



Unaudited half-yearly report for the six months ended 31 May 2019

Company number: 05528235

For UK investors only

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Octopus AIM VCT 2 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”).

Investment Policy

The Company’s investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company’s assets will be not less than 85% in a portfolio of qualifying AIM, NEX Exchange traded or unquoted companies specifically where the management view an initial public offering (IPO) on AIM or the NEX Exchange as a short to medium term objective. The non-qualifying balance 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’, authorised funds including those managed by Octopus or directly in equity investments and bonds. This provides a reserve of liquidity which should maximise the Company’s flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

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

The Company’s Articles permit borrowings of amounts up to 10% of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company, and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable), after adding thereto or deducting therefrom any balance to the credit or debit of the profit and loss account.

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.

Financial Summary

	Six months to 31 May 2019	Six months to 31 May 2018	Year to 30 November 2018
Net assets (£'000s)	86,841	90,480	90,630
(Loss)/profit after tax (£'000s)	(255)	5,981	(3,234)
Net asset value ("NAV") per share	78.6p	91.0p	80.8p
NAV Total Return*	(0.1)%	6.9%	(2.4)%
Dividends paid in the period	2.1p	2.1p	4.2p
Interim dividend**	2.1p	2.1p	2.1p

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

**The interim dividend will be paid on 7 November 2019 to shareholders on the register on 18 October 2019.

Key Dates

Financial Calendar

The Company's financial calendar is as follows:

Interim dividend payment date	7 November 2019
Annual results to 30 November 2019 announced	February 2020
Half-yearly results to 31 May 2020	July 2020

Chairman's Statement

I am pleased to present the half-yearly results for the Octopus AIM VCT 2 plc. The six months to 31 May 2019 has once again been a volatile period for stock market indices with early market weakness at the end of 2018 reversing and turning positive in the first half of 2019. The largest companies in the FTSE 100 have performed slightly better than smaller companies in the context of continuing uncertainty about Brexit and international trade tensions between the United States of America and China. Against this background the performance of the portfolio has been mixed and heavily influenced by individual company performance, with the Net Asset Value (NAV) ending the period almost unchanged if the dividend paid in May is added back.

Your Board has declared an interim dividend of 2.1p which will be paid in November.

Your managers have made two new investments in the six months period and these are more fully explained in their report below. The pipeline of potential new investments was weaker in the first half of the year, reflecting the fact that fewer new companies have floated, something that affected both the main market and AIM. However, despite the fact that there has to date been no resolution of the Brexit issue, existing AIM companies have continued to look for further growth capital and it is probable that there will be more new investments made in the second half of the year.



Keith Mullins
Chairman
24 July 2019

Interim Management Report

Overview

The six months to 31 May 2019 has seen the stock market make progress despite continuing headwinds from international trade tensions and Brexit uncertainty which resulted in a volatile market and individual months of negative returns. Against this less certain background larger companies marginally outperformed smaller companies, a continuation of the 2018 experience but against the long term trend.

Fundraisings on AIM were weaker, with the new issues market particularly affected in the short term. In the first five months of the year there were only nine new entrants to the AIM market although further fundraisings for existing business held up much better, demonstrating that AIM continues to support its existing members. Brexit seems to have been a distraction in the short term but we believe that the flow of opportunities will pick up again once we get through the current period of uncertainty.

Performance

Adding back the 2.1p paid out in dividends in the period, the Net Asset Value was almost unchanged in the six months to 31 May 2019. This compares with a 4.8% rise in the Smaller Companies Index (ex Investment Trusts), a 4.9% increase in the FTSE All Share Index and a 3.9% rise in AIM, all on a total return basis. Larger company Indices performed marginally better in the period reflecting an on-going cautious attitude to risk. The fund's performance was heavily influenced by the announcement of news by individual holdings with the market very unforgiving of any disappointments. It also remained wary of early stage companies not yet making a profit, of which we hold a number in the portfolio, particularly in the pharmaceutical, medical device and technology sectors. This has proved damaging to businesses when there has been a need for further investment in situations where VCT rules do not allow the fund to follow its money. DP Poland and Haydale are two examples of this happening in the period. More recently the portfolio has benefitted from some recovery in the share prices of some of the more mature holdings after a period of underperformance towards the end of 2018 and we have taken some profits from the legacy non-qualifying holdings both before and since the half year end.

Of the good performers in the portfolio, quite a few saw their share prices react positively to corporate developments, either internally generated or as a result of acquisitions. The results season in March and April was particularly important to the more established portfolio holdings where share prices had been slow to recover from volatile conditions at the end of 2018 until they reported good figures and robust trading outlooks. Including profits taken, the biggest contributors to performance in the six months were GB Group and RWS, both of which produced strong trading statements ahead of analyst expectations in April, reflecting the benefits of earlier acquisitions. Ergomed was another strong performer with the business exceeding expectations in stark contrast to the situation a year ago

when it had warned on profits. It has now focused its strategy on building a valuable and fast growing pharmaceutical services company. EKF has also continued to recover well and the initial newsflow from Renalytix which was spun out from the company has also been positive. Other mature profitable businesses to make positive contributions to performance in the period included Breedon, where trading benefitted from the Irish acquisition of Lagan and a milder winter, Gamma Communications, which delivered impressive results that led to forecast upgrades and Brooks Macdonald which is now coming towards the end of a period of concentrated investment in the business which has held back profit growth. Clinigen, Advanced Medical Solutions and Next Fifteen also reacted to good trading statements.

There were some setbacks in the portfolio which had a significant impact on performance. The largest detractor in the period was Staffline, a non-qualifying holding. After a period of very good performance in 2018, it was unable to publish its figures as expected at the end of January due to a last minute allegation over payment practices in its staffing division. This has proved slow to resolve and impacted trading while the company awaited the publication of its audited results at the end of June, accompanied by a fundraising. These events have had a considerable impact on the share price in the year to date despite the business being well established with blue chip customers. Another poor performer was Gear4 Music where the business has shown very strong growth in both Europe and the UK at the expense of margin, resulting in reduced profitability. The management is taking action to address this. Quixant shares also suffered from the news that the current year would be very second half weighted.

Portfolio Activity

In the period under review, the Company made two qualifying investments totalling £0.97 million, well behind the £4.5 million we invested in the corresponding period last year, reflecting the quieter market conditions referred to above. We invested £0.62 million in Diaceutics, a company specialising in improving the availability and efficiency of diagnostic services for often hard-to-find patients who would benefit from a particular drug treatment. The Diaceutics approach is based on the analysis of large amounts of laboratory data which helps large pharmaceutical companies to launch their novel drugs more effectively. Its customers include 20 of the largest pharmaceutical companies in the world. The other investment of £0.35 million was in Maxcyte, an existing holding with a proprietary technology in cell therapy which is being used in drug discovery and development and bio-manufacturing. It has also developed its own proprietary CARMA cancer treatment which has started clinical trials on humans.

In the period we also invested £502,000 of the cash balances into the FP Octopus UK Multi-Cap Income Fund, with the objective of obtaining a better return on our cash awaiting investment.

A number of disposals were made in the half year. The result has been a net gain of £0.19 million, with profits being taken in RWS, Creo Medical, VR Education and Loop-up offset by the disposal of our entire holdings in Yu Group, Futura Medical and Immotion Group at a loss. Yu Group had indicated accounting irregularities and acute margin pressure on new business and in the case of Futura and Immotion we took the decision that the path to profitability would be slower and require more new investment than previously thought. We also disposed of part of the holding in Diurnal, also at a loss. Since the period end we have taken further profits from the non-qualifying portion of the portfolio after some strong share price performances.

Unquoted Investments

As stated in the investment policy on page 1 the Company is able to make investments in unquoted companies intending to float. Currently 1.5% of the Company's portfolio is invested in unquoted companies.

Transactions with Manager

Details of amounts paid to the Manager are disclosed in note 8 to the Financial Statements.

Share Buybacks

In the six months to May 2019, the Company bought back 2,217,748 Ordinary shares for a total consideration of £1,653,000. It is evident from the conversations which your Managers have that this facility remains an important consideration for investors. Your Board remains committed to maintaining its policy of buying back shares at a discount of up to 4.5% to NAV.

Share Issues

On 12 April 2019, 77,882 new shares were issued in connection with the 2018/9 prospectus offer which closed fully subscribed.

During the period 510,863 new shares were issued through the dividend reinvestment scheme (DRIS), 23,621 on 8 January 2019 and 487,242 on 24 May 2019.

Dividend

On 24 May 2019, the Company paid a dividend of 2.1p per share, being the final dividend for the year ended 30 November 2018. For the period to 31 May 2019, the Board has declared an interim dividend of 2.1p. This will be paid on 7 November 2019 to shareholders on the register on 18 October 2019.

It remains the Board's intention to maintain a minimum annual dividend payment of 3.6p per share or a 5% yield based on the period end share price, whichever is the greater. This will usually be paid in two instalments during each year.

Risks, Uncertainties

The principal risks and uncertainties are set out in Note 7 to the half yearly report and accounts on page 22.

Outlook

The stock market has been resilient, albeit periodically volatile, despite the political failure to sort the problem of how the UK will exit the European Union in an orderly fashion. This, coupled with concerns about trading relations between the US and China continues to dominate the press, periodically causing bouts of share price volatility and weakness. For existing AIM companies it has largely been business as usual, with some notable successful fundraisings to finance acquisitions and growth, but new issues have been subdued with companies waiting before taking the decision to float.

The portfolio now contains 76 holdings across a range of sectors with the balance still weighted towards profitable companies which are continuing to pursue growth. We believe that the flow of qualifying investment opportunities should recover and we have seen several businesses considering a market debut later in the year. The VCT is currently 88.9% invested in qualifying companies with cash available for new investments.

The AIM Team
Octopus Investments
24 July 2019

Investment Portfolio

Quoted Investments

Investee Company	Sector	Book cost as at 31 May 2019 £'000	Cumulative change in Fair Value £'000	Fair Value as at 31 May 2019 £'000	Movement in period £'000	Equity held by Octopus AIM VCT 2 plc %	Equity held by all funds managed by Octopus %	Fair value as a % of Octopus AIM VCT 2's NAV
Craneware plc	Software & Computer Services	479	4,224	4,703	173	0.59%	1.48%	5.42%
GB Group plc	Software & Computer Services	442	4,036	4,478	1,180	0.37%	8.46%	5.16%
Breedon Group plc	Construction & Materials	573	2,845	3,418	411	0.28%	3.83%	3.94%
Learning Technologies Group plc	Support Services	746	2,082	2,828	(253)	0.49%	1.23%	3.26%
Quixant plc	Technology Hardware & Equipment	391	1,698	2,089	(730)	1.28%	3.20%	2.41%
Creo Medical Group plc	Health Care Equipment & Services	981	549	1,530	173	0.65%	1.81%	1.76%
Brooks Macdonald Group plc	General Financial	610	838	1,448	228	0.53%	10.96%	1.67%
Ergomed plc	Pharmaceuticals & Biotechnology	960	466	1,426	535	1.28%	4.20%	1.64%
EKF Diagnostics Holdings plc	Health Care Equipment & Services	864	553	1,417	177	0.98%	2.86%	1.63%
RWS Holdings plc	Support Services	132	1,263	1,395	268	0.08%	5.64%	1.61%
Animalcare Group plc	Pharmaceuticals & Biotechnology	824	550	1,374	-	1.46%	2.37%	1.58%
IDOX plc	Software & Computer Services	356	963	1,319	150	0.90%	2.03%	1.52%
Adept Telecom plc	Fixed Line Telecommunications	502	787	1,289	14	1.51%	3.32%	1.48%
Next Fifteen Communications Group plc	Media	458	778	1,236	123	0.26%	13.73%	1.42%
FairFx Group plc	General Financial	632	544	1,176	(93)	0.66%	2.10%	1.35%
MyCelx Technologies Corporation	Oil Equipment & Services	980	95	1,075	(174)	2.89%	9.93%	1.24%
Advanced Medical Solutions Group plc	Health Care Equipment & Services	505	562	1,067	158	0.15%	10.40%	1.23%
Clinigen Group plc	Pharmaceuticals & Biotechnology	625	420	1,045	144	0.08%	4.76%	1.20%
Judges Scientific plc	Electronic & Electrical Equipment	209	826	1,035	195	0.54%	1.35%	1.19%
Gamma Communications plc	Mobile Telecommunications	326	686	1,012	328	0.09%	8.51%	1.17%
LoopUp Group plc	Software & Computer Services	307	644	951	(107)	0.56%	2.98%	1.10%
Gooch & Housego plc	Electronic & Electrical Equipment	281	647	928	(76)	0.28%	14.41%	1.07%
Trackwise Designs plc	Electronic & Electrical Equipment	700	133	833	180	4.51%	11.28%	0.96%
Netcall plc	Software & Computer Services	356	465	821	43	1.51%	3.57%	0.95%
Scientific Digital Imaging plc	Health Care Equipment & Services	119	673	792	251	1.53%	3.83%	0.91%
Vertu Motors plc	General Retailers	777	(17)	760	67	0.50%	3.96%	0.88%

Investee Company	Sector	Book cost as at 31 May 2019 £'000	Cumulative change in Fair Value £'000	Fair Value as at 31 May 2019 £'000	Movement in period £'000	Equity held by Octopus AIM VCT 2 plc %	Equity held by all funds managed by Octopus %	Fair value as a % of Octopus AIM VCT 2's NAV
Ixico plc	Pharmaceuticals & Biotechnology	751	-	751	161	5.74%	14.34%	0.86%
Access Intelligence plc	Software & Computer Services	589	157	746	(13)	2.18%	5.27%	0.86%
Nasstar plc	Software & Computer Services	320	417	737	(6)	1.11%	2.78%	0.85%
Diaceutics plc	Health Care Equipment & Services	620	98	718	98	1.17%	3.44%	0.83%
Panoply Holdings plc	Software & Computer Services	653	53	706	53	2.09%	5.22%	0.81%
Restore plc	Support Services	227	437	664	(9)	0.14%	10.84%	0.76%
Synnovia plc (previously plastics capital plc)	Chemicals	485	166	651	(87)	1.85%	7.67%	0.75%
Gear4music Holdings plc	Leisure Goods	372	243	615	(872)	1.28%	4.02%	0.71%
Beeks Financial Cloud Group plc	Software & Computer Services	302	295	597	(66)	1.19%	3.12%	0.69%
Cello Group plc	Media	205	387	592	160	0.42%	1.92%	0.68%
VR Education Holdings plc	Software & Computer Services	689	(104)	585	(103)	3.57%	10.28%	0.67%
Brady plc	Software & Computer Services	647	(77)	570	(81)	1.22%	3.01%	0.66%
Abcam plc	Pharmaceuticals & Biotechnology	239	331	570	116	0.02%	2.60%	0.66%
Maxcyte Inc	Pharmaceuticals & Biotechnology	690	(157)	533	(59)	0.57%	1.80%	0.61%
Osirium Technologies plc	Software & Computer Services	900	(436)	464	(353)	4.57%	17.17%	0.53%
Falanx Group Limited	Support Services	600	(190)	410	(190)	4.99%	12.49%	0.47%
Renalytix plc	Health Care Equipment & Services	246	148	394	170	0.38%	1.02%	0.45%
Mattioli Woods plc	General Financial	101	282	383	86	0.18%	2.05%	0.44%
Cambridge Cognition Holdings plc	Health Care Equipment & Services	400	(23)	377	(194)	2.37%	5.92%	0.43%
Iomart Group plc	Software & Computer Services	178	180	358	8	0.09%	13.97%	0.41%
Staffline Recruitment Group plc	Support Services	225	104	329	(1,293)	0.44%	17.35%	0.38%
KRM22 plc	Equity Investment Instruments	454	(127)	327	(141)	3.71%	9.27%	0.38%
Vectura Group plc	Pharmaceuticals & Biotechnology	332	(15)	317	29	0.06%	0.15%	0.37%
Escape Hunt plc	Travel & Leisure	659	(366)	293	(171)	1.81%	4.53%	0.34%
Omega Diagnostics Group plc	Health Care Equipment & Services	318	(32)	286	(180)	2.14%	5.01%	0.33%
PCI-Pal plc	Software & Computer Services	480	(203)	277	32	2.51%	6.27%	0.32%

Investment Portfolio continued

Investee Company	Sector	Book cost as at 31 May 2019 £'000	Cumulative change in Fair Value £'000	Fair Value as at 31 May 2019 £'000	Movement in period £'000	Equity held by Octopus AIM VCT 2 plc %	Equity held by all funds managed by Octopus %	Fair value as a % of Octopus AIM VCT 2's NAV
WANdisco plc	Software & Computer Services	96	172	268	71	0.12%	0.30%	0.31%
Fusion Antibodies plc	Health Care Equipment & Services	385	(127)	258	23	2.12%	5.52%	0.30%
DP Poland plc	Travel & Leisure	678	(426)	252	(473)	1.26%	3.97%	0.29%
TP Group plc	Industrial Engineering	452	(204)	248	31	0.47%	2.41%	0.29%
appScatter Group plc	Software & Computer Services	838	(616)	222	(35)	1.37%	3.59%	0.26%
Microsaic Systems plc	Electronic & Electrical Equipment	922	(706)	216	9	3.78%	9.45%	0.25%
Enteq Upstream plc	Oil Equipment & Services	687	(484)	203	52	1.08%	4.57%	0.23%
ReNeuron Group plc	Pharmaceuticals & Biotechnology	216	(86)	130	106	0.14%	0.82%	0.15%
Velocity Composites plc	Aerospace & Defense	533	(420)	113	(44)	1.75%	4.91%	0.13%
Tasty plc	Travel & Leisure	336	(280)	56	(66)	0.79%	1.85%	0.06%
Nektan plc	Software	563	(512)	51	(28)	0.38%	3.10%	0.06%
Mears Group plc	Support Services	51	(4)	47	(15)	0.02%	0.13%	0.05%
Genedrive Plc	Pharmaceuticals & Biotechnology	140	(105)	35	-	0.51%	1.29%	0.04%
Maestrano Group plc	Software & Computer Services	424	(390)	34	(226)	3.53%	8.83%	0.04%
ISpatial plc	Support Services	200	(181)	19	(3)	0.06%	1.00%	0.02%
Diurnal Group plc	Pharmaceuticals & Biotechnology	88	(75)	13	2	0.08%	0.19%	0.01%
Midatech Pharma plc	Pharmaceuticals & Biotechnology	400	(391)	9	(5)	0.04%	0.09%	0.01%
Location Sciences Group plc	Software & Computer Services	509	(502)	7	2	0.06%	0.15%	0.01%
Haydale Graphene Industries plc	Chemicals	399	(394)	5	(95)	0.08%	3.57%	0.01%
Bond International Software plc	Software & Computer Services	1	-	1	-	N/A	N/A	0.00%
Total Quoted Investments		33,735	23,147	56,882	(234)			
Unquoted Investments								
Hasgrove plc	Media	153	498	651	-	2.60%	15.70%	0.75%
Rated People Ltd	Software	236	(148)	88	-	0.34%	1.49%	0.09%
Popsa Holdings Ltd	Software	480	-	480	-	4.60%	11.49%	0.55%
Fusionex International plc	Software	188	(109)	79	-	0.23%	0.57%	0.10%
Total Unquoted Investments		1,057	241	1,298	-			

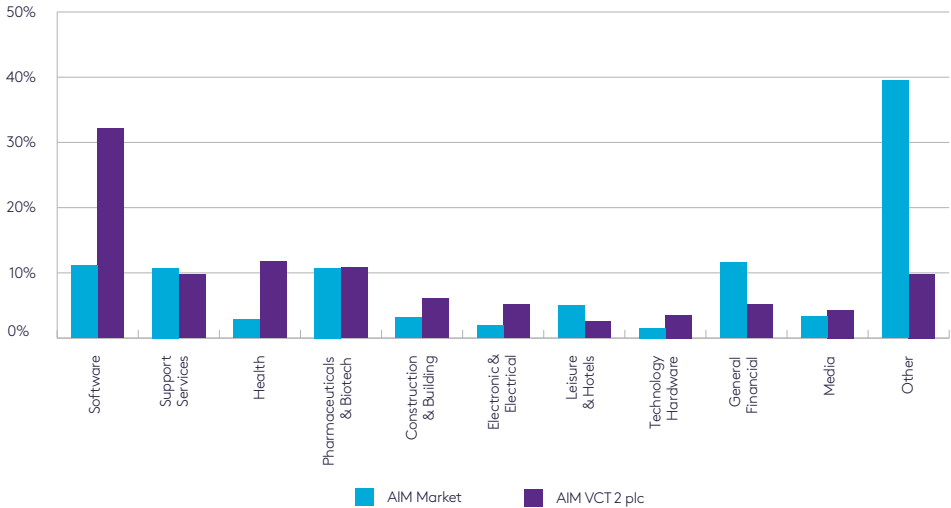
Loan Notes	Sector	Book cost as at 31 May 2019 £'000	Cumulative change in Fair Value £'000	Fair Value as at 31 May 2019 £'000	Movement in period £'000	Equity held by Octopus AIM VCT 2 plc %	Equity held by all funds managed by Octopus %	Fair value as a % of Octopus AIM VCT 2's NAV
Nektan plc	Software	330	-	330	-	N/A	N/A	0.38%
Total Loan Notes		330	-	330	-			
Current Asset Investments								
Octopus Portfolio Manager - Conservative Capital Growth		8,250	316	8,566	301	N/A	N/A	9.86%
Octopus Portfolio Manager - Defensive Capital Growth		8,250	459	8,709	290	N/A	N/A	10.03%
FP Octopus UK Micro Cap Growth Fund		2,200	691	2,891	184	N/A	N/A	3.29%
FP Octopus UK Multi Cap Income S Acc		502	44	546	44	N/A	N/A	0.63%
Total Current Asset Investments		19,202	1,510	20,712	819			
Total Fixed and Current Asset Investments				79,222				
Money Market Funds				3,462				
Cash at Bank				4,542				
Debtors less Creditors				(385)				
Total Net Assets				86,841				

Investment Portfolio continued

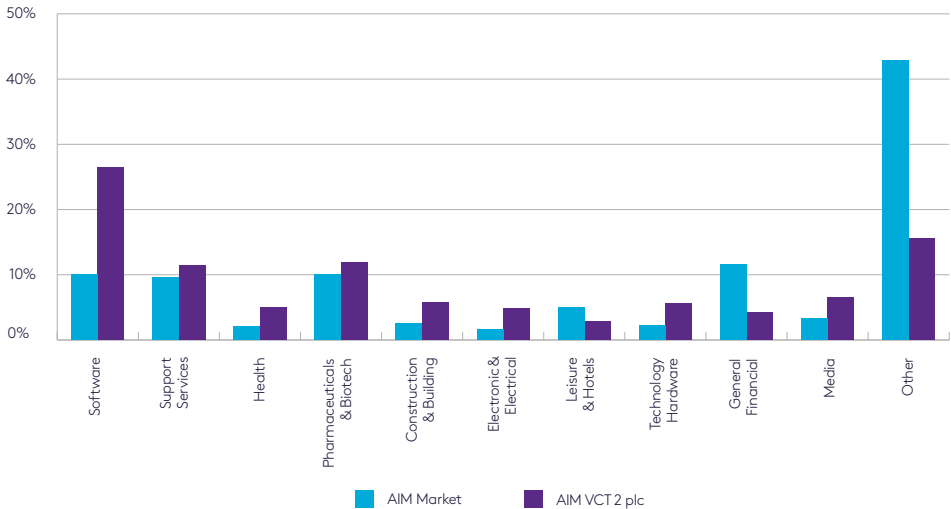
Sector Analysis

The graph below shows the sectors the Company is invested in by value.

31 May 2019



31 May 2018



Director's Responsibilities Statement

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' issued by the Financial Reporting Council;
- the half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the half-yearly report includes a fair review of the information required by the Financial Conduct Authority Disclosure and Transparency Rules, being:
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
 - a description of the principal risks and uncertainties for the remaining six months of the year; and
 - a description of related party transactions that have taken place in the first six months of the current financial year, that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board



Keith Mullins
Chairman
24 July 2019

Income Statement

	Unaudited Six months to 31 May 2019			Unaudited Six months to 31 May 2018			Audited Year to 30 November 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gain on disposal of fixed asset investments	-	(71)	(71)	-	262	262	-	1,266	1,266
(Loss)/gain on valuation of fixed asset investments	-	(234)	(234)	-	6,046	6,046	-	(3,185)	(3,185)
Gain/(loss) on valuation of current asset investments	-	819	819	-	364	364	-	(155)	(155)
Investment income	183	-	183	234	-	234	510	245	755
Investment management fees	(182)	(547)	(729)	(179)	(536)	(715)	(364)	(1,093)	(1,457)
Other expenses	(223)	-	(223)	(210)	-	(210)	(458)	-	(458)
(Loss)/profit before tax	(222)	(33)	(255)	(155)	6,136	5,981	(312)	(2,922)	(3,234)
Taxation on profit/(loss)	-	-	-	-	-	-	-	-	-
(Loss)/profit after tax	(222)	(33)	(255)	(155)	6,136	5,981	(312)	(2,922)	(3,234)
Return per share – basic and diluted	(0.2)p	0.0p	(0.2)p	(0.2)p	6.2p	6.0p	(0.3)p	(2.9)p	(3.2)p

- the 'Total' column of this statement is the profit and loss account 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.

Balance Sheet

	Unaudited As at 31 May 2019		Unaudited As at 31 May 2018		Audited As at 30 November 2018	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments		58,510		67,387		59,871
Current assets:						
Investments	20,712		17,410		16,891	
Money Market Funds	3,462		4,438		3,449	
Debtors	69		46		65	
Cash at bank	4,542		1,779		11,546	
	28,785		23,673		31,951	
Creditors: amounts falling due within one year	(454)		(580)		(1,192)	
Net current assets		28,331		23,093		30,759
Net assets		86,841		90,480		90,630
Called up equity share capital		11		10		11
Share premium		57,490		44,597		57,045
Special distributable reserve		15,557		22,621		19,536
Capital reserve realised		(10,236)		(10,656)		(9,898)
Capital reserve unrealised		24,900		34,411		24,595
Capital redemption reserve		1		-		1
Revenue reserve		(882)		(503)		(660)
Total equity shareholders' funds		86,841		90,480		90,630
Net asset value per share		78.6p		91.0p		80.8p

The statements were approved by the Directors and authorised for issue on 24 July 2019 and are signed on their behalf by:



Keith Mullins
Chairman

Company Number: 05528235

Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Special distributable reserves £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
As at 1 December 2018	11	57,045	19,536	(9,898)	24,595	1	(660)	90,630
Total comprehensive income for the period	-	-	-	(618)	585	-	(222)	(255)
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	-	-	(1,653)	-	-	-	-	(1,653)
Issue of shares	-	448	-	-	-	-	-	448
Share issue costs	-	(3)	-	-	-	-	-	(3)
Dividends paid	-	-	(2,326)	-	-	-	-	(2,326)
Total contributions by and distributions to owners	-	445	(3,979)	-	-	-	-	(3,534)
Prior years' holding gains now realised	-	-	-	280	(280)	-	-	-
Total other movements	-	-	-	280	(280)	-	-	-
Balance as at 31 May 2019	11	57,490	15,557	(10,236)	24,900	1	(882)	86,841

Included in these reserves is an amount of £4,439,000 (31 May 2018: £11,462,000 and 30 November 2018: £8,978,000) which is considered distributable to shareholders.

	Share Capital £'000	Share Premium £'000	Special distributable reserves £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
As at 1 December 2017	10	44,186	25,444	(11,071)	28,690	-	(348)	86,911
Total comprehensive income for the period	-	-	-	(274)	6,410	-	(155)	5,981
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	-	-	(743)	-	-	-	-	(743)
Issue of shares	-	416	-	-	-	-	-	416
Share issue costs	-	(5)	-	-	-	-	-	(5)
Dividends paid	-	-	(2,080)	-	-	-	-	(2,080)
Total contributions by and distributions to owners	-	411	(2,823)	-	-	-	-	(2,412)
Other movements:								
Prior years' holding gains now realised	-	-	-	689	(689)	-	-	-
Total other movements	-	-	-	689	(689)	-	-	-
Balance as at 31 May 2018	10	44,597	22,621	(10,656)	34,411	-	(503)	90,480

	Share Capital £'000	Share Premium £'000	Special distributable reserves £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
As at 1 December 2017	10	44,186	25,444	(11,071)	28,690	-	(348)	86,911
Total comprehensive income for the period	-	-	-	418	(3,340)	-	(312)	(3,234)
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	(1)	-	(1,579)	-	-	1	-	(1,579)
Issue of shares	2	13,662	-	-	-	-	-	13,664
Share issue costs	-	(803)	-	-	-	-	-	(803)
Dividends paid	-	-	(4,329)	-	-	-	-	(4,329)
Total contributions by and distributions to owners	1	12,859	(5,908)	-	-	1	-	6,953
Prior years' holding gains now realised	-	-	-	755	(755)	-	-	-
Total other movements	-	-	-	755	(755)	-	-	-
Balance as at 30 November 2018	11	57,045	19,536	(9,898)	24,595	1	(660)	90,630

Cash Flow Statement

	Unaudited Six months to 31 May 2019 £'000	Unaudited Six months to 31 May 2018 £'000	Audited Year to 30 November 2018 £'000
Cash flows from operating activities			
(Loss)/profit before tax	(255)	5,981	(3,234)
Adjustments for:			
(Increase)/decrease in debtors	(4)	52	33
(Decrease)/increase in creditors	(738)	76	35
Loss/(gain) on disposal of fixed assets	71	(262)	(1,266)
Loss/(gain) on valuation of fixed asset investments	234	(6,046)	3,185
(Gain)/loss on valuation of current asset investments	(819)	(364)	155
Non-cash distributions	-	-	(245)
Cash from operations	(1,511)	(563)	(1,337)
Income taxes paid	-	-	-
Net cash generated from operating activities	(1,511)	(563)	(1,337)
Cash flows from investing activities			
Purchase of fixed asset investments	(968)	(4,494)	(7,413)
Sale of fixed asset investments	2,024	3,049	6,155
Purchase of current asset investments	(3,002)	(300)	(300)
Net cash flows from investing activities	(1,946)	(1,745)	(1,558)
Cash flows from financing activities			
Purchase of own shares	(1,653)	(743)	(1,579)
Share issues	62	93	12,183
Dividends paid	(1,943)	(1,762)	(3,651)
Net cash flows from financing activities	(3,534)	(2,412)	6,953
(Decrease)/increase in cash and cash equivalents	(6,991)	(4,720)	4,058
Opening cash and cash equivalents	14,995	10,937	10,937
Closing cash and cash equivalents	8,004	6,217	14,995
Cash and cash equivalents comprise			
Cash at bank	4,542	1,779	11,546
Money Market Funds	3,462	4,438	3,449
	8,004	6,217	14,995

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly report which covers the six months to 31 May 2019 has been prepared in accordance with the Financial Reporting Council's (FRC) Financial Reporting Standard (FRS) 104 Interim Financial Reporting (March 2015) and the Statement of Recommended Practice (SORP) for Investment Companies issued by the Association of Investment Companies in 2014 (updated in February 2018).

The Directors consider it appropriate to adopt the going concern basis of accounting. The Directors have not identified any material uncertainties to the company's ability to continue to adopt the going concern basis over a period of at least twelve months from the date of approval of the financial statements.

The principal accounting policies have remained unchanged from those set out in the Company's 2018 Annual Report and Accounts.

2. Publication of non-statutory accounts

The unaudited half-yearly reports for the six months ended 31 May 2019 does not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 30 November 2018 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3, part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. Earnings per share

The earnings per share at 31 May 2019 are calculated on the basis of 111,279,985 shares (31 May 2018: 99,400,679 and 30 November 2018: 101,274,833), being the weighted average number of shares in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted returns per share figures are relevant.

4. Net asset value per share

The net asset value per share is based on net assets as at 31 May 2019 divided by 110,500,001 shares in issue at that date (31 May 2018: 99,391,431 and 30 November 2018: 112,129,004).

5. Dividends

The Directors have declared a dividend of 2.1 pence per share, payable from the special distributable reserve. This dividend will be paid on 7 November 2019 to those shareholders on the register at 18 October 2019.

6. Buybacks and share issues

During the six months ended 31 May 2019 the Company repurchased the following shares.

Date	No. of shares	Price (p)	Cost (£)
13 December 2018	324,320	74.6	242,000
24 January 2019	259,127	74.7	194,000
14 February 2019	350,000	73.1	256,000
21 March 2019	369,371	73.9	273,000
18 April 2019	195,430	74.9	146,000
23 May 2019	719,500	75.4	542,000
Total	2,217,748		1,653,000

The weighted average price of all buybacks during the period was 74.5 pence per share.

During the six months ended 31 May 2019 the Company issued the following shares:

Date	No. of shares	Price (p)	Net proceeds (£)
8 January 2019 (DRIS)*	23,621	–	–
12 April 2019	77,882	82.5	62,000
24 May 2019 (DRIS)	487,242	78.8	383,000
Total	588,745		445,000

The weighted average allotment price of all shares issued during the period was 75.6 pence per share.

*Issued in correction of a previous pricing error.

7. Principal risks and uncertainties

The Company's principal risks are VCT qualifying status risk, investment risk, valuation risk, regulatory and reputational risk, operational risk and financial risk; market price risk, credit risk, liquidity risk, fair value risk, cash flow risk and interest rate risk. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 30 November 2018. The Company's principal risks and uncertainties have not changed materially since the date of that report.

8. Related party transactions

The Company has employed Octopus Investments Limited ("Octopus" or "the Manager") throughout the period as Investment Manager. Octopus has also been appointed as Custodian of the Company's investments under a Custodian Agreement. The Company has been charged £729,000 by Octopus as a management fee in the period to 31 May 2019 (31 May 2018: £715,000 and 30 November 2018: £1,457,000). The management fee is payable quarterly and is based on 2% of net assets at quarterly intervals.

The Company receives a reduction in the management fee for the investments in other Octopus managed funds, being the Octopus Portfolio Manager and Micro Cap products, to ensure the Company is not double charged on these products. This amounted to £35,000 in the period to 31 May 2019 (31 May 2018: £31,000 and 30 November 2018: £63,000). For further details please refer to the Company's Annual Report and Accounts for the year ended 30 November 2018. Details of amounts invested in Octopus managed funds can be found on page 11.

9. Post balance sheet events

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

- 20 June 2019: 161,371 shares bought back at a price 74.4p per share.
- 28 June 2019: 38,671 shares issued at a price of 77.3p.
- Partial disposals in RWS Holdings plc, Clinigen Group plc, Gamma Communications plc, Next Fifteen Communications plc, Restore plc, Advanced Medical Solutions Group plc and Iomart Group plc. Total consideration for the seven holdings was £1.6 million.
- Full disposal of holding in Abcam plc for total consideration of £574,000.
- One follow-on investment into the UK Multi Cap Income Fund of £50,000.
- The Company has cancelled £11.6 million of share premium.

10. Fixed asset investments

Accounting Policy

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

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

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being fair value through profit or loss 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. This is consistent with the International Private Equity and Venture Capital Valuation (IPEV) guidelines.

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

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

Fair value hierarchy

Paragraph 34.22 of FRS102 suggests following a hierarchy of fair value measurements, for financial instruments measured at fair value in the Balance Sheet, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). This methodology is adopted by the Company and requires disclosure of financial instruments to be dependent on the lowest significant applicable input, as laid out below:

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

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

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

There have been no reclassifications between levels in the year. The change in fair value for the current and previous year is recognised through the profit and loss account.

Disclosure

	Level 1: AIM-traded equity investments £'000	Level 3: Unquoted investments £'000	Total £'000
Cost as at 1 December 2018	34,580	1,387	35,967
Opening unrealised gain/(loss) at 1 December 2018	23,663	241	23,904
Valuation at 1 December 2018	58,243	1,628	59,871
Purchases at cost	968	–	968
Disposal proceeds	(2,024)	–	(2,024)
Profit on realisation of investments	(71)	–	(71)
Change in fair value in year	(234)	–	(234)
Closing valuation at 31 May 2019	56,882	1,628	58,510
Cost at 31 May 2019	34,078	1,057	35,135
Closing unrealised gain at 31 May 2019	23,134	241	23,375
Valuation at 31 May 2019	57,212	1,298	58,510

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

Level 3 investments are valued in accordance with IPEV guidelines. Hasgrove is valued at the most recent transaction price, whilst Rated People is valued at the latest fundraising price. Fusionex is held at the latest traded price as a listed company before delisting. The one loan note is 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 31 May 2019 there were no commitments in respect of investments approved by the Investment Manager but not yet completed.

11. Additional information

Copies of this report are available from the registered office of the Company at 33 Holborn, London, EC1N 2HT.

About Octopus AIM VCT 2 plc

The Company was launched as Close IHT AIM VCT plc and raised £25 million in March 2006 through an offer for subscription.

On 12 August 2010 the Company acquired the assets and liabilities of Octopus Third AIM VCT plc (formerly Octopus Second AIM VCT plc) ("the merger") and changed its name from Octopus IHT AIM VCT plc to Octopus Second AIM VCT plc. Shareholders of Octopus Third AIM VCT received 0.48356191 Ordinary shares in the Company for each Ordinary share they held prior to the merger. Prior to July 2009 Octopus Third AIM had two classes of shares, Ordinary and C shares. The C shares converted into Ordinary shares in July 2009 and C shareholders received 2.4313 Ordinary shares for each C share held. The prospectus also raised a total of £6.4 million for the Company.

A Top-up offer launched on 6 February 2012 and which closed on 5 April 2012, which raised £1.3 million for the Company. A Top-up offer was launched on 25 April 2012 and closed on 31 July 2012, which raised a further £0.5 million for the Company.

On 1 February 2013, the Board launched an offer for subscription with the target of raising £10.0 million for the Company. The offer closed on 17 January 2014, having raised £5.9 million.

On 30 January 2014, the Company name changed to Octopus AIM VCT 2 plc.

A combined new share offer was launched on 3 February 2014 to raise up to £4.1 million. This closed on 28 March 2014, fully subscribed.

A combined fundraise with Octopus AIM VCT plc was launched on 29 August 2014 to raise up to £8 million with an over-allotment facility of £4 million. This offer closed, fully subscribed, on 11 August 2015.

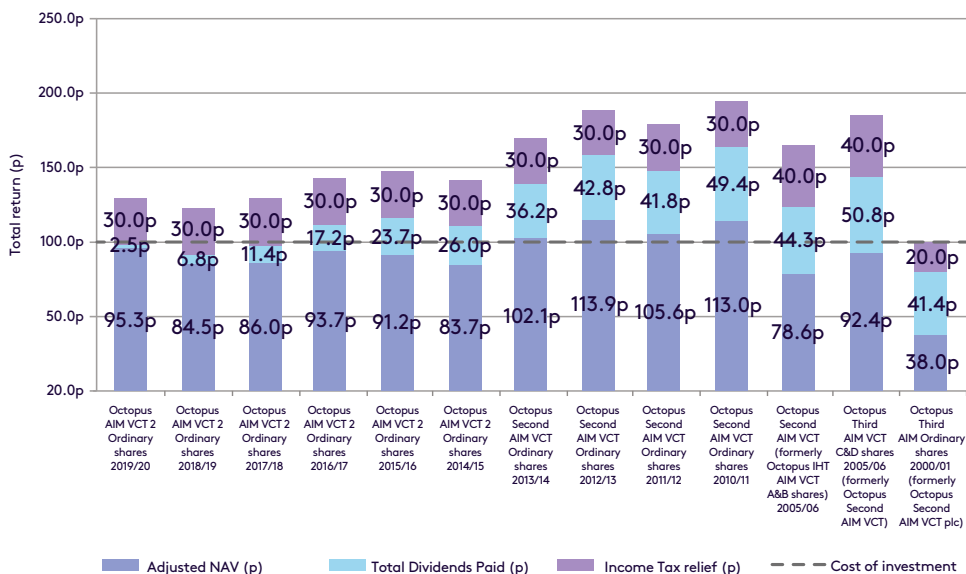
The Board decided to open a further Offer for subscription, again combined with Octopus AIM VCT plc, to raise up to £8 million with an over-allotment facility of £4 million on 21 December 2015. This Offer closed, fully subscribed, on 21 October 2016.

A Top-up offer launched on 6 February 2017 to raise up to £4.3 million, and closed fully subscribed on 18 April 2017.

A combined fundraise with Octopus AIM VCT plc was launched on 16 June 2017 to raise up to £12 million for the Company with an over-allotment facility of £4 million, and closed fully subscribed on 14 November 2017.

On 3 August 2018 a prospectus offer was launched alongside Octopus AIM VCT plc to raise up to £8 million with a £4 million over allotment facility. This prospectus closed to new applications fully subscribed 28 September 2018.

The tables below depict the Net Asset Value (NAV) per share and the dividends that have been paid since the launch of Octopus AIM VCT 2 plc for the different share classes. The figures represent the NAV, rebased to assume investment (including initial charge) at 100p, and adjusted in accordance with the relevant conversion factors. Investment has been assumed at the first allotment of each tax year:



Dividends paid during the period ending	Octopus AIM VCT 2 Ordinary shares 2019/20	Octopus AIM VCT 2 Ordinary shares 2018/19	Octopus AIM VCT 2 Ordinary shares 2017/18	Octopus AIM VCT 2 Ordinary shares 2016/17	Octopus AIM VCT 2 Ordinary shares 2015/16	Octopus AIM VCT 2 Ordinary shares 2014/15
30 November 2003	-	-	-	-	-	-
30 November 2004	-	-	-	-	-	-
30 November 2005	-	-	-	-	-	-
30 November 2006	-	-	-	-	-	-
30 November 2007	-	-	-	-	-	-
30 November 2008	-	-	-	-	-	-
30 November 2009	-	-	-	-	-	-
30 November 2010	-	-	-	-	-	-
30 November 2011	-	-	-	-	-	-
30 November 2012	-	-	-	-	-	-
30 November 2013	-	-	-	-	-	-
30 November 2014	-	-	-	-	-	4.3*
30 November 2015	-	-	-	-	7.0*	6.4*
30 November 2016	-	-	-	4.8*	4.6*	4.3*
30 November 2017	-	-	4.5*	4.9*	4.8*	4.4*
30 November 2018	-	4.5*	4.6*	5.0*	4.9*	4.5*
30 November 2019	2.5*	2.3*	2.3*	2.5*	2.4*	2.2*
Total dividends paid (assumed investment at 100p)	2.5*	6.8*	11.4*	17.2*	23.7*	26.0*
Adjusted NAV (assumed investment at 100p)	95.3**	84.5**	86.0**	93.7**	91.2**	83.7**
NAV plus total dividends (assumes investment at 100p)	97.8***	91.3***	97.4***	110.9***	114.9***	109.7***

Following the merger with Octopus Third AIM VCT plc and various share re-organisations, there is now only one share class, Ordinary shares. For Octopus Third AIM VCT Ordinary shares and 'C' & 'D' shares, the figures above represent a notionally adjusted NAV per share in accordance with the relevant conversion factors.

Octopus AIM VCT 2 Ordinary shares 2013/14	Octopus AIM VCT 2 Ordinary shares 2012/13	Octopus AIM VCT 2 Ordinary shares 2011/12	Octopus AIM VCT 2 Ordinary shares 2010/11	Octopus Second AIM VCT (formerly Octopus IHT AIM VCT A&B shares) 2005/06	Octopus Third AIM VCT C&D shares 2005/06 (formerly Octopus Second AIM VCT)	Octopus Third AIM Ordinary shares 2000/01 (formerly Octopus Second AIM VCT plc)
-	-	-	-	-	-	1.6
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1.4	-	1
-	-	-	-	2.0	0.8	7
-	-	-	-	2.0	2.2	11
-	-	-	-	2.0	2.0	2
-	-	-	-	2.5	5.4	2.2
-	-	-	4.7*	3.3	3.9*	1.6*
-	2.3*	4.4*	4.6*	3.2	3.8*	1.6*
4.5*	5.1*	4.7*	5.0*	3.5	4.1*	1.7*
5.2*	5.8*	5.4*	5.8*	4.0	4.7*	1.9*
7.8*	8.7*	8.1*	8.6*	6.0	7.1*	2.9*
5.2*	5.8*	5.4*	5.8*	4.0	4.7*	1.9*
5.3*	5.9*	5.5*	5.9*	4.1	4.8*	2.0*
5.5*	6.1*	5.6*	6.0*	4.2	4.9*	2.0*
2.7*	3.0*	2.8*	3.0*	2.1	2.5*	1.0*
36.2*	42.8*	41.9*	49.4*	44.3	50.8*	41.5*
102.1**	113.9**	105.6**	113.0**	78.6	92.4**	38.0**
138.3***	156.7***	147.5***	162.4***	122.9	143.2***	79.5***

*Notional dividends assuming investment at 100p and adjusting for conversion of various share classes into Octopus AIM VCT 2 plc Ordinary shares.

**NAV assuming investment at 100p and adjusting for conversion of various share classes into Octopus AIM VCT 2 plc Ordinary shares.

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

Notes

- Octopus Third AIM VCT 'D' shares converted into 'C' shares in May 2009, in accordance with a conversion factor of 1 'C' share for each 'D' share.
- Octopus Third AIM VCT 'C' shares converted into Octopus Third AIM VCT Ordinary shares in May 2009, in accordance with a conversion factor of 2.4313 Ordinary shares for each 'C' share.
- Octopus AIM VCT 2 plc (previously Octopus IHT AIM VCT) 'B' shares converted into 'A' shares in May 2009, in accordance with a conversion factor of 1 'A' share for each 'B' share.
- Octopus Third AIM Ordinary shares converted into Octopus AIM 2 (post August 2010) Ordinary shares in August 2010, in accordance with a conversion factor of 0.48356191 Octopus AIM 2 Ordinary share (post August 2010), for each Octopus Third AIM Ordinary share.
- In August 2010, Octopus IHT AIM VCT was renamed Octopus Second AIM VCT, and subsequently changed its name to Octopus AIM VCT 2 plc.

Directors and Advisers

Board of Directors

Keith Mullins (Chairman)
Andrew Raynor FCA
Elizabeth Kennedy
Alastair Ritchie

Independent Auditor

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Secretary and Registered office

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Taxation Advisor

PricewaterhouseCoopers LLP
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VCT Status Adviser

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Registrar

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Tel: 0370 703 6326
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/

Bankers

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