



# Unaudited half-yearly report for the six months ended 31 May 2017

Company number: 05528235

For UK investors only

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Octopus AIM VCT 2 PLC (the “Company”) is a venture capital trust (“VCT”) which aims to provide shareholders with attractive tax-free dividends and long-term capital growth by investing in a diverse portfolio of predominantly AIM-traded companies.

The Company is managed by Octopus Investments Limited (“Octopus” or “the Manager”).

### **Investment Policy**

The Company’s investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company’s assets will be not less than 80 per cent in a portfolio of qualifying AIM, NEX Exchange traded or unquoted companies where the management view an initial public offering (IPO) on AIM or the NEX Exchange is a short to medium term objective. The non-qualifying balance (approximately 20% of the Company’s funds) will be invested in permitted investments held for short term liquidity, generally comprising short term cash or money market deposits with a minimum Moody’s long term debt rating of ‘A’. A proportion of the 20 per cent could be invested in authorised funds managed by Octopus or direct in equity investments and bonds. This provides a reserve of liquidity which should maximise the Company’s flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to the amount permitted pursuant to VCT legislation in a fiscal year and no more than 15 per cent of the Company’s assets, at cost, will be invested in the same company. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, shareholders should be aware that the Company’s qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company’s equity shareholders’ funds and it is not intended that the Company will take on any borrowings.

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

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

# Financial Summary

	Six months to 31 May 2017	Six months to 31 May 2016	Year to 30 November 2016
Net assets (£'000s)	<b>75,653</b>	56,631	63,005
Net profit after tax (£'000s)	<b>10,523</b>	138	3,184
Net asset value per share ('NAV')	<b>91.8p</b>	78.5p	80.6p
NAV Total Return (%)*	<b>16.4</b>	(0.1)	5.0
Dividends paid	<b>2.0p</b>	2.0p	4.0p
Interim dividend**	<b>2.1p</b>	2.0p	2.0p

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

\*\*The interim dividend will be paid on 29 September 2017 to shareholders on the register on 15 September 2017.

# Chairman's Statement

I am pleased to present the half-yearly results for the Octopus AIM VCT 2 plc. In the past my interim statement has incorporated information about, for example, performance and portfolio activity, but this has now been set out separately in the Interim Management Report. However, it seems sensible to make a few overall remarks.

The six months to 31 May 2017 saw the upward trend in stock market indices that we reported on in the Annual Report continue. Smaller companies enjoyed a particularly strong start to 2017 after a period when they had underperformed the FTSE 100, which had benefitted from its high exposure to foreign earnings in the final quarter of 2016. The outperformance of smaller companies was supported by some very good results in the March reporting season and was achieved despite a considerable degree of political uncertainty around the mechanics of Brexit and the announcement of a General Election at the end of April.

Your Board has declared a dividend of 2.1p, which will be paid at the end of September.

Your Manager has made a number of new investments in the six month period and these are more fully explained in their report. There is a healthy pipeline of potential new investments, so at this stage it is probable that there will be more new holdings made in the second half of the year.

Shareholders will be aware that your Board launched a new public offer of shares in June and the first allotment is scheduled for 4 August 2017. On the basis of current evidence it seems that there may be good investment opportunities for the new funds, despite the fact that the market will be more prone to bouts of uncertainty as the Brexit negotiations unfold. Nevertheless, the broad economic background currently remains favourable and your Board therefore hopes that the NAV can continue to rise.



Keith Mullins  
Chairman  
26 July 2017

# Interim Management Report

## Overview

Fundraisings on AIM got off to a slower start in 2017 although they picked up as the period went on and remain strong as this report goes to press. Once again, further fundraisings for existing business exceeded those for new issues, demonstrating that AIM continues to support its existing members. Against this background we announced a top-up offer to raise £4.3 million which closed fully subscribed at the beginning of March, well before the end of the tax year. We have now announced a further fundraising for the new tax year of up to £16 million as we believe that the flow of opportunities will continue to pick up as market participants become more familiar with current VCT rules.

## Performance

Adding back the 2p paid out in dividends in the period, the Net Asset Value has increased by 16.4% in the six months to 31 May 2017. This compares with a 17.8% rise in the Smaller Companies Index (ex Investment Trusts), a 13.6% increase in the FTSE All Share Index and a 22.1% rise in AIM, all on a total return basis. Smaller companies performed slightly better as they caught up with a strong performance from the FTSE100 in the aftermath of the Brexit vote and weaker sterling. Performance remained stock specific and heavily influenced by the announcement of news with the market remaining wary of the majority of early stage companies not yet making a profit, of which we hold a number in the portfolio, particularly in the pharmaceutical, medical device and technology sectors.

Of the good performers in the portfolio, quite a few saw their share prices react positively to corporate developments, either internally generated or as a result of acquisitions. Breedon's share price continued to benefit from the perceived upside as a result of the 2016 acquisition of Hope Cement which doubled the size of the business; GB Group made a significant earnings enhancing acquisition which strengthens its ambitions to become a global supplier of verification and identification services; and RWS acquired a US business which gives it a commanding position in servicing the life sciences sector and the ability to cross-sell its patent translation services to new clients. Learning Technologies also made a significant acquisition as well as announcing strong growth in its core business. Gear 4 Music's shares were exceptionally strong performers, as they reported profits and revenue growth ahead of expectations with rapid expansion of the European leg of the business demonstrating the potential for a much larger international business. Ergomed also made an important acquisition in the pharmacovigilance space, increasing its exposure towards profitable growth and providing a balance with the earlier stage co-development in drug discovery. Quixant was another holding that continued to perform well, with several upgrades to profits in the period as it demonstrated the widening of its customer base.

Among the more mature and profitable businesses which still account for more than 80% of the equity investments in the VCT by value, the majority helped performance with Animalcare, Idox, Brooks Macdonald and Craneware all reacting well to positive news in the

results season. Animalcare has since announced a successful fundraising and acquisition that expands the group into Europe and increases the size and scope of the business. The major exception was Tasty, whose exposure to rising costs caused it to re-evaluate some of its new opening pipeline and raise extra funds to reduce its debt financing, all of which caused its shares to underperform as there were also significant downgrades to short term profit expectations. Vertu Motors continued to see its share price suffer bouts of pressure from fears around Brexit although the shares ended the period higher than they started, and Staffline recovered from its lows and was a good performer in the period. The Managers do not share the market's current pessimism about these three companies which have been held in the portfolio for a number of years and where the management teams have successfully dealt with economic challenges in the past.

Elsewhere, most of the drag on performance came from the earlier stage companies in the portfolio, particularly those that had setbacks or showed themselves in need of further cash to reach profitability. Nektan, Proxama, Oxford Pharmascience, Sphere and Microsaic all fall into this category with several of them publicly highlighting a need for further cash investment in order to achieve the necessary momentum in their businesses.

### **Portfolio Activity**

In the period under review, the Company made four new qualifying investments totalling £1.76 million. The new investments were Escape Hunt, Faron Pharmaceuticals, Maxcyte Group and Velocity Composites plc. Escape Hunt is a leisure company operating live escape games in premises around the world both through its own outlets and franchisees. Faron Pharmaceuticals is a drug development company with a drug in phase III trials to treat the often lethal Acute Respiratory Distress Syndrome suffered by trauma victims in A&E. Maxcyte is a pharmaceutical services company with particular technological expertise in the discovery, development, manufacture and commercialisation of cell-based medicines. Velocity Composites manages the supply of raw composite materials in prepared form to the production lines of Tier 1 aircraft component manufacturers. Since the period end we have made a further investment of £0.3 million in DP Poland, which raised funds to continue its roll out of managed and franchised sites across Poland.

Your Manager continued to use non-qualifying investments to manage liquidity while awaiting new qualifying investment opportunities. Existing holdings for this purpose include some AIM non-qualifying stocks but we have added two holdings in UP Global Sourcing and Medica, fully listed stocks and therefore allowed under the new regulations. In the period we also invested a further £2 million of the cash balances into Octopus managed portfolios of mixed equity and bond funds and £0.3 million into the FP Octopus UK Micro-Cap Fund, with the objective of obtaining a better return on our cash awaiting investment.

A number of disposals were made, which were profit-taking from existing holdings, with the exception of Bond International where the company has sold its assets and put itself into liquidation and paid shareholders out. A small balance is due next year. The result has been a net gain of £578,000.

### **Transactions with Manager**

Details of amounts paid to the Manager are disclosed in Note 8 to the half-yearly report.

### **Share Buybacks**

In the six months to May 2017, the Company bought back 936,478 Ordinary shares for total consideration of £767,000. It is evident from the conversations which your Manager has that this facility remains an important consideration to investors. Your Board remains committed to maintaining its policy of buying back shares at a 5% discount to NAV.

### **Share Issues and Fundraising**

The Top-Up offer to raise up to £4.3 million was announced on 6 February 2017, and closed fully subscribed on 28 February 2017. 4,989,732 shares were issued under the offer and £4.3 million was raised, net of costs.

Your Board announced the launch of a new prospectus offer on 16 May 2017 to raise up to £30 million with a possible £10 million extension in combination with the Octopus AIM VCT plc. This would involve a fundraising of up to £16 million for this VCT. The offer launched on 16 June 2017 and the first allotment is due to take place on 4 August 2017.

### **Dividend**

On 28 April 2017, the Company paid a dividend of 2p per share, being the final dividend for the year ended 30 November 2016.

For the period to 31 May 2017, the Board has declared an interim dividend of 2.1p. This will be paid on 29 September 2017 to shareholders on the register on 15 September 2017.

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

### **Risks, Uncertainties**

The principal risks and uncertainties are set out in Note 7 to the half-yearly report and accounts on page 20.



## Outlook

Politics continues to dominate the news and a Minority Government post the General Election is not obviously helpful to negotiating our way successfully out of the European Union. All of this has made the market more volatile since the period end and the NAV has given back some of its strong rise in the first five months of the year. Although it is only to be expected that the market will be more prone to bouts of uncertainty as the Brexit negotiations unfold, it remains the case that the economic Armageddon predicted by many in the immediate aftermath of the vote a year ago has not materialised and any effects of Brexit itself will be felt much further into the future than 2018.

In the first six months of the year we have seen some good results and a number of encouraging trading statements from companies in the portfolio with more news to come with the interim results season in September. The portfolio now contains 75 holdings across a range of sectors with the balance weighted towards profitable companies which are continuing to pursue growth. The current fundraising will make cash available for new investments giving the VCT the chance to take advantage of any lowering of valuations in the new issue market that may result from the current uncertainty. With the VCT 87% invested in qualifying companies for HMRC purposes your Manager can afford to be selective about new investments.

The AIM Team  
Octopus Investments  
26 July 2017

# Investment Portfolio

## Quoted Investments

Investee Company	Sector	Book cost as at 31 May 2017 £	Cumulative change in Fair Value £	Fair Value as at 31 May 2017 £	Movement in period £	Equity held by Octopus AIM VCT 2 plc %	Equity held by all funds managed by Octopus %
Breedon Group plc	Construction & Building	573	3,627	4,200	704	0.34%	2.32%
Quixant plc	Technology Hardware	465	3,501	3,966	737	1.53%	6.03%
Animalcare Group plc	Pharmaceuticals & Biotech	824	2,606	3,430	761	4.12%	6.72%
GB Group plc	Support Services	477	2,631	3,108	1,207	0.51%	9.44%
IDOX plc	Software	356	2,379	2,735	468	0.92%	3.14%
Gear4music Holdings plc	Media	372	1,780	2,152	1,051	1.28%	5.48%
Craneware plc	Software	479	1,537	2,016	453	0.58%	1.80%
Learning Technologies Group plc	Support Services	880	1,008	1,888	662	0.71%	1.89%
Brooks Macdonald Group plc	Finance	610	1,213	1,823	595	0.53%	11.29%
Staffline Recruitment Group plc	Support Services	225	1,540	1,765	693	0.44%	13.60%
RWS Holdings plc	Support Services	249	1,393	1,642	418	0.19%	7.03%
Netcall plc	Telecommunication Services	356	1,081	1,437	227	1.55%	3.68%
Adept Telecom plc	Telecommunication Services	502	716	1,218	322	1.51%	3.90%
Ergomed plc	Pharmaceuticals & Biotech	960	228	1,188	356	1.46%	7.45%
DP Poland plc	Leisure & Hotels	364	764	1,128	(231)	1.62%	4.82%
Gooch & Housego plc	Electronic & Electrical	326	784	1,110	349	0.33%	14.61%
Yu Group plc	Utilities	470	572	1,042	229	1.81%	9.54%
Restore plc	Support Services	311	703	1,014	116	0.21%	9.95%
Clinigen Group plc	Pharmaceuticals & Biotech	625	295	920	137	0.09%	4.20%
EKF Diagnostics Holdings plc	Health	864	43	907	155	0.95%	2.15%
Advanced Medical Solutions Group plc	Pharmaceuticals & Biotech	505	384	889	190	0.15%	9.00%
Next Fifteen Communications Group plc	Media	458	417	875	189	0.30%	9.99%
Vertu Motors plc	General Retailers	777	71	848	89	0.47%	4.82%
Plastics Capital plc	Engineering & Machinery	485	347	832	-	1.86%	7.68%
Escher Group Holdings plc	Software	753	65	818	111	2.35%	5.49%
CityFibre plc	Telecommunication Services	739	40	779	112	0.44%	1.59%
Brady plc	Software	647	127	774	61	1.22%	3.01%

Investee Company	Sector	Book cost as at 31 May 2017 £	Cumulative change in Fair Value £	Fair Value as at 31 May 2017 £	Movement in period £	Equity held by Octopus AIM VCT 2 plc %	Equity held by all funds managed by Octopus %
Omega Diagnostics Group plc	Health	318	440	758	243	2.63%	6.15%
TLA Worldwide plc	Media	538	188	726	(215)	1.88%	4.69%
Ideagen plc	Software	280	433	713	269	0.40%	4.48%
Escape Hunt plc	Leisure & Hotels	659	-	659	-	2.41%	6.02%
Tasty plc	Leisure & Hotels	336	311	647	(893)	1.87%	4.36%
Futura Medical plc	Pharmaceuticals & Biotech	645	(23)	622	(17)	0.94%	7.90%
Cello Group plc	Media	205	391	596	165	0.43%	3.98%
Judges Scientific plc	Electronic & Electrical	209	381	590	146	0.55%	1.37%
Abcam plc	Pharmaceuticals & Biotech	358	229	587	91	0.03%	2.50%
Cambridge Cognition Holdings plc	Health	400	171	571	172	2.79%	13.96%
Nasstar plc	Software	320	224	544	-	1.12%	4.63%
Velocity Composites plc	Industrial	533	-	533	-	1.75%	4.93%
Faron Pharmaceuticals Oy	Pharmaceuticals & Biotech	230	269	499	269	0.24%	0.72%
LoopUp Group plc	Software	320	170	490	102	0.78%	3.90%
Gamma Communications plc	Telecommunication Services	326	161	487	84	0.09%	8.96%
Vectura Group plc	Pharmaceuticals & Biotech	332	138	470	(102)	0.06%	0.15%
Haydale Graphene Industries plc	Chemicals	399	50	449	7	1.27%	6.99%
SQS Software Quality Systems AG	Software	207	201	408	(177)	0.30%	15.72%
Mattioli Woods plc	Finance	101	289	390	40	0.19%	2.17%
Scientific Digital Imaging plc	Electronic & Electrical	119	245	364	126	1.67%	9.97%
Sinclair IS Pharma plc	Pharmaceuticals & Biotech	274	74	348	(17)	0.22%	0.54%
Maxcyte Inc	Pharmaceuticals & Biotech	340	(19)	321	(19)	1.70%	7.16%
Iomart Group plc	Software	178	123	301	17	0.09%	10.59%
Access Intelligence plc	Software	366	(72)	294	(37)	2.54%	5.15%
Osirium Technologies plc	Electronic & Electrical	500	(208)	292	(228)	3.08%	15.36%
UP Global Sourcing Holdings plc	Household Goods & Textiles	182	105	287	105	0.17%	0.57%
WANdisco plc	Software	96	152	248	157	0.15%	0.38%

# Investment Portfolio continued

Investee Company	Sector	Book cost as at 31 May 2017 £	Cumulative change in Fair Value £	Fair Value as at 31 May 2017 £	Movement in period £	Equity held by Octopus AIM VCT 2 plc %	Equity held by all funds managed by Octopus %
FreeAgent Holdings plc	Media	185	46	231	59	0.54%	3.38%
TP Group plc	Engineering & Machinery	452	(222)	230	46	0.87%	5.86%
MyCelix Technologies Corporation	Oil Equipment	980	(679)	301	198	2.89%	9.19%
Microsaic Systems plc	Engineering & Machinery	722	(534)	188	(83)	3.99%	11.82%
Sphere Medical Holding plc	Health	400	(219)	181	(69)	1.76%	4.41%
Enteq Upstream plc	Oil Services	687	(516)	171	52	1.13%	2.83%
Midatech Pharma plc	Pharmaceuticals & Biotech	400	(243)	157	(19)	0.31%	2.40%
Nektan Limited	Software	563	(420)	143	8	1.17%	10.61%
Oxford Pharmascience Group plc	Pharmaceuticals & Biotech	900	(765)	135	(14)	0.75%	3.31%
Tyratech Inc	Chemicals	400	(280)	120	(80)	3.64%	19.87%
Medica Group plc	Health	63	41	104	41	0.04%	0.15%
Alfa Financial Software Holdings plc	Software	81	19	100	19	0.01%	0.03%
Mears Group plc	Support Services	51	44	95	9	0.02%	0.14%
ReNeuron Group plc	Pharmaceuticals & Biotech	216	(134)	82	(58)	0.14%	1.17%
Genedrive Plc	Pharmaceuticals & Biotech	140	(70)	70	(26)	0.94%	2.34%
Fusionex International plc	Software	188	(132)	56	(143)	0.23%	1.02%
Proxama plc	Software	509	(470)	39	(155)	0.84%	5.02%
1Spatial plc	Software	200	(178)	22	6	0.08%	0.21%
Work Group plc	Support Services	379	(365)	14	(2)	1.88%	5.63%
Bond International Software plc	Software	4	-	4	-	n/a	n/a
<b>Total Quoted Investments</b>		<b>30,943</b>	<b>29,198</b>	<b>60,141</b>	<b>10,238</b>		

## Unquoted Investments

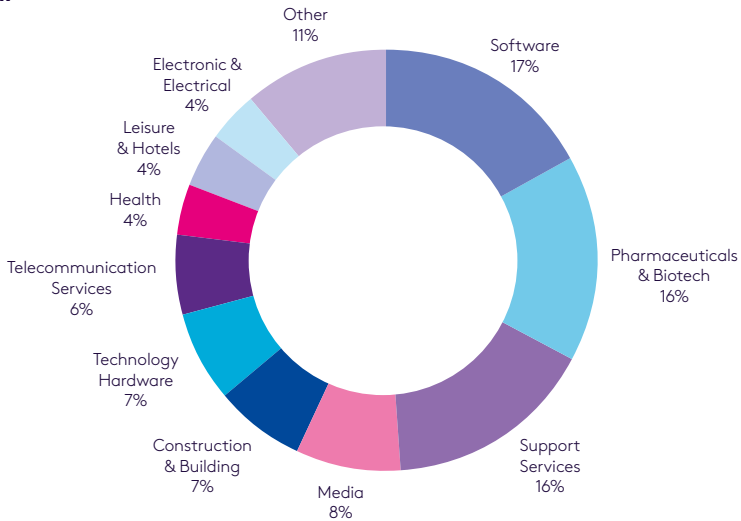
Hasgrove plc	Media	153	59	212	68	0.71%	4.38%
Rated People Limited	Software	236	(178)	58	-	0.34%	1.49%
<b>Total Unquoted Investments</b>		<b>389</b>	<b>(119)</b>	<b>270</b>	<b>68</b>		

Loan Notes	Sector	Book cost as at 31 May 2017 £	Cumulative change in Fair Value £	Fair Value as at 31 May 2017 £	Movement in period £	Equity held by Octopus AIM VCT 2 plc %	Equity held by all funds managed by Octopus %
Nektan Limited (loan)	Software	330	-	330	-		
Access Intelligence plc (loan)	Software	80	-	80	-		
<b>Total Loan Notes</b>		<b>410</b>		<b>410</b>			
<b>Current Asset Investments</b>							
Octopus Portfolio Manager - Conservative Capital Growth		3,600	187	3,787	131		
Octopus Portfolio Manager - Defensive Capital Growth		3,600	267	3,867	165		
Octopus UK Micro Cap Growth Fund		1,100	296	1,396	280		
<b>Total Current Asset Investments</b>		<b>8,300</b>	<b>750</b>	<b>9,050</b>	<b>576</b>		
<b>Total Fixed and Current Asset Investments</b>				<b>69,870</b>			
Money Market Funds				4,425			
Cash at Bank				1,690			
Debtors less Creditors				(332)			
<b>Total Net Assets</b>				<b>75,653</b>			

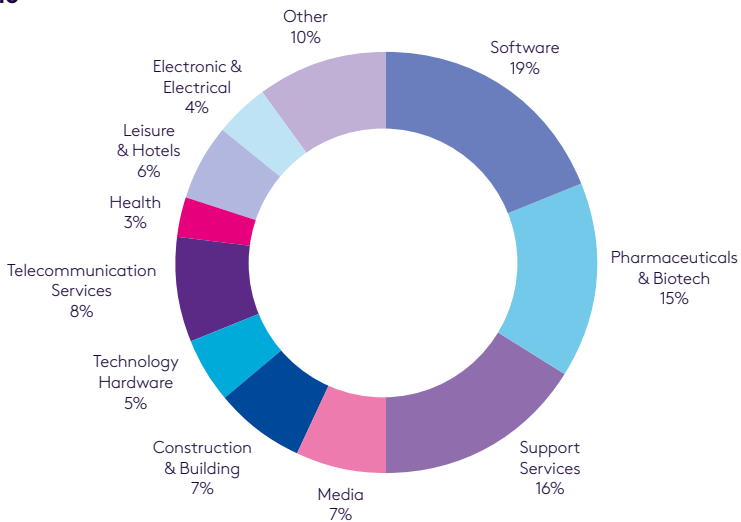
## Sector Analysis

The graph below shows the sectors the Fund is invested in by value

**31 May 2017**



**31 May 2016**



# Director's Responsibilities Statement

We confirm that to the best of our knowledge:

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

On behalf of the Board



Keith Mullins  
Chairman  
26 July 2017

# Income Statement

	Unaudited Six months to 31 May 2017			Unaudited Six months to 31 May 2016			Audited Year to 30 November 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	-	134	134	-	87	87	-	300	300
Gain on valuation of fixed asset investments	-	10,307	10,307	-	355	355	-	3,389	3,389
Gain on valuation of current asset investments	-	575	575	-	-	-	-	174	174
Investment income	243	-	243	289	-	289	597	-	597
Investment management fees	(119)	(357)	(476)	(104)	(312)	(416)	(225)	(676)	(901)
Other expenses	(260)	-	(260)	(177)	-	(177)	(375)	-	(375)
<b>Profit/(loss) on ordinary activities before tax</b>	<b>(136)</b>	<b>10,659</b>	<b>10,523</b>	<b>8</b>	<b>130</b>	<b>138</b>	<b>(3)</b>	<b>3,187</b>	<b>3,184</b>
Taxation on profit/(loss) on ordinary activities	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) on ordinary activities after tax</b>	<b>(136)</b>	<b>10,659</b>	<b>10,523</b>	<b>8</b>	<b>130</b>	<b>138</b>	<b>(3)</b>	<b>3,187</b>	<b>3,184</b>
<b>Return per share – basic and diluted</b>	<b>(0.2)p</b>	<b>13.3p</b>	<b>13.1p</b>	<b>0.0p</b>	<b>0.2p</b>	<b>0.2p</b>	<b>0.0p</b>	<b>4.5p</b>	<b>4.5p</b>

- the 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.
- all revenue and capital items in the above statement derive from continuing operations.
- the Company has no recognised gains or losses other than those disclosed in the Income Statement.
- the Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds, as well as OEIC funds.



# Balance Sheet

	Unaudited As at 31 May 2017		Unaudited As at 31 May 2016		Audited As at 30 November 2016	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments		<b>60,820</b>		46,226		49,737
Current assets:						
Investments	<b>13,475</b>		5,410		10,594	
Debtors	<b>22</b>		62		49	
Cash at bank	<b>1,690</b>		5,168		2,984	
	<b>15,187</b>		10,640		13,627	
Creditors: amounts falling due within one year	<b>(354)</b>		(235)		(359)	
Net current assets		<b>14,833</b>		10,405		13,268
<b>Net assets</b>		<b>75,653</b>		56,631		63,005
Called up equity share capital		<b>8</b>		7		8
Share premium		<b>27,945</b>		18,032		23,405
Special distributable reserve		<b>28,098</b>		32,559		30,513
Capital reserve – realised		<b>(9,947)</b>		(8,916)		(10,168)
– unrealised		<b>29,826</b>		15,079		19,388
Revenue reserve		<b>(277)</b>		(130)		(141)
<b>Total equity shareholders' Funds</b>		<b>75,653</b>		56,631		63,005
<b>Net asset value per share</b>		<b>91.8p</b>		78.5p		80.6p

The statements were approved by the Directors and authorised for issue on 26 July 2017 and are signed on their behalf by:



Keith Mullins  
Chairman

Company Number: 05528235

# Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Special distributable reserves £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>As at 1 December 2016</b>	8	23,405	30,513	(10,168)	19,388	(141)	63,005
Management fee allocated as capital expenditure	-	-	-	(357)	-	-	(357)
Current period gains on disposal	-	-	-	134	-	-	134
Current period gain on fair value of investments	-	-	-	-	10,882	-	10,882
Loss on ordinary activities after tax	-	-	-	-	-	(136)	(136)
Total comprehensive income for the period	-	-	-	(223)	10,882	(136)	10,523
<b>Contributions by and distributions to owners:</b>							
Repurchase and cancellation of own shares	-	-	(767)	-	-	-	(767)
Issue of shares	-	4,816	-	-	-	-	4,816
Share issue costs	-	(276)	-	-	-	-	(276)
Dividends paid	-	-	(1,648)	-	-	-	(1,648)
<b>Total contributions by and distributions to owners</b>	-	4,540	(2,415)	-	-	-	2,125
<b>Other movements:</b>							
Prior years' holding gains now realised	-	-	-	444	(444)	-	-
<b>Total other movements</b>	-	-	-	444	(444)	-	-
<b>Balance as at 31 May 2017</b>	<b>8</b>	<b>27,945</b>	<b>28,098</b>	<b>(9,947)</b>	<b>29,826</b>	<b>(277)</b>	<b>75,653</b>
<b>As at 1 December 2015</b>	6	11,575	34,841	(8,373)	14,406	(138)	52,317
Management fee allocated as capital expenditure	-	-	-	(312)	-	-	(312)
Current period gains on disposal	-	-	-	87	-	-	87
Current period gain on fair value of investments	-	-	-	-	355	-	355
Profit on ordinary activities after tax	-	-	-	-	-	8	8
Total comprehensive income for the period	-	-	-	(225)	355	8	138
<b>Contributions by and distributions to owners:</b>							
Repurchase and cancellation of own shares	-	-	(849)	-	-	-	(849)
Issue of shares	1	6,675	-	-	-	-	6,676
Share issue costs	-	(218)	-	-	-	-	(218)
Dividends paid	-	-	(1,433)	-	-	-	(1,433)
<b>Total contributions by and distributions to owners</b>	1	6,457	(2,282)	-	-	-	4,176
<b>Other movements:</b>							
Prior years' holding losses now realised	-	-	-	(318)	318	-	-
<b>Total other movements</b>	-	-	-	(318)	318	-	-
<b>Balance as at 31 May 2016</b>	<b>7</b>	<b>18,032</b>	<b>32,559</b>	<b>(8,916)</b>	<b>15,079</b>	<b>(130)</b>	<b>56,631</b>

	Share Capital £'000	Share Premium £'000	Special distributable reserves £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>As at 1 December 2015</b>	6	11,575	34,841	(8,373)	14,406	(138)	52,317
Management fee allocated as capital expenditure	-	-	-	(676)	-	-	(676)
Current period gains on disposal	-	-	-	300	-	-	300
Current period gain on fair value of investments	-	-	-	-	3,563	-	3,563
Loss on ordinary activities after tax	-	-	-	-	-	(3)	(3)
Total comprehensive income for the period	-	-	-	(376)	3,563	(3)	3,184
<b>Contributions by and distributions to owners:</b>							
Repurchase and cancellation of own shares	-	-	(1,401)	-	-	-	(1,401)
Issue of shares	2	12,367	-	-	-	-	12,369
Share issue costs	-	(537)	-	-	-	-	(537)
Dividends paid	-	-	(2,927)	-	-	-	(2,927)
<b>Total contributions by and distributions to owners</b>	2	11,830	(4,328)	-	-	-	7,504
<b>Other movements:</b>							
Prior years' holding losses now realised	-	-	-	(1,419)	1,419	-	-
<b>Total other movements</b>	-	-	-	(1,419)	1,419	-	-
<b>Balance as at 30 November 2016</b>	<b>8</b>	<b>23,405</b>	<b>30,513</b>	<b>(10,168)</b>	<b>19,388</b>	<b>(141)</b>	<b>63,005</b>

# Cash Flow Statement

	Unaudited Six months to 31 May 2017 £'000	Unaudited Six months to 31 May 2016 £'000	Unaudited Six months to 30 November 2016 £'000
<b>Cash flows from operating activities</b>			
Return on ordinary activities before tax	10,523	138	3,184
Adjustments for:			
Decrease/(increase) in debtors	27	(8)	5
(Decrease)/increase in creditors	(5)	123	247
Gain on disposal of fixed assets	(134)	(87)	(300)
Gain on valuation of fixed asset investments	(10,307)	(355)	(3,389)
Gain on valuation of current asset investments	(575)	-	(174)
<b>Cash from operations</b>	<b>(471)</b>	<b>(189)</b>	<b>(427)</b>
Income taxes paid	-	-	-
<b>Net cash generated from operating activities</b>	<b>(471)</b>	<b>(189)</b>	<b>(427)</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed asset investments	(2,089)	(970)	(2,261)
Sale of fixed asset investments	1,447	155	1,181
Purchase of current asset investments	(2,300)	-	(6,000)
<b>Net cash flows from investing activities</b>	<b>(2,942)</b>	<b>(815)</b>	<b>(7,080)</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares	(767)	(849)	(1,401)
Share issues	4,540	6,457	11,832
Dividends paid	(1,648)	(1,433)	(2,927)
<b>Net cash flows from financing activities</b>	<b>2,125</b>	<b>4,175</b>	<b>7,504</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,288)</b>	<b>3,171</b>	<b>(3)</b>
Opening cash and cash equivalents	7,404	7,407	7,407
<b>Closing cash and cash equivalents</b>	<b>6,116</b>	<b>10,578</b>	<b>7,404</b>
<b>Cash and cash equivalents comprise</b>			
Cash at bank	1,690	5,168	2,984
Money Market Funds	4,426	5,410	4,420
	<b>6,116</b>	<b>10,578</b>	<b>7,404</b>

# Notes to the Half-Yearly Report

## 1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 May 2017 have been prepared in accordance with the Financial Reporting Council's (FRC) Financial Reporting Standard 104 Interim Financial Reporting (March 2015) and the Statement of Recommended Practice (SORP) for Investment Companies re-issued by the Association of Investment Companies in January 2017.

## 2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 May 2017 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 30 November 2016 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3, part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

## 3. Earnings per share

The earnings per share at 31 May 2017 are calculated on the basis of 80,186,095 shares (31 May 2016: 67,932,426 and 30 November 2016: 71,247,737), being the weighted average number of Ordinary shares in issue during the period.

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

## 4. Net asset value per share

The net asset value per share is based on net assets as at 31 May 2017 divided by 82,429,702 Ordinary shares in issue at that date (31 May 2016: 72,175,291 and 30 November 2016: 78,128,450).

## 5. Dividends

The Directors have declared a dividend of 2.1 pence per Ordinary share, payable from the special distributable reserve. This dividend will be paid on 29 September 2017 to those shareholders on the register at 15 September 2017.

## 6. Buybacks share issues

During the six months ended 31 May 2017 the Company repurchased the following shares.

<b>Date</b>	<b>No. of shares</b>	<b>Price (p)</b>
16 December 2016	215,228	78.0
20 January 2017	115,642	80.3
03 March 2017	101,793	83.2
13 April 2017	342,663	82.5
22 May 2017	161,152	86.0
<b>Total</b>	<b>936,478</b>	

The weighted average price of all buybacks during the period was 81.9 pence per share.

During the six months ended 31 May 2017 the Company issued the following shares:

<b>Date</b>	<b>No. of shares</b>	<b>Price (p)</b>
03 March 2017	4,775,003	92.2
13 April 2017	214,729	91.4
28 April 2017 (DRIS)	247,998	87.8
<b>Total</b>	<b>5,237,730</b>	

The weighted average allotment price of all shares issued during the period was 92.0 pence per share.

## 7. Principal risks and uncertainties

The Company's assets consist of equity, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a VCT, investment and strategic, regulatory and reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 30 November 2016. The Company's principal risks and uncertainties have not changed materially since the date of that report.

**8. Related party transactions**

The Company has employed Octopus Investments Limited throughout the period as Investment Manager. Octopus has also been appointed as Custodian of the Company's investments under a Custodian Agreement. The Company has charged Octopus Investments £476,000 as a management fee in the period to 31 May 2017 (31 May 2016: £416,000 and 30 November 2016: £901,000). The management fee is payable quarterly in advance and is based on 2% of net assets at quarterly intervals.

**9. Post balance sheet events**

Since 31 May 2017 the Company has made one follow-on investment for £313,000, and made sales for a total net consideration of £300,000.

**10. Additional information**

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

# About Octopus AIM VCT 2 plc

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

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

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

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

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

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

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

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

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

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



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



Dividends paid during year ending	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
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
2006	-	-	-	-
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	4.3
2015	-	-	7.0	6.4
2016	-	4.8	4.6	4.3
2017	2.2	2.4	2.3	2.1
<b>Total dividends paid (assumed investment at 100p)</b>	<b>2.2</b>	<b>7.2</b>	<b>13.9</b>	<b>17.0</b>
<b>Adjusted NAV (assumed investment at 100p)</b>	<b>100.4**</b>	<b>109.4**</b>	<b>106.5**</b>	<b>97.8**</b>
<b>NAV plus total dividends (assumes investment at 100p)</b>	<b>102.6***</b>	<b>116.6***</b>	<b>120.4***</b>	<b>114.8***</b>

Following the merger with Octopus Third AIM VCT plc and various share re-organisations, there is now only one class of share. The figures above represent a notionally adjusted NAV per share in accordance with the relevant conversion ratios.

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

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

\*\*\*NAV plus cumulative dividends adjusting for conversion, assuming investment at 100p showing the notional return to shareholders

Octopus AIM VCT 2 Ordinary shares 2013/14	Octopus AIM VCT 2 Ordinary shares 2012/13	Octopus AIM VCT 2 Ordinary shares 2011/12	Octopus AIM VCT 2 Ordinary shares 2010/11	Octopus Second AIM VCT (formerly Octopus IHT AIM VCT A&B shares) 2005/06	Octopus Third AIM VCT C&D shares (formerly Octopus Second AIM VCT)	Octopus Third AIM Ordinary shares 2000/01 (formerly Octopus Second AIM VCT plc)
-	-	-	-	-	-	1.6
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1.4	-	1.0
-	-	-	-	2.0	0.8	7.0
-	-	-	-	2.0	2.2	11.0
-	-	-	-	2.0	2.0	2.0
-	-	-	-	2.5	5.4	2.2
-	-	-	4.7*	3.3	3.8*	1.6*
-	2.3*	4.4*	4.6*	3.2	3.8*	1.6*
4.5	5.1*	4.7*	5.0*	3.5	4.1*	1.7*
5.2	5.8*	5.4*	5.8*	4.0	4.6*	1.9*
7.8	8.7*	8.1*	8.6*	6.0	7.1*	2.9*
5.2	5.8*	5.4*	5.8*	4.0	4.7*	1.9*
2.6	2.9*	2.7*	2.9*	2.0	2.4*	1.0*
25.3	30.6	30.5	37.4	35.8	40.9	37.4
119.2**	133.0**	123.4**	132.0**	91.8	107.9**	44.4**
144.5***	163.6***	153.9***	169.4***	127.6	148.8***	81.8***

only one share class, Ordinary shares. For Octopus Third AIM VCT Ordinary shares and 'C' & 'D' shares, conversion factors.

VCT 2 plc Ordinary shares.

Ordinary shares.

shareholders based on their original investment share class.

**Notes**

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

# Directors and Advisers

## Board of Directors

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

## Secretary and Registered office

Nicola Board ACIS  
33 Holborn  
London  
EC1N 2HT

## Investment and Administration Manager

Octopus Investments Limited  
33 Holborn  
London  
EC1N 2HT  
Tel: 0800 316 2349  
[www.octopusinvestments.com](http://www.octopusinvestments.com)

## Custodians

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33 Holborn  
London  
EC1N 2HT

## Bankers

HSBC Bank plc  
31 Holborn  
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EC1N 2HR

## Independent Auditor

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## Taxation Advisor

PricewaterhouseCoopers LLP  
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London  
WC2N 6RH

## VCT Status Adviser

PricewaterhouseCoopers LLP  
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London  
WC2N 6RH

## Registrar

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The Pavilions  
Bridgewater 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](http://www.computershare.com/uk)  
[www-uk.computershare.com/investor/](http://www-uk.computershare.com/investor/)



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