



Annual Report and Accounts for the year ended 30 November 2018

Company number: 05528235

For UK investors only

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”).

Contents

| | |
|-------------------------------------|----|
| Financial Summary and Key Dates | 1 |
| Strategic Report | 2 |
| • Chairman’s Statement | 3 |
| • Investment Manager’s Review | 5 |
| • The Investment Manager | 17 |
| • Business Review | 18 |
| Details of Directors | 23 |
| Directors’ Report | 24 |
| Corporate Governance Report | 28 |
| Audit Committee Report | 31 |
| Directors’ Remuneration Report | 33 |
| Directors’ Responsibility Statement | 36 |
| Independent Auditor’s Report | 37 |
| Income Statement | 41 |
| Balance Sheet | 42 |
| Statement of Changes in Equity | 43 |
| Cash Flow Statement | 44 |
| Notes to the Financial Statements | 45 |
| Information and Contact Details | 57 |
| Directors and Advisers | 61 |
| Notice of Annual General Meeting | 62 |

Financial Summary

| | 30 November 2018 | 30 November 2017 |
|-----------------------------------|------------------|------------------|
| Net assets (£'000) | 90,630 | 86,911 |
| (Loss)/Profit after tax (£'000) | (3,234) | 8,192 |
| Net asset value ("NAV") per share | 80.8p | 87.1p |
| Dividends paid in year | 4.2p | 4.1p |
| Total return* | (2.4)% | 13.2% |
| Final dividend proposed** | 2.1p | 2.1p |

* Total return is calculated as movement in NAV in the period plus dividends paid in the period, divided by the NAV at the beginning of the period.

**The proposed final dividend will, if approved by shareholders, be paid on 24 May 2019 to shareholders on the register on 3 May 2019.

Key Dates

| | |
|--|---|
| Annual General Meeting | 18 April 2019 at 11:00 am 33 Holborn, London, EC1N 2HT |
| Final dividend payment date | 24 May 2019 |
| Half-Yearly Results to 31 May 2019 published | July 2019 |
| Annual Results to 30 November 2019 announced | February 2020 |
| Annual Report and Accounts published | March 2020 |

Strategic Report

The Directors are required by the Companies Act 2006 to include a Strategic Report to Shareholders. The Strategic Report comprises the Chairman's Statement, Investment Manager's Review and Business Review.

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

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 25 January 2006 and can be found under the TIDM code "OSEC". The Company is premium listed.

The Company's Objective

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

Investment Policy

The Company's investment policy has been designed to ensure continuing compliance with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 85% in a portfolio of qualifying AIM, NEX Exchange traded or unquoted companies where the management view an initial public offering (IPO) on AIM or NEX Exchange is a short to medium term objective. The non-qualifying balance (approximately 15% of its funds) will be invested in permitted investments held for short-term liquidity, generally comprising short-term cash or money market deposits with a minimum Moody's long-term debt rating of 'A'. Moody's is an independent rating agency and is not registered in the EU. A proportion of the balance could be invested in funds managed by Octopus or other direct equity investments. This provides a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

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

Future Prospects

Despite the loss for the year, the Company's performance record reflects the success of the strategy set out above and has allowed the Company to maintain the dividend payments to shareholders in line with the Dividend Policy set out on page 3. The Board believes the Company's business model will enable it to continue to deliver the targeted regular tax-free annual dividends referred to in the Chairman's Statement. The Outlook statements in both the Chairman's Statement and the Investment Manager's Review on pages 4 and 8 respectively provide further details on the more immediate prospects of the Company.

Chairman's Statement

Introduction

I am pleased to present the Annual Report of AIM VCT 2 for the year ended 30 November 2018 and I should like to welcome all new shareholders who have joined the share register and I do hope that I will see some of you at the AGM on 18 April 2019.

The year under review has seen the challenges around international trade politics and visibility of any Brexit settlement intensify, with the result that stock markets became increasingly nervous and volatile as the year progressed, a situation that has persisted post the November year end. The result of this has been that investors have become less comfortable with risk, and as a consequence smaller companies underperformed as an asset class. It was not all bad news, however, despite almost daily negative press, the economy continued to grow in 2018 and employment levels remain high. At the micro-level many companies in the portfolio reported good figures in the September results season. The level of fundraisings on AIM remained buoyant, with support for existing companies exceeding the amounts raised for new issues. Against this background the VCT made £8.0 million of new VCT qualifying investments in the year, up from £4.2 million in the previous year.

Performance

The NAV on 30 November 2018 was 80.8p per share, a decrease on the NAV of 87.1p reported at 30 November 2017. Adding back the 4.2p of dividends paid in the year, to adjust the year end NAV to 85.0p, gives a total negative return of 2.4%. In the same twelve months, the FTSE All Share Index fell by 1.5%, the FTSE SmallCap (excluding investment companies) Index fell by 8.2% and the FTSE AIM All Share Index fell by 8.2%, all on a total return basis.

Once again stock specific factors had a significant impact on performance, both positive and negative, and these are covered in more detail in the Investment Manager's Review. In addition, there was a reduction in the valuation of growth stocks towards the end of the period, and this caused the fund to reverse the unrealised gains that had been reported in the half-yearly report.

In the year under review AIM has raised £6.2 billion of new capital, an increase on the £5.9 billion raised in the previous year, demonstrating its ability to provide additional growth capital for its members.

Dividends

In October 2018 an interim dividend of 2.1p was paid to all shareholders. The Board is recommending a final dividend in respect of the year to 30 November 2018 of 2.1p per share, making 4.2p in total paid in respect of the year. Subject to the approval of shareholders at the AGM the dividend will be paid on 24 May 2019 to shareholders on the register on 3 May 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 prior year end share price, whichever is greater. This will usually be paid in two instalments during each year. The Board has

considered the level of dividend in the context of recent share price movements and on this occasion has chosen to maintain the final dividend.

Dividend Reinvestment Scheme

In common with a number of other VCTs, the Company has established a Dividend Reinvestment Scheme (DRIS) following approval at the AGM in 2014. Some shareholders have already taken advantage of this opportunity. For investors who do not need income, but value the additional tax relief on their reinvested dividends, this is an attractive scheme and I hope that more shareholders will find it useful. In the course of the year 754,621 new shares have been issued under this scheme, returning £0.7 million to the Company. The final dividend referred to above will be eligible for the DRIS.

Share Buybacks

During the year to 30 November 2018 the Company continued to buy back shares in the market from selling shareholders and purchased 1,852,240 ordinary shares for a total consideration of £1,579,000. We have maintained a discount of approximately 4.5% (equating to a 5.0% discount to the selling shareholder after costs), which the Board monitors and intends to retain as a policy which fairly balances the interests of both remaining and selling shareholders. Buybacks remain an essential practice for VCTs, as providing a means of selling is an important part of the initial investment decision and has enabled the Company to grow. As such I hope you will all support the appropriate resolution at the AGM.

Share Issues

An offer to raise up to £8 million with an over-allotment facility of up to a further £4 million alongside the Octopus AIM VCT plc was launched 3 August 2018. The offer closed to new applications on 28 September 2018 fully subscribed, having raised £12 million. As at 30 November 2018 there was still £0.2 million outstanding under this issue in the applications account to be allotted in the new tax year.

Risks and Uncertainties

In accordance with the Listing Rules and the Companies Act 2006 under which the Company operates, the Board has to comment on potential risks and uncertainties, which could have a material impact on the Company's performance.

A risk arises from the requirement to maintain compliance with HMRC regulations (70% of the Company's assets invested in qualifying holdings, rising to 80% from 30 November 2019). Other risks include economic conditions, which impact particularly on smaller companies in which the Company invests, and this could have an adverse impact on share prices. Further details of the risks and uncertainties faced by the Company and the processes in place to mitigate them are set out on pages 20 to 21.

VCT Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice concerning continuing compliance with HMRC regulations for VCTs. The Board has been advised that the Company is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT. A key requirement is to maintain at least 70% qualifying investment level, rising to 80% at the next year end. As at 30 November 2018, the qualifying investment level was at 91% for the Company.

Annual General Meeting ("AGM")

The AGM will take place on 18 April 2019 at 11:00 am I hope to meet as many shareholders as possible at this event, which provides an opportunity for you to meet the Board, Investment Managers and to get an update on the Company's activities and future plans. At the AGM, a resolution will be proposed to extend the life of the Company until 2024 in order to preserve the VCT status of the Company for the benefit of both existing shareholders and new investors who participated in the recent share offer. We will do our best to address as many shareholder questions as possible in this meeting.

Outlook

The newspapers are still dominated by negative stories about international trade tensions, domestic politics and the problem of what our future relationship with the European Union might look like after March 2019. The heightened level of uncertainty now appears to be having an impact on business confidence, with reports of some companies deciding to delay investment.

This has fuelled the recent increase in volatility in domestic stock market indices which were already unnerved by stock market falls elsewhere in the world. This volatility is likely to continue at least until the Brexit position becomes clearer although it is encouraging that UK economic growth has remained positive if unexciting in 2018, with a similar outlook currently being forecast for 2019.

The portfolio now contains 77 holdings across a range of sectors and many of them have already demonstrated their management's ability to grow their businesses successfully in difficult economic conditions. The balance of the portfolio towards profitable companies remains, and the cash available for new investments will allow us to take advantage of any future lowering of valuations resulting from the current period of share price weakness.



Keith Mullins
Chairman
8 February 2019

Investment Manager's Review

Introduction

The tendency of the market to reward growth companies that exceeded expectations with higher share prices and higher ratings came to an end in the second half of the year as attention focused increasingly on risk in the face of heightened uncertainty about the future international trade and possible repercussions of Brexit. Against this background smaller companies underperformed with investors favouring the relative security of the FTSE 100 with its superior liquidity and exposure to foreign currency earnings. This had an impact on the NAV which gave up its unrealised gains reported at the interim stage, producing a small negative total return for the year of 2.4%. There have been some notable contributors to the portfolio, both positive and negative, and while it is disappointing to have to report a negative return for the year, we are pleased to report the maintenance of the 5% yield objective.

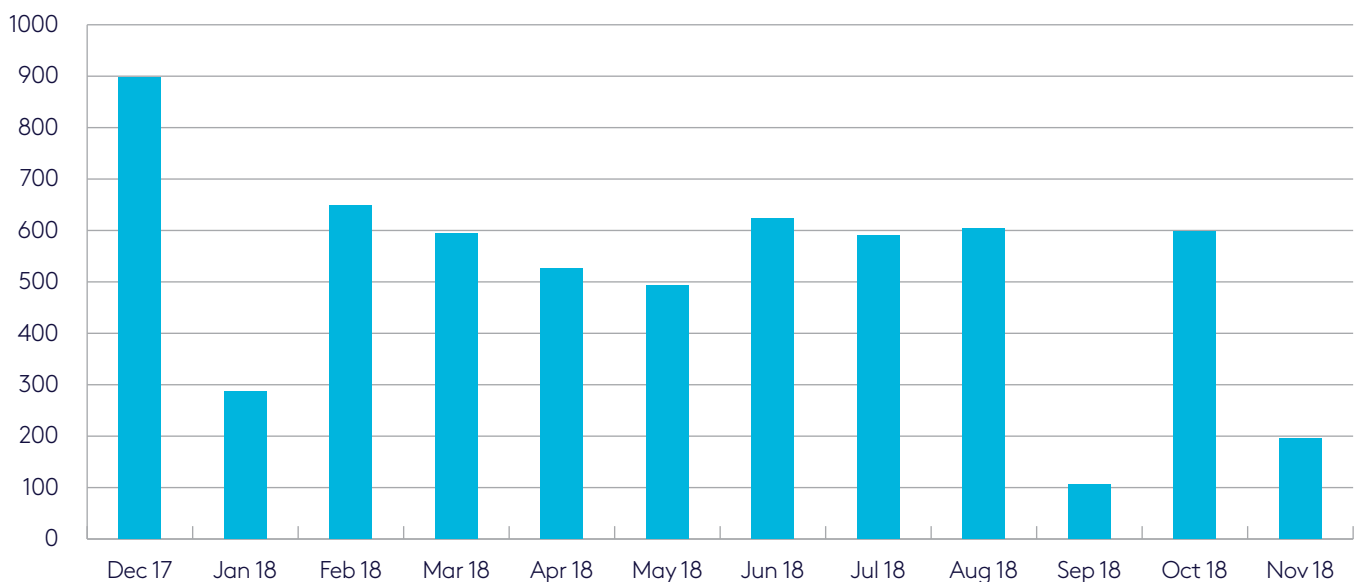
In the year to 30 November 2018 AIM has continued to raise new capital for companies, both already quoted and new flotations, and the Company has deployed existing cash steadily throughout the year as well as raising new cash for future investments. The latest prospectus offer closed in September 2018 having raised the full £12 million. The investment rate picked up in 2018 and we were still seeing companies in December that were looking to float on AIM in the first quarter of 2019 and beyond, giving us some confidence in the pipeline despite the volatility of the market.

The Alternative Investment Market

After two years of outperformance, AIM trailed larger company indices in 2018, producing a total return of -8.2% in the twelve months to November, in line with the Smaller Companies Index (excluding Investment Trusts). This reflected growing concerns about the possible effects on the domestic economy of a disorderly Brexit added to fears about international growth prospects which resulted in a much more cautious attitude to perceived risky assets. Although the September results season was broadly supportive, attention focused on the valuations of some of the more highly rated growth stocks on AIM which had been large contributors to the Index's previous rise.

The graph below shows total fundraising by AIM companies each month throughout the year to 30 November 2018.

Funds raised on AIM (£m): December 2017 – November 2018



Source: London Stock Exchange

Companies have continued to raise new capital throughout the year. In the twelve months to 30 November 2018 AIM raised a further £4.5 billion of new capital for existing companies as well as a total of £1.7 billion for new companies floating on the market. Both figures were slightly higher than last year, demonstrating AIM's continuing ability to provide finance for good growth companies as well as attracting new entrants. New issues included a mixture of early stage companies accessing state aided finance and some already well-established companies reflecting the fact that AIM is still seen as the market of choice for ambitious growth companies. VCTs play a significant part in that funding process and we identify below the companies we have invested in during the year.

Performance

Adding back the 4.2p of dividends paid in the year, the NAV decreased by 2.4%. This compares with a total return for the FTSE All Share Index of -1.5%, the FTSE SmallCap (excluding investment companies) of -8.2% and the FTSE AIM All Share Index of -8.2%. It was a year of two halves and the fund reversed all of its first half gains in the second half in much more volatile market conditions when smaller companies underperformed. Once again the market generally remained wary of smaller companies that have yet to make a profit (of which there are several in the VCT), although even more established companies meeting expectations were not immune from bouts of share price weakness, particularly those perceived as growth stocks on higher than average ratings. Breedon Aggregates, a top ten holding underperformed in the year for this reason despite delivering on profit expectations. Investors were less forgiving of companies that disappointed by missing market expectations.

Despite the recent headwinds, the market was still prepared to reward companies that met or exceeded expectations with higher share prices and this resulted in some good contributions to performance from some of the more established and profitable companies in the portfolio, as well as from some of the more recent investments whose businesses made significant progress in the year.

Learning Technologies and Craneware were significant contributors to performance for the year as a whole. Having demonstrated a successful integration of NetDimensions, Learning Technologies acquired Peoplefluent in 2018, expanding its footprint in the US and increasing its proportion of recurring revenues and exposure to a wider share of the budgets of human resource departments. The shares performed extremely well over the summer but have given back some of these gains since. The company has ambitious growth targets in place and we expect progress from the current levels in the medium to longer term.

Craneware was another company that caught investors' attention as it started to demonstrate some initial revenues from its newly developed Trisus software platform. This extends the number of products that it can offer to US hospitals to increase their efficiency and is expected to lead to increased revenues per hospital account. Despite being well off their highs at the period

end, the shares were still a very good contributor to performance in the year.

Among the larger and more established companies, Staffline, RWS, GB Group, Gamma and Next Fifteen Communications were all positive contributors in the year and we continue to hold them for the longer-term growth opportunities that we still feel they have. Among the more recent investments Creo Medical shares have performed very well since we participated in the placing.

Individual companies suffered from specific headwinds which resulted in poor share price performance. We wrote about Animalcare and Idox in the half-yearly report. They have both appointed new Chief Executives who are now in the process of turning around the business in each case and we expect the shares to start to recover when the changes made are reflected in the figures.

The biggest disappointment in the year was Yu Group, the supplier of energy to small and medium sized businesses. Post its listing on AIM in 2016, it had reported strong growth in revenue and profits, and had produced a confident statement with its interim results in September. However, this was followed by a statement that the accounts and accounting practices were being reviewed at the instigation of the newly appointed finance director and that the Group would be loss-making for the year to December. A further announcement in December did not clarify the extent of the problem and in view of headwinds being reported by other alternative suppliers we sold the shares at a loss post the period end.

Two other negative contributors were Velocity, which had a series of downgrades to forecasts followed by management changes and DP Poland which has reported increased competition from takeaway delivery aggregators raising fears of a slower path to breakeven. Gear4 Music saw its share price weaken as it reported lower gross margins with its interim figures and Quixant shares underperformed as the market awaited upgrades to forecasts.

Elsewhere, early stage companies yet to reach profitability once again held back performance of the NAV, some of which had setbacks or found themselves in need of cash to achieve the next milestone. Futura Medical, Osirium, Microsaic, Midatech Pharma and Haydale Graphene all came into that category.

There are a number of more recent constituents of the portfolio that have yet to make an impression in public markets and whose shares have underperformed while awaiting evidence of progress in their businesses. These include some recent new holdings from the past two years such as Trackwise Designs, Maestrano, Maxcyte and Escape Hunt. 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.

Although the earlier stage companies in the portfolio represent a relatively small proportion by value we expect them to contribute

to future performance when they start to demonstrate growth in their businesses. In the year under review there were some examples of companies that demonstrated that they had started to achieve that in the period and whose shares outperformed including Fair FX, Beeks Financial Cloud, and Mycelx. The latter was helped by a stronger oil price and increased demand for its technology to clean hydrocarbons out of water which led to several upgrades to revenues during the year and the restoration of profitability.

Portfolio Activity

Having made ten qualifying investments at a total cost of £4.4 million in the first half of the year, we added five further new qualifying holdings at a cost of £3.3 million in the second half, as well as two further qualifying investments of £0.2 million into Microsaic Systems and £0.1 million into Access Intelligence, both of which were follow-on investments in existing holdings. This made a total investment of £8.0 million in qualifying investments for the year which was considerably higher than last year's £4.2 million, reflecting a healthy AIM market.

Three of the five new qualifying investments were new issues. Immotion creates out of home virtual reality experiences combining its creative software with advanced motion platforms which are then installed in public spaces such as theme parks. Trackwise Designs is a manufacturer of specialist printed circuit boards which are supplied to the telecoms, satellite and aerospace industries. Its improved harness technology can be used to replace heavy wiring and to take cost and weight out of satellites, aircraft and vehicles. The Panoply comprises four agencies specialising in the digital transformation of businesses. Creo Medical is a medical device company that was already quoted on AIM and received confirmation of its knowledge intensive status. It has a Food and Drug Administration ("FDA") approved device which enables non-invasive surgery using an endoscope. Falanx has been an AIM company for some time and has recently appointed new management team that are now focused on building recurring revenues in its cyber-software business with the latest round of funds.

The Investment Manager continued to use non-qualifying investments to manage liquidity while awaiting new qualifying investment opportunities. We have held onto existing AIM holdings where we see the opportunity for further development and have invested a proportion of the new funds raised into a mixture of the Octopus managed portfolios with a small proportion going into the FP Octopus UK Micro Cap Growth fund. This strategy is designed to obtain a better return on funds awaiting investment than the very low rates available on cash. In the period under review an additional £300,000 was invested in the FP Octopus Micro-Cap Growth fund.

During the year we took realised profits in holdings in Gooch and Housego, Learning Technologies, Quixant, GB Group and Beeks Financial Cloud after good performances as well as disposing of some of the holding in Futura Medical. We disposed of the entire holding in TLA at a small profit on the news of management changes. We also sold the entire holding in Faron

Pharmaceuticals at a loss after news that the phase III drugs trial for Traumakine had failed to demonstrate efficacy against a placebo. In all disposals made a £2 million profit over original cost and generated £6.1 million of cash proceeds.

New VCT Regulations

The budget in November 2018 contained no significant changes to the VCT regulations. As a reminder, the current requirements are that any funds raised after 6th April 2019 should be 30% invested in qualifying holdings within 12 months, and for financial years ending after 6 April 2019 the portfolio will also have to maintain a minimum of 80% invested at cost in qualifying holdings. We are determined to maintain a threshold of quality and to invest where we see the potential for returns from growth. However, the emphasis of the new regulations is definitely to encourage investment into earlier stage companies and to that extent, it seems likely over a number of years, that the portfolio will see a rise in the number of smaller companies receiving our initial investment. We would expect to invest further in those companies as they demonstrate their ability to grow.

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

In order to qualify companies must:

- have fewer than 250 full time equivalent employees; and
- have less than £15 million of gross assets at the time of investment and no more than £16 million immediately post investment; and
- be less than seven years old from the date of its first commercial sale (or 10 years if a knowledge intensive company) if raising State Aided (i.e. VCT) funds for the first time; and
- have raised no more than £5 million of State Aided funds in the previous 12 months and less than the lifetime limit of £12 million (or since 6th April 2018 £10 million in 12 months £20 million lifetime limit if a knowledge intensive company); and
- produce a business plan to show that the funds are being raised for growth and development.

The latest changes are to encourage VCTs to keep their investment rate up after raising money – hence the 70% limit rises to 80% from 30 November 2019 for the Company. However, allowing knowledge intensive companies to raise up to £10 million of the £20 million lifetime limit in a twelve month period rather than the existing £5 million has improved flexibility as will the proposed change to the amount of time allowed for re-investment of cash from sales of qualifying holdings from six to twelve months from April 2019.

Outlook

Equity markets have got off to a better start in 2019, however all of the uncertainties around Brexit, political instability and the resilience of our economic growth that we have talked about previously are still very much present challenges, and they have produced the much more volatile market conditions we are currently experiencing. The deterioration of China's relations with the US and some disappointments in the latest round of US earnings reports combined with downgrades to Chinese growth expectations have spooked global stock markets and led the recent share price falls. In the UK, a Brexit deal is now perceived to be crucial to immediate economic prospects with the implicit threat that a failure to achieve this will derail the current forecasts for continued slow economic growth.

The portfolio now contains 77 holdings with investments across a range of sectors including several such as Craneware, Gooch and Housego, RWS, Clinigen, Cello, DP Poland, EKF Diagnostics, Mycelx and GB Group that have significant international exposure. The balance of the portfolio towards profitable companies remains. Following the recent fundraise, the VCT has funds available for new investments which should allow us to take advantage of any dip in valuations resulting from current weak sentiment and we remain selective when viewing new investment opportunities.

The AIM Team
Octopus Investments Limited
8 February 2019

Investment Portfolio

| Investee Company | Sector | Book cost as at 30 November 2018 £'000 | Cumulative change in Fair Value £'000 | Fair Value as at 30 November 2018 £'000 | Movement in Year £'000 | % Equity held by Octopus AIM VCT 2 plc | % Equity held by all funds managed by Octopus |
|---------------------------------------|-----------------------------------|---|--|--|---------------------------|--|---|
| Quoted Investments | | | | | | | |
| Craneware plc | Software & Computer Services | 479 | 4,053 | 4,532 | 2,297 | 0.59% | 1.49% |
| GB Group plc | Software & Computer Services | 442 | 2,858 | 3,300 | 162 | 0.47% | 10.70% |
| Learning Technologies Group plc | Support Services | 746 | 2,335 | 3,081 | 1,186 | 0.49% | 1.33% |
| Breedon Group plc | Construction & Materials | 573 | 2,434 | 3,007 | (1,098) | 0.28% | 3.26% |
| Quixant plc | Technology Hardware & Equipment | 391 | 2,428 | 2,819 | (535) | 1.28% | 3.89% |
| RWS Holdings plc | Support Services | 249 | 1,880 | 2,129 | 257 | 0.16% | 6.50% |
| Staffline Recruitment Group plc | Support Services | 225 | 1,397 | 1,622 | 340 | 0.44% | 17.32% |
| Creo Medical Group plc | Health Care Equipment & Services | 1,106 | 424 | 1,530 | 425 | 0.74% | 2.04% |
| Gear4music Holdings plc | Leisure Goods | 372 | 1,114 | 1,486 | (372) | 1.28% | 5.47% |
| Animalcare Group plc | Pharmaceuticals & Biotechnology | 824 | 550 | 1,374 | (1,383) | 1.46% | 2.37% |
| Adept Telecom plc | Fixed Line Telecommunications | 502 | 773 | 1,275 | 236 | 1.51% | 3.32% |
| FairFx Group plc | General Financial | 632 | 637 | 1,269 | 365 | 0.70% | 2.22% |
| MyCelx Technologies Corporation | Oil Equipment & Services | 980 | 269 | 1,249 | 744 | 2.89% | 9.92% |
| EKF Diagnostics Holdings plc | Health Care Equipment & Services | 864 | 376 | 1,240 | 122 | 0.98% | 2.86% |
| Brooks Macdonald Group plc | General Financial | 610 | 610 | 1,220 | (147) | 0.53% | 11.05% |
| IDOX plc | Software & Computer Services | 356 | 813 | 1,169 | (985) | 0.90% | 2.05% |
| Next Fifteen Communications Group plc | Media | 458 | 655 | 1,113 | 277 | 0.26% | 13.22% |
| LoopUp Group plc | Software & Computer Services | 320 | 784 | 1,104 | 272 | 0.58% | 3.16% |
| Gooch & Housego plc | Electronic & Electrical Equipment | 281 | 723 | 1,004 | 3 | 0.28% | 14.85% |
| Advanced Medical Solutions Group plc | Health Care Equipment & Services | 505 | 404 | 909 | (72) | 0.15% | 10.21% |
| Clinigen Group plc | Pharmaceuticals & Biotechnology | 625 | 277 | 902 | (147) | 0.08% | 4.63% |
| Ergomed plc | Pharmaceuticals & Biotechnology | 960 | (69) | 891 | (238) | 1.32% | 4.34% |
| Judges Scientific plc | Electronic & Electrical Equipment | 209 | 631 | 840 | 198 | 0.54% | 1.36% |
| Osirium Technologies plc | Software & Computer Services | 900 | (83) | 817 | (96) | 4.57% | 17.23% |
| Netcall plc | Software & Computer Services | 356 | 422 | 778 | (216) | 1.51% | 3.58% |
| Access Intelligence plc | Software & Computer Services | 589 | 170 | 759 | 261 | 2.19% | 5.30% |
| Nasstar plc | Software & Computer Services | 320 | 423 | 743 | 70 | 1.11% | 2.78% |
| Plastics Capital plc | Chemicals | 485 | 253 | 738 | (152) | 1.85% | 7.67% |
| DP Poland plc | Travel & Leisure | 678 | 48 | 726 | (442) | 2.07% | 6.50% |

| Investee Company | Sector | Book cost as at 30 November 2018 £'000 | Cumulative change in Fair Value £'000 | Fair Value as at 30 November 2018 £'000 | Movement in Year £'000 | % equity held by Octopus AIM VCT 2 plc | % equity held by all funds managed by Octopus |
|----------------------------------|-----------------------------------|--|---------------------------------------|---|------------------------|--|---|
| VR Education Holdings plc | Software & Computer Services | 720 | – | 720 | – | 3.73% | 10.75% |
| Vertu Motors plc | General Retailers | 777 | (84) | 693 | (183) | 0.50% | 4.09% |
| Gamma Communications plc | Mobile Telecommunications | 326 | 357 | 683 | 171 | 0.09% | 10.36% |
| Abcam plc | Pharmaceuticals & Biotechnology | 358 | 322 | 680 | 92 | 0.03% | 2.80% |
| Restore plc | Support Services | 227 | 445 | 672 | (275) | 0.14% | 10.27% |
| Beeks Financial Cloud Group plc | Software & Computer Services | 302 | 361 | 663 | 411 | 1.19% | 3.12% |
| Trackwise Designs plc | Electronic & Electrical Equipment | 700 | (47) | 653 | (47) | 4.51% | 11.28% |
| Panopoly Holdings plc | Software & Computer Services | 653 | – | 653 | – | 2.17% | 5.43% |
| Brady plc | Software & Computer Services | 647 | 4 | 651 | 21 | 1.22% | 3.01% |
| Falanx Group Limited | Support Services | 600 | – | 600 | – | 4.99% | 12.49% |
| Ixico plc | Pharmaceuticals & Biotechnology | 751 | (161) | 590 | (161) | 5.74% | 14.34% |
| Cambridge Cognition Holdings plc | Health Care Equipment & Services | 400 | 172 | 572 | (285) | 2.76% | 6.91% |
| Scientific Digital Imaging plc | Health Care Equipment & Services | 118 | 422 | 540 | 198 | 1.66% | 8.16% |
| KRM22 plc | Equity Investment Instruments | 454 | 13 | 467 | 14 | 3.71% | 9.27% |
| Omega Diagnostics Group plc | Health Care Equipment & Services | 318 | 148 | 466 | (148) | 2.25% | 5.26% |
| Escape Hunt plc | Travel & Leisure | 659 | (195) | 464 | (195) | 2.41% | 6.02% |
| Cello Group plc | Media | 205 | 227 | 432 | (120) | 0.42% | 1.95% |
| Iomart Group plc | Software & Computer Services | 178 | 172 | 350 | (12) | 0.09% | 13.43% |
| Yu Group plc | Gas, Water & Multiutilities | 470 | (165) | 305 | (1,715) | 1.56% | 8.20% |
| Mattoli Woods plc | General Financial | 101 | 196 | 297 | (77) | 0.18% | 2.10% |
| Vectura Group plc | Pharmaceuticals & Biotechnology | 332 | (44) | 288 | (91) | 0.06% | 0.15% |
| Maestrano Group plc | Software & Computer Services | 424 | (164) | 260 | (164) | 3.53% | 8.83% |
| appScatter Group plc | Software & Computer Services | 838 | (580) | 258 | (374) | 1.44% | 3.79% |
| PCI-Pal plc | Software & Computer Services | 480 | (235) | 245 | (235) | 2.51% | 6.27% |
| Maxcyte Inc | Pharmaceuticals & Biotechnology | 340 | (97) | 243 | (54) | 0.35% | 1.46% |
| Fusion Antibodies plc | Health Care Equipment & Services | 386 | (150) | 236 | (150) | 2.12% | 5.52% |
| Immotion Group plc | Electronic & Electrical Equipment | 249 | (18) | 231 | (19) | 1.28% | 3.86% |
| Renalytix plc | Health Care Equipment & Services | 246 | (23) | 223 | (22) | 0.38% | 1.02% |
| TP Group plc | Industrial Engineering | 452 | (235) | 217 | 15 | 0.49% | 2.48% |

| Investee Company | Sector | Book cost as at 30 November 2018 £'000 | Cumulative change in Fair Value £'000 | Fair Value as at 30 November 2018 £'000 | Movement in Year £'000 | % equity held by Octopus AIM VCT 2 plc | % equity held by all funds managed by Octopus |
|-----------------------------------|-----------------------------------|---|--|--|---------------------------|--|---|
| Microsaic Systems plc | Electronic & Electrical Equipment | 923 | (715) | 208 | (62) | 3.78% | 9.45% |
| WANdisco plc | Software & Computer Services | 96 | 101 | 197 | (89) | 0.13% | 0.32% |
| Velocity Composites plc | Aerospace & Defense | 533 | (376) | 157 | (420) | 1.75% | 4.93% |
| Enteq Upstream plc | Oil Equipment & Services | 687 | (536) | 151 | 7 | 1.10% | 2.74% |
| Tasty plc | Travel & Leisure | 336 | (214) | 122 | (269) | 1.87% | 4.36% |
| Haydale Graphene Industries plc | Chemicals | 399 | (299) | 100 | (182) | 0.91% | 5.00% |
| Nektan plc | Travel & Leisure | 563 | (485) | 78 | (19) | 0.89% | 7.27% |
| Mears Group plc | Support Services | 51 | 10 | 61 | (14) | 0.02% | 0.13% |
| Futura Medical plc | Pharmaceuticals & Biotechnology | 554 | (493) | 61 | (187) | 0.47% | 2.96% |
| Genedrive Plc | Pharmaceuticals & Biotechnology | 140 | (105) | 35 | (26) | 0.51% | 1.29% |
| Diurnal Group plc | Pharmaceuticals & Biotechnology | 240 | (211) | 29 | (211) | 0.20% | 0.51% |
| ReNeuron Group plc | Pharmaceuticals & Biotechnology | 216 | (192) | 24 | (56) | 0.14% | 0.84% |
| 1Spatial plc | Support Services | 200 | (178) | 22 | (2) | 0.06% | 0.56% |
| Midatech Pharma plc | Pharmaceuticals & Biotechnology | 400 | (386) | 14 | (50) | 0.24% | 1.57% |
| Location Sciences Group plc | Software & Computer Services | 509 | (504) | 5 | (1) | 0.06% | 0.15% |
| Total Quoted Investments | | 34,580 | 23,663 | 58,243 | (3,654) | | |
| Unquoted Investments | | | | | | | |
| Hasgrove plc | Media | 153 | 498 | 651 | 439 | | |
| Fusionex International plc | Software | 188 | (109) | 79 | - | | |
| Popsa Holdings Ltd | Software & Computer Services | 480 | - | 480 | - | | |
| Rated People Ltd | Software & Computer Services | 236 | (148) | 88 | 30 | | |
| Total Unquoted Investments | | 1,057 | 241 | 1,298 | 469 | | |

| Investee Company | Sector | Book cost as at 30 November 2018 £'000 | Cumulative change in Fair Value £'000 | Fair Value as at 30 November 2018 £'000 | Movement in Year £'000 | % equity held by Octopus AIM VCT 2 plc | % equity held by all funds managed by Octopus |
|--|----------|--|--|---|------------------------------|--|---|
| Loan Notes | | | | | | | |
| Nektan Limited | Software | 330 | - | 330 | - | | |
| Total Loan Notes | | 330 | - | 330 | - | | |
| Total Fixed Asset Investments | | | | 59,871 | | | |
| Current Asset Investments | | | | | | | |
| Octopus Portfolio Manager – Conservative Capital Growth | | 7,000 | 15 | 7,015 | (175) | | |
| Octopus Portfolio Manager – Defensive Capital Growth | | 7,000 | 169 | 7,169 | (136) | | |
| Octopus UK Micro Cap Growth Fund | | 1,900 | 507 | 2,707 | 155 | | |
| Total Current Asset Investments | | 15,900 | 691 | 16,891 | (155) | | |
| Total Fixed and Current Asset Investments | | | | 76,762 | | | |
| Money Market Funds | | | | 3,449 | | | |
| Cash at Bank | | | | 11,546 | | | |
| Debtors less Creditors | | | | (1,127) | | | |
| Total Net Assets | | | | 90,630 | | | |

Top ten holdings

Listed below are the ten largest investments, valued at bid price, as at 30 November 2018:

Craneware plc

Craneware is the market leader in software and supporting services to US hospitals so they can invest in quality patient outcomes.

| | |
|---------------------------------|----------------|
| Initial investment date: | February 2010 |
| Cost: | £479,000 |
| Valuation: | £4,532,000 |
| Equity held: | 0.59% |
| Last audited accounts: | 30 June 2018 |
| Revenue: | \$67.1 million |
| Profit before tax: | \$18.9 million |
| Net assets: | \$51.6 million |



GB Group plc

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

| | |
|---------------------------------|----------------|
| Initial investment date: | November 2011 |
| Cost: | £442,000 |
| Valuation: | £3,300,000 |
| Equity held: | 0.47% |
| Last audited accounts: | 31 March 2018 |
| Revenue: | £119.7 million |
| Profit before tax: | £13.4 million |
| Net assets: | £157.8 million |



Learning Technologies Group plc

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

| | |
|---------------------------------|------------------|
| Initial investment date: | June 2011 |
| Cost: | £746,000 |
| Valuation: | £3,081,000 |
| Equity held: | 0.49% |
| Last audited accounts: | 31 December 2017 |
| Revenue: | £52.1 million |
| Profit before tax: | £0.7 million |
| Net assets: | £76.8 million |



Breedon Group plc

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

| | |
|---------------------------------|------------------|
| Initial investment date: | August 2010 |
| Cost: | £573,000 |
| Valuation: | £3,007,000 |
| Equity held: | 0.28% |
| Last audited accounts: | 31 December 2017 |
| Revenue: | £652.4 million |
| Profit before tax: | £71.2 million |
| Net assets: | £528.1 million |



Quixant plc

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

| | |
|---------------------------------|------------------|
| Initial investment date: | May 2013 |
| Cost: | £391,000 |
| Valuation: | £2,819,000 |
| Equity held: | 1.28% |
| Last audited accounts: | 31 December 2017 |
| Revenue: | \$109.2 million |
| Profit before tax: | \$15.0 million |
| Net assets: | \$47.3 million |

**RWS Holdings plc**

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

| | |
|---------------------------------|-------------------|
| Initial investment date: | December 2009 |
| Cost: | £249,000 |
| Valuation: | £2,129,000 |
| Equity held: | 0.16% |
| Last audited accounts: | 30 September 2017 |
| Revenue: | £164 million |
| Profit before tax: | £33.9 million |
| Net assets: | £158.9 million |

**Staffline Recruitment Group plc**

Staffline is the UK's leading outsourced workforce provider.

| | |
|---------------------------------|------------------|
| Initial investment date: | March 2011 |
| Cost: | £225,000 |
| Valuation: | £1,622,000 |
| Equity held: | 0.44% |
| Last audited accounts: | 31 December 2017 |
| Revenue: | £957.8 million |
| Profit before tax: | £24.1 million |
| Net assets: | £95.8 million |

**Creo Medical Group plc**

Creo Medical is a medical technology company focused on endoscopy.

| | |
|---------------------------------|---------------|
| Initial investment date: | July 2018 |
| Cost: | £1,106,000 |
| Valuation: | £1,530,000 |
| Equity held: | 0.74% |
| Last audited accounts: | 30 June 2017 |
| Revenue: | £0.0 million |
| Loss before tax: | £8.9 million |
| Net assets: | £14.7 million |



Gear4music Holdings plc

Gear4music is the largest UK based online retailer of musical instruments and music equipment.

| | |
|---------------------------------|------------------|
| Initial investment date: | May 2015 |
| Cost: | £372,000 |
| Valuation: | £1,486,000 |
| Equity held: | 1.28% |
| Last audited accounts: | 28 February 2018 |
| Revenue: | £80.1 million |
| Profit before tax: | £1.5 million |
| Net assets: | £18.9 million |

**Animalcare Group plc**

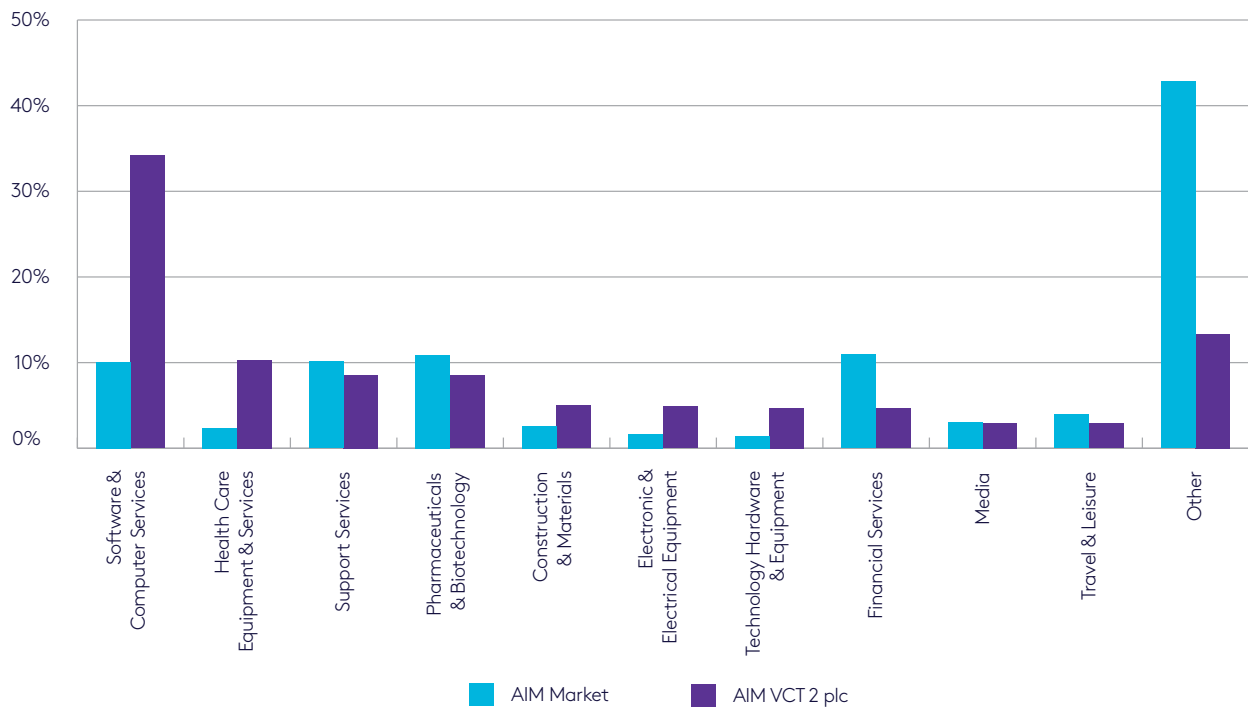
Animalcare is a developer and supplier of veterinary drugs.

| | |
|---------------------------------|------------------|
| Initial investment date: | December 2007 |
| Cost: | £824,000 |
| Valuation: | £1,374,000 |
| Equity held: | 1.46% |
| Last audited accounts: | 31 December 2017 |
| Revenue: | £83.7 million |
| Profit before tax: | £0.5 million |
| Net assets: | £89.6 million |

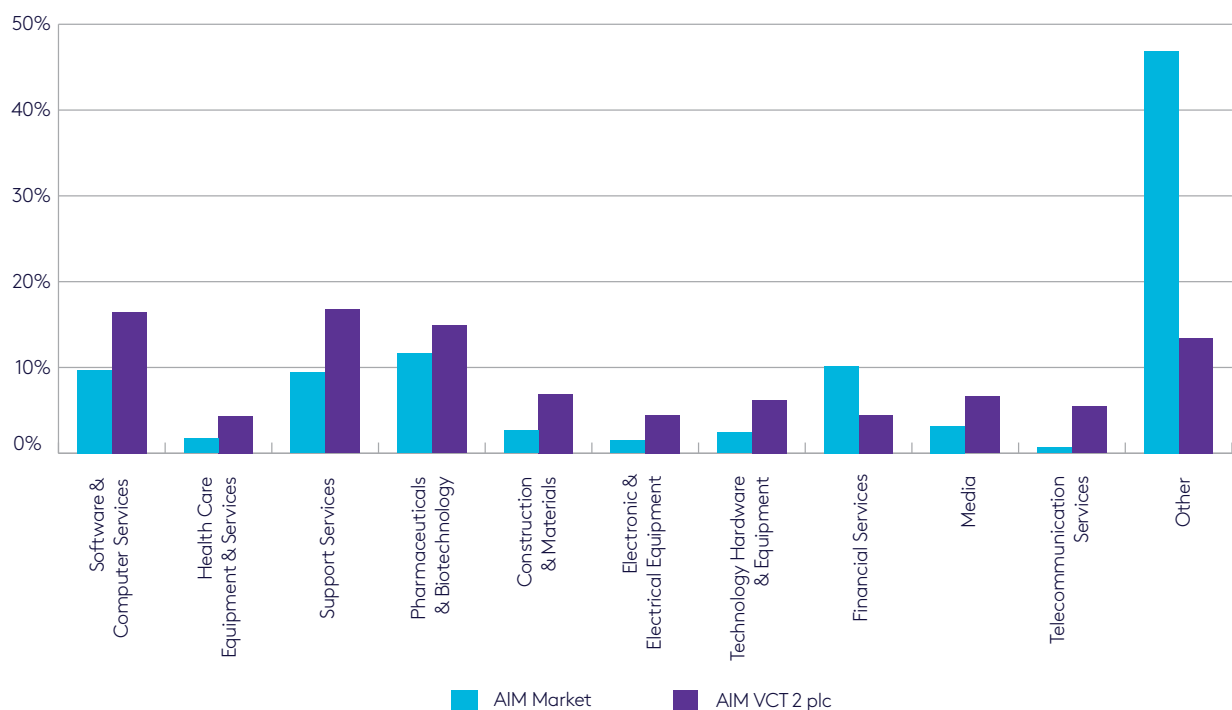


Sector analysis

The graph below shows the sectors the equity portfolio was invested in by value as at 30 November 2018. It also shows the sectors of the AIM market as a whole as at 30 November 2018:



The graph below shows the sectors the equity portfolio was invested in by value as at 30 November 2017. It also shows the sectors of the AIM market as a whole as at 30 November 2017:



The Investment Manager

Personal Service

Octopus was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus Investments Limited also acts as Investment Manager to 5 other listed investment companies and has a total of over £7 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 AIM investment team of Octopus comprises:

Kate Tidbury

Kate has had an extensive career which has included periods as an investment analyst with Sheppards and Chase and Panmure Gordon and then as an Investment Manager specialising in ethical and smaller companies with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000 where she was involved in the management of this Company's investments since its launch in 2006 as well as other AIM VCTs and IHT portfolios. She joined Octopus Investments Limited in 2008.

Richard Power

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

Edward Griffiths

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

Stephen Henderson

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

Mark Symington

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

Dominic Weller

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

Chris McVey

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

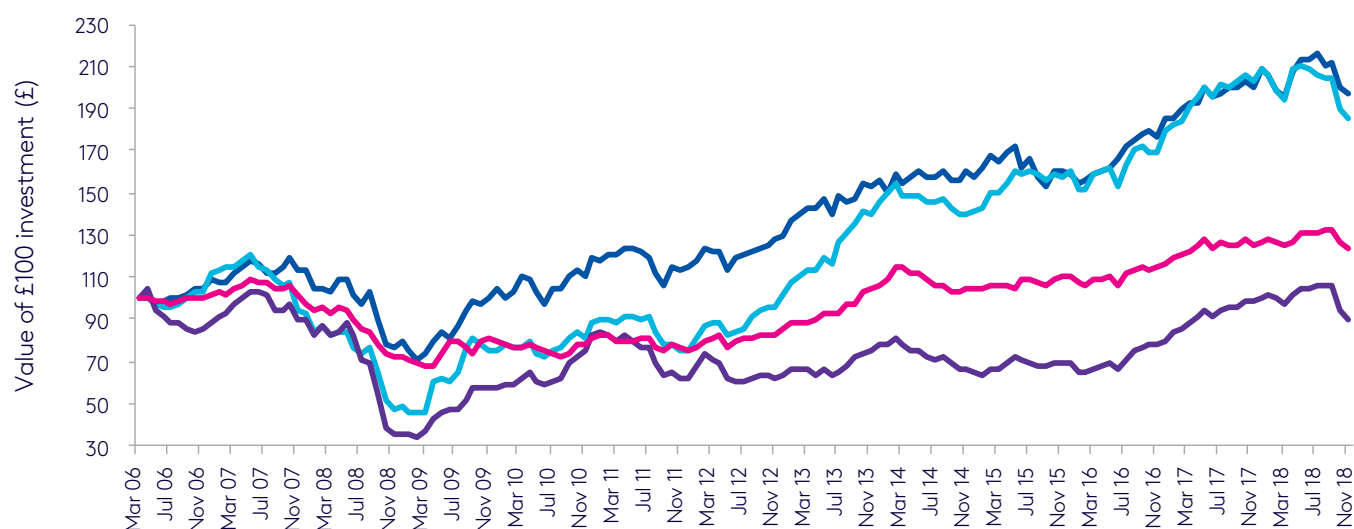
Business Review

Performance

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

The graph below compares the total return of the Company over the period from 1 March 2006 to 30 November 2018 with the total return from notional investments in the FTSE All-Share index and FTSE Small-Cap ex-investment companies index over the same period. The Directors consider these to be the most appropriate benchmarks but would remind investors that approximately 30% of the FTSE AIM All-share index is attributable to resources or property sector stocks which venture capital trusts cannot invest in. Investors should be reminded that shares in venture capital trusts generally continue to trade at a discount to the NAV of the Company.

Investors investing into Octopus AIM VCT 2 plc



- FTSE All-Share total return, based on £100 notional investment on 1 March 2006 and the reinvestment of all income
- FTSE Small-Cap ex Investment trusts total return, based on £100 notional investment on 1 March 2006 and the reinvestment of all income
- FTSE AIM All-Share total return, based on £100 notional investment on 1 March 2006 and the reinvestment of all income
- NAV return + reinvestment of all dividends (net of up-front tax relief), based on notional investment of £100 on 1 March 2006

Results and Dividend

| | Year ended 30 November 2018 £'000 | Year ended 30 November 2017 £'000 |
|---|---|---|
| Net (loss)/profit attributable to shareholders | (3,234) | 8,192 |
| Distributions: | | |
| Interim dividend paid 2.1p (2017 – 2.1p) | 2,248 | 1,892 |
| Final dividend proposed 2.1p (2017 paid – 2.1p) | 2,343 | 2,081 |

The proposed final dividend of 2.1p for the year ending 30 November 2018 will be paid on 24 May 2019 to shareholders on the register on 3 May 2019 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 a number of performance measures to assess the Company's success in meeting these objectives. These KPIs are:

- the Company's NAV per share;
- dividends paid in the year; and
- the total expense as a proportion of shareholders' funds;

As previously discussed, the NAV per share has decreased from last years' value of 87.1p to 80.8p. This gives a total return of negative 2.4% or 2.1p per share, after adding back dividends paid in the year, which the Board is comfortable with given current market conditions, and when considering the long term objectives of the Company. Total return on the NAV per share enables shareholders to evaluate more clearly the performance of the Fund, as it reflects the underlying value of the portfolio at the reporting date. This is the most widely used measure of performance in the VCT sector.

The 4.2p of dividends paid in the year gives an annual yield of 5.1% based on the share price of 81.75p at the beginning of the year, which is above the Board's policy of paying the higher of a 5% yield or 3.6p of dividends in the year.

The ongoing charges of the Company for the year to 30 November 2018 were 1.9% of average net assets during the year (2017: 2.0%), which is in line with Board expectations.

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

The Chairman's Statement, on pages 3 and 4 includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 5 to 16.

Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code 2016 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a period of five years, which was considered to be a reasonable time horizon given that the Company has raised funds under an offer for subscription which closed to new applications on 28 September 2018, and, under VCT rules, subscribing investors are required to hold their investment for a five year period in order to benefit from the associated tax reliefs. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a five year period is considered to be a reasonable time horizon for this.

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

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

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 30 November 2023.

Principal risks, risk management and regulatory environment

In accordance with the Listing Rules and the Companies Act 2006 under which the Company operates, the Board has to comment on the potential risks and uncertainties, which could have a material impact on the Company's performance. The Board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the Board are as follows:

| Risk | Mitigation |
|--|---|
| <p>VCT qualifying status risk: The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 and the Finance Act 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.</p> | <p>Prior to investment, Octopus seeks assurance from HMRC that any portfolio asset will meet the legislative requirements for VCT investments.</p> <p>Furthermore, Octopus continually monitors the Company's compliance with VCT regulations in respect of cash and non-qualifying holdings, distributions, and deployment of funds raised, to ensure ongoing compliance with VCT legislation. Regular updates on compliance are also provided to the Board throughout the year (See page 7 of the Investment Manager's Review and page 24 of the Directors' Report for details on recent changes to VCT legislation).</p> <p>Additionally, PricewaterhouseCoopers LLP has been retained by the Company to undertake an independent VCT status monitoring role reporting to the Board bi-annually.</p> |
| <p>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.</p> | <p>Investments traded on AIM and NEX Exchange are valued by Octopus using closing bid prices as reported on Bloomberg. Where investments are unquoted or there are limited trading volumes, alternative valuation techniques are employed in accordance with current International Private Equity and Venture Capital Valuation ("IPEV") guidelines, December 2015.</p> <p>Investment in Octopus Portfolio Manager ("OPM") is valued with reference to the daily prices which are prepared by State Street, the Custodian and Fund Administrator and then published by Fund Partners, the Authorised Corporate Director.</p> |
| <p>Investment risk: Most of the Company's investments are into companies admitted to trading on AIM and NEX Exchange which are VCT qualifying holdings and so, by their nature, entail a higher level of risk and lower liquidity than investments in larger quoted companies. The risk will be amplified by the emphasis in new legislation on encouraging investment into earlier stage companies (see "VCT Regulations" page 7 and 24). The company also makes non-qualifying investments into Octopus UK Micro-Cap Growth. Octopus UK Micro-Cap Growth invests into smaller companies quoted on the LSE, AIM and NEX markets.</p> <p>Non-qualifying investments of surplus cash balances are also made into OPM. The OPM service invests via collective investment schemes into global markets which fluctuate meaning that investments and the income derived from them may go down as well as up, potentially resulting in investors in OPM not getting all capital back.</p> | <p>The Directors and Octopus aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, carrying out rigorous due diligence procedures and maintaining a diversified portfolio in terms of business life cycle and sector. The Board reviews the investment portfolio with Octopus on a regular basis. No material changes to the investment approach are considered necessary as a result of new legislation.</p> <p>The OPM Service is a discretionary management service offering a range of risk-targeted portfolios which invest in underlying collective investment schemes. The portfolios selected target defined levels of volatility at the lower end of the risk spectrum and have been specifically chosen for their lower risk investment approach to accessing global markets and the ability to offer daily liquidity.</p> |

| | |
|---|--|
| <p>Financial risk: The Company is exposed to market price risk, credit risk, liquidity risk, fair value risk, cash flow risk and interest rate risk.</p> | <p>The Company's income and expenditure is predominantly denominated in Sterling and hence the Company has limited foreign currency risk. The Company is financed through equity and does not have any borrowings as the Directors consider that it is inappropriate to finance the Company's activities through borrowing. The Company does not use derivative financial instruments. Accordingly, the Manager seeks to maintain a proportion of the Company's assets in cash or cash equivalents and liquid investments in order to balance irregular cash flows from realisations. At the balance sheet date the cash and cash equivalents amounted to 35% of net assets (2017: 32%). The financial risks are considered in more detail in note 17 to the financial statements on pages 54 to 56.</p> |
| <p>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 AIF Management Directive. Breach of any 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.</p> | <p>Day-to-day operational oversight of the Company is carried out by Octopus. Octopus conduct rigorous on boarding procedures for new employees and conduct regular staff reviews and training to ensure that teams charged with oversight of the Company are appropriately qualified to conduct their roles and ensure compliance with relevant legislation.</p> <p>The Board are updated regularly on all regulatory and compliance matters and take specific legal advice where appropriate.</p> |
| <p>Economic and Price risk: Macroeconomic conditions such as government regulation, political instability or recession could cause volatility in the markets, damaging both the price and underlying value of Company investments. The risk is amplified for smaller companies earlier in their life cycle.</p> | <p>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.</p> |
| <p>Operational risk: The Board is reliant on Octopus to manage investments effectively.</p> | <p>The Board reviews annually, with professional assistance where appropriate, the system of internal controls, both financial and non-financial, operated by the Company and the Investment Manager (to the extent the latter are relevant to the Company's internal controls). These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.</p> <p>Octopus has a significant commitment to small cap investment and a broad team focused on quoted and unquoted investments. This mitigates the risk of a knowledge or skills gap resulting from a key person with sector and product experience leaving.</p> |

The Board seeks to mitigate the internal risks by regular review of performance, monitoring progress and compliance with internal procedures. In the mitigation and management of these risks the Board applies the principles 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 Report on pages 28 to 30.

Further details of the Company's financial risk management objectives and policies are provided in note 17 to the financial statements.

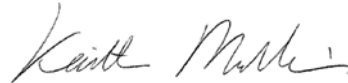
Gender and Diversity

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

Employee, Human Rights, Social and Community Issues, 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 25.

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



Keith Mullins
Chairman
8 February 2019

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.

Keith Mullins (Chairman)

Keith Mullins joined SG Warburg's investment management division in 1978. The division later developed into Mercury Asset Management and subsequently became Merrill Lynch Investment Managers upon its acquisition by Merrill Lynch in 1998. He therefore has many years experience as a specialist UK equity fund manager. During this time he was responsible for establishing and managing the team specialising in small and medium sized pension fund portfolios, and from 2000 he was head of pension fund asset allocation. He left as a managing director of Merrill Lynch Investment Managers in 2001. Keith became a Director of the Company on 14 September 2005.

Andrew Raynor FCA

Andy recently stepped down from the position of Chief Executive of Shakespeare Martineau LLP, an expanding Midlands and London law firm that he led from 2015 to 2019 during a period of significant growth in turnover and profits. Previously he has held a number of non-executive positions, predominantly in the professional services sector. He joined RSM Tenon Group PLC ("RSM Tenon") in 2001 after its acquisition of the independent partnership formerly known as BDO Stoy Hayward – East Midlands. Following the acquisition of this business by RSM Tenon, he became Finance Director and, in a subsequent board reorganisation, chief executive in 2003, leading the company to win National Firm of the Year 2011 in the British Accountancy Awards. Andy then resigned in January 2012. Prior to joining RSM Tenon, he spent almost 20 years with BDO Stoy Hayward – East Midlands, where he established the corporate finance department and held overall responsibility for business development, before becoming managing partner. Andy became a Director of the Company on 14 September 2005.

Elizabeth Kennedy LLB (Hons) FCIS FCSI

Elizabeth Kennedy worked for 30 years in corporate finance, principally with Brewin Dolphin Limited, specialising in IPO, secondary issue, takeover code, UKLA sponsor and AIM nominated adviser work. She has been a member of the London Stock Exchange's AIM Advisory Group since 1995. She is currently a non-executive Director of F&C Private Equity Trust plc, Sofant Technologies Limited and a consultant with Kergan Stewart, Solicitors. Elizabeth became a Director of Octopus Second AIM VCT plc in February 2001 which became Octopus Third AIM VCT plc on the merger and was subsequently dissolved in October 2011. Elizabeth became a Director of the Company on 12 August 2010 when the companies merged.

Alastair Ritchie BA

Alastair Ritchie has considerable experience in smaller businesses, both private and public, and has served as chairman of several companies quoted on the Main Market and AIM. Alastair became a Director of Octopus Second AIM VCT plc in February 2001, which became Octopus Third AIM VCT plc on the merger, and was subsequently dissolved in October 2011. Alastair became a Director of the Company on 12 August 2010 when the companies merged.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 November 2018. The Corporate Governance Report on pages 28 to 30 and the Audit Committee Report on pages 31 and 32 form part of this Directors' Report.

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

Directors

Brief biographical notes on the Directors are given on page 23.

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Keith Mullins will retire as a Director at the AGM, and being eligible, offer himself for re-election. The Board has considered provision B.7.2 of The UK Corporate Governance Code and following a formal performance evaluation as part of the Board Evaluation, further details of which can be found on page 29, believes that Keith continues to be effective and demonstrate commitment to his role as a Director. The Board therefore recommends his re-election at the forthcoming AGM.

Both Keith Mullins and Andy Raynor have now served over nine years as Directors of the Company. The Association of Investment Companies Code of Corporate Governance recommends the Board should state its reasons for believing that a Director who has served for more than nine years remains independent. The Board has considered provisions B.1.1 and B.7.2 of the The UK Corporate Governance Code and believes that both Keith and Andy continue to be effective Non-Executive Directors, providing considerable experience and continuity to the Company whilst continuing to demonstrate commitment to their roles as Chairman of the Company and Chairman of the Audit Committee.

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 are as follows:

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

For this purpose, a "VCT qualifying holding" consists of up to £5 million invested in any one year in new shares or securities of 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, the Company currently has sufficient liquidity to allow dividends to continue to be paid at a level in line with the Company's current dividend policy.

The Finance Act 2016 introduced a number of changes to VCT rules to bring the legislation into line with EU State Aid Risk Finance Guidelines. The legislation introduced new criteria which stipulate a lifetime cap on the total amount of State Aid investment a company can receive, the age of companies which are eligible for investment and specific requirements relating to the use of the funds raised. 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 on page 7 the Company is required to hold at least 80% of its investments in VCT qualifying holdings as of the next accounting year. 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 accounting period in which the shares were issued. The Company will continue to ensure its compliance with the qualification requirements.

Going Concern

The Company's business activities and the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Investment Manager's Review on pages 3 and 4 and pages 5 to 16. Further details on the management of financial risk may be found in the Business Review on pages 20 and 21 and in note 17 to the financial statements.

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

A Resolution will be put to the Company's AGM on 18 April 2019 to approve the Company continuing as a VCT to 2024. The continuation to 2024 will allow shareholders who have participated in the recent Offer to subscribe for Ordinary Shares in the Company to hold their shares for the five years required to receive tax relief and, in addition, will also allow the Company to remain a going concern.

The assets of the Company include securities which are readily realisable (64% of net assets) 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 the foreseeable future.

Dividend

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

Management

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

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

As required by the Listing Rules, the Directors confirm that, in their opinion, the continuing appointment of Octopus as Investment Manager is in the best interest of the shareholders as a whole. In reaching this conclusion the Directors have taken into account the performance of the investment portfolio and the ability of the Investment 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 decisions such as the payment of standard running costs to Octopus. Investment decisions are discussed with the Board.

Whistleblowing

The Board has considered the arrangements implemented by the Investment Manager in accordance with The UK Corporate Governance Code's recommendations, to encourage staff of the Investment 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 Board has no specific environmental policy; however, the Company recognises the need to conduct its business, including investment decisions, in a manner that is environmentally responsible wherever possible.

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 17 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 ordinary share capital as at 30 November 2018 comprised 112,129,004 Ordinary shares of 0.01p 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 106,782 shares were issued under the fundraise that launched on 16 June 2017. This offer closed on 14 November 2017, fully subscribed, having raised £16 million net of costs.

On 3 August 2018 a prospectus offer was launched alongside Octopus AIM VCT plc to raise up to £20 million with a £10 million over allotment facility. This prospectus closed to new applications fully subscribed 28 September 2018 having raised £12 million net of costs. 13,285,331 shares were issued in the current period.

During the year 754,621 shares were issued to those shareholders who elected to receive shares under the DRIS as an alternative to dividends. This raised £679,000 to the Company.

An additional 16,064 shares were issued to shareholders as a result of reduced advisor charges. A further 5,733 shares were issued to Octopus employee shareholders as a result of a rebate of part of the annual management fee.

Share Buybacks and Redemptions

During the year, the Company purchased 1,852,240 Ordinary shares with a nominal value of 0.01p for cancellation at a weighted average price of 85.3p per share (2017: 1,831,169 shares at a weighted average price of 83.3p per share) for a total consideration of £1.6 million (2017: £1.5 million). This represents 1.7% of the closing share capital. These were repurchased in accordance with the Company's share buyback facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

Post Balance Sheet Events

A full list of post balance sheet events since 30 November 2018 can be found in note 18 to the financial statements on page 56.

Rights Attaching to the Shares and Restrictions on Voting and Transfer

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

- (a) the right to receive profits available for distribution, such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in a general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;
- (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities *pari passu* with the other holders of Ordinary shares; and
- (c) The right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands, every member present or represented and voting has one vote, and on a poll, every member present or represented and voting has one vote for every share of which that member is the holder. The appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has

been demanded and not less than 24 hours before the time appointed for the taking of the poll.

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

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

Directors' Authority to Allot Shares, to Disapply Pre-emption Rights

The authority proposed under Resolution 6 is required so that the Directors may issue shares in connection with offers, if the Directors believe this to be in the best interests of the Company and the Shareholders as a whole. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in whole or part, to purchase Ordinary shares in the market. Resolution 6 renews the Directors'

authority to allot up to 22,313,835 Ordinary shares (representing approximately 20% of the Company's issued share capital at the date of the Notice of Annual General Meeting). The authority conferred by this resolution will expire on the earlier of the next AGM and the date falling 15 months after the date of the passing of the resolution and is in addition to existing authorities.

Resolution 7 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying for the allotment of shares authorised pursuant to Resolution 6 and for the same reasons. The authority conferred by this resolution will expire on the earlier of the next AGM and the date falling 15 months after the date of the passing of the resolution and, as with Resolution 6, is in addition to existing authorities.

Directors' Authority to Make Market Purchases of its Own Shares

The authority proposed under Resolution 8 is required so that the Directors may make purchases of up to 16,724,219 Ordinary shares (representing approximately 14.99% of the Company's issued share capital at the date of the Notice of AGM) and the Resolution seeks renewal of 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 0.01p (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.

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 30 November 2015 to create (subject to Court approval) a pool of distributable reserves. A Special Resolution to this effect is being proposed at Resolution 9.

Substantial Shareholdings

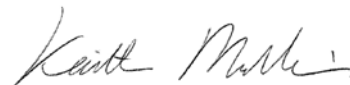
As at the date of this report, no disclosures of major shareholdings had been made to the Company under Disclosure Guidance and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

Independent Auditor and Disclosure of Information to Auditor

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

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

On behalf of the Board



Keith Mullins
Chairman
8 February 2019

Corporate Governance Report

The Board of the Company has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance July 2016 ("AIC Code") by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies ("AIC Guide").

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

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

Board of Directors

The Company has a Board of four Non-Executive Directors, all of whom are considered by the Board 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 Investment Manager;
- the performance of the Company, including monitoring of the discount of the NAV to the share price; and
- monitoring shareholder profiles and considering shareholder communications.

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

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

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

During the year the following meetings were held:

| | Full Board meetings held | No. of meetings attended | Audit Committee meetings held | Audit Committee meetings Attended |
|-------------------|--------------------------|--------------------------|-------------------------------|-----------------------------------|
| Keith Mullins | 5 | 5 | 2 | 2 |
| Elizabeth Kennedy | 5 | 5 | 2 | 2 |
| Andy Raynor | 5 | 4 | 2 | 2 |
| Alastair Ritchie | 5 | 5 | 2 | 1 |

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

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

| | Date of Original Appointment | Due Date for Re-election | Date of Last Election |
|-------------------|-------------------------------------|---------------------------------|------------------------------|
| Keith Mullins | 14/09/2005 | AGM 2019 | AGM 2016 |
| Elizabeth Kennedy | 12/08/2010 | AGM 2020 | AGM 2017 |
| Andy Raynor | 14/09/2005 | AGM 2021 | AGM 2018 |
| Alastair Ritchie | 12/08/2010 | AGM 2020 | AGM 2017 |

Performance Evaluation

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

Appointment and Replacement of Directors

A person may be appointed as a Director of the Company by the shareholders at a general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant Resolution) or by the Directors: no person, other than a Director retiring by rotation or otherwise, shall be appointed or reappointed a Director at any general meeting unless he is recommended by the Directors or, not less than seven nor more than twenty one clear days before the date appointed for the meeting, notice is given to the Company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the Company's Articles of Association. Each Director who is appointed by the Directors (and who has not been elected as a Director of the Company by the members at a general meeting held in the interval since his appointment as a Director of the Company) is to be subject to election as a Director of the Company by the members at the first AGM of the Company following his appointment.

At each AGM of the Company one-third of the Directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one-third, are to be subject to re-election. The Companies Act allows shareholders in a general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant Resolution) to remove any Director before the expiration of his or her period of office, but without prejudice to any claim for damages which the Director may have for breach of any contract of service between him or her and the Company.

A person also ceases to be a Director if he or she resigns in writing, ceases to be a Director by virtue of any provision of the Companies Act, becomes prohibited by law from being a Director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the Board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the Company's Articles of Association.

Powers of the Directors

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company and any directions given by shareholders by Special Resolution, the Articles of Association specify that the business of the Company is to be managed by the Directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular the Directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the Company's 2018 AGM to make market purchases of up to 14.99% of the issued Ordinary share capital at any time up to the 2019 AGM and otherwise on the terms set out in the relevant Resolution and renewed authority is being sought at the 2019 AGM as set out in the notice of meeting.

Board Committees

It should be noted that there is no formal Management Engagement Committee as matters of this nature are dealt with by the independent Non-Executive Directors. The Board does not have a separate Remuneration Committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report on pages 33 to 35. The Board does not have a separate Nomination Committee as 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:

Andy Raynor
Elizabeth Kennedy
Keith Mullins
Alastair Ritchie

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

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

Internal Control

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 Investment Manager.

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

Octopus is engaged to carry out the accounting function and all quoted investments are held in CREST.

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 in accordance with the Financial Reporting Council guidelines for internal control.

Internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from the VCT's accounts require the authority of two signatories from Octopus. The Investment 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 notes 16 and 17 to the financial statements.

Statement of Voting at the Annual General Meeting

There was not a significant number of votes against the resolutions at last year's AGM.

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

Relations with Shareholders

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

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

Compliance Statement

The Listing Rules require the Board to report on compliance throughout the accounting period with all relevant provisions set out in The UK Corporate Governance Code. The preamble to The UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies adding that the AIC Code and AIC Guide can assist in meeting the obligations under The UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 30 November 2018 with the provisions set out in The UK Corporate Governance Code. The section references to The UK Corporate Governance Code are shown in brackets.

1. The Company does not have a Chief Executive Officer or a senior independent Director. The Board does not consider this necessary for the size of the Company. [A.1.2 and A.4.1]
2. New Directors have not received a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. [B.4.1]
3. The Company does not have a Nomination Committee as there has not been a requirement to hold a meeting to date. The Company would appoint a Nomination Committee when the need arose.
4. The Company does not have a Remuneration Committee as it does not have any executive Directors. [D.1.1 – 2.4]
5. The Company has no major shareholders therefore shareholders are not given the opportunity to meet any Non-Executive Directors at a specific meeting other than the AGM but are welcome to contact the Board or Octopus at any time. [E.1.1 & E.1.2]

By Order of the Board



Suzanna Waterhouse, ACIS
Company Secretary
8 February 2019

Audit Committee Report

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 30 November 2018 and describes the work of the Audit Committee in discharging its responsibilities.

The Committee's key objective is the provision of effective governance of the appropriateness of the Company's financial reporting, the performance of the auditor and the management of the internal control and business risks systems. The Directors forming the Audit Committee can be found on page 30.

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

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

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The Committee meets twice per year and has direct access to BDO LLP, the Company's external auditor. Non-audit services were not provided by the external auditor during the period 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 take into account the tenure of the current auditor in addition to comparing the fees charged to similar sized VCTs. The current auditor was appointed in 2008 under the name of PKF (UK) LLP, which subsequently merged with BDO LLP, and has held the position for ten years.

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

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

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

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

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

Significant Risks

The Audit Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements. The Committee 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 Octopus. The impact of this risk would be a large gain or loss in the Company's results. The valuations are supported variously by stock market quotations, investee company audited accounts and third party evidence (where relevant). These give comfort to the Audit Committee.
- Management override of financial controls. The Committee specifically review 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.

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

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the financial statements to 30 November 2018.

A handwritten signature in black ink, appearing to read 'AR', with a long, wavy horizontal line extending to the right.

Andrew Raynor
Audit Committee Chairman
8 February 2019

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 30 November 2018.

The Company's auditor, BDO LLP, is required to give their opinion on certain information included in this report; comprising the Directors' emoluments section and shareholdings below and their report on these and other matters is set out on pages 37 to 40.

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect.

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

Directors' Remuneration Policy Report

The Board consists entirely of Non-Executive Directors, who meet at least quarterly and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for a period of at least three years. All Directors retire at the first General Meeting after election and thereafter one third of all Directors are subject to retirement by rotation at subsequent AGMs. 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 by notice in writing to the Board at any time giving three months' notice in writing. 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 Chairman of the Board and the Chairman of the Audit Committee to be paid higher fees than the other Directors in recognition of their more onerous roles. The Remuneration policy is to review the Director's fees from time to time, benchmarking the fees against other VCT boards, although such review will not necessarily result in any changes. Due to the nature of the Company, there are no employees other than the Directors and therefore no such issues to consider when determining the Directors' remuneration.

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

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

Annual Remuneration Report

This section of the report is subject to approval by a simple majority of shareholders at the AGM in April 2019, as in previous years.

Statement of Voting at the Annual General Meeting

The 2017 Remuneration Report was presented to the AGM in May 2018 and received shareholder approval following a vote on a show of hands. 96.95% of the votes cast on proxy forms were in favour of the Remuneration Report or at the Chairman's discretion.

Shareholders' views are always considered by the Board, and the methods of contacting the Board are set out on page 30.

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 18 also shows the performance of the Company.

Directors' Emoluments (audited)

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

| | Year ended 30 November 2018 £'000 | Year ended 30 November 2017 £'000 |
|-------------------|---|---|
| Keith Mullins | 25 | 25 |
| Andy Raynor* | 23 | 23 |
| Elizabeth Kennedy | 20 | 20 |
| Alastair Ritchie | 20 | 20 |
| Total | 88 | 88 |

*Andy's salary was £22,500 but has been rounded up to the nearest £1,000 above.

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

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

Relative Importance of Spend on Pay

The actual expenditure in the current year is as follows:

| | Year to 30 November 2018 £ | Year to 30 November 2017 £ |
|----------------------|----------------------------------|----------------------------------|
| Total Dividends paid | 4,329,000 | 3,542,000 |
| Total Buybacks | 1,579,000 | 1,527,000 |
| Total Directors Fees | 88,000 | 88,000 |

The Directors do not consider there to be any other significant distributions during the year relevant to understanding the relative importance of spend on pay.

Statement of Directors' Audited Shareholdings

There are no guidelines or requirements for Directors' to own shares in the Company. The interests of the Directors, and their connected persons, in shares of the Company during the year (in respect of which transactions are notifiable under Disclosure Guidance and Transparency Rule 3.1.2R) in the issued Ordinary shares of 0.01p are shown in the table below:

| | Ordinary shares of 0.01p each 30 November 2018 | Ordinary shares of 0.01p each 30 November 2017 |
|-------------------|---|---|
| Keith Mullins | 204,195 | 204,195 |
| Andy Raynor | 21,080 | 21,080 |
| Alastair Ritchie | 31,809 | 31,809 |
| Elizabeth Kennedy | 37,380 | 37,380 |

All of the Directors' shares were held beneficially. Mr Ritchie, Mrs Kennedy and Mr Mullins' connected persons all hold shares through a nominee company. There have been no changes in the Directors' share interests between 30 November 2018 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 2018 were as follows:

| | For | | Discretion | | Against | |
|--|---------------|-------|---------------|-------|---------------|------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Approval of Directors' Remuneration Report | 4,015,138 | 82.89 | 680,731 | 14.06 | 147,856 | 3.05 |

By Order of the Board



Keith Mullins
Chairman
8 February 2019

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the 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 have elected to prepare the financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

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

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

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

The Directors are responsible for ensuring the Annual Report and 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 DTR4

The Directors confirm to the best of their knowledge:

- the financial statements, prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102"), 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.

On Behalf of the Board



Keith Mullins
Chairman
8 February 2019

Independent auditor's report to the members of Octopus AIM VCT 2 plc

Opinion

We have audited the financial statements of Octopus AIM VCT 2 plc (the "Company") for the year ended 30 November 2018 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2018 and of its loss for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
 - the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
 - whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
 - the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;

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. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How We Addressed the Key audit matter in the Audit |
|---|--|
| <p>Valuation and ownership of investments (Note 1 and 10 to the financial statements)</p> <p>Investments represent the most significant balance in the financial statements, there is a potential risk that the Company has not appropriate confirmation of title over investments.</p> <p>The Investment Manager is responsible for preparing the valuation of investments which are reviewed and approved by the Board. Notwithstanding this review, there is a potential risk of misstatement in the investment valuations due to errors in the calculations.</p> | <p>We responded to this matter by testing the valuation and ownership of the portfolio of investments. We performed the following procedures:</p> <p>In respect of quoted investment valuations (over 97% of the total portfolio by value) we have:</p> <ul style="list-style-type: none"> Confirmed the year-end bid price was used by agreeing all quoted investments to externally quoted prices and for a sample of investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. Obtained direct confirmation from the custodian regarding all of investments held at the balance sheet date. <p>In respect of unquoted investment valuations (less than 3% of the total portfolio) we have:</p> <ul style="list-style-type: none"> Obtained direct confirmation from the custodian at the balance sheet date. Confirmed the assumptions and underlying evidence supporting the year end valuations are in line with UK GAAP and the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. Considered the economic environment in which the Company operates to identify factors that could impact the investment valuation. |

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. The application of these key considerations gives rise to different levels of materiality, the quantum and purpose of which are tabulated below.

| Materiality measure | Purpose | Key considerations and benchmarks | Quantum (£) |
|---|--|--|---|
| <p>Financial statement materiality.</p> <p>(1% of invested assets)</p> | Assessing whether the financial statements as a whole present a true and fair view. | <ul style="list-style-type: none"> The value of gross investments The level of judgement inherent in the valuation The range of reasonable alternative valuations | <p>£800,000</p> <p>(30 November 2017: £810,000)</p> |
| <p>Performance materiality.</p> <p>(75% of financial statement materiality)</p> | Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions. | <ul style="list-style-type: none"> Financial statement materiality Risk and control environment History of prior errors (if any) | <p>£600,000</p> <p>(30 November 2017: £610,000)</p> |

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £18,000 (2017: £6,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations

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 SORP and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation as any breach of this would lead to the Company losing various deductions and exemptions from corporation tax.

We designed audit procedures to respond to the risk, 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.

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

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations

There are inherent limitations in the audit procedures described above 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 would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does

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

We have nothing to report in this regard.

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the

Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 30 November 2008 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 30 November 2018 by the Board. The period of total uninterrupted engagement is 11 years, covering the years ending 30 November 2008 to 30 November 2018.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

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
United Kingdom
8 February 2019

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

Income Statement

| | Notes | Year to 30 November 2018 | | | Year to 30 November 2017 | | |
|--|-------|--------------------------|------------------|----------------|--------------------------|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gain on disposal of fixed asset investments | 10 | - | 1,266 | 1,266 | - | 223 | 223 |
| (Loss)/Gain on valuation of fixed asset investments | 10 | - | (3,185) | (3,185) | - | 8,351 | 8,351 |
| (Loss)/Gain on valuation of current asset investments | | - | (155) | (155) | - | 672 | 672 |
| Investment income | 2 | 510 | 245 | 755 | 561 | - | 561 |
| Investment management fees | 3 | (364) | (1,093) | (1,457) | (282) | (847) | (1,129) |
| Other expenses | 4 | (458) | - | (458) | (486) | - | (486) |
| (Loss)/Profit on ordinary activities before tax | | (312) | (2,922) | (3,234) | (207) | 8,399 | 8,192 |
| Tax on profit on ordinary activities | 6 | - | - | - | - | - | - |
| (Loss)/Profit on ordinary activities after tax | | (312) | (2,922) | (3,234) | (207) | 8,399 | 8,192 |
| Earnings per share – basic and diluted | 8 | (0.3)p | (2.9)p | (3.2)p | (0.3)p | 10.0p | 9.7p |

There is no other comprehensive income for the period.

- 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 accompanying notes on pages 45 to 56 form an integral part of the financial statements.

Balance Sheet

| | Notes | As at 30 November 2018 | | As at 30 November 2017 | |
|--|-------|------------------------|----------------|------------------------|----------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed asset investments | 10 | | 59,871 | | 59,634 |
| Current assets: | | | | | |
| Investments | 11 | 16,891 | | 16,746 | |
| Money Market Funds | 11 | 3,449 | | 4,430 | |
| Debtors | 12 | 65 | | 98 | |
| Cash at bank | 11 | 11,546 | | 6,507 | |
| | | 31,951 | | 27,781 | |
| Creditors: amounts falling due within one year | 13 | (1,192) | | (504) | |
| Net current assets | | | 30,759 | | 27,277 |
| Total assets less current liabilities | | | 90,630 | | 86,911 |
| Called up equity share capital | 14 | | 11 | | 10 |
| Share premium | | | 57,045 | | 44,186 |
| Capital redemption reserve | | | 1 | | - |
| Special distributable reserve | | | 19,536 | | 25,444 |
| Capital reserve realised | | | (9,898) | | (11,071) |
| Capital reserve unrealised | | | 24,595 | | 28,690 |
| Revenue reserve | | | (660) | | (348) |
| Total equity shareholders' funds | | | 90,630 | | 86,911 |
| NAV per share – basic and diluted | 9 | | 80.8p | | 87.1p |

The statements were approved by the Directors and authorised for issue on 8 February 2019 and are signed on their behalf by:



Keith Mullins
Chairman
Company No: 05528235

The accompanying notes on pages 45 to 56 form an integral part of the financial statements.

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 2017 | 10 | 44,186 | 25,444 | (11,071) | 28,690 | – | (348) | 86,911 |
| Comprehensive income for the year: | | | | | | | | |
| Management fee allocated as capital expenditure | – | – | – | (1,093) | – | – | – | (1,093) |
| Current year gains on disposal | – | – | – | 1,266 | – | – | – | 1,266 |
| Current period gains on fair value of investments | – | – | – | – | (3,340) | – | – | (3,340) |
| Capital investment income | – | – | – | 245 | – | – | – | 245 |
| Loss on ordinary activities after tax | – | – | – | – | – | – | (312) | (312) |
| Total comprehensive income for the year | – | – | – | 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 | – | – | (4,329) | – | – | – | – | (4,329) |
| Total contributions by and distributions to owners | 1 | 12,859 | (5,908) | – | – | 1 | – | 6,953 |
| Other Movements: | | | | | | | | |
| Prior years' holding losses now realised | – | – | – | 755 | (755) | – | – | – |
| Total other movements | – | – | – | – | – | – | – | – |
| Balance as at 30 November 2018 | 11 | 57,045 | 19,536 | (9,898) | 24,595 | 1 | (660) | 90,630 |

| | Share Capital £'000 | Share Premium £'000 | Special distributable reserves £'000 | Capital reserve – realised £'000 | Capital reserve – unrealised £'000 | Revenue reserve £'000 | Total £'000 |
|--|------------------------|------------------------|---|-------------------------------------|---------------------------------------|--------------------------|----------------|
| As at 1 December 2016 | 8 | 23,405 | 30,513 | (10,168) | 19,388 | (141) | 63,005 |
| Comprehensive income for the year: | | | | | | | |
| Management fee allocated as capital expenditure | – | – | – | (847) | – | – | (847) |
| Current year gains on disposal | – | – | – | 223 | – | – | 223 |
| Current period gains on fair value of investments | – | – | – | – | 9,023 | – | 9,023 |
| Loss on ordinary activities after tax | – | – | – | – | – | (207) | (207) |
| Total comprehensive income for the year | – | – | – | (624) | 9,023 | (207) | 8,192 |
| Contributions by and distributions to owners: | | | | | | | |
| Repurchase and cancellation of own shares | – | – | (1,527) | – | – | – | (1,527) |
| Issue of shares | 2 | 22,086 | – | – | – | – | 22,088 |
| Share issue costs | – | (1,305) | – | – | – | – | (1,305) |
| Dividends | – | – | (3,542) | – | – | – | (3,542) |
| Total contributions by and distributions to owners | 2 | 20,781 | (5,069) | – | – | – | 15,714 |
| Other Movements: | | | | | | | |
| Prior years' holding losses now realised | – | – | – | (279) | 279 | – | – |
| Total other movements | – | – | – | (279) | 279 | – | – |
| Balance as at 30 November 2017 | 10 | 44,186 | 25,444 | (11,071) | 28,690 | (348) | 86,911 |

The accompanying notes on pages 45 to 56 form an integral part of the financial statements.

Cash Flow Statement

| | Notes | Year to 30 November 2018 £'000 | Year to 30 November 2017 £'000 |
|---|-------|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | | |
| Return on ordinary activities before tax | | (3,234) | 8,192 |
| Adjustments for: | | | |
| Decrease/(increase) in debtors | 12 | 33 | (49) |
| Increase in creditors | 13 | 35 | 145 |
| Gains on disposal of fixed assets | 10 | (1,266) | (223) |
| Loss/(Gains) on valuation of fixed asset investments | 10 | 3,185 | (8,351) |
| Loss/(Gains) on valuation of current asset investments | | 155 | (672) |
| Non-cash distributions | 10 | (245) | - |
| Cash from operations | | (1,337) | (958) |
| Income taxes paid | | - | - |
| Net cash generated from operating activities | | (1,337) | (958) |
| Cash flows from investing activities | | | |
| Purchase of fixed asset investments | 10 | (7,413) | (4,541) |
| Sale of fixed asset investments | 10 | 6,155 | 3,218 |
| Purchase of current asset investments | | (300) | (9,900) |
| Total cash flows from investing activities | | (1,558) | (11,223) |
| Cash flows from financing activities | | | |
| Purchase of own shares | 14 | (1,579) | (1,527) |
| Issue of own shares (net of issues costs) | 14 | 12,183 | 20,299 |
| Dividends paid | 7 | (3,651) | (3,058) |
| Total cash flows from financing activities | | 6,953 | 15,714 |
| Increase in cash and cash equivalents | | 4,058 | 3,533 |
| Opening cash and cash equivalents | | 10,937 | 7,404 |
| Closing cash and cash equivalents | | 14,995 | 10,937 |
| Closing cash and cash equivalents is represented by: | | | |
| Cash at bank | 11 | 11,546 | 6,507 |
| Money Market Funds | 11 | 3,449 | 4,430 |
| Total cash and cash equivalents | | 14,995 | 10,937 |

The accompanying notes on pages 45 to 56 form an integral part of the financial statements.

Notes to the Financial Statements

1. Principal Accounting Policies

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 February 2018 with consequential amendments).'

The principal accounting policies have remained unchanged from those set out in the Company's 2017 Annual Report and Accounts. Accounting policies are described in each disclosure note.

FRS 102 sections 11 and 12 have been adopted with regard to the Company's financial instruments. The Company held 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 Companies forecasts and expectations, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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 of investments, and gains and losses on the revaluation of investments.

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

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 and

liabilities. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

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

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. 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

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

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

Reserves

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

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

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

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

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

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

Capital redemption reserve – includes share capital which has been bought back by the Company for cancellation and cannot be distributed to shareholders.

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 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

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|---|---------------------------|---------------------------|
| Income receivable on money market securities | 20 | 10 |
| Dividends receivable from fixed asset investments | 456 | 512 |
| In-Specie dividend* | 245 | – |
| Loan note interest receivable | 34 | 39 |
| | 755 | 561 |

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

3. Investment Management Fees

| | 30 November 2018 | | | 30 November 2017 | | |
|---------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Investment management fee | 364 | 1,093 | 1,457 | 282 | 847 | 1,129 |

Octopus provides investment management and accounting and administration services to the Company under a management agreement which initially ran for a period of five years with effect from 6 October 2005 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 and is set at 2% of the Company's net assets.

During the year Octopus charged gross management fees of £1,785,000 (2017: £1,425,000). At the year end there was £388,000 payable to Octopus (2017: £365,000). Octopus received £270,000 as a result of upfront fees charged on allotments of Ordinary shares (2017: £478,000).

The Company now pays ongoing adviser charges to Independent Financial Advisers (IFAs). Ongoing adviser charges are an ongoing fee of up to 0.5% per annum of the amount invested for a maximum of nine 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 30 November 2018 the rebate received was £150,000 (2017: £166,000).

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 of the amount invested 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 30 November 2018 the rebate received was £115,000 (2017: £96,000).

The Company also 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 £63,000 for the year to 30 November 2018 (2017: £34,000).

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

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|--|---------------------------|---------------------------|
| IFA Charges | 150 | 166 |
| Director's remuneration | 88 | 88 |
| Registrar fees | 46 | 56 |
| Audit fees | 24 | 24 |
| Printing and postage | 22 | 12 |
| VCT monitoring fees | 17 | 9 |
| Brokers fees | 6 | 6 |
| Directors and officers liability insurance | 6 | 5 |
| Other administration expenses | 99 | 120 |
| | 458 | 486 |

The fees payable to the Company's auditor above 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 30 November 2018 (2017: 1.9%).

5. Directors' Remuneration

Directors were paid £88,000 in the year to 30 November 2018 (2017: £88,000). This excludes Employer's National Insurance contributions of £7,000 (2017: £8,000). 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 (2017: four).

6. Tax on Profit on Ordinary Activities

Accounting Policy

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

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

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

Disclosure

The corporation tax charge for the year was £nil (2017: £nil).

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|---|---------------------------|---------------------------|
| Profit on ordinary activities before tax | (3,234) | 8,192 |
| Current tax at 19.00% (2017: 19.35%) | (614) | 1,585 |
| Effects of | | |
| Non taxable income | (133) | (99) |
| Non taxable capital gains | 394 | (1,789) |
| Non deductible expenses | 2 | 2 |
| Excess management expenses on which deferred tax not recognised | 351 | 301 |
| Total tax charge | - | - |

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

As at 30 November 2018, there is an unrecognised deferred tax asset of £1,677,000 (2017: £1,151,000) in respect of surplus management expenses, based on a prospective tax rate of 17% (2017: 17%). This deferred tax asset could in future be used against taxable profits. The reduction in the standard rate of corporation tax was substantively enacted on 26 October 2015 and will be effective from 1 April 2020.

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 a payment has been established. This liability is established for interim dividends when they are paid and for final dividends when they are approved by the shareholders. Dividends are paid from the revenue reserve first where possible, and then from capital reserve realised. In the event that the revenue reserve and capital reserve realised do not have sufficient funds to pay dividends, these will be paid from the special distributable reserve.

Disclosure

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|--|---------------------------|---------------------------|
| Dividends paid on Ordinary Shares during the year | | |
| 2017 Final dividend – 2.1p paid 20 April 2018 (2017: 2.0p) | 2,081 | 1,650 |
| 2018 Interim dividend – 2.1p paid 18 October 2018 (2017: 2.1p) | 2,248 | 1,892 |
| | 4,329 | 3,542 |

During the year £678,000 (2017: £484,000) of dividends were reinvested under the DRIS, see note 14.

Under section 32 of FRS 102 'Events After the end of the Reporting Period', dividends payable at year end are not recognised as a liability. Details of these dividends are set out below.

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|--|---------------------------|---------------------------|
| Final proposed dividend – 2.1p payable 24 May 2019 (2017 paid: 2.1p) | 2,343 | 2,081 |

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 numbers 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

| | 30 November 2018 | | | 30 November 2017 | | |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| (Loss)/profit attributable to ordinary shareholders | (312) | (2,922) | (3,234) | (207) | 8,399 | 8,192 |
| Earnings per ordinary share | (0.3)p | (2.9)p | (3.2)p | (0.3)p | 10.0p | 9.7p |

The profit/(loss) per share is based on 101,274,833 (2017: 84,188,566) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and the loss on ordinary activities after tax for the year of £3,234,000 (2017 profit: £8,192,000).

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

| | 30 November 2018 | 30 November 2017 |
|--------------------|------------------|------------------|
| Net assets (£'000) | 90,630 | 86,911 |
| Shares in issue | 112,129,004 | 99,812,713 |
| NAV per share (p) | 80.8 | 87.1 |

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

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 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. This is 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 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 2017 | 30,802 | 987 | 31,789 |
| Opening unrealised gain/(loss) at 1 December 2017 | 28,073 | (228) | 27,845 |
| Valuation at 1 December 2017 | 58,875 | 759 | 59,634 |
| Purchases at cost* | 7,586 | 480 | 8,066 |
| In-Specie dividend** | 245 | – | 245 |
| Disposal proceeds | (6,075) | (80) | (6,155) |
| Profit on realisation of investments | 1,266 | – | 1,266 |
| Change in fair value in year | (3,654) | 469 | (3,185) |
| Closing valuation at 30 November 2018 | 58,243 | 1,628 | 59,871 |
| Cost at 30 November 2018 | 34,580 | 1,387 | 35,967 |
| Closing unrealised gain at 30 November 2018 | 23,663 | 241 | 23,904 |
| Valuation at 30 November 2018 | 58,243 | 1,628 | 59,871 |

*The difference to the cash flow is a timing difference in respect of an investment in Panopoly Holdings plc. The trade date was before the year end whilst the settlement of cash was after year end.

**The Company received shares in Renalytix plc as a result of an in-specie dividend from EKF Diagnostics Holdings plc.

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 fundraise 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 30 November 2018 there were no commitments in respect of investments approved by the Investment Manager but not yet completed.

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 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 convertible into cash at the choice of the Company, within 7 days. The current asset investments are held for trading, are actively managed and the performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about them has to be provided internally on that basis to the Board.

Disclosure

Current asset investments at 30 November 2018 and at 30 November 2017 comprised of money market funds and deposits and OEICs. These fall into Level 1 of the fair value hierarchy as defined in the Fixed asset investment accounting policy in Note 10 above.

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|---|---------------------------|---------------------------|
| Money Market Funds | 3,449 | 4,430 |
| OEICs: | | |
| Octopus Portfolio Manager – Conservative Capital Growth | 7,169 | 7,304 |
| Octopus Portfolio Manager – Defensive Capital Growth | 7,015 | 7,190 |
| Octopus UK Micro Cap Growth Fund | 2,707 | 2,252 |
| Total current asset investments | 20,340 | 21,176 |
| Cash at bank | 11,546 | 6,507 |
| Total | 31,886 | 27,683 |

12. Debtors

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|--------------------------------|---------------------------|---------------------------|
| Prepayments and accrued income | 63 | 98 |
| Other debtors | 2 | – |
| | 65 | 98 |

13. Creditors: Amounts falling due within one year

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|------------------|---------------------------|---------------------------|
| Accruals | 539 | 504 |
| Trade creditors* | 653 | – |
| | 1,192 | 504 |

*Trade creditors relates to an investment made where settlement date falls after year end.

14. Share capital

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|---|---------------------------|---------------------------|
| Allotted and fully paid up: | | |
| 112,129,004 Ordinary shares of 0.01p (2017: 99,812,713) | 11 | 10 |

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

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

| Date | Number of shares | Price per share (p) | Total cost of shares repurchased (£) |
|-------------------|------------------|---------------------|--------------------------------------|
| 21 December 2017 | 103,758 | 83.0 | 86,000 |
| 25 January 2018 | 218,357 | 86.1 | 188,000 |
| 01 March 2018 | 263,296 | 84.0 | 221,000 |
| 29 March 2018 | 222,376 | 83.3 | 185,000 |
| 27 April 2018 | 74,501 | 84.5 | 63,000 |
| 14 June 2018 | 151,735 | 87.75 | 133,000 |
| 27 July 2018 | 214,308 | 87.0 | 186,000 |
| 20 September 2018 | 360,001 | 90.0 | 324,000 |
| 02 November 2018 | 243,908 | 79.3 | 193,000 |
| Totals | 1,852,240 | | 1,579,000 |

The total nominal value of the shares repurchased for cancellation was £185 representing 1.65% of the issued share capital (2017: 1,831,169 shares with a nominal value of £183 representing 1.83% of the issued share capital).

The Company issued the following shares during the year:

| Date | Number of shares | Price per share (p) | Net proceeds of shares issued (£) |
|------------------------|-------------------|---------------------|-----------------------------------|
| 13 April 2018 | 106,782 | 93 | 94,000 |
| 18 May 2018 (DRIS) | 354,224 | 90 | 319,000 |
| 21 September 2018 | 8,379,558 | 100.9 | 7,944,000 |
| 24 September 2018 | 21,797 | 95.3 | 21,000 |
| 18 October 2018 | 4,905,773 | 89.9 | 4,124,000 |
| 18 October 2018 (DRIS) | 400,397 | 89.9 | 359,000 |
| Totals | 14,168,531 | | 12,861,000 |

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

15. Reconciliation of movements in equity

| | Notes | 30 November 2018 £'000 | 30 November 2017 £'000 |
|---|-------|---------------------------|---------------------------|
| Shareholders' funds at start of year | | 86,911 | 63,005 |
| Profit on ordinary activities after tax | | (3,234) | 8,192 |
| Share capital bought back | 14 | (1,579) | (1,527) |
| Issue of shares (net of issue costs) | 14 | 12,861 | 20,783 |
| Dividends paid | 7 | (4,329) | (3,542) |
| Shareholders' funds at end of year | | 90,630 | 86,911 |

Included within these reserves is an amount of £8,978,000 (2017: £14,025,000) which is considered distributable to shareholders.

16. Financial Instruments

The Company's financial instruments comprise 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.

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|--|---------------------------|---------------------------|
| Financial assets at fair value through profit or loss | | |
| Fixed asset investments | 59,871 | 59,634 |
| Money market securities | 3,449 | 4,430 |
| OEICs | 16,891 | 16,746 |
| Total financial assets at fair value through profit or loss | 80,211 | 80,810 |
| Financial assets measured at amortised cost | | |
| Cash at bank | 11,546 | 6,507 |
| Debtors | 65 | 80 |
| Total financial assets measured at amortised cost | 11,611 | 6,587 |
| Financial liabilities measured at amortised cost | | |
| Creditors | 1,192 | (504) |
| Total financial liabilities measured at amortised cost | 1,192 | (504) |

The Company holds three qualifying, unquoted investments; Rated People Limited, Hasgrove plc which delisted from AIM in 2013, and Fusionex plc which delisted from AIM in 2017. The Company also holds one unquoted loan note investment valued at £330,000, held at cost. This was issued by a quoted holding Nektan Ltd. 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.

17. Financial Risk Management

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

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 2. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance Report on pages 28 to 30, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in smaller companies, by their nature, usually involve a higher

degree of risk than investments in larger companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out on pages 9 to 12.

By value, 64% (30 November 2017: 68%) of the Company's net assets comprised equity securities listed on the London Stock Exchange or quoted on AIM. A 10% increase in the bid price of these securities as at 30 November 2018 would have increased net assets and the total return for the year by £5,824,000 (30 November 2017: £5,888,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

OEIC investments comprised 19% of the Company's net assets by value (30 November 2017: 19%). A 10% increase in the price of these securities at 30 November 2018 would have increased net assets by £1,689,000 (30 November 2017: £1,675,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

Unquoted investments comprised 2% of the Company's net assets by value (30 November 2017: 1%). A 10% increase in the price of these securities at 30 November 2018 would have increased net assets by £162,800 (30 November 2017: £75,900); a corresponding fall would have reduced net assets and total return for the year by the same amount.

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 0.75% at 30 November 2018 (30 November 2017: 0.25%). The amounts held in floating rate investments at the balance sheet date were as follows:

| | 30 November 2018 £'000 | 30 November 2017 £'000 |
|--------------------|---------------------------|---------------------------|
| Money Market Funds | 3,449 | 4,430 |
| Cash at bank | 11,546 | 6,507 |
| | 14,995 | 10,937 |

A 1% increase in the base rate would increase income receivable from these investments and the total return for the year by £149,950 (30 November 2017: £109,370).

Credit risk

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

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 30 November 2018 or 30 November 2017. By value, no individual bank holding or fixed rate note investment exceeded 13% of the Company's net assets at 30 November 2018 (8% of the Company's net assets at 30 November 2017).

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 Investment 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 deteriorate significantly, the Investment 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.

Credit risk relating to loans to and shares in unquoted companies is considered to be part of market risk.

The investments in money market funds and OEICs are uncertified.

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.

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

Liquidity risk

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

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

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

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 November 2018 these investments were valued at £31,886,000 (30 November 2017: £27,683,000).

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

18. Post balance sheet events

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

- two investments into the OPM funds. £1,250,000 into OPM 3 and £1,250,000 into OPM 4;
- an investment of £260,000 into the UK Multi Cap Income fund;

- disposal of 160,000 in RWS Holdings plc for total consideration of £782,000;
- disposed of holding in Yu Group plc for total consideration of £108,000;
- disposal of 80,000 shares in Diurnal Group plc for total consideration of £46,000;
- disposal of 100,000 shares in Creo Medical Group plc for total consideration of £215,000;
- disposal of 971,408 shares in Futura Medical plc for total consideration of £155,000.

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

- 13 December 2018: 324,320 shares at a price of 74.6p per share.
- 24 January 2019: 259,127 shares at a price of 74.7p per share.

The Company issued 23,621 shares on 8 January 2019 in order to correct the number of shares issued under the DRIS allotment on 18 October 2018.

19. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments as at 30 November 2018 (2017: nil).

20. Related Party Transactions

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

The Company has paid Octopus £1,457,000 (2017: £1,129,000) in the year as a management fee. The management fee is payable quarterly in arrears and is based on 2.0% of net assets at quarterly intervals.

The Company has invested a further £300,000 into Octopus managed funds, being the Octopus Portfolio Manager and Micro Cap funds (2017: £9,900,000). To ensure the Company is not double charged management fees on these products, the Company receives a reduction in the management fee as a percentage of the value of these investments.

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

Information and Contact Details

Octopus AIM VCT 2 plc was launched as Close IHT AIM VCT PLC in March 2006 and raised £25 million 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 plc received 0.48356191 Ordinary shares in the Company for each Ordinary share they had prior to the merger. On 30 January 2015, the Company name changed to Octopus AIM VCT 2 plc.

An offer, launched on 6 February 2012 and which closed on 5 April 2012, raised £1.3 million for the Company. An offer launched on 25 April 2012, closed on 31 July 2012 and raised a further £0.5 million for the Company. An Enhanced Buyback Facility opened on 23 October 2012 and closed on 28 December 2012. 10,470,985 existing shares were tendered and 9,974,094 new shares were issued. An Offer for subscription of up to £10 million, which opened on 1 February 2013 and closed on 17 January 2014, raised £5.9 million. A further Offer for subscription to raise £4.1 million was opened on 3 February 2014 and closed, fully subscribed, on 28 March 2014. A combined fund raise with Octopus AIM VCT plc by way of an issue of new shares was launched on 29 August 2014 to raise up to £8 million with an over-allotment facility of £4 million was closed, fully subscribed on 11 August 2015. A combined fund raise with Octopus AIM VCT plc by way of an issue of new shares was launched on 21 December 2015 to raise up to £8 million with an over-allotment facility of £4 million. This Offer closed, fully subscribed, on 21 October 2016. On 6 February 2017 the Board announced a further Offer for subscription to raise up to £4.3 million. A further combined Offer for subscription with Octopus AIM VCT plc was launched on 16 June 2017 to raise up to £12 million with an over-allotment facility of £4 million which closed to new applications on 14 November 2017. A combined fund raise with Octopus AIM VCT plc by way of an issue of new shares was launched on 3 August 2018 to raise up to £20 million with an over-allotment facility of £10 million. This offer closed, fully subscribed, on 28 September 2018.

Venture Capital Trusts ("VCTs")

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

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

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

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

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

VCT Legislation

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

Further changes to VCT legislation were introduced in the 2017 Budget.

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 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 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. Lines are open Monday-Friday 9.00am-5.30pm), or by writing to them at:

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

The table below shows the NAV per share and lists the dividends that have been paid since the launch of the Company. Following the merger of Octopus IHT AIM VCT and Octopus Third AIM VCT and various share re-organisations, there is now only one share class, Ordinary shares. For Octopus IHT AIM VCT Ordinary shares, together with Octopus Third AIM VCT Ordinary shares and 'C' & 'D' shares, the figures below represent the 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, hence the dividends shown below may not necessarily equate to the dividends actually received by shareholders.

| Dividends paid during the period ending | 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 | 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 AIM VCT 2 (formerly Octopus IHT AIM VCT A&B shares) 2005/06 | Octopus Third AIM VCT C&D shares (formerly Octopus Second AIM VCT) | Octopus Third AIM Ordinary shares 2000/01 shares (formerly Octopus Second AIM VCT plc) |
|--|---|---|---|---|---|---|---|---|---|---|--|--|
| 30 November 2003 | - | - | - | - | - | - | - | - | - | - | - | 1.6* |
| 30 November 2004 | - | - | - | - | - | - | - | - | - | - | - | - |
| 30 November 2005 | - | - | - | - | - | - | - | - | - | - | - | - |
| 30 November 2006 | - | - | - | - | - | - | - | - | - | 1.4 | - | 1.0* |
| 30 November 2007 | - | - | - | - | - | - | - | - | - | 2.0 | 0.8* | 7.0* |
| 30 November 2008 | - | - | - | - | - | - | - | - | - | 2.0 | 2.2* | 11.0* |
| 30 November 2009 | - | - | - | - | - | - | - | - | - | 2.0 | 2.0* | 2.0* |
| 30 November 2010 | - | - | - | - | - | - | - | - | - | 2.5 | 5.4* | 2.2* |
| 30 November 2011 | - | - | - | - | - | - | - | - | 4.7* | 3.3 | 3.9* | 1.6* |
| 30 November 2012 | - | - | - | - | - | - | 2.3* | 4.4* | 4.6* | 3.2 | 3.8* | 1.6* |
| 30 November 2013 | - | - | - | - | - | 4.5* | 5.1* | 4.7* | 5.0* | 3.5 | 4.1* | 1.7* |
| 30 November 2014 | - | - | - | - | 4.3* | 5.2* | 5.8* | 5.5* | 5.8* | 4.0 | 4.7* | 1.9* |
| 30 November 2015 | - | - | - | 7.0* | 6.4* | 7.8* | 8.7* | 8.1* | 8.6* | 6.0 | 7.1* | 2.9* |
| 30 November 2016 | - | - | 4.8* | 4.6* | 4.3* | 5.2* | 5.8* | 5.4* | 5.8* | 4.0 | 4.7* | 1.9* |
| 30 November 2017 | - | 4.5* | 4.9* | 4.8* | 4.4* | 5.3* | 5.9* | 5.5* | 5.9* | 4.1 | 4.8* | 2.0* |
| 30 November 2018 | 4.5* | 4.6* | 5.0* | 4.9* | 4.5* | 5.5* | 6.1* | 5.6* | 6.0* | 4.2 | 4.9* | 2.0* |
| Total dividends paid (assumed investment at 100p) | 4.5* | 9.1* | 14.7* | 21.2* | 23.7* | 33.5* | 39.7* | 39.2* | 46.4* | 42.2 | 48.3* | 40.4* |
| Adjusted NAV (assumed investment at 100p) | 86.9** | 88.4** | 96.3** | 93.7** | 86.0** | 104.9** | 117.1** | 108.6** | 116.2** | 80.8 | 95.0** | 39.1** |
| NAV plus total dividends (assumes investment at 100p) | 91.4*** | 97.5*** | 111.0*** | 115.0*** | 109.8*** | 138.4*** | 156.8*** | 147.8*** | 162.6*** | 123.0 | 143.3*** | 79.5*** |

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

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

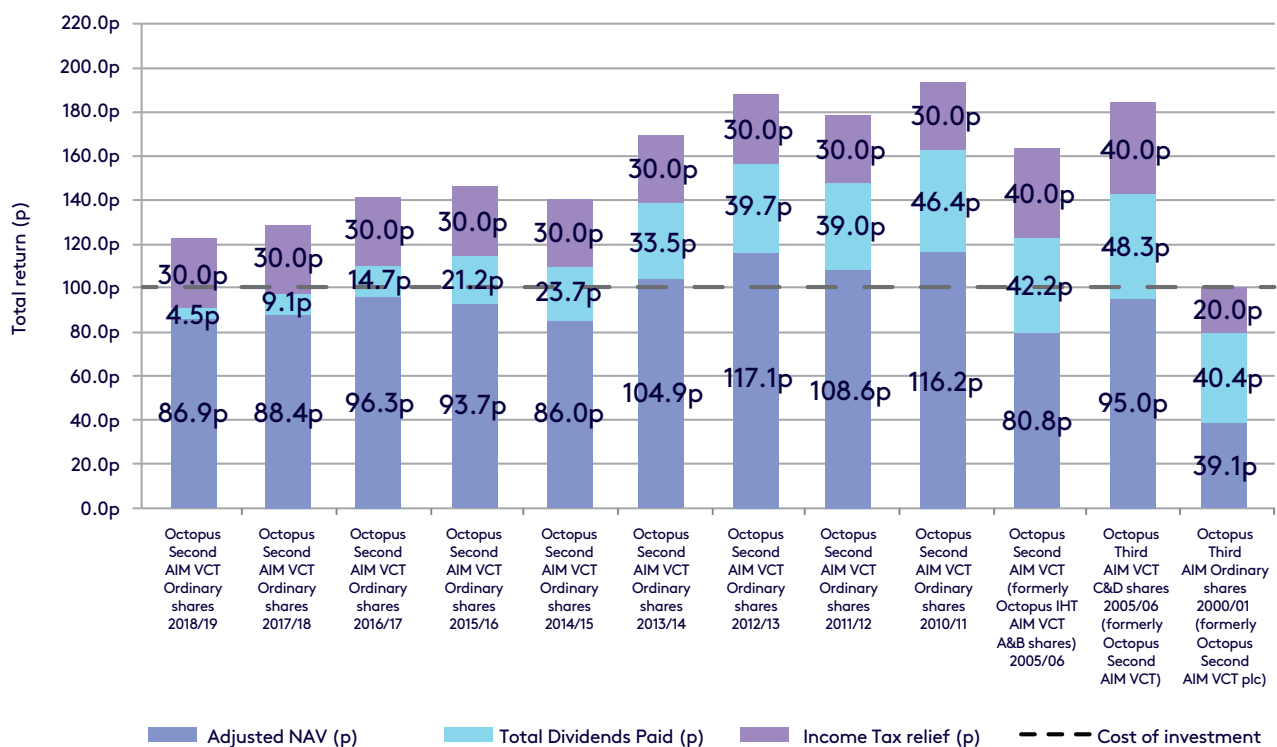
***NAV plus cumulative dividends adjusting for conversion, assuming investment at 100p showing the notional return to shareholders based on their original investment share class.

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 Second AIM (post August 2010) Ordinary shares in August 2010, in accordance with a conversion factor of 0.48356191 Octopus Second AIM 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.

The graph below depicts the NAV per share and the dividends that have been paid since the launch of Octopus AIM VCT 2 plc for each class of share issued since the start, assuming an investment at 100p including the up-front tax relief and adjusted in accordance with the relevant conversion factors. Investment has been assumed at the first allotment of each tax year:



The proposed final dividend of 2.1p will, if approved by shareholders, be paid on 24 May 2019 to shareholders on the register on 3 May 2019.

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 6326** or complete an instruction electronically by visiting the Computershare Investor Centre at: www-uk.computershare.com/investor/. The application form and rules can also be found in the Document Library on the Octopus Investments Limited website: www.octopusinvestments.com/investors/shareholder-information/aim-vct-2/.

Share Price

The Company's share price can be found on various financial websites including www.londonstockexchange.com, with the following TIDM/EPIC code:

| | Ordinary shares |
|--------------------------------------|----------------------|
| TIDM/EPIC code | OSEC |
| Latest share price (6 February 2019) | 74.0 pence 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 the Company's registrar, Computershare, under the signature of the registered holder or via the Computershare Investor Centre at: www-uk.computershare.com/investor/. Computershare's contact details are provided on page 61.

Other Information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com by navigating to Investor, Shareholder, Octopus AIM VCT 2 plc. Other statutory information about the Company can also be found there.

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 an 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 6326**. Alternatively you can sign up to receive e-communications via the Computershare Investor Centre at: www-uk.computershare.com/investor/.

Warning to Shareholders

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

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

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

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

Directors and Advisers

The Board of Directors

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

Secretary and Registered office

Suzanna Waterhouse, ACIS
33 Holborn
London
EC1N 2HT

Investment and Administration Manager

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

Custodians

Octopus Investments Limited
33 Holborn
London
EC1N 2HT

Bankers

HSBC Bank plc
31 Holborn
London
EC1N 2HT

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Tax Adviser

PricewaterhouseCoopers UK
1 Embankment Place
London
WC2N 6RH

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrars

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus AIM VCT 2 plc will be held at 33 Holborn, London, EC1N 2HT on 18 April 2019 at 11:00 am for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 5, 6 and 10 will be proposed as Ordinary Resolutions and Resolutions 7, 8 and 9 will be proposed as Special Resolutions:

Ordinary Business

1. To receive and adopt the financial statements for the year to 30 November 2018 and the Directors', Auditor's and Strategy reports therein.
2. To approve a final dividend of 2.1p per Ordinary share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Keith Mullins as a Director.
5. To re-appoint BDO LLP as auditor of the Company in accordance with section 489 of the Companies Act 2006, 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 6 and 10 as Ordinary Resolutions and Resolutions 7, 8 and 9, as Special Resolutions:

6. Authority to allot relevant securities

THAT the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £2,231 (representing approximately 20% of the Ordinary share capital in issue at the date of this Notice) such authority to expire at the later of the conclusion of the Company's AGM next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in 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). The authority granted under this resolution is in addition to existing authorities.

7. Empowerment to make allotments of equity securities

TO empower the Directors pursuant to s571 of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 6 as if s561(1) of the said Act did not apply to any such allotments and so that:

- (a) reference to allotment in this Resolution shall be construed in accordance with s560(2) of the said Act; and
- (b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the AGM of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution. The authority granted under this resolution is in addition to existing authorities.

8. Authority to make market purchases

THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Act) of Ordinary shares of 0.01p each in the Company ('Ordinary shares') provided that:

- (a) the maximum number of Ordinary shares so authorised to be purchased shall not exceed 16,724,219 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 0.01p;
- (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 later; and
- (e) that the Company may enter into a contract to purchase its Ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

9. Cancellation of Share Premium

THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the share premium account of the Company as at 30 November 2015 be cancelled.

10. Continuation of the Company as a VCT

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

By Order of the Board



Suzanna Waterhouse, ACIS
Company Secretary
8 February 2019

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 6ZY** 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.
- (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 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 7 February 2019 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 111,569,178 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 7 February 2019 are 111,569,178.

