuneration committee and senior independent director. Andrew has over 25 years working in the manufacturing sector, the last 19 being spent with high technology manufacturing companies. Andrew became a Director of the Company on 19 March 2020 and was appointed Chair of the Audit Committee in 2021.

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 28 February 2022. The Corporate Governance Report on pages 32 to 35 and the Audit Committee Report on pages 36 and 37 form a part of this Directors' Report.

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

Directors

Brief biographical notes on the Directors are given on page 27.

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Mr Boteler, Mr Hazell-Smith, Mr Ransome and Ms Parfrey will retire as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election. Following a formal performance evaluation as part of the Board Evaluation, further details of which can be found on page 33, the Board believes that all the Directors continue to be effective Non-Executive Directors, providing considerable experience and continuity to the Company and demonstrating commitment to their roles.

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 to are outlined below:

The Company is required at all times to hold at least 80% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 70% must comprise eligible Ordinary shares.

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, some financial services and asset leasing.

The Finance Act 2014 amended the VCT Rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if 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, with share premium cancellations when necessary, the Company currently has sufficient distributable reserves to allow dividends to continue to be paid at a level in line with the Company's current dividend policy.

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

The Finance Act 2018 made further changes to VCT rules. As referred to earlier in page 7 the Company is required to hold at least 80% of its investments in VCT qualifying holdings as of the last accounting period. The legislation also introduced a new deadline by which the Company must invest at least 30% of the money raised from the issue of shares in qualifying holdings within 12 months of the end of the accounting period in which the shares were issued.

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

Going Concern

The Company's business activities and the factors likely to affect its future development, performance and position are set out in the Chair's Statement on pages 2 and 3 and the Investment Manager's Review on pages 4 to 15. Further details on the management of financial risk may be found in the Business Review on pages 23 and 24 and in Note 16 to the Financial Statements.

The Board receives regular reports from the Manager and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months. As discussed in the Viability Statement on page 22 the Directors have considered the Company's cash flow projections in a range of scenarios, including both continuation of normal levels of fundraising as well as potential no fundraise scenarios. In both scenarios the Board is confident in the ability of the Company to maintain its VCT status and meet liabilities as they fall due. Some of the ways in which the Board could manage the operations of the Company include adjusting investment strategy and careful consideration of noncommitted cash outflows, including dividends and buybacks. They are satisfied that 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 Company's AGM to approve the Company continuing as a VCT until 2028. The continuation to 2028 will allow shareholders who have participated in the recent offers to subscribe for Ordinary Shares in the Company to hold their shares for the five years required to receive tax relief and, in addition, will also allow the Company to remain a going concern.

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

Dividend

The proposed final dividend is set out in the Financial Summary on page 1, the Chair's Statement on page 2 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. The Manager 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 Manager is in the best interest of the shareholders as a whole. In reaching this conclusion the Directors have taken into account the performance of the investment portfolio and the ability of the Manager to produce satisfactory investment performance in the future. No Director has an interest in any contract to which the Company is a party.

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

Whistleblowing

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

Employee, Human Rights, Social and Community Issues

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

Environment Policy and Greenhouse Gas Emissions

The day-to-day operations of the Company are outsourced to the Manager, and consequently the Company does not have its own environmental policy, relying instead on the Manager's environmental strategy. The Company does, however, recognise the importance of conducting its business, including investment decisions, in a manner that is environmentally responsible. 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, and as it uses less than 40,000 kWh of energy during the reporting year it is exempt from SECR reporting requirements.

Financial risk management

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

Bribery Act

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

Share Capital

The Company's share capital as at 28 February 2022 comprised 160,480,523 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 68,692 shares were issued under the fundraise that launched on 20 August 2020 and closed on 30 November 2020, raising £0.1 million after costs.

On 19 August 2021 a prospectus offer was launched alongside Octopus AIM VCT 2 plc to raise a combined total of up to £30 million with a £10 million over allotment facility. This prospectus closed to further applications on 13 September 2021. 18,657,106 shares were issued in the current period, raising £23.2 million after costs for the Company.

During the year 1,868,171 shares were issued to those shareholders who elected to receive shares under the Dividend Reinvestment Scheme as an alternative to dividends. This raised £2.3 million.

An additional 114,336 shares were issued to shareholders as a result of reduced adviser charges, and to Octopus employee shareholders as a result of a rebate of part of the annual management fee. These shares were issued to those investors who, in accordance with the adviser charging terms contained in each fundraising document offered to the public and published since 31 December 2012 following the introduction of the retail distribution, had chosen to pay their adviser less than the 0.5% ongoing adviser charge; and to employees, who have been rebated the annual management charge.

Share Buybacks and Redemptions

During the year, the Company purchased for cancellation 6,271,209 shares at a weighted average price of 119.6p (2021: 3,867,733 shares at a weighted average price of 101.9p) for a total consideration of £7.5 million (2021: £3.9 million). This represents 3.91% of the closing share capital. These were repurchased in accordance with the Company's share buyback facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

Post Balance Sheet Events

A full list of post balance sheet events since 28 February 2022 can be found in Note 17 to the Financial Statements on page 64.

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 Resolutions 9 is required so that the Directors may offer existing shareholders the opportunity to add to their investment or to offer potential shareholders an opportunity to invest in the Company in a cost efficient manner. Any consequent modest increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in part, to purchase Ordinary shares in the market.

Resolution 9 renews the Directors' authority to allot Ordinary shares. Such authority would expire 15 months after the date of the passing of the Resolution or, if earlier, the conclusion of the next AGM of the Company, giving the Directors authority to allot up to 25% of the Company's issued share capital at the date of the Notice of AGM. This authority is in addition to existing authorities. The Board intends to utilise this authority in respect of the Company's fundraising activities. Any shares allotted under this authority would be issued at prices at or above NAV.

Resolution 10 authorises the Directors to allot Ordinary shares in connection with the Dividend Re-investment Scheme (DRIS), up to 3% of the Company's issued share capital at the date of the Notice of AGM. Such authority would expire 15 months after the date of the passing of the Resolution or, if earlier, the conclusion of the next AGM of the Company.

Resolutions 11 and 12 renew and extend the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. These resolutions would authorise the Directors, until the date falling 15 months after the date of the passing of the Resolution or, if earlier, the conclusion of the next AGM of the Company, to issue Ordinary shares for cash without pre-emption rights applying by way of an offer to existing shareholders, or re-issuing shares out of Treasury up to a maximum of Ordinary shares (representing approximately 0% of the Company's issued share capital as at the date of this report). These powers will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders, as a whole. Any shares allotted under this authority would be issued at prices at or above NAV.

Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 13 is required so that the Directors may make purchases of up to 23,960,402 Ordinary shares (representing approximately 14.99% of the Company's issued share capital as at the date of the Notice of AGM) and the Resolution seeks such authority until the next AGM (or the expiry of 15 months, if earlier). Any shares bought back under this authority will be at a price determined by the Board, (subject to a minimum of 1p (being the nominal value of such shares) and a maximum of 5% above the average mid-market quotation for such shares on the London Stock Exchange and the applicable regulations thereunder). This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-sale in appropriate market conditions.

Substantial Shareholdings

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

Cancellation of Share Premium Account

The Board considers it appropriate to obtain shareholders' approval for the cancellation of the amount standing to the share premium account of the Company as at 28 February 2022 to create (subject to Court approval) a pool of distributable reserves. A Special Resolution to this effect is being proposed at Resolution 14.

Independent Auditor and Disclosure of Information to Auditor

BDO LLP is the appointed Auditor of the Company and offer themselves for re-appointment. A Resolution to re-appoint BDO LLP as auditor and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

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

On behalf of the Board

N J Ransome

Neal Ransome
Chair
27 May 2022

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"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code ("UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to shareholders.

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

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

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

The AIC Code deals with matters such as the relationship with the manager and other service providers. In practice, most of the time spent by the Board of a well-functioning investment company should be spent on matters of general corporate governance (eg the investment strategy, policy and performance) which is what we do.[1]

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 AIC Code with the exceptions set out in the Compliance Statement on page 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 at least four times a year, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board.

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

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

The Chair leads the Board in the determination of its strategy and in the achievement of its objectives. The Chair 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 Secretarial function is discharged by Octopus Company Secretarial Services Limited which is responsible for advising the Board, through the Chair, on all governance matters. All of the Directors have access to the advice and services of the Company Secretary, which 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. 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.

[1]Please see the AIC Code at **www.theaic.co.uk**.

As all of the Directors are Non-Executive, it is not considered necessary to identify a member of the Board as the senior independent director of the Company. During the year the following meetings were held:

	Full Board meetings held	No. of meetings attended	Audit Committee meetings held	Audit Committee meetings attended
Roger Smith (Resigned 22 July 2021)	3*	3	1*	1
Stephen Hazell-Smith	5	4	2	2
Joanne Parfrey	5	5	2	2
Neal Ransome	5	5	2	2
Andrew Boteler	5	5	2	2

*Roger Smith was eligible to attend only 3 meetings of the Board and 1 meeting of the Audit Committee, having resigned in July 2021.

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

Performance Evaluation and Independence of Directors

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 Chair provides a summary of the findings to the Board, which are discussed and an action plan agreed. During the year no issues were identified requiring an action plan. The performance of the Chair is evaluated by the other Directors.

Length of Service

	Date of Original Appointment	Due date for Election/Re-election
Roger Smith (Resigned 22 July 2021)	02/02/1998	–
Stephen Hazell-Smith	02/02/1998	AGM 2022
Joanne Parfrey	06/10/2016	AGM 2022
Neal Ransome	06/10/2016	AGM 2022
Andrew Boteler	19/03/2020	AGM 2022

Length of service of the Chair and other Directors is one of a number of factors taken into account when considering the contribution and ongoing independence of the Board, both individually and in terms of overall composition. The Board considers the experience, range of skills, knowledge of the Company and its operating environment and diversity of the Directors serves the needs of the Company and its shareholders by providing experience across the business/economic cycle. Accordingly, the Board's policy on tenure is that the term the Chair and other Directors serve on the Board should not be restricted to a fixed time limit in order to ensure sufficient corporate memory and consistent adherence to strategy. We believe (in line with the AIC Code) that members of the Board are independent in character and judgement with respect to their duties to the shareholders.

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.

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.

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 2021 AGM to make market purchases of up to 14.99% of the issued Ordinary share capital at any time up to the 2021 AGM and otherwise on the terms set out in the relevant resolution, and authority to make market purchases of up to 14.99% of the Issued Ordinary share capital is being sought at the 2022 AGM as set out in the notice of meeting.

Board Committees

It should be noted that there is no formal Management Engagement Committee as matters of this nature are dealt with by the independent Non-Executive Directors. The Board does not have a separate Remuneration Committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report on pages 38 to 40. The Board does not have a separate Nomination Committee as there has not been a requirement for a Committee. Whilst diversity considerations would normally be a function of a Nomination Committee, these are dealt with by the Board as a whole on an annual basis. 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:
Andrew Boteler is Chair of the Audit Committee and all Directors are members of this Committee. The Board confirms that, in accordance with the recommendation of the AIC Code, at least one member of the Audit Committee has recent and relevant financial experience. Andrew Boteler, as Audit Chair, Neal Ransome and Joanne Parfrey are Chartered Accountants and the Board is confident that the Committee as a whole has competence relevant to the sector in which the Company operates.

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

Internal Controls

The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with its Manager.

The Board delegates the identification of appropriate opportunities and the investment of funds to the Manager. The Board regularly review reports upon the investments made and on the status of existing investments. The Manager is also 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 were 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, by the Manager, in accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. As explained in the Audit Committee Report, the Board does not consider it necessary to maintain an internal audit function due to the day to day operations being outsourced to the Manager, who has an internal audit function.

Internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from the VCT's accounts require the authority of two signatories from the Manager. The Manager is subject to ongoing 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 2021 AGM were for the resolutions relating to Approval of the Directors' Remuneration Report (2.60% of votes cast) and re-appointment of BDO LLP as auditor (1.94% of votes cast). No communication was received from shareholders giving reasons for the votes against the resolutions.

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

Relations with Shareholders

The Board will be holding a virtual shareholder event on 12 July 2022 at 11.00am to enable shareholders to receive an update from the Manager. This will also provide an opportunity for shareholders to ask questions of the Board relating to the AGM resolutions and Annual Report and Accounts.

We always welcome questions from our shareholders at the AGM. To ensure we are able to respond to any questions you may have for either the Manager or AIM VCT Board, please send these via email to **AimAGM@octopusinvestments.com** by 5.00pm on 18 July 2022. 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 Board recognises the importance of good governance. With the exception of the limited items outlined below, the Board believes, for the year ended 28 February 2022, the Company has complied with the principles and provisions of the AIC Code:

1. The Company does not have a senior independent director. The Board does not consider this necessary for the size of the Company.
2. The Company does not have a separate Nomination Committee due to the relatively small size and structure of the Company. Appointments are dealt with by the full Board as and when appropriate.
3. 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 pertaining to remuneration.
4. The Company has no major shareholders therefore shareholders are not given the opportunity to meet any Non-Executive Directors at a specific meeting other than the AGM, or other designated shareholder events, but are welcome to contact the Board or the Manager at any time.

On behalf of the Board

Company Secretary
Octopus Company Secretarial Services Limited
27 May 2022

Audit Committee Report

This report is submitted in accordance with The AIC Code in respect of the year ended 28 February 2022 and describes the work of the Audit Committee in discharging its responsibilities.

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

Matters considered by the Audit Committee in the year

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

- reviewing and making recommendations to the Board in relation to the Company's published Annual Report and Accounts and other formal announcements relating to the Company's financial performance;
- reviewing and making recommendations to the Board in relation to the Manager's internal controls (including internal financial control) and risk management systems to the extent they are relevant to the Company's internal controls;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the 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 were not provided by the external auditor and therefore the Audit Committee does not believe there are any influences on their independence or objectivity. When considering whether to recommend the re-appointment of the external auditor, the Committee takes into account the tenure of the current auditor in addition to comparing the fees charged to similar sized VCTs. The current auditor was first appointed in 2008 under the name of PKF (UK) LLP, which subsequently merged with BDO LLP, and has held the position for nearly fourteen years.

The Audit Committee undertook a competitive audit tender process in 2019 as required for all Public Interest Entities who have had the same auditor for ten years.

Independence and Objectivity of the Auditor

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

Auditor Evaluation

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

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

Internal Audit

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board. The Manager has an internal audit team, which is supported as required by external consultants. The Octopus Compliance Department reports to the Board on the outcome of the internal audits that have taken place insofar as these relate to the Company and confirms the absence of any issues relating to internal audit of which the Board should be aware. The Manager undertakes to immediately raise to the Committee, any significant issues arising from internal audit that affect the Company.

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

Significant Issues

The Audit Committee is responsible for considering significant issues in relation to the Financial Statements. The Committee has identified the most significant risks for the Company as:

- **Valuation and ownership of investments:** The Committee gives special audit consideration to the valuation of investments and supporting data provided by the Manager. 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, together with reconciliations and independent confirmations performed by the auditor, give comfort to the Audit Committee.
- **Management override of financial controls:** The Committee specifically reviews all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the completion of the financial statements.
- **Recognition and catergorisation of revenue from investments:** Investment income is the Company's main source of revenue. The revenue return is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice, as either revenue or capital income. The Manager confirms to the Audit Committee that the revenues are recognised appropriately.

In addition to the above, the Committee has continued to consider the implications of the coronavirus pandemic and the war in Ukraine. As at the date of issuing this Report, whilst the Committee anticipates short-term market volatility affecting the underlying investments, it does not consider that this will have an impact upon the long-term viability of the Company. This is discussed further in the Viability Statement on page 22.

These issues were discussed with the Manager and the auditor at the conclusion of the audit of the financial statements.

The Committee has considered the whole Annual Report and Accounts for the period ended 28 February 2022 and has reported to the Board that it considers them to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the Financial Statements to 28 February 2022.

Andrew Boteler
Audit Committee Chair
27 May 2022

Directors' Remuneration Report

Introduction
This report is submitted in accordance with Regulation 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("Regulations") in respect of the year ended 28 February 2022.

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 42 to 47.

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

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

Directors' Remuneration Policy Report
The Board consists entirely of Non-Executive Directors, who meet at least quarterly and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for a period of at least three years. All Directors are subject to election at the first AGM after their appointment and one third of all Directors are subject to retirement by rotation at the AGMs. However, as best practice, all 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. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chair of the Board and the Chair of the Audit Committee to be paid higher fees than the other Directors in recognition of their more onerous roles. The Remuneration policy is to review the Directors' fees from time to time, benchmarking the fees against other VCT boards, although such review will not necessarily result in any changes. Due to the nature of the Company, there are no employees other than the Directors and therefore no such issues to consider when determining the Directors' remuneration.

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

An Ordinary Resolution to approve the remuneration policy of the Company was put to, and approved by, shareholders at the 2020 AGM and will remain in force for a three year period. The Board will review the remuneration of the Directors if thought appropriate and monitors competitors in the VCT industry on an annual basis.

Statement of Voting at the Annual General Meeting
The 2021 Remuneration Report was presented to the AGM in July 2021 and received shareholder approval following a vote by way of a poll. 97.40% of the votes cast were in favour of the Remuneration Report or at the Chair's discretion, 2.60% were against the resolution and 258,276 votes were withheld. The proxy forms returned to the Registrars contained no explanation for the votes against the resolution.

Shareholders' views are always considered by the Board, and the methods of contacting the Board are set out on page 35.

Annual Remuneration Report
This section of the report is subject to approval by a simple majority of shareholders at the AGM in July 2022, 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 20 also shows the performance of the Company on a total return basis, compared to the performance of the FTSE AIM All Share Index, the FTSE SmallCap (excluding investment companies) Index and the FTSE All Share Index.

Directors' Emoluments (audited)

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

	Year ended 28 February 2022 £	Year ended 28 February 2021 £	% change 2022	% change 2021
Roger Smith (Resigned 22 July 2021)	**10,500**	25,000	(58.0%)	0.0%
Stephen Hazell-Smith	**21,500**	20,000	7.5%	0.0%
Joanne Parfrey	**21,500**	20,000	7.5%	0.0%
Neal Ransome	**25,500**	22,500	13.3%	0.0%
Andrew Boteler (appointed 19 March 2020)	**23,000**	20,000	15.0%	n/a
Total	**102,000**	107,500	(5.1%)	22.9%

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

Relative Importance of Spend on Pay

The actual expenditure in the current year is as follows:

	Year to 28 February 2022 £'000	Year to 28 February 2021 £'000	% change
Total Dividends paid	**12,663**	7,635	65.5%
Total Buybacks	**7,522**	3,940	90.9%
Total Directors' Fees	**102**	108	(5.1%)

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

Directors' Interest in Shares (audited)

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

	Ordinary shares of 1.0p each 28 February 2022	Ordinary shares of 1.0p each 28 February 2021
Stephen Hazell-Smith	**139,003**	139,003
Neal Ransome	**35,251**	27,145
Joanne Parfrey	**18,754**	18,754
Andrew Boteler	**18,727**	18,727

All of the shares held by the Directors, or their connected persons, were held beneficially, in their own name. There have been no changes in the Directors' share interests between 28 February 2022 and the date of this report.

Shareholders' Proxy Voting Information

As required by Schedule 8:23 of the Regulations, the votes received for the AGM in 2021 were as follows:

	For (including discretionary)		**Against**	
	No. of Shares	**%**	**No. of Shares**	**%**
Approval of Directors' Remuneration Report	4,829,848	97.40	128,889	2.60

By Order of the Board

Neal Ransome
Chair
27 May 2022

Directors' Responsibilities Statement

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

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

In preparing these Financial Statements, the Directors are required to:

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

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

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

Website Publication

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

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

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

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

For and on behalf of the Board

N J Ransome

Neal Ransome
Chair
27 May 2022

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2022 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Octopus AIM VCT plc (the 'Company') for the year ended 28 February 2022 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cashflow Statement and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the

Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the members of the company at the AGM on 22 July 2021 to audit the financial statements for the year ended 28 February 2022. The period of total uninterrupted engagement including retenders and reappointments is 14 years, covering the years ended 28 February 2009 to 28 February 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- Obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing the calculations therein to check that the Company was meeting its requirements to retain VCT status;
- Consideration of the Company's expected future compliance with VCT legislation, the absence of bank debt, contingencies and commitments and any market or reputational risks;
- Reviewing the forecasted cash flows that support the Directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and assessing them for reasonableness, by taking into account the available cash resources relative to the forecast expenditure which was assessed against the prior year for reasonableness, as well as the quantum of liquid investments, such as the Open Ended Investment Companies (OEICs) and the quoted investments, at year end;
- Considering the impact of market volatility and uncertainty, including the impact of Russian aggression in Ukraine;
- Calculating financial ratios to ascertain the financial health of the Company.

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

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

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

Overview

		2022	2021
Key audit matters	Valuation and Ownership of Investments	✓	✓
Materiality	£1,500,000 (2021: £1,470,000) based on 1% of adjusted net assets (2021: 1% of invested assets)		

An overview of the scope of our audit

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

Key audit matters

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

Key Audit Matter	How the scope of our audit addressed the key audit matter
Valuation and ownership of investments (Notes 1 and 10 to the financial statements) Fixed asset investments represent the most significant balance in the financial statements and are the primary driver of returns to shareholders and we therefore considered valuation and ownership to be a key audit matter. Quoted Investments: £119.3 million (92.3%) of the Company's investments held at fair value through profit and loss are quoted investments. Unquoted investments: £9.9 million (7.7%) of the Company's investments held at fair value through profit and loss are unquoted and are valued using more subjective techniques (level 3). There is a high level of estimation uncertainty involved in determining the unquoted investment valuations. The investment manager's fee is based on the value of the net assets of the fund, as shown in note 3. The Investment Manager's fee is based on the value of the net assets of the fund. As the investment manager is responsible for valuing the unquoted investments for the financial statements, there is a potential risk of overstatement. We also consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We performed the following procedures: In respect of 100% of quoted equity investments (c. 92.3% of the portfolio by value) we have: • Checked that the year-end bid price was used by agreeing all quoted investments to externally quoted prices and, for a sample of investments, reviewing trading volumes around year-end to assess if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding the ownership of all investments held at the balance sheet date. Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique. For all Investments in our sample we: Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and the applicable accounting standards. We have checked that the valuation methodology remains applicable given the impact of Covid-19, and recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies. For investments sampled that were valued using more subjective techniques (such as earnings multiples and revenue multiples) we: • Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;

	• Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues, earnings or cash flows used in the valuations; • Considered the revenue or earnings multiples applied and the discounts applied by reference to observable listed company market data; and • Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue, cash flow or earnings multiple applied in arriving at the valuations adopted by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate. We also checked that the completeness, accuracy and clarity of investments-related disclosures in the financial statements were in line with the requirements of applicable accounting standards. **Key observations:** Based on the procedures performed we did not identify any matters indicating that the valuation or ownership of investments as well as corresponding disclosures were not appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company Financial statements	
	2022 £m	**2021 £m**
Materiality	£1,500,000	£1,470,000
Basis for determining materiality	1% of net assets adjusted to exclude fund raising during the year	1% of invested assets
Rationale for the benchmark applied	Net asset value is the primary measure used by the users in assessing the performance of the Company as an investment entity. In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised primarily of quoted investments, we have applied a percentage of 1% of adjusted net assets value. The benchmark used is lower than the net asset value to take into account cash that has been recently raised from fund raising during the year. This was changed from the prior year benchmark of fixed asset and current asset investment value to align to a standardised benchmark across the investment company sector.	
Performance materiality	£1,125,000	£1,103,000

Basis for determining performance materiality	75% of materiality The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

Lower Testing Threshold
Whilst the majority of long term returns are expected to arise from capital, we note that on-going costs and revenue returns are still important to users of the financial statements, despite being considerably smaller in magnitude. Thus, we have set a lower testing threshold for those items impacting revenue return of £383,000 which is based on 10% of gross expenditure. (2021: £270,000).

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £75,000 (2021: £74,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Corporate governance statement

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

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

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

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in April 2021 with consequential amendments and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation.

Our procedures included:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- Reviewing minutes of board meetings and legal correspondence and invoices throughout the period for instances of non-compliance with laws and regulations and fraud.

We assessed the susceptibility of the financial statement to material misstatement including fraud and considered the fraud risk areas to be the valuation of unquoted investments and management override of controls.

Our tests included, but were not limited to:

- The procedures set out in the Key Audit Matters section above;
- Obtaining independent evidence to support the ownership of a sample of investments;
- Recalculating investment management fees in total;
- Obtaining independent confirmation of bank balances; and
- Testing journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Use of our report

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

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
27 May 2022

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

Income Statement

	Notes	Year to 28 February 2022 Revenue £'000	Year to 28 February 2022 Capital £'000	Year to 28 February 2022 Total £'000	Year to 28 February 2021 Revenue £'000	Year to 28 February 2021 Capital £'000	Year to 28 February 2021 Total £'000
Gain on disposal of fixed asset investments	10	**–**	**1,001**	**1,001**	–	4,361	4,361
(Loss)/Gain on disposal of current asset investments		**–**	**(2)**	**(2)**	–	58	58
(Loss)/Gain on valuation of fixed asset investments	10	**–**	**(17,203)**	**(17,203)**	–	44,908	44,908
(Loss)/Gain on valuation of current asset investments		**–**	**(313)**	**(313)**	–	3,655	3,655
Investment income	2	**760**	**134**	**894**	472	51	523
Investment management fees	3	**(765)**	**(2,296)**	**(3,061)**	(487)	(1,461)	(1,948)
Other expenses	4	**(775)**	**–**	**(775)**	(707)	–	(707)
(Loss)/Profit before tax		**(780)**	**(18,679)**	**(19,459)**	(722)	51,572	50,850
Tax	6	**–**	**–**	**–**	–	–	–
Total comprehensive (Loss)/Income after tax		**(780)**	**(18,679)**	**(19,459)**	(722)	51,572	50,850
Earnings per share – basic and diluted	8	**(0.5p)**	**(12.4p)**	**(12.9p)**	(0.5p)	37.9p	37.4p

- The 'Total' column of this statement represents the statutory Income Statement of the Company; the supplementary revenue return and capital return columns have been prepared in accordance with the AIC Statement of Recommended Practice.
- All revenue and capital items in the above statement derive from continuing operations.
- The Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds, as well as OEIC funds.

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

The Notes on pages 52 to 65 form an integral part of these Financial Statements.

Balance Sheet

	Notes	As at 28 February 2022 £'000	As at 28 February 2022 £'000	As at 28 February 2021 £'000	As at 28 February 2021 £'000
Fixed asset investments	10		**129,226**		129,915
Current assets:					
Investments	11	**16,543**		16,212	
Money market funds	11	**1,326**		1,326	
Debtors	12	**329**		1,864	
Applications cash*	11	**246**		162	
Cash at bank	11	**21,910**		33,724	
		40,354		53,288	
Creditors: amounts falling due within one year	13	**(1,411)**		(1,047)	
Net current assets			**38,943**		52,241
Total assets less current liabilities			**168,169**		182,156
Called up equity share capital	14		**1,605**		1,461
Share premium			**25,450**		57,966
Capital redemption reserve			**236**		173
Special distributable reserve			**105,258**		67,477
Capital reserve realised			**(20,762)**		(21,945)
Capital reserve unrealised			**58,307**		78,169
Revenue reserve			**(1,925)**		(1,145)
Total equity shareholders' funds			**168,169**		182,156
NAV per share – basic and diluted	9		**104.8p**		124.7p

*Cash held but not yet allotted.

The statements were approved by the Directors and authorised for issue on 27 May 2022 and are signed on their behalf by:

N J Ransome

Neal Ransome
Chair
Company number: 03477519

The Notes on pages 52 to 65 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special distributable reserves* £'000	Capital reserve realised* £'000	Capital reserve unrealised £'000	Revenue reserve* £'000	Total £'000
As at 1 March 2021	**1,461**	**57,966**	**173**	**67,477**	**(21,945)**	**78,169**	**(1,145)**	**182,156**
Comprehensive income for the year:								
Management fee allocated as capital expenditure	–	–	–	–	(2,296)	–	–	(2,296)
Current year gain on disposal	–	–	–	–	999	–	–	999
Current period loss on fair value of investments	–	–	–	–	–	(17,516)	–	(17,516)
Capital investment income	–	–	–	–	134	–	–	134
Loss after tax	–	–	–	–	–	–	(780)	(780)
Total comprehensive loss for the year	–	–	–	–	(1,163)	(17,516)	(780)	(19,459)
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	(63)	–	63	(7,522)	–	–	–	(7,522)
Issue of shares	207	27,030	–	–	–	–	–	27,237
Share issue costs	–	(1,580)	–	–	–	–	–	(1,580)
Dividends paid	–	–	–	(12,663)	–	–	–	(12,663)
Total Contributions by and distributions to owners:	144	25,450	63	(20,185)	–	–	–	5,472
Other movements								–
Cancellation of share premium	–	(57,966)	–	57,966	–	–	–	–
Prior years' holding gains now realised	–	–	–	–	2,346	(2,346)	–	–
Total other movements:	–	(57,966)	–	57,966	2,346	(2,346)	–	–
Balance as at 28 February 2022	**1,605**	**25,450**	**236**	**105,258**	**(20,762)**	**58,307**	**(1,925)**	**168,169**
As at 1 March 2020	**1,234**	**65,883**	**134**	**43,630**	**(26,719)**	**31,371**	**(423)**	**115,110**
Comprehensive income for the year:								
Management fee allocated as capital expenditure	–	–	–	–	(1,461)	–	–	(1,461)
Current year gains on disposal	–	–	–	–	4,419	–	–	4,419
Current period gains on fair value of investments	–	–	–	–	–	48,563	–	48,563
Capital investment income	–	–	–	–	51	–	–	51
Loss after tax	–	–	–	–	–	–	(722)	(722)
Total comprehensive income for the year	–	–	–	–	3,009	48,563	(722)	50,850
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	(39)	–	39	(3,940)	–	–	–	(3,940)
Issue of shares	266	29,347	–	–	–	–	–	29,613
Share issue costs	–	(1,842)	–	–	–	–	–	(1,842)
Dividends paid	–	–	–	(7,635)	–	–	–	(7,635)
Total contributions by and distributions to owners	227	27,505	39	(11,575)	–	–	–	16,196
Other movements:								
Cancellation of share premium	–	(35,422)	–	35,422	–	–	–	–
Prior years' holding gains now realised	–	–	–	–	1,765	(1,765)	–	–
Total other movements	–	(35,422)	–	35,422	1,765	(1,765)	–	–
Balance as at 28 February 2021	**1,461**	**57,966**	**173**	**67,477**	**(21,945)**	**78,169**	**(1,145)**	**182,156**

*Included in these reserves is an amount of £82,571,000 (2021: £44,387,000) which is considered distributable to shareholders.

Cash Flow Statement

	Notes	Year to 28 February 2022 £'000	Year to 28 February 2021 £'000
Cash flows from operating activities			
(Loss)/Profit before tax		**(19,459)**	50,850
Adjustments for:			
(Increase) in debtors		**(136)**	(114)
Increase in creditors		**470**	123
Gain on disposal of fixed asset investments	10	**(1,001)**	(4,361)
(Loss)/gain on disposal of current asset investments		**2**	(58)
(Loss)/Gain on valuation of fixed asset investments	10	**17,203**	(44,908)
(Loss)/Gain on valuation of current asset investments		**313**	(3,655)
Non-cash distributions	2	**(134)**	(51)
Cash utilised in operations		**(2,742)**	(2,174)
Income taxes paid		**–**	–
Net cash utilised inoperating activities		**(2,742)**	(2,174)
Cash flows (utilised in)/from investing activities			
Purchase of fixed asset investments	10	**(21,639)**	(9,638)
Proceeds from sale of fixed asset investments	10	**7,932**	9,070
Purchase of current asset investments		**(2,250)**	(5,040)
Proceeds from sale of current asset investments		**1,604**	17,400
Net cash flows (utilised in)/from investing activities		**(14,353)**	11,792
Cash flows from/(utilised in) financing activities			
Movement in applications account	13	**(106)**	(16,293)
Purchase of own shares	14	**(7,522)**	(3,940)
Share issues	14	**25,657**	28,196
Share issue costs		**(2,342)**	(1,842)
Dividends paid	7	**(10,321)**	(6,218)
Net cash flows from financing activities		**5,366**	(97)
(Decrease)/Increase in cash and cash equivalents		**(11,730)**	9,521
Opening cash and cash equivalents		**35,212**	25,691
Closing cash and cash equivalents		**23,482**	35,212
Cash and cash equivalents is represented by:			
Cash at bank	11	**21,910**	33,724
Applications cash	11	**246**	162
Money market funds	11	**1,326**	1,326
Total cash and cash equivalents		**23,482**	35,212

The Notes on pages 52 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 activity is to invest in a diverse portfolio of predominately AIM-traded companies with the aim of providing shareholders with attractive tax-free dividends and long-term capital growth.

Basis of preparation

The Financial Statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006 and the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued 2014 and updated in October 2019 with consequential amendments).'

The principal accounting policies have remained unchanged from those set out in the Company's 2021 Annual Report and Accounts. A summary of the principal accounting policies is set out below.

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

Going concern

After reviewing the Company's forecasts and expectations, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has sufficient cash and liquid resources to meet its liabilities as they fall due and methods through which it could manage its operations include adjusting investment strategy and careful consideration of noncommitted cash outflows, including dividends and buybacks. The Company therefore continues to adopt the going concern basis in preparing its Financial Statements. In reaching this conclusion the Directors have had regard to the potential impact on the economy and the Company of the current coronavirus pandemic. See Director's Report on page 28 to 31 for further details.

Revenue and capital

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

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

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

Key judgements and estimates

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

Investment valuation policies are important to the depiction of the Company's financial position and require the application of subjective and complex judgements, notably with regards to unquoted holdings, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The main accounting and valuation policies used by the Company are disclosed below.

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

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

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

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

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

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

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

Cash and liquid resources
Cash, for the purposes of the cash flow statement, comprises cash at bank. Cash equivalents are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. This comprises investments in money market funds subject to insignificant changes in fair value. The Company holds £246,000 (2021: £162,000) of cash on behalf of the Company and Octopus AIM VCT 2 PLC. Of this £148,000 (2021: £97,000) is attributable to the Company. This cash is held in an applications bank account until shares are issued. A corresponding creditor is recognised in note 13 on page 60.

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 cancelled share premium available for distribution.

Capital reserve realised – when an investment is sold, any balance held in Capital reserve unrealised is transferred to Capital reserve realised on disposal, as a movement in reserves. The portion of the management fee allocated to capital expenditure is also included in this reserve.

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

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

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

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

2. Income

Accounting Policy

Investment income includes interest earned on money market securities and includes income tax withheld at source. Dividend income is shown net of any related tax credit. Dividends are allocated to revenue or capital depending on whether the dividend is of a revenue or capital nature.

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

Disclosure

	28 February 2022 £'000	28 February 2021 £'000
Dividends receivable from fixed asset investments	**715**	**425**
In-Specie dividend*	**134**	**51**
Loan note interest receivable	**45**	**45**
Income receivable on money market securities and bank balances	**–**	**2**
	894	**523**

*The Company received shares in Trellus Health as a result of an in-specie dividend from EKF Diagnostics Holdings plc. In the prior period the Company received shares in Verici Dx plc as a result of an in-specie dividend from Renalytix AI plc. These have been treated as capital income.

3. Investment Management Fees

	28 February 2022			28 February 2021		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**765**	**2,296**	**3,061**	487	1,461	1,948

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

During the year Octopus charged gross management fees of £3,723,000 (2021: £2,501,000). When the various allowances detailed below are included, the net management fees for the year is £3,061,000 (2021: £1,948,000). At the year end there was £834,000 payable to Octopus (2021: £481,000). Octopus received £515,000 as a result of upfront fees charged on allotments of Ordinary shares (2021: £588,000).

The Company now pays ongoing adviser charges to Independent Financial Advisers ("IFA's"). Ongoing adviser charges are an ongoing fee of up to 0.5% per annum for a maximum of 9 years paid to Advisers who are on an advised and ongoing fee structure. The Company is rebated for this cost by way of a reduction in the annual management fee. For the year to 28 February 2022 the rebate received was £290,000 (2021: £259,000).

The Company also facilitates upfront fees to IFAs where an investor has invested through a financial adviser and has received upfront advice. Where an investor agrees to an upfront fee only, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional new shares for the investor. In these circumstances the Company does not facilitate ongoing annual payments. To ensure that the Company is not financially disadvantaged by such payment, a notional ongoing advisor charge equivalent to 0.5% per annum will be deemed to have been paid by the Company for a period of nine years. The Company is rebated for this cost, also by way of a reduction in the annual management fee. For the year to 28 February 2022 the rebate received was £272,000 (2021: £216,000).

The Company also receives a reduction in the management fee for the investments into other Octopus managed funds, being the Octopus Portfolio Manager, Micro Cap, Multi Cap and Future Generations products, to ensure the Company is not double charged on these products. This amounted to £100,000 for the year to 28 February 2022 (2021: £78,000).

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

4. Other Expenses

Accounting Policy

All expenses are accounted for on an accruals basis.

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

Disclosure

	28 February 2022 £'000	28 February 2021 £'000
IFA charges	**290**	259
Directors' remuneration	**102**	107
Registrars' fees	**55**	61
Audit fees	**36**	36
Printing and postage	**18**	24
VCT monitoring fees	**21**	20
Directors and officers liability insurance	**19**	13
Broker's fees	**6**	7
Other administration expenses	**228**	180
	775	707

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

The ongoing charges of the Company were 1.9% of average net assets during the year to 28 February 2022 (2021: 1.7%). Ongoing charges are calculated using the AIC methodology and exclude exceptional costs and trail commission.

5. Directors' Remuneration

Directors were paid £102,000 in the year to 28 February 2022 (2021: £107,000). This excludes Employer's National Insurance contributions of £8,000 (2021: £9,000) included within other administration expenses above. None of the Directors received any other remuneration, pension contributions or benefits from the Company during the year. The Company has no employees other than Non-Executive Directors. The average number of Non-Executive Directors in the year was four (2021: five).

6. Tax

Accounting Policy

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

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

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

The corporation tax charge for the year was £nil (2021: £nil).

Disclosure

Tax reconciliation	**28 February 2022 Total £'000**	28 February 2021 Total £'000
(Loss)/profit before tax	**(19,459)**	50,850
Current tax at 19.0% (2021: 19.0%)	**(3,697)**	9,661
Effects of		
Non-taxable income	**(161)**	(91)
Non-taxable capital gains	**3,138**	(10,067)
Non deductible expenses	**(3)**	2
Excess management expenses on which deferred tax not recognised	**723**	495
Total tax charge	**–**	–

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

As at 28 February 2022 there is an unrecognised deferred tax asset of £5,758,000 (2021: £3,653,000) in respect of accumulated surplus management expenses of £23,030,000 (2021: £16,649,000), based on a prospective corporation tax rate of 25% (2021: 19%). This deferred tax asset could in future be used against taxable profits.

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

7. Dividends

Accounting Policy

Dividends payable are recognised as distributions in the Financial Statements when the Company's liability to make payment has been established. This liability is established on the record date, the date on which those shareholders on the share register are entitled to the dividend.

Disclosure

	28 February 2022 £'000	28 February 2021 £'000
Dividends paid on Ordinary shares during the year		
Final dividend – 3.5p per share paid 13 August 2021 (2021: 2.5p per share)	**5,035**	3,967
Special dividend – 2.5p per share paid 13 August 2021 (2021: 3.0p per share)	**3,597**	–
Interim dividend – 2.5p per share paid 14 January 2022 (2021: 2.5p per share)	**4,031**	3,668
	12,663	7,635

During the year £2,342,000 (2021: £1,417,000) of dividends were reinvested under the DRIS, see Note 14.

	28 February 2022 £'000	28 February 2021 £'000
Dividends paid and proposed in respect of the year		
Interim dividend – 2.5p per share paid 15 January 2021 (2021: 2.5p per share)	**4,031**	3,668
Final dividend proposed : 3.0p per share payable 12 August 2022 (2021: 3.5p)	**4,795**	5,044
Special dividend – Nil (2021: 2.5p per share)	**–**	3,603
	8,826	12,335

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

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

8. Earnings per share

	28 February 2022			28 February 2021		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
(Loss)/Profit attributable to ordinary shareholders (£'000)	**(780)**	**(18,679)**	**(19,459)**	(722)	51,572	50,850
Earnings per ordinary share (p)	**(0.5)p**	**(12.4)p**	**(12.9)p**	(0.5)p	37.9p	37.4p

The earnings per share is based on 151,132,679 Ordinary shares (2021: 136,141,642), being the weighted average number of shares in issue during the year, and the loss on ordinary activities after tax for the year of £19,459,000 (2021: profit £50,850,000).

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

9. Net asset value per share

	28 February 2022	28 February 2021
Net assets (£'000)	**168,169**	182,156
Shares in issue	**160,480,523**	146,112,119
NAV per share (p)	**104.8**	124.7

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

10. Fixed Asset Investments

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

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

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

In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. In the case of unquoted investments fair value is established by assessing different methods of valuation, such as price of recent transaction, earnings multiples, discounted cash flows and net assets. Where price of recent investment is used as a starting point for estimating fair value at subsequent measurement dates, this has been benchmarked using an appropriate valuation technique. These methodologies are consistent with IPEV guidelines.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the Capital reserve – unrealised. The Manager reviews changes in fair value of investments for any permanent reductions in value and will give consideration to whether these losses should be transferred to the Capital reserve – realised.

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

Fair value hierarchy

Paragraph 34.22 of FRS 102 recognises a hierarchy of fair value measurements, for financial instruments measured at fair value in the Balance Sheet, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). This methodology is adopted by the Company and requires disclosure of financial instruments to be dependent on the lowest significant applicable input as laid out below:

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

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

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

	Level 1: Quoted equity investments £'000	Level 3: Unquoted investments £'000	Total £'000
Cost at 1 March 2021	52,647	4,052	56,699
Opening unrealised gain at 1 March 2021	71,338	1,878	73,216
Valuation at 1 March 2021	**123,985**	**5,930**	**129,915**
Purchases at cost	20,919	720	21,639
In-Specie dividend	134	–	134
Disposal proceeds	(5,963)	(297)	(6,260)
Profit on realisation of investments	824	177	1,001
Change in fair value in year	(20,600)	3,397	(17,203)
Closing valuation at 28 February 2022	**119,299**	**9,927**	**129,226**
Cost at 28 February 2022	70,876	4,488	75,364
Closing unrealised gain at 28 February 2022	48,423	5,439	53,862
Valuation at 28 February 2022	**119,299**	**9,927**	**129,226**

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

Level 3 investments are valued in accordance with IPEV guidelines. Hasgrove plc and Rated People Ltd are valued using a range of inputs including sales, annualised recurring revenues, and net debt/cash. Valuations for Popsa Holdings Ltd, The Food Marketplace Ltd, and Eluceda Ltd are based on the Price of Recent Investment which occurred close to the reporting date. Level 3 investments include £600,000 (2021: £600,000) of loan notes held at cost, which is deemed to be current fair value.

All capital gains or losses on investments are classified at FVTPL. Given the nature of the Company's venture capital investments, the changes in fair value of such investments recognised in these Financial Statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as holding gains or losses.

At 28 February 2022 there were no commitments in respect of investments approved by the Manager but not yet completed (2021: £nil). The transaction costs incurred when purchasing or selling assets are written off to the Income Statement in the period that they occur.

11. Current Asset Investments and Cash at Bank

Accounting Policy

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

Current asset investments on the Balance Sheet comprise of investments in Open Ended Investment Companies (OEICs), money market funds and deposits and are designated as FVTPL. Gains and losses arising from changes in fair value of current investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve – unrealised.

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

Disclosure
Current asset investments at 28 February 2022 and at 28 February 2021 comprised of money market funds* and deposits and OEICs. These fall into level 1 of the fair value hierarchy as defined in the Fixed asset investment accounting policy in Note 10 above.

	28 February 2022 £'000	28 February 2021 £'000
OEICs:		
FP Octopus UK Micro Cap Growth Fund	**8,935**	9,590
FP Octopus UK Multi Cap Income Fund	**7,060**	5,016
FP Octopus UK Future Generations Fund	**548**	
Octopus Portfolio Manager – Conservative Capital Growth	**–**	954
Octopus Portfolio Manager – Defensive Capital Growth	**–**	652
Money Market Funds*	**1,326**	1,326
Total current asset investments	**17,869**	17,538
Cash at bank	**21,910**	33,724
Applications cash	**246**	162
Total	**40,025**	51,424

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

12. Debtors

	28 February 2022 £'000	28 February 2021 £'000
Other debtors	**95**	1,763
Prepayments and accrued income	**234**	101
Total	**329**	1,864

13. Creditors: amounts falling due within one year

	28 February 2022 £'000	28 February 2021 £'000
Accruals	**1,141**	850
Other creditors	**268**	162
Trade creditors	**2**	35
Total	**1,411**	1,047

Creditors includes £246,000 cash held on behalf of the Company and AIM VCT 2 PLC (also managed by Octopus Investments) to be allotted as part of the current share offer (2021: £162,000). Of this £148,000 (2021: £97,000) is attributable to the Company.

14. Share capital

	28 February 2022 £'000	28 February 2021 £'000
Allotted and fully paid up:		
160,480,523 Ordinary Shares of 1.0p (2021: 146,112,119)	**1,605**	1,461

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 19. As the Company is now registered as an AIFM, it is subject to externally imposed capital requirements of €300,000. If the value of assets under management ("AUM") exceeds €250 million then an additional amount of Company funds equal to 0.02% of the excess over €250 million (subject to a cap of €10 million capital requirement) will be required.

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

Date	Number of shares	Price per share (p)	Total cost of shares repurchased (£)
18 March 2021	582,234	121.5	707,000
22 April 2021	873,887	126.0	1,101,000
20 May 2021	614,431	126.2	775,000
11 June 2021	286,885	129.4	371,000
30 July 2021	543,809	119.3	649,000
27 August 2021	356,433	122.0	435,000
24 September 2021	528,866	123.7	654,000
28 October 2021	723,967	120.4	872,000
18 November 2021	354,473	121.5	431,000
23 December 2021	276,492	110.3	305,000
20 January 2022	630,541	112.8	711,000
24 February 2022	499,191	102.5	511,000
Total	**6,271,209**		**7,522,000**

The total nominal value of the shares repurchased for cancellation was £62,712 representing 4.29% of the issued share capital.

The Company issued the following shares during the year to 28 February 2022:

Date	Number of shares	Price per share (p)	Net proceeds of shares issued (£)
15 April 2021*	68,692	137.9	90,000
1 July 2021*	45,644	132.8	61,000
13 August 2021**	1,222,892	128.4	1,570,000
7 October 2021	18,657,106	132.6	23,164,000
14 January 2022**	645,279	119.6	772,000
Totals	**20,639,613**		**25,657,000**

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

**Shares issued under the Dividend Reinvestment Scheme ("DRIS")

Excluding the value of shares issued under the DRIS, the total value net of share issue costs was £23,315,000 (2021: £26,354,000). This is shown in the cash flow statement.

15. Financial Instruments and Risk Management

The Company's financial instruments comprise of equity investments, loan notes, OEICs, cash balances, investments in money market funds and debtors and creditors. The Company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT qualifying AIM-traded securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

	28 February 2022 £'000	28 February 2021 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments	**129,226**	129,915
Money market securities	**1,326**	1,326
OEICs	**16,543**	16,212
Total financial assets at fair value through profit or loss	**147,095**	147,453
Financial assets measured at amortised cost		
Cash at bank	**22,156**	33,886
Debtors	**329**	1,864
Total financial assets measured at amortised cost	**22,485**	35,750
Financial liabilities measured at amortised cost		
Creditors	**(1,411)**	(1,047)
Total financial liabilities measured at amortised cost	**(1,411)**	(1,047)

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

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

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

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

16. Financial Risk Management

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

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 19. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 32 to 35, having regard to the possible effects of adverse price movements, and other macro economic affects on the market such as the ongoing pandemic and war in Ukraine with the objective of maximising overall returns to shareholders. Investments in smaller companies, by their nature, usually involve a higher degree of risk than investments in larger companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The Company's portfolio is well diversified with holdings in technology, industrials, pharmaceuticals, support services and many more growing sectors. The overall disposition of the Company's assets is regularly monitored by the Board.

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

By value 71% (2021: 68%) of the Company's net assets comprises equity securities listed on the London Stock Exchange or admitted to trading on AIM. In the context of the continued short-term market volatility caused by the Coronavirus pandemic and war in Ukraine, we have maintained the sensitivity analysis at 20% consistent with 2021. Therefore, a decrease in the bid price of these securities as at 28 February 2022 would have decreased net assets and the total return for the year by £23,860,000 (2021: £24,797,000); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount.

OEIC investments comprised 10% of the Company's net assets by value (2021: 9%). A 20% decrease (2021: 20%) in the price of these securities at 28 February 2022 would have decreased net assets by £3,309,000 (2021: £3,242,000); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount.

Unquoted investments comprised 6% of the Company's net assets by value (2021: 3%). A 20% decrease (2021: 20%) in the price of these securities at 28 February 2022 would have decreased net assets by £1,985,000 (2021: £1,186,000); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount. The Directors consider this to not be significant.

Interest rate risk

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

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 0.5% at 28 February 2022 (2021: 0.1%). The amounts held in floating rate investments at the balance sheet date were as follows:

	28 February 2022 £'000	28 February 2021 £'000
Money Market Funds	**1,326**	1,326
Cash at bank	**22,156**	33,886
	23,482	35,212

Every 1% increase or decrease in the base rate would increase or decrease income receivable from these investments for the year by £235,000 (2021: £352,000).

Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Manager and the Board carry out a regular review of counterparty risk. Where financial assets expose the Company to credit risk, the maximum exposure is represented by their carrying value.

Other than cash, loan notes or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 28 February 2022 or 28 February 2021. By value, no individual bank holding or fixed rate note investment exceeded 13% of the Company's net assets at 28 February 2022 (2021: 19%).

The Company's interest-bearing deposit and current accounts are maintained with HSBC and BlackRock. The risk of loss to this cash is deemed to be low due to the historical credit ratings and a current Moody's rating of A2 for HSBC and A3 for BlackRock cash funds. The Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. Should the credit quality or the financial position of HSBC or BlackRock deteriorate significantly, the Manager will move the cash holdings to another bank.

Credit risk relating to listed money market securities is mitigated by investing in a portfolio of investment instruments of high credit quality, comprising securities issued by the UK Government and major UK companies and institutions.

Those assets of the Company which are traded on recognised stock exchanges are held on the Company's behalf by third party sub-custodians (for example, BlackRock in the case of listed money market securities and Octopus Investments Limited in the case of quoted equity securities). 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 or by bankruptcy proceedings.

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 well as unquoted securities which are not traded on a recognised stock exchange and which generally may be illiquid. As a result, the Company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

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

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

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 28 February 2022 these investments were valued at £40,025,000 (2021: £51,424,000). The Company has no debt, therefore no maturity analysis is required.

17. Post Balance Sheet Events

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

- a follow on investment totalling £180,000 completed in Verici Dx plc;
- a follow on investment totalling £61,000 completed in The British Honey Company plc;
- a follow on investment totalling £384,000 completed in Oberon Investments Group plc;
- a follow on investment totalling £90,000 completed in FP Octopus UK Future Generation Fund;
- a follow on investment totalling £6,000 completed in FP Octopus UK Micro Cap Growth Fund;
- a partial disposal of 242,700 shares totalling £722,000 in Advanced Medical Solutions Group plc;
- a partial disposal of 69,470 shares totalling £12,000 in Diurnal Group plc;
- a partial disposal of 30,000 shares totalling £433,000 in Next Fifteen Communication Group plc;
- a partial disposal of 28,892 shares totalling £12,000 in Merit Group plc;
- a partial disposal of 62,250 shares totalling £576,000 in Clinigen Group plc;
- a full disposal of 420,943 shares totalling £150,000 in Synairgen plc;

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

- 24 March 2022: 513,628 shares at a price of 99.2p per share;
- 21 April 2022: 220,376 shares at a price of 99.7p per share; and
- 12 May 2022: 48,702 shares at a price of 91.3p per share.

The following shares have been allotted since the year end:

- 14 April 2022: 144,759 shares at a price of 110.8p per share.

18. Contingencies, guarantees and financial commitments

At 28 February 2022 there were no commitments in respect of investments approved by the Manager but not yet completed (2021: £nil).

19. Related Party Transactions

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

The Company has paid Octopus £3,061,000 (2021: £1,948,000) 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 6 month intervals.

The Company receives a reduction in the management fee for the investments in other Octopus managed funds, being the Octopus Portfolio Manager, Multi Cap Income Fund, Micro Cap Growth Fund and Future Generations Fund, to ensure the Company is not double charged on these products. This amounted to £100,000 in the year to 28 February 2022 (2021: £78,000). For further details please refer to note 3. Details of amounts invested in Octopus managed funds can be found on page 11.

Octopus received £nil (2021: £nil) transaction fees and directors' fees from investee companies.

The Company holds £246,000 (2021: £162,000) of cash on behalf of the Company and AIM VCT 2 PLC. Of this, £161,000 (2021: £97,000) is attributable to the Company.

Shareholder Information and Contact Details

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 19 August 2021, a prospectus offer was launched alongside Octopus AIM VCT 2 plc to raise a combined total of up to £30 million with a £10 million over allotment facility. This prospectus offer closed, fully subscribed on 13 September 2021.

About VCTs

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

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

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

- at least 80% of the Company's investments must comprise 'qualifying holdings'* (as defined in the legislation);
- at least 70% of the qualifying holdings must be invested into Ordinary shares with no preferential rights (30% for funds invested before 6 April 2011);
- no single investment made can exceed 15% of the total company value at the time of investment; and
- a minimum of 10% of each qualifying investment must be in Ordinary shares with no preferential rights.

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

VCT Legislation Changes

The Finance Act 2018 contained some further adjustments to the VCT regulations. The new requirements are that any funds raised in accounting periods beginning on or after 6 April 2018 should be 30% invested in qualifying holdings within 12 months of the end of the accounting period in which the shares were issued, and for financial years ending after 6 April 2019 the portfolio also has to maintain a minimum qualifying investment of 80%.

Dividends

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

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

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

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

Dividends paid during the period ending	Ordinary shares 2021/22	Ordinary shares 2020/21	Ordinary shares 2019/20	Ordinary shares 2018/19	Ordinary shares 2017/18	Ordinary shares 2016/17	Ordinary shares 2015/16	Ordinary shares 2014/15	Ordinary shares 2013/14	Ordinary shares 2012/13	Ordinary shares 2011/12	Ordinary shares 2010/11	Ordinary shares 2009/10	D shares 2003/04	C shares 2000/01	Ordinary shares 1997/98	Phoenix 'C' shares 2005/06	Phoenix Ordinary shares 2002/03
8 February 1999				–	–	–	–	–	–	–	–	–	–	–	–	1.88	–	–
29 February 2000				–	–	–	–	–	–	–	–	–	–	–	–	3.13	–	–
28 February 2001				–	–	–	–	–	–	–	–	–	–	–	–	37.25	–	–
28 February 2002				–	–	–	–	–	–	–	–	–	–	–	2.55	6.50	–	–
28 February 2003				–	–	–	–	–	–	–	–	–	–	–	1.50	3.50	–	–
29 February 2004				–	–	–	–	–	–	–	–	–	–	–	0.50	0.50	–	0.15
8 February 2005				–	–	–	–	–	–	–	–	–	–	0.50	0.50	0.50	–	6.50
28 February 2006				–	–	–	–	–	–	–	–	–	–	2.25	2.31	2.15	–	1.00
28 February 2007				–	–	–	–	–	–	–	–	–	–	5.80	7.21	6.70	4.00	9.35
29 February 2008				–	–	–	–	–	–	–	–	–	–	5.00	5.38	5.00	5.00	11.00
28 February 2009				–	–	–	–	–	–	–	–	–	–	5.00	2.93*	2.72*	4.35	6.00
28 February 2010				–	–	–	–	–	–	–	–	–	–	2.50	1.47*	1.36*	4.05*	3.00*
28 February 2011				–	–	–	–	–	–	–	2.59*	5.29*	5.59*	2.50	1.47*	1.36*	1.53*	1.13*
29 February 2012				–	–	–	–	–	–	–	5.18*	5.29*	5.59*	5.00	2.93*	2.72*	3.05*	2.26*
28 February 2013				–	–	–	–	–	2.39*	5.51*	5.18*	5.29*	5.59*	5.00	2.93*	2.72*	3.05*	2.26*
28 February 2014				–	–	–	–	1.96*	4.79*	5.51*	5.18*	5.29*	5.59*	5.00	2.93*	2.72*	3.05*	2.26*
28 February 2015				–	–	–	2.17*	4.30*	5.27*	6.06*	5.69*	5.81*	6.15*	5.50	3.23*	3.00*	3.19*	2.36*
29 February 2016				–	–	–	8.07*	7.28*	8.91*	10.25*	9.63*	9.83*	10.40*	9.30	5.45*	5.07*	5.40*	4.00*
28 February 2017				–	–	4.52*	4.34*	3.91*	4.79*	5.51*	5.18*	5.29*	5.59*	5.00	2.93*	2.72*	2.90*	2.15*
28 February 2018				–	4.47*	4.97*	4.77*	4.30*	5.27*	6.06*	5.69*	5.81*	6.15*	5.50	3.23*	3.00*	3.19*	2.36*
28 February 2019				4.48*	4.47*	4.97*	4.77*	4.30*	5.27*	6.06*	5.69*	5.81*	6.15*	5.50	3.23*	3.00*	3.19*	2.36*
29 February 2020			8.27*	7.33*	7.32*	8.14*	7.81*	7.04*	8.62*	9.92*	9.32*	9.51*	10.07*	9.00	5.28*	4.90*	5.22*	3.87*
28 February 2021		5.93*	5.06*	4.48*	4.47*	4.97*	4.77*	4.30*	5.27*	6.06*	5.69*	5.81*	6.15*	5.50	3.23*	3.00*	3.19*	2.36*
28 February 2022	9.16	9.16	7.81	6.92	6.91	7.69	7.38	6.65	8.14	9.37	8.80	8.99	9.51	8.50	4.99	4.63	4.93	3.65
Cumulative dividends paid	**9.16**	**15.09**	**21.14**	**23.21**	**27.64**	**35.26**	**44.10**	**44.05**	**58.72**	**70.34**	**73.81**	**78.02**	**82.55**	**92.35**	**66.16**	**110.04**	**59.32**	**68.03**
Adjusted NAV as at 28 February 2021 (assuming investment at 100p)**	**76.0**	**112.9**	**96.3**	**85.3**	**85.2**	**94.8**	**91.0**	**82.0**	**100.4**	**115.5**	**108.5**	**110.8**	**117.2**	**104.8**	**61.5**	**57.1**	**60.8**	**45.0**
Adjusted NAV plus cumulative dividends paid* **	**85.16**	**128.02**	**117.46**	**108.55**	**112.85**	**130.02**	**135.07**	**126.06**	**159.10**	**185.89**	**182.30**	**188.81**	**199.78**	**197.15**	**127.63**	**167.14**	**120.15**	**113.06**

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

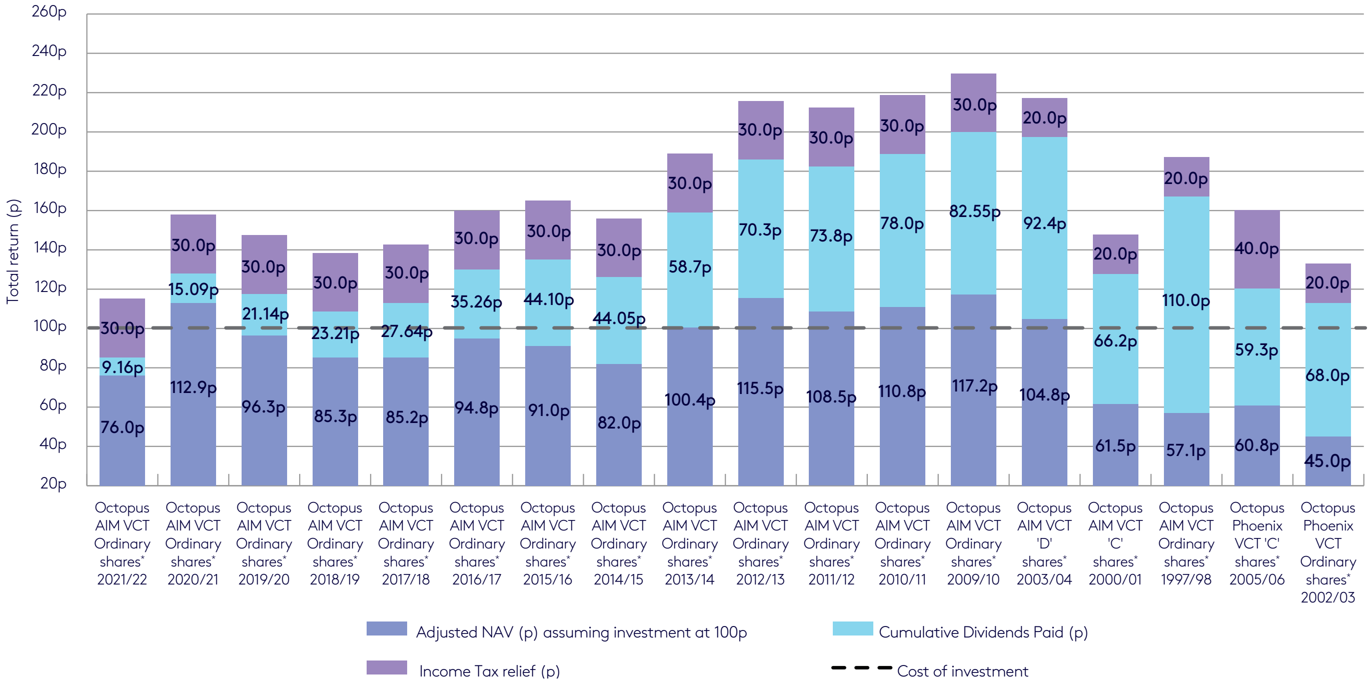
*Notional dividends adjusting for conversion and assuming an investment at 100p, of Phoenix 'C' shares into Phoenix Ordinary shares, and relevant AIM VCT shares into AIM VCT Ordinary shares.

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

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

The proposed final dividend of 3.0p will, if approved by shareholders, be paid on 12 August 2022 to shareholders on the register on 29 July 2022.

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



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

Dividend Reinvestment Scheme ("DRIS")

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

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

Share Price

The Company's share price can be found on various financial websites, such as **www.londonstockexchange.com**, by typing the following TIDM/EPIC code in the 'Quotes search':

	Ordinary shares
TIDM/EPIC code	OOA
Latest share price 26 May 2022	91.0 per share

Buying and selling shares

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

Buyback of Shares

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

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

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

Secondary Market

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

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

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

Notification of Change of Address

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

Other information for Shareholders

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

Electronic Communications

We also publish reports and accounts and all other correspondence electronically. This cuts the cost of print and reduces the impact on the environment. If, in future, you would prefer to receive a letter or email telling you a report is available to view or to receive documents by email, please complete the enclosed form or contact Octopus on **0800 316 2295** or Computershare on **0370 703 6325**. Alternatively you can sign up to receive e-communications via the Computershare online shareholder portal: **www-uk.computershare.com/investor/**.

Warning to Shareholders

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

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

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

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

Glossary of Terms

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

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

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

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

This is calculated by expressing expenses of £3,495,283 which includes the expenses listed out in Note 4 on page 55 excluding irrecoverable VAT, exceptional costs and trail commission as a percentage of average net assets during the year of £188,438,662.

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

Directors and Advisers

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

Company Number
Registered in England No: 03477519

Secretary and Registered Office
Octopus Company Secretarial Services Limited
33 Holborn
London
EC1N 2HT

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

Custodians
Octopus Investments Limited
33 Holborn
London
EC1N 2HT

Bankers
HSBC Bank Plc
31 Holborn
London
EC1N 2HR

LEI: 213800C5JHJUQLAFP619

Independent Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Tax Advisor
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

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

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

Corporate Broker
Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF
020 7886 2500

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus AIM VCT plc will be held at 33 Holborn, London, EC1N 2HT on 21 July 2022 at 12 noon for the purposes of considering, and if thought fit, passing the following resolutions of which Resolutions 1 to 10 and 15 will be proposed as Ordinary Resolutions and Resolutions 11 to 14 will be proposed as Special Resolutions:

Ordinary Business

1. To receive and adopt the Annual Report and Accounts for the year to 28 February 2022.
2. To approve a final dividend of 3.0p per Ordinary share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Neal Ransome as a Director as a Director.
5. To re-elect Andrew Boteler as a Director.
6. To re-elect Stephen Hazell-Smith as a Director.
7. To re-elect Joanne Parfrey as a Director.
8. To re-appoint BDO LLP as auditor of the Company in accordance with section 489 of the Companies Act 2006 (the 'Act'), until the conclusion of the next general meeting of the Company at which audited accounts are laid before members, and to authorise the Directors to determine their remuneration.

Special Business

To consider and if thought fit, pass Resolutions 9, 10 and 15 as Ordinary Resolutions and Resolutions 11 to 14, as Special Resolutions:

9. **Authority to allot relevant securities**
   THAT, in addition to existing authorities, the Directors be and are generally and unconditionally authorised in accordance with s551 of the Act to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £399,606 (representing approximately 25% of the Ordinary share capital in issue at the date of this Notice) such authority to expire at the earlier of the conclusion of the Company's AGM next following the passing of this Resolution and the expiry of 15 months from the passing of this Resolution (unless previously renewed, varied or revoked by the Company in a general meeting but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority).

10. **Authority to allot relevant securities under the DRIS**
    THAT, in addition to existing authorities, the directors of the Company be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £47,953 in connection with the Company's dividend reinvestment scheme (representing approximately 3% of the Ordinary share capital in issue as at the date of this Notice provided that the authority conferred by this Resolution shall expire on the date falling 15 months from the date of the passing of this Resolution (unless previously renewed, varied or revoked by the Company in general meeting) save that this authority shall allow the Company to make, before the expiry of this authority, any offers or agreements which would or might require Shares to be allotted or rights to be granted after such expiry and the directors may allot Shares in pursuance of any such offer or agreement notwithstanding the expiry of such authority.

11. **Empowerment to make allotments of equity securities**
    THAT, conditional upon the passing of Resolution 9 above, and in addition to existing authorities, the Directors of the Company be and are hereby empowered pursuant to s571 of the Act to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the Act) for cash pursuant to the authority granted by Resolution 9 as if s561 of the Act did not apply to any such allotment and so that:

    (a) reference to allotment of equity securities in this Resolution shall be construed in accordance with s560(2) of the 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.

    The power provided by this Resolution shall expire on the date falling on the earlier of the conclusion of the Company's AGM next following the passing of this Resolution and 15 months from the date of the passing of this Resolution (unless previously renewed, varied or revoked by the Company in general meeting).

12. Empowerment to make allotments of equity securities under the DRIS

THAT, conditional upon the passing of Resolution 10 above and in addition to existing authorities, the directors of the Company be and hereby are empowered pursuant to Section 571 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority granted by Resolution 10 above, as if Section 561 of the Act did not apply to any such allotment and so that:

(a) reference to allotment of equity securities in this Resolution shall be construed in accordance with Section 560(2) of the 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 any such offer or agreement notwithstanding the expiry of such power.

The power provided by this Resolution shall expire on the date falling 15 months from the date of the passing of this Resolution (unless previously renewed, varied or revoked by the Company in general meeting).

13. Authority to make market purchases

THAT, in addition to existing authorities, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Act) of Ordinary shares of 1p each in the Company ('Ordinary shares') provided that:

(a) the maximum number of Ordinary shares so authorised to be purchased shall not exceed 23,960,402 Ordinary shares, representing approximately 14.99% of the Company's issued share capital at the date of this Notice;

(b) the minimum price which may be paid for an Ordinary share shall be its nominal value;

(c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to (i) 105% of the average of the middle market quotation for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased; and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation;

(d) the authority conferred comes to an end at the conclusion of the next AGM of the Company or upon the expiry of 15 months from the passing of this Resolution, whichever is the earlier; 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.

14. Cancellation of Share Premium

THAT, subject to the sanction of the High Court, the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled, and the amount by which the share capital is so reduced be credited to a reserve of the Company.

15. Continuation of the Company as a VCT

THAT the Company continue as a VCT until 2028.

By Order of the Board

N J Ransome

Neal Ransome
Chairman
27 May 2022

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) It is defamatory of any person; or

(iii) It is frivolous or vexatious.

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

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

(j) As at 26 May 2022 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 159,842,576 Ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 26 May 2022 are 159,842,576.

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Octopus AIM VCT plc