
OCTOPUS

SECOND AIM VCT PLC

Octopus Second AIMVCT plc is a venture capital trust which aims to provide shareholders with attractive tax-free dividends and long-term capital growth by investing in a diverse portfolio of predominately AIM-quoted companies. The Company is managed by Octopus Investments Limited.

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FINANCIAL SUMMARY

	As at 30 November 2011	As at 30 November 2010
Net assets (£'000s)	26,590	24,774
(Loss)/Return on ordinary activities after tax (£'000s)	(1,208)	1,281
Net asset value (NAV) per share	62.4p	67.9p
Dividend per share – paid in year	3.25p	2.50p*
Dividends proposed	1.60p	1.65p

* 1.00p of this was paid pre-merger.

KEY DATES

Annual General Meeting	16 May 2012 (11.00 a.m. at 20 Old Bailey, London EC4M 7AN)
2011 final dividend paid	8 June 2012
Half yearly results to 31 May 2012 announced	July 2012

SHAREHOLDER INFORMATION AND CONTACT DETAILS

The Company was launched as Close IHT AIMVCT 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 AIMVCT plc (formerly Octopus Second AIMVCT plc) ("the merger") and changed its name from Octopus IHT AIMVCT plc to Octopus Second AIMVCT plc. Shareholders of Octopus Third AIMVCT plc received 0.48356191 Ordinary shares in the Company for each Ordinary share they had prior to the merger.

The offer for subscription in the prospectus dated 9 July 2010 relating to the issue of new shares in connection with the merger with Octopus Third AIMVCT plc, which was extended by a supplemental prospectus, closed on 8 July 2011 raising £5.8 million. As mentioned in the Chairman's statement, your Board are seeking to raise up to £3.0 million of new capital through a Top-up offer.

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:

- upfront income tax relief of 30%;
- 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:

- at least 70% of the Company's investments must comprise 'qualifying holdings'* (as defined in the legislation);
- at least 30% of the 70% of qualifying holdings must be invested into Ordinary shares with no preferential rights (from April 2011 this changed to 70% for new investments from funds raised after this date);
- no single investment made can exceed 15% of the total company value; 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 £1 million invested in any one year in new shares or securities in an unquoted UK company (or company listed on AIM) 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.

Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque sent to their registered address can complete a mandate form for this purpose. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, by calling 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open Monday–Friday 8.30am–5.30pm), or by writing to them at:

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

The table below shows the net asset value per share (NAV) and lists the dividends that have been paid since the launch of the Company:

Dividends Paid:

Year ending	Octopus Second AIM VCT (post August 2010)	Octopus AIM VCT (pre August 2010)	Octopus Third AIM VCT Ordinary shares (formerly Octopus Second AIM VCT) (pre August 2010)*	Octopus Third AIM VCT 'C' and 'D' shares (formerly Octopus Second AIM VCT) (pre August 2010)*	Octopus Third AIM VCT Ordinary shares (formerly Octopus Second AIM VCT) (pre August 2010)*
2003	–	–	1.60	–	–
2004	–	–	–	–	–
2005	–	–	–	–	–
2006	–	1.40	1.00	–	–
2007	–	2.00	7.00	0.75	–
2008	–	2.00	11.00	2.21	–
2009	–	2.00	2.00	2.00	–
2010	1.50	2.50	2.23	5.41	–
2011	3.25	3.30	1.60	3.80	–
Cumulative dividends paid (p)	4.75	13.20	26.43	14.17	
NAV at 30 November 2011 (p)	62.40	62.40	30.17	73.36	
NAV plus total dividends (p)	67.15	75.60	56.60	87.53	

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

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 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, identified as (post August 2010) in the table above.

The proposed final dividend of 1.6p will, if approved by shareholders, be paid on 8 June 2012 to shareholders on the register on 11 May 2012.

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 (22 March 2012)	59.5 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.

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 10% discount to the prevailing NAV. The Company is,

SHAREHOLDER INFORMATION AND CONTACT DETAILS (continued)

however, unable to buy back shares directly from shareholders. If you are considering selling your shares or trading in the secondary market, please contact the Company's corporate broker, Matrix Corporate Capital ('Matrix').

Matrix 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 in shares. Matrix can be contacted as follows:

Chris Lloyd
0203 206 7176 chris.lloyd@matrixgroup.co.uk

Paul Nolan
0203 206 7177 paul.nolan@matrixgroup.co.uk

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, Capita Registrars, under the signature of the registered holder. Their contact details are provided on page 2.

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. All other statutory information will also be found there.

Warning to Shareholders

The VCT is aware that some 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 very 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 or Octopus 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 at the number provided at the back of this report.

CHAIRMAN'S STATEMENT

Introduction

I would like to start this statement by welcoming the new shareholders who subscribed for shares in the open offer either at the end of the last tax year or the beginning of this one. I know you will have received the interim report in the interval, but I hope you will enjoy reading all the information in these accounts. Equally, I hope you will be able to attend the Annual General Meeting, details of which can be found at the back of these accounts. By the time you receive this document, you will have become aware of your Board's intention to seek to raise up to £3.0 million of new capital. I will be able to report on the fundraising progress at the AGM.

The last year has been a difficult one for any number of people in all sorts of respects and has not been an ideal background for investors in smaller companies. Perhaps the year to the end of November 2011 can best be described as testing and frustrating for smaller companies investors. As the end of my statement points out, the manager is indeed optimistic that prospects for many of the holdings are encouraging and it is no surprise to some that the first three months of the new financial year have seen a remarkably positive change in investor sentiment. That has seen the NAV rise encouragingly.

Dividend

As the Income Statement on page 36 shows, dividend income has increased this year and not just as a result of the merger. Many companies in the portfolio have increased their own dividend payments and this, as well as prior year realised gains, have allowed your Board to pay an interim dividend of 1.6p per share in early October and now to declare a final dividend of 1.6p per share again. This will be payable, if approved at the AGM, on 8 June 2012. These payments are a little better than the 5% yield policy established by the Board at the time of the merger and reflect historical profits as well as the recent trend of rising NAV.

Your Company has continued to buy back shares in the last year partly as a means of keeping the discount

at an acceptable level but also to provide liquidity in the marketplace. This activity will have helped to stabilise the NAV and in total 2,193,803 shares have been bought back.

Performance

I mentioned earlier that the year under review had been testing and frustrating. It has been particularly frustrating for investors in small capitalisation companies, which have continued to trade well, improve their cash flows and profitability and to increase their dividends, as generally these companies have not seen their progress reflected in a higher share price, until just the last few months. Your managers have been equally frustrated.

The sentiment of investors and the stock market in general, for the year to November 2011, has been against smaller companies, seeing them as a risky asset class. Over the period the AIM index fell by 18.3% in the year to November 2011 and the SmallCap index (excluding investment trusts) by 10.8%. Against this background the NAV of your portfolio has moved from 67.9p to 62.4p per share. After adding back the capital dividends of 3.25p paid in the year, the adjusted NAV fall is 3.3%. Though this is disappointing, it nevertheless compares reasonably with the market generally. The manager's report goes into performance in more detail on pages 7 to 15.

New Capital

The merger, to which I referred earlier, necessitated a full prospectus and the decision was taken to incorporate a fund raising within it. Such a fund raising can be open for a year and in that time your Company raised approximately £6.8 million gross of new capital. It seems sensible to your Board to try to raise the balance of the original target in a Top-up offer this tax year. As a result you will already be aware that the manager, Octopus Investments, has launched a Top-up, which can issue up to £3 million.

The Manager's report will go into new investments in detail, but it will show that there have been investments made which qualify for what are known

CHAIRMAN'S STATEMENT (continued)

as both 'old' and 'new' rules. That means that your Company has invested some of both its new capital, raised in the last year, as well as its older original capital, in new VCT qualifying holdings.

VCT Qualifying Status

PricewaterhouseCoopers LLP provides your Board and Investment Manager with advice concerning continuing compliance with HMRC regulations for VCTs. Your Board has been advised that Octopus Second AIM VCT is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT.

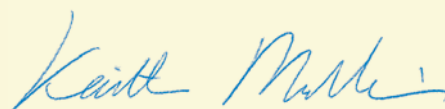
A key requirement is to maintain at least a 70% qualifying investment level. As at 30 November 2011, some 83% of the portfolio, as measured by HMRC rules, was invested in qualifying investments.

Outlook

At the time of writing, sentiment in financial markets has turned much more positive and, although there remain major issues to resolve internationally, it seems at last that there is some recognition of the commercial progress that many holdings have been making and the de-rating that many smaller

companies' shares have suffered. In the last year, many of the good companies in the portfolio have managed to improve profits and to increase their dividend payments. That has been achieved against a consistently poor background, representing a challenge to which many management teams have risen impressively.

It would therefore, I believe, be quite wrong to be downhearted about the prospects for your portfolio in the coming year. Even a small change in sentiment would have a dramatic effect upon the share prices of some of the strongly growing companies which your Company holds. The current year has started encouragingly and I look forward to talking to you further at the AGM.



Keith Richard Mullins

Chairman

22 March 2012

INVESTMENT MANAGER'S REVIEW

Introduction

A year ago we wrote that we believed that the NAV could rise in the following year based on our view that share prices could increase, since they were undervalued and relatively unappreciated by investors. Unfortunately, the belief that the NAV could rise in the year to November was confounded by a number of major economic and political concerns, particularly in Europe, which impacted market sentiment to the detriment of share prices.

It remains the case that many companies are trading well and have managed to do so throughout the last year. The consequence of that was a general de-rating of smaller company shares, and despite some signs that sentiment is changing for the better in 2012, we still perceive current valuations as reflecting an overly pessimistic view of the future.

The Alternative Investment Market ("AIM")

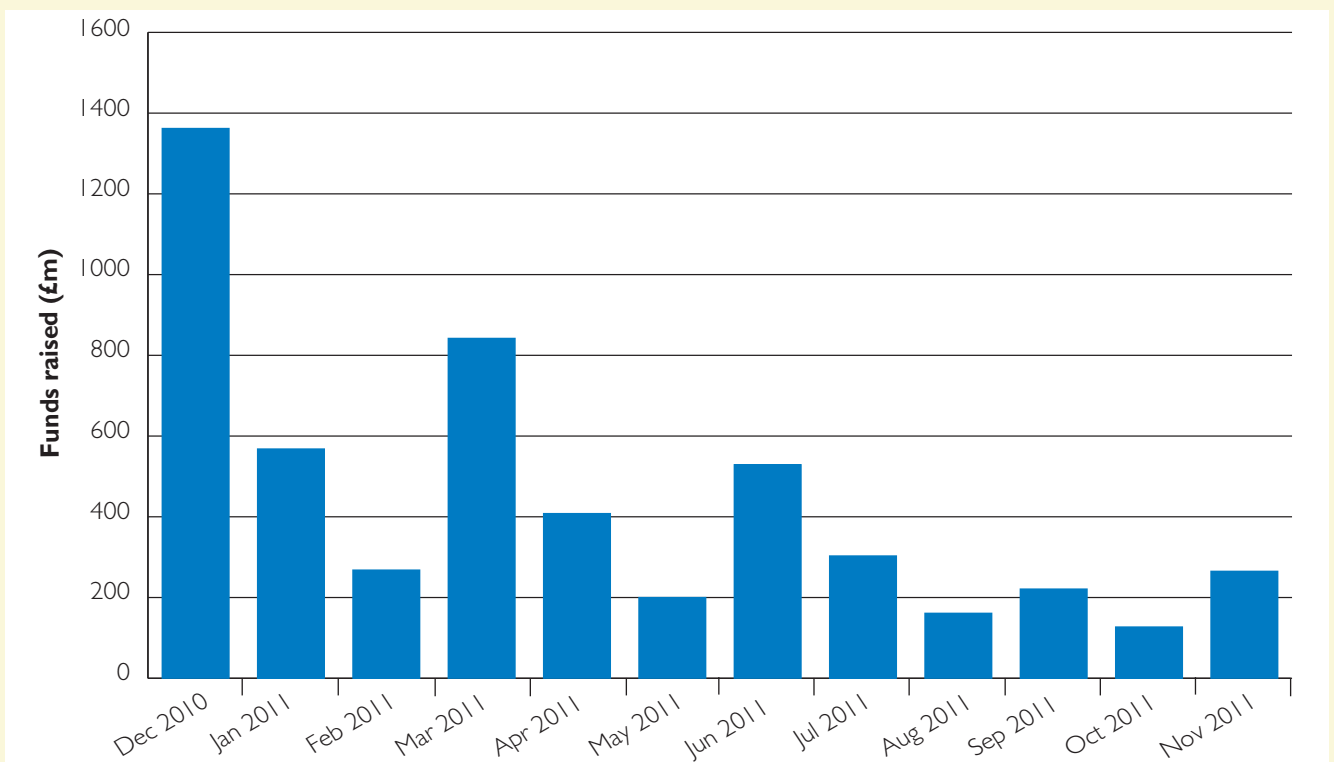
AIM was criticised last year as a disappointing market, because the number of companies traded on it fell and because it did not raise as much new capital for its

constituents as the previous year (£5.3 billion versus £6.5 billion). In fact, the number of companies traded fell from 1,196 in November 2010 to 1,150 last November. A net decrease of 46 does not seem to warrant the level of criticism and it is worth noting that approximately two new companies per week joined AIM and that is hardly the mark of a poor market.

The sum raised is shown by month in the graph below and the total compares well with any year, except for the peak years of 2005 to 2007, which we know now suffered from excessive credit and misplaced enthusiasm from investors. The fact that it was lower than the previous year is more a reflection of the mood of markets in general, and we would hope that the number and size of fundraisings will increase now that sentiment has started to improve.

AIM is now a much more stable market than it probably has been for a number of years, although it remains relatively out of favour with very many investors, who regard it as too risky. That view is overly simplistic in our opinion and ignores the trading

Funds raised on AIM: December 2010 - November 2011 (source: London Stock Exchange)



INVESTMENT MANAGER'S REVIEW (continued)

performance of many holdings in the portfolio and AIM in general. It has been a subdued year for AIM, which must be a reflection, to some degree, of wider economic concerns. However, it seems totally incorrect to regard AIM as an historic anomaly. It clearly continues to meet a need and with around 80% of the funds raised being for existing companies it is quite apparent that shareholders are backing their investments. The market would thus appear to be working: companies, whose investors believe that their investments deserve additional funds, are achieving their capital raising objectives.

Performance

The year under review was a difficult one for funds investing in smaller companies, as a succession of shocks to the economies and banks of Europe coupled with a lack of political direction made stockmarkets extremely nervous, which is never a good background for the performance of smaller company shares. In the twelve months to 30 November the AIM Index fell by 18.3% and the Smaller Companies Index Ex Investment Trusts by 10.8%. As always, the performance of AIM was heavily influenced by resource stocks which were affected by fears of declining demand in the face of a double dip recession. Against this background the VCT was relatively robust, seeing its NAV decline by 3.3% if the total dividends of 3.25p paid out in the year are added back.

Despite a performance that was better than the small cap market in general, we were still disappointed not to be able to show a positive return in a year which the NAV had initially got off to a good start and in which many holdings in the portfolio made good progress. The period was dominated by global concerns rather than the trading performance of smaller UK companies leading to remarkable volatility in stock market prices. It was a frustrating time to be an investor and we sympathise with all shareholders who wonder where any sense of market pricing efficiency went. We remain convinced that this can change, and the fact that we continue to see bid activity in the portfolio supports the view that current share prices reflect good value.

Several of your investments also showed good progress over the year. Among the larger holdings, Idox showed that it has successfully diversified its business away from a dependence on the public sector, although business with local authorities is now improving. Advanced Computer Software has demonstrated that it is generating significant amounts of cash as well as achieving steady organic growth, and a disposal of a non core business will eliminate gearing by the year end. EKF, which started life as a cash shell and has yet to make a profit, has now established itself in Europe and the US with acquisitions, and we expect profitability to follow as it opens up new markets for its point of care diagnostics. Breedon Aggregates is now profitable and trading ahead of initial projections. Tasty has also seen significant upgrades to profit forecasts and now has the critical mass to grow its restaurant business organically. Brooks Macdonald has also demonstrated strong growth despite facing more challenging markets. In the current year we expect a profit from the merged Sinclair IS Pharma, and some progress from Vertu Motors once retail conditions start to improve.

Portfolio Activity

There is no denying that the wider economic concerns have made new flotations fewer in number in 2010/11 and those that we have invested in have mainly materialised in the second half of the year. However, the flow of fundraisings for existing businesses has been more evenly spread over the year and reflects the need for companies to use equity rather than debt to finance growth in the current banking environment. Thus, despite what has seemed like a quiet year, we have found several interesting investment opportunities which we expect to develop profitably over the next few years. Because the portfolio remains well above its 70% investment limit in qualifying holdings, we can afford to be patient when making new investments and wait for attractive opportunities at realistic prices.

The interim report referred to the new investments in Corac, Woodspeen and Brady, all of which were made in the first half of the year under review. In the second

half your company invested in In-Deed Online, Enteq Upstream, Escher, Mycelx Technologies, GB Group and TLA Worldwide. In-Deed is an early stage, newly established online conveyancing business, with links to a number of property portals, in to which we have invested a small sum reflecting the near start-up nature of the company. Enteq is a management team with an established record in the oil services industry, seeking to acquire a group of international companies in the sector again. Escher is a profitable and established company, providing software to national postal services internationally, enabling them to provide financial and other non-postal services. Mycelx owns a proprietary technology for removing pollutant particles from water in environmentally sensitive areas and, at present, is concentrating its sales effort on oil well operators. GB Group provides identity verification services for a variety of customers with a growing international flavour. Finally TLA manages sports personalities, particularly baseball players in America. In total, for the year under review as a whole, £4.56 million was invested into new qualifying holdings at cost. The cash invested was a mix of the newly raised funds, as a result of last year's prospectus and of your company's previously existing capital.

In addition we also invested into non-qualifying shares, establishing holdings in Goals Soccer Centres, SQS, Staffline Recruitment, Hamworthy and Gooch and Housego. In all we invested £1.3 million in non-qualifying shares as part of our strategy of keeping around 10% of the portfolio invested in situations which are expected to provide a higher return than cash in a low interest rate environment. Since the year end, Hamworthy has been the subject

of a successful takeover, demonstrating the attractiveness of UK companies with winning technologies to overseas trade buyers.

The year under review also included a number of disposals, which are listed in the table below. Many of the disposals were as a result of bids, although sadly these did not result in an overall net profit for the fund. Clarity was an example of an opportunistically timed bid from private equity, of which we will no doubt see more, but where a longer term view by more shareholders might have been rewarded in time and CBG was taken over for cash. Both of these bids were at significant premiums to the then prevailing share prices. Individual Restaurant Group was taken over by a private company, and the structure of the deal meant that it would no longer be a VCT qualifying holding, so we elected to take cash. We also sold out of the holding in Managed Support Services when it disposed of its trading business and ceased to qualify. It had suffered from too much debt at the wrong time in the economic cycle.

We took profits from a number of holdings, such as Lombard Medical, IS Pharma (at the time of its merger with Sinclair Pharma), Craneware and Animalcare. Since the period end we have taken some further profits in Chime and Advanced Computer Software as well as selling out of Optare and Colliers, both of which were suffering from too much debt. This has reduced the number of holdings in the portfolio, particularly where the prospects of significant recovery was remote.

The table below shows the investee companies that were disposed of in total during the year:

Realisation	First investment date	Cost of investment (£'000)	Proceeds of investment (£'000)	Total gain/(loss) (£'000)
CBG Group plc	November 2008	637	170	(467)
Individual Restaurant Company plc	November 2006	160	25	(135)
Clarity Commerce Solutions plc	October 2009	651	437	(214)
Managed Support Services plc	February 2009	828	120	(708)

INVESTMENT MANAGER'S REVIEW (continued)

Investment Portfolio

Fixed asset investments	Sector	Book cost as at 30 November 2011 (£'000)	Cumulative change in fair value (£'000)	Fair value at 30 November 2011 (£'000)	Movement in year to 30 November 2011 (£'000)	% equity held by Second AIM VCT plc	% equity held by all funds managed by Octopus
Advanced Computer Software plc	Software & Computer Services	916	654	1,570	410	1.0%	2.4%
Animalcare Group plc	Food Producers & Processors	869	682	1,551	441	4.7%	8.3%
EKF Diagnostics plc	Health	870	202	1,072	89	1.8%	6.3%
Idox plc	Software & Computer Services	381	682	1,063	470	1.2%	4.4%
Craneware plc	Software & Computer Services	479	435	914	(74)	0.6%	1.2%
Breedon Aggregates Limited	Construction & Building	601	250	851	150	0.9%	2.2%
Enteq Upstream plc	Oil Services	687	137	824	137	4.6%	14.0%
Sinclair IS Pharma plc	Pharmaceuticals & Biotech	921	(172)	749	(350)	0.9%	1.9%
Brooks MacDonald Group plc	Specialty & Other Finance	609	136	745	40	0.7%	2.4%
Escher Group Holdings plc	Software & Computer Services	750	(66)	684	(66)	2.6%	8.1%
Brady plc	Software & Computer Services	515	157	672	157	1.6%	3.9%
MyCelx Technologies plc	Oil Services	600	57	657	57	2.2%	7.6%
Chime Communications plc	Media & Entertainment	750	(100)	650	(123)	0.4%	0.6%
Brulines (Holdings) plc	Support Services	867	(307)	560	(215)	2.6%	6.7%
TLA Worldwide plc	Equity Investment Instruments	538	-	538	-	4.2%	15.7%
Tasty plc	Leisure & Hotels	334	189	523	223	2.3%	4.9%
Omega Diagnostics Group plc	Health	553	(46)	507	(25)	4.8%	13.1%
Hargreaves Services plc	Support Services	314	188	502	197	0.2%	3.9%
Vertu Motors plc	General Retailers	777	(290)	487	(56)	0.9%	5.9%
Plastics Capital plc	Engineering & Machinery	485	(8)	477	43	2.6%	17.9%
Matchtech Group plc	Support Services	442	35	477	(16)	1.0%	11.4%
Hamworthy plc	Engineering & Machinery	326	136	462	136	0.1%	3.5%
Netcall plc	Telecommunication Services	421	14	435	102	2.1%	5.1%
Marwyn Management plc	Investment Companies	670	(304)	366	(392)	1.2%	1.9%
RWS Holdings plc	Support Services	249	113	362	130	0.2%	4.3%
Active Risk Group plc	Software & Computer Services	535	(190)	345	(199)	3.3%	11.0%
Woodspeen plc	Support Services	250	28	278	28	3.9%	11.4%
Staffline Recruitment Group plc	Support Services	225	31	256	31	0.5%	13.5%
Immunodiagnostic Systems plc	Health	454	(206)	248	(232)	0.2%	3.1%
Access Intelligence plc	Software & Computer Services	544	(299)	245	(299)	4.8%	10.2%
GB Group plc	Software & Computer Services	220	19	239	19	0.5%	2.2%
Corac plc	Engineering & Machinery	252	(34)	218	(34)	0.7%	2.3%
Lombard Medical Technologies plc	Health	589	(372)	217	(163)	1.8%	1.8%
In-Deed Online plc	General Retailers	201	(3)	198	(3)	2.3%	5.8%
Snacktime plc	Food Retailers	367	(190)	177	(134)	1.5%	8.9%
Hasgrove plc	Media & Entertainment	436	(267)	169	(97)	2.0%	13.2%
Bond International Software plc	Software & Computer Services	303	(138)	165	(41)	1.1%	3.4%
Gooch & Housego plc	Electronic & Electrical	165	(9)	156	(9)	0.2%	1.1%
SQS Software plc	Software & Computer Services	206	(57)	149	(59)	0.3%	5.6%
Goals Soccer Centres plc	Leisure & Hotels	147	(14)	133	(13)	0.3%	3.5%
Adept Telecom plc	Telecommunication Services	501	(376)	125	43	1.7%	4.1%
Atlantic Global plc	Software & Computer Services	119	(22)	97	-	3.3%	3.3%
Mattioli Woods plc	Specialty & Other Finance	96	(2)	94	(36)	0.3%	3.5%
Mears Group plc	Support Services	93	(15)	78	(23)	0.0%	0.3%
Jelf Group plc	Specialty & Other Finance	122	(44)	78	13	0.1%	0.9%
Work Group plc	Support Services	473	(397)	76	(3)	2.1%	6.1%
Altitude Group plc	Media & Entertainment	24	47	71	21	0.7%	4.6%
Zetar plc	Food Producers & Processors	68	(2)	66	-	0.2%	3.8%
Optare plc	Engineering & Machinery	656	(599)	57	(77)	0.5%	1.4%
Cello Group plc	Media & Entertainment	54	(6)	48	(16)	0.2%	8.5%
Daisy Group plc	Telecommunication Services	20	4	24	2	0.0%	0.1%
Datong plc	Electronic & Electrical	29	(10)	19	(19)	0.6%	3.4%
Colliers International UK plc	Real Estate	153	(139)	14	(89)	0.5%	3.0%
Twenty plc	Media & Marketing	565	(561)	4	(141)	7.8%	12.2%
Media Square plc	Media & Marketing	7	(7)	-	(3)	0.2%	1.0%
Total fixed asset investments		22,798	(1,056)	21,742	(68)		
Current asset investments		3,901		3,901			
Total fixed investments and money market funds				25,643			
Cash at bank				636			
Debtors less creditors				311			
Total net assets				26,590			

INVESTMENT MANAGER'S REVIEW (continued)

Top 10 Holdings

Listed below are the ten largest investments by value as at 30 November 2011:

Advanced Computer Software plc

Advanced Computer Software plc provides software to the Healthcare Sector and other commercial markets.

Initial investment date:	July 2008
Cost:	£916,000
Valuation:	£1,570,000
Equity held:	1.0%
Last audited accounts:	February 2011
Revenue:	£95.4 million
Profit before tax:	£3.1 million
Net assets:	£84.6 million



Further information can be found at
www.advcomputersoftware.co.uk

Animalcare Group plc

Animalcare Group plc manufactures and distributes veterinary medicines for pets and livestock.

Initial investment date:	December 2007
Cost:	£869,000
Valuation:	£1,551,000
Equity held:	4.7%
Last audited accounts:	June 2011
Revenue:	£11.8 million
Profit before tax:	£2.9 million
Net assets:	£15.8 million



Further information can be found at
www.animalcaregroup.co.uk

EKF Diagnostics plc

EKF designs, develops, manufactures and distributes diagnostic instruments and reagents focussed on the diabetes, anaemia and chronic kidney disease markets. It has operations in Germany, Poland and Russia.

Initial investment date:	July 2010
Cost:	£870,000
Valuation:	£1,072,000
Equity held:	1.8%
Last audited accounts:	December 2010
Revenue:	£6.5 million
Profit before tax:	£2.1 million
Net assets:	£23.5 million



Further information can be found at
www.ekf-diagnostics.com

INVESTMENT MANAGER'S REVIEW (continued)

Idox plc

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

Initial investment date:	August 2008
Cost:	£381,000
Valuation:	£1,063,000
Equity held:	1.2%
Last audited accounts:	October 2011
Revenue:	£38.6 million
Profit before tax:	£5.6 million
Net assets:	£34.4 million

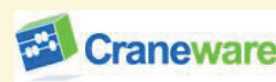


Further information can be found at www.idoxgroup.com

Craneware plc

Craneware is a leading provider of software solutions that improve the financial performance of US hospital and healthcare organisations.

Initial investment date:	September 2007
Cost:	£479,000
Valuation:	£914,000
Equity held:	0.6%
Last audited accounts:	June 2011
Revenue:	\$35.5 million
Profit before tax:	\$8.9 million
Net assets:	\$32.4 million



Further information can be found at www.craneware.com

Breedon Aggregates Limited

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

Initial investment date:	August 2010
Cost:	£601,000
Valuation:	£851,000
Equity held:	0.9%
Last audited accounts:	December 2010
Revenue:	£42.7 million
Loss before tax:	£1.8 million
Net assets:	£56.8 million



Further information can be found at www.breedonaggregates.com

Enteq Upstream plc

Enteq Upstream PLC is an investment vehicle, focused on acquiring and consolidating companies providing specialist products and technologies to the upstream oil and gas services market.

Initial investment date:	June 2011
Cost:	£687,000
Valuation:	£824,000
Equity held:	4.6%
Last audited accounts:	March 2012
Revenue:	N/A
Profit before tax:	N/A
Net assets:	N/A



Further information can be found at www.enteq.com

INVESTMENT MANAGER'S REVIEW (continued)

Sinclair IS Pharma plc

Sinclair IS Pharma plc is an international pharmaceutical company involved in the development and commercialisation of niche healthcare products.

Initial investment date:	March 2008
Cost:	£921,000
Valuation:	£749,000
Equity held:	0.9%
Last audited accounts:	June 2011
Revenue:	£32.9 million
Loss before tax:	£11.7 million
Net assets:	£123.9 million



Further information can be found at
www.sinclairispharma.com

Brooks MacDonald Group plc

Brooks Macdonald Group plc is a wealth management group.

Initial investment date:	August 2008
Cost:	£609,000
Valuation:	£745,000
Equity held:	0.7%
Last audited accounts:	June 2011
Revenue:	£52.2 million
Profit before tax:	£7.3 million
Net assets:	£19.1 million



Further information can be found at
www.brooksmacdonald.com

Escher Group Holdings plc

Escher Group Holdings plc provides software, particularly for over the counter and financial services, to national Post Office organisations worldwide.

Initial investment date:	August 2011
Cost:	£750,000
Valuation:	£684,000
Equity held:	2.6%
Last audited accounts:	December 2010
Revenue:	\$14.0 million
Loss before tax:	\$2.2 million
Net assets:	\$3.7 million

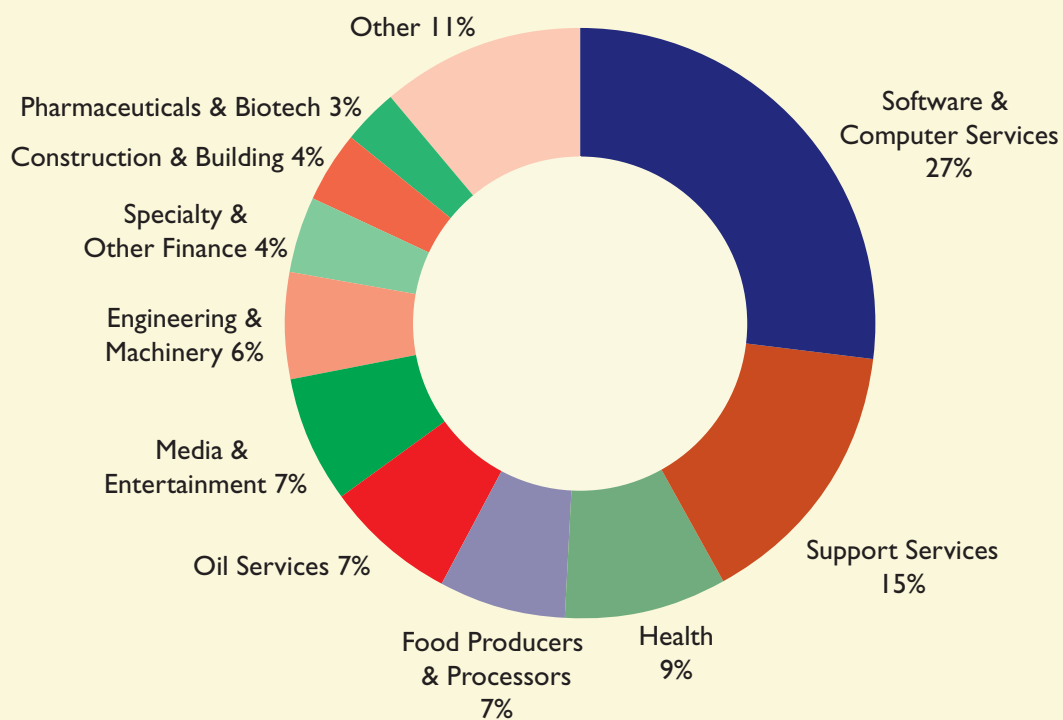


Further information can be found at
www.eschergroup.com

INVESTMENT MANAGER'S REVIEW (continued)

Sector Analysis

The graph below shows the sectors the Fund is invested in by value as at 30 November 2011:



INVESTMENT MANAGER'S REVIEW (continued)

Outlook

We believe that smaller companies in general have been de-rated in the last year, despite the commercial progress which many companies have reported. That also applies to your company's portfolio where share prices have failed to rise in line with forecast upgrades. There are signs now that appetite for risk is returning, and the AIM and Smaller Companies Indices have started 2012 strongly. The NAV of the VCT has also been rising as news of company progress has started to be reflected in share prices.

We do not deny the seriousness of the issues that still have to be resolved, nor of potential ones, such as any inflationary pressures resulting from quantitative easing. However, the portfolio is predominantly not

exposed to the retail sector or to the consumer directly so to that extent it is defensive. It is though exposed to growth companies, which we believe is the correct stance to have because it is such companies which will continue to develop and make progress, even in challenging circumstances, and which will be re-rated as the economic clouds lift. We are therefore confident that in time the portfolio will produce a rising NAV.

The AIM team

Octopus Investments Limited
22 March 2012

THE INVESTMENT MANAGER

Personal Service

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

We are working hard to manage your money in the current climate. We share your goal to make money from your investment, as our money is invested alongside yours. 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 2347.

Octopus Investments Limited was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus Investments Limited also acts as Investment Manager of 18 other listed investment companies and has a total of approximately £2 billion of funds under management.

The AIM investment team of Octopus Investments Limited comprises:

Andrew Buchanan

Andrew originally joined Barclays Bank in 1973 to manage investment portfolios. After gaining an MBA from London Business School, he spent time with Mercury Asset Management and Hoare Govett, before joining Rutherford Asset Management in 1993. He established Beacon Investment Trust in 1994, the first fund to specialise in investment in AIM. He joined Close Brothers when it purchased Rutherford and left to join Octopus Investments Limited in 2008. He has been involved in the management of this Company since its launch in 2006 as well as other AIM VCT portfolios.

Kate Tidbury

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

Paul Stevens

Paul joined Octopus Investments Limited in 2005 as a member of the AIM investment team and has been involved in the management of AIM portfolios since then.

Stephen Henderson

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

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 Richard Mullins (Chairman) (54)

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 Paul Raynor FCA (54)

Andy Raynor 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, resigning 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 Anita Kennedy LLB (Hons) FCIS FCSI (56)

A qualified solicitor, Elizabeth has worked for 30 years in corporate finance and corporate broking, principally 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, was its chairman between 1999 and 2002 and is a member of the AIM Disciplinary Committee. Elizabeth is a divisional director in the corporate broking department of Brewin Dolphin Limited which on 1 February 2012 became part of Nplus1 Brewin and is a non executive director of F & C Private Equity Trust plc and F&C Private Equity Zeros plc. 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. She became a Director of the Company on 12 August 2010.

Alastair James Ritchie BA (Econ) (64)

Alastair Ritchie is chairman of John Swan & Sons plc, which is quoted on AIM, and a non executive director of John Swan Trustee Limited. He has considerable experience in small companies, both private and public, and has served as chairman of several companies. 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. He became a Director of the Company on 12 August 2010.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 November 2011.

Principal Activity and Status

The Company is a VCT and its principal activity is to invest in a diversified portfolio of AIM-listed companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream. The Company has been granted full approval as a VCT by HMRC.

The Directors have managed the affairs of the Company with the intention of maintaining its status as a Venture Capital Trust.

In order to maintain approved status, the Company must comply on a continuing basis with the provisions of s280A of the Income Tax Act 2007; in particular, 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 30% must comprise eligible Ordinary shares (this changed to 70% for new investments from funds raised since April 2011).

To allow the Company to distribute realised capital gains and purchase its own shares, following the creation of the Special distributable reserve on cancellation of the Company's share premium account, Investment company status was revoked on 16 July 2008.

Review of Business Activities

The Directors are required by section 417 of the Companies Act 2006, to include a business review in their report to shareholders. The business review is set out in the Chairman's Statement on pages 5 and 6, and the Investment Manager's Review on pages 7 and 15 and is included in this Directors' Report by reference.

The purpose of the review is to provide shareholders with a snapshot summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators used to measure performance.

Performance and Key Performance Indicators (KPIs)

As a VCT, the Company's objective is to provide shareholders with an attractive income and capital return by investing its funds in a broad spread of 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 its objectives. Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE Small-Cap Index and the FTSE All-Share Index. This is shown in the graphs on page 31 of the Directors' Remuneration Report. These indices have been adopted as an informal benchmark. Investment performance, cash returned to shareholders and share price are also measured against the Company's peer group of the other AIM VCTs. The Chairman's Statement, on pages 5 to 6 includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 7 to 15. Further details of the Company's risk management policies are provided in note 17 to the financial statements. The total expense ratio for the Company for the year to 30 November 2011 was 2.9% based upon net assets at 30 November 2011 (2010: 3.4% based on average net assets during the year due to the merger). Total running costs are capped at 3.5% of net assets.

Results and Dividend

	Year ended 30 November 2011 £'000	Year ended 30 November 2010 £'000
Net (loss)/profit attributable to shareholders	1,208	1,281
Appropriations:		
Final dividend proposed		
1.6p per Ordinary share (2010 – 1.6p) per Ordinary share	673	610

The proposed final dividend will, if approved by shareholders, be paid on 8 June 2012 to shareholders on the register on 11 May 2012.

Objective and Investment Policy

The objective of the Company is to invest in a broad range of AIM or PLUS quoted companies in order to generate income and long-term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value. Start-up companies will usually be avoided.

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 Company's assets will be not less than 80% in a portfolio of qualifying AIM, PLUS quoted investments or unquoted companies where the management view an initial public offering (IPO) on AIM or PLUS is a short to medium term objective. Once its qualifying target has been reached, the Company intends that approximately 20% of its funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities and short term money market deposits with, or issued, by major companies and institutions with a minimum Moody's long term debt rating of 'A'. A proportion of the 20% could be invested in an authorised UK smaller company fund managed by Octopus Investments

Limited or direct in equities and bonds. This 20% could provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. In order to qualify as an investment in a VCT qualifying holding, at no time during the year must the Company's holdings in any one company (other than another VCT) exceed 15% by value of its investments. 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 there from 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.

DIRECTORS' REPORT (continued)

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 include:

- at least 70% of investments must be made in qualifying shares or securities;
- at least 30% of the 70% of Qualifying Investments must be invested into Ordinary shares with no preferential rights (from April 2011 this changed to 70% for new investments from funds raised after that date);
- no single investment made can exceed 15% of the total company value; and
- a minimum of 10% of each Qualifying Investment must be in Ordinary shares with no preferential rights.

Principal Risks, Risk Management and Regulatory Environment

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:

VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 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.

The Investment Manager keeps the Company's VCT qualifying status under continual review and reports to the Board regularly throughout the year. The Board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

Investment risk: the majority of the Company's investments are in AIM or PLUS companies which are VCT qualifying holdings, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The Directors and the Investment Manager aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out rigorous due diligence procedures and by maintaining a wide spread of holdings in terms of financing stage, industry sector and geographical location. The Board reviews the investment portfolio with the Investment Manager on a regular basis.

Financial risk: as a VCT, the Company is exposed to market price risk, credit risk, liquidity risk, fair value and cash flow interest rate risks. The majority of the Company's income and expenditure is denominated in sterling and hence the Company has limited foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments.

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

The Company has cash deposits which are held on the balance sheet of HSBC Bank plc and in cash funds managed by BlackRock. The risk of loss to this cash is deemed to be low due to the historical credit ratings and a current Standard & Poor's rating of AA for HSBC and AAA for BlackRock. Inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to mis-posting or breaches of regulations.

Regulatory risk: the Company is required to comply with the Companies Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the

Company's Stock Exchange listing, financial penalties or a qualified audit report.

Reputational risk: inadequate or failed controls might result in breaches of regulation or loss of shareholder trust.

Internal control risk: the Board reviews annually the system of internal controls, both financial and non-financial, operated by the Company and the Investment Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Competitive Risk: retention of key personnel is vital to the success of the Company. Incentives to the Investment Manager's key staff are continuously monitored by the Investment Manager.

Price risk: the risk that the value of a security or portfolio of securities will decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.

Cash flow risk: the risk that the Company's available cash will not be sufficient to meet its financial obligations is managed by frequent budgeting and close monitoring of available cash resources.

Due to the nature of the Company, social and employee issues do not apply and therefore no disclosures in respect of these have been included in the Directors' Report.

The Board seeks to mitigate the internal risks by setting policy, regularly reviewing performance, enforcing contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the 'Turnbull' guidance. Details of the Company's internal controls are contained in the Corporate Governance section on pages 25 to 29.

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

Directors

The Directors of the Company during the year and their interests (in respect of which transactions are notifiable under Disclosure 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 2011	Ordinary shares of 0.01p each 30 November 2010
Keith Richard Mullins	104,548	50,000
Andrew Paul Raynor	20,700	20,700
Alastair James Ritchie	31,809	31,809
Elizabeth Anita Kennedy	37,380	37,380

All of the Directors' shares were held beneficially. There have been no changes in the Directors' share interests between 30 November 2011 and the date of this report.

In addition to the shares held in the VCT, Keith Mullins also holds shares in Adept Telecom plc and Vertu Motors, both investee companies of the VCT.

Andy Raynor retires in accordance with the Articles of Association, and being eligible, offers himself for re-election. The Board has considered provision B.7.2 of the of the UK Corporate Governance Code and following a formal performance evaluation, believes that Andy Raynor continues to be effective and demonstrates commitment to his role, the Board and the Company. The Board, therefore, recommend his re-election at the forthcoming Annual General Meeting.

Brief biographical notes on the Directors are given on page 17.

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

DIRECTORS' REPORT (continued)

them against certain liabilities which may be incurred by them in relation to the Company.

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.

Management

Octopus Investments Limited ('the Investment Manager') acts as Investment Manager to the Company. The principal terms of the Company's management agreement with the Investment Manager 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.

The Company has in place an agreement with Octopus Investments Limited to act as Investment Manager which is central to the ability of the Company to continue in business. 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 Investments Limited 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.

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.

Share Capital

The Company's ordinary share capital as at 30 November 2011 comprised 42,586,289 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 8,535,804 (2010:951,343) Ordinary shares were issued through the offer which was extended by a supplemental prospectus to, and closed on, 8 July 2011. On 6 February 2012 the Company launched a Top-up offer for subscription for Ordinary Shares of 0.01p each to raise up to £3,000,000.

Share Buy-Backs

During the year, the Company purchased 2,193,803 shares for cancellation at a weighted average price of 62p per share (2010: 705,334 shares for a weighted average price of 59p per share) for a total consideration of £1,362,000 (2010: £416,454). These were repurchased in accordance with the Company's share buy-back facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

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' REPORT (continued)

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 the current offer or other offers if the Directors believe this to be in the best interests of the Company and the Shareholders as a whole. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in whole or part, to purchase Ordinary shares in the market. Resolution 6 renews the Directors' authority to allot up to 8,513,626 Ordinary shares (representing approximately 20% of the Company's issued share capital at 15 March 2012 – the latest practicable date before publication of this document). The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

Resolution 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 Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 8 is required so that the Directors may make purchases of up to approximately 10% of the Company's issued share capital and Resolution 8 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months, if earlier). The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests

of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-sale in appropriate market conditions.

To continue as a VCT

The Board propose to put a resolution to Shareholders annually to continue as a VCT for the following six-year period. This period is designed to accommodate Shareholders who invest in new shares for whom income tax relief requires a five year holding period.

Substantial Shareholdings

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

Creditor Payment Policy

The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The Company does not follow any code or standard with regard to creditor payment practice. At 30 November 2011 there were no trade creditors (2010: £nil).

Environmental Policy

The Company always makes full effort to conduct its business in a manner that is responsible to the environment. This responsibility is maintained in investment decisions where possible.

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 5 to 15. Further details on the management of financial risk may be found 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 VCT 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.

Independent Auditor

PKF (UK) LLP offers themselves for re-appointment as auditor. A resolution to re-appoint PKF (UK) LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

So far as each of the Directors at the time the report is approved are aware:

- (a) there is no relevant information of which the auditor is unaware; and
- (b) they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Corporate Governance

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

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

The Company is committed to maintaining high standards in corporate governance. The Directors

consider that the Company has, throughout the year under review, complied with the provisions set out in The UK Corporate Governance Code with the exceptions set out in the Compliance Statement on page 29.

Performance Evaluation

In accordance with The UK Corporate Governance Code, a performance evaluation was conducted by the Directors completing a questionnaire which was returned to the Chairman who provided a summary of the findings to the Board at the following meeting. The performance of the Chairman was 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 21 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 Annual General Meeting of the Company following his appointment. At each Annual General Meeting 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

DIRECTORS' REPORT (continued)

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 2011 Annual General Meeting to make market purchases of up to 10% of the issued Ordinary share capital at any time up to the 2012 Annual General Meeting and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2012 Annual General Meeting as set out in the notice of meeting.

Board of Directors

The Company has a Board of four non-executive Directors, all of whom are considered to be independent. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor

compliance with the investment policy laid down by the Board.

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

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

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

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

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

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

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

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the Annual General Meeting and that Directors appointed by the Board should seek re-appointment at the next Annual General Meeting. 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
Keith Mullins	14/09/2005	AGM 2013
Elizabeth Kennedy	12/08/2010	AGM 2014
Andy Raynor	14/09/2005	AGM 2012
Alastair Ritchie	12/08/2010	AGM 2014

Board Committees

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 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's terms of reference include the following roles and responsibilities which were discharged during the year ended 30 November 2011:

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- reviewing and making recommendations to the Board in relation to Octopus Investments Limited's internal controls (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;

DIRECTORS' REPORT (continued)

- monitoring the extent to which the external auditor's 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 PKF (UK) LLP, the Company's external auditor. Non-audit services are not provided by the external auditor and therefore the Audit Committee does not believe there are any influences on their independence or objectivity. When considering whether to recommend the re-appointment of the external auditor, the Committee take into account the tenure of the current auditor in addition to comparing the fees charged to similar sized audit firms.

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.

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

Internal Control

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business

and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with its Investment Manager.

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

Octopus Investments Limited 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 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 Investments Limited. The VCT is subject to a full annual audit and the auditor is the same auditor for another VCT managed by the Investment Manager. Further to this, the Audit Partner has open access to the Directors of the VCT and the Investment Manager is subject to regular review by the Octopus Investments Limited Compliance Department.

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in note 17 to the financial statements.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the Annual General Meeting. In addition to the formal business of the Annual General Meeting, 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 20 Old Bailey, London EC4M 7AN. Alternatively, the team at Octopus Investments Limited is happy to answer any questions you may have and 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 2011 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.2.2 and A.4.1]
2. The Company does not have a separate Nomination Committee. Appointments are dealt with by the full Board as and when appropriate. [B.2.1 – 2.4]

3. 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]
4. All of the Directors are not subject to annual election by the shareholders as one third of the Directors retire by rotation and are offered for re-election at the Annual General Meeting in accordance with the Articles of Association of the Company. [B.7.1]
5. The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for a VCT. [C.3.2]
6. The Company does not have a Remuneration Committee as it does not have any executive directors. [D.1.1 – 2.4]
7. The Company has no major shareholders therefore shareholders are not given the opportunity to meet any Non-Executive Directors at a specific meeting other than the Annual General Meeting. [E.1.1 & E.1.2]
8. The 2010 AGM was not held within 20 working days of the Notice of Meeting being sent out as required under The UK Corporate Governance Code however did comply with the Companies Act 2006 requirement of 21 days notice. [E2.4]

By order of the Board



Celia L Whitten FCIS

Company Secretary
22 March 2012

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with Chapter 6 of Part 15 of the Companies Act 2006, in respect of the year ended 30 November 2011. An Ordinary Resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The Company's auditor, PKF (UK) LLP, is required to give their opinion on certain information included in this report; comprising the Directors' emoluments section below only. Their report on these and other matters is set out on pages 34 and 35.

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 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).

Statement of the Company's Policy on Directors' Remuneration

The Board consists entirely of non-executive Directors, who meet at least four times a year 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 three years, at least. 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 Annual General Meetings. 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. 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 to be paid higher fees than the other Directors in recognition of his more onerous role. The policy is to review these rates from time to time, 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.

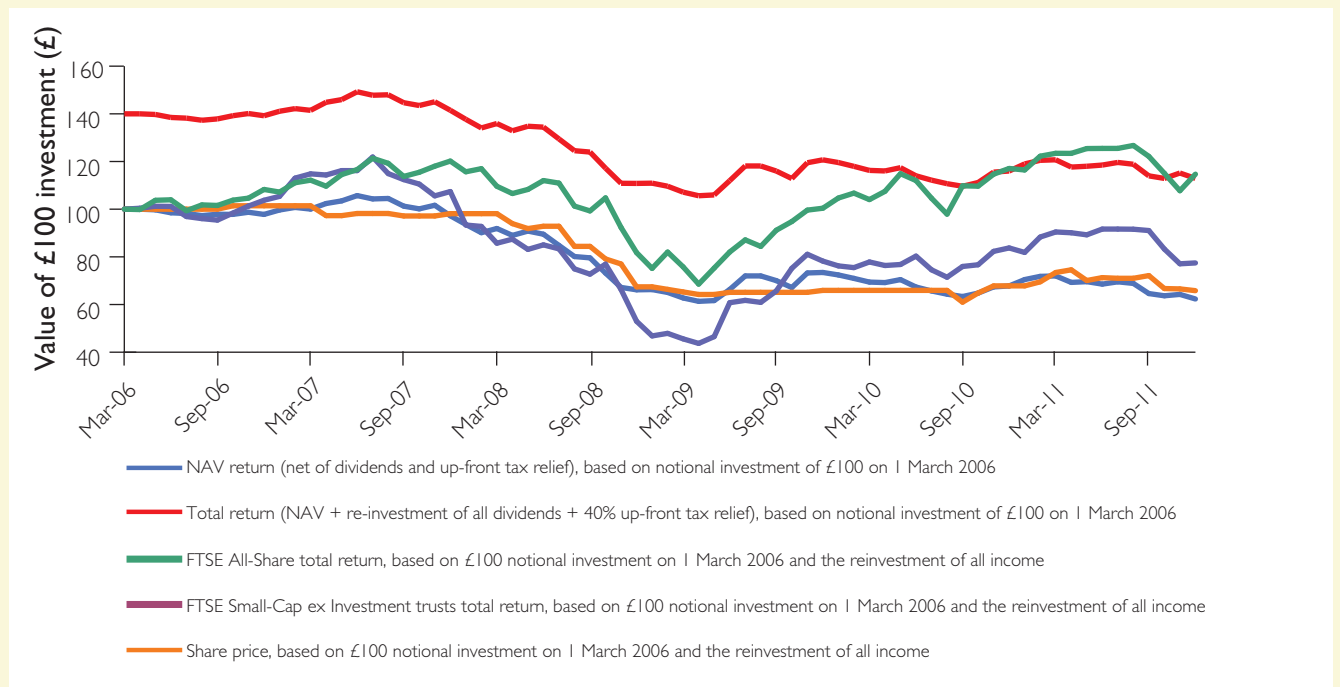
The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. The fees are not specifically related to the Directors' performance, either individually or collectively. There are no long-term incentive schemes, share option schemes or pension schemes in 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; however no other remuneration or compensation was paid or payable by the Company during the year to any of the current Directors.

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 the Investment Manager through the investment management agreement.

The graph below compares the share price, NAV and total return (NAV assuming the re-investment of all dividends plus 40% upfront tax relief) of the Company over the period from 1 March 2006 to 30 November 2011 with the total return from notional investments in the FTSE All-Share index and the FTSE Small-Cap excluding Investment Trusts over the same period. These indices are considered to be the most appropriate broad equity market indices for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the main market in their observance of the VCT rules.

Investors investing into Octopus Second AIMVCT plc



DIRECTORS' REMUNERATION REPORT (continued)

The total expense ratio for the Company for the year to 30 November 2011 was 2.9 per cent based upon net assets as at 30 November 2011 (2010: 3.4 per cent based upon average net assets during the year due to the merger).

Directors' Emoluments

Directors' fees	Year ended 30 November 2011	Year ended 30 November 2010
Keith Richard Mullins	£16,000	£16,000
Andrew Paul Raynor	£13,000	£13,000
Elizabeth Kennedy**	£13,000	£3,950
Alastair Ritchie**	£13,000	£3,950
Christopher Holdsworth Hunt*	–	£12,367
Total	55,000	49,267

* Mr Holdsworth Hunt resigned from the Company on 12 August 2010.

** Ms Kennedy and Mr Ritchie were appointed as Directors of the Company on 12 August 2010.

The Directors do not receive any other form of emoluments in addition to the Directors' fees.

By Order of the Board

Celia L Whitten FCIS

Company Secretary

22 March 2012

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

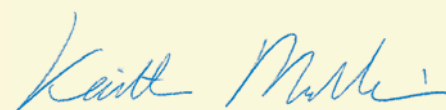
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors confirm, to the best of their knowledge:

- that the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- that the management report, comprising the Chairman's Statement, Investment Manager's Review, Investment Portfolio and Directors' Report, set out on pages 5 to 29 includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the Directors are stated on page 27.

On Behalf of the Board



Keith Richard Mullins

Chairman

22 March 2012

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

We have audited the financial statements of Octopus Second AIM VCT plc for the year ended 30 November 2011 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2011 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 25 to 29 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following: Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 24, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of The UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Timothy Drew

(Senior statutory auditor)
for and on behalf of PKF (UK) LLP
Statutory auditors
London, UK
22 March 2012

INCOME STATEMENT

	Notes	Year to 30 November 2011		
		Revenue £'000	Capital £'000	Total £'000
Loss on disposal of fixed asset investments	11	–	(697)	(697)
Loss on valuation of fixed asset investments	11	–	(68)	(68)
Investment Income	2	315	–	315
Investment management fees	3	(135)	(403)	(538)
Other expenses	4	(220)	–	(220)
Loss on ordinary activities before tax		(40)	(1,168)	(1,208)
Taxation on loss on ordinary activities	7	–	–	–
Loss on ordinary activities after tax		(40)	(1,168)	(1,208)
Earnings per share – basic and diluted	9	(0.1)p	(2.9)p	(3.0)p

- the 'Total' column of this statement represents the statutory Profit and Loss account of the Company; the supplementary revenue return and capital return columns have been prepared in accordance with the AITC Statement of Recommended Practice.
- all revenue and capital items in the above statement derive from continuing operations.
- the accompanying notes are an integral part of the financial statements.
- the Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

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

Other than revaluation movements arising on investments held at fair value through the profit and loss account, there were no differences between the loss as stated above and at historical cost.

The accompanying notes form an integral part of the financial statements.

	Notes	Year to 30 November 2010		
		Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments		–	601	601
Gain on disposal of current asset investments		–	8	8
Gain on valuation of fixed asset investments		–	1,052	1,052
Investment Income	2	182	–	182
Investment management fees	3	(71)	(213)	(284)
Merger costs	6	(68)	–	(68)
Other expenses	4	(210)	–	(210)
(Loss)/profit on ordinary activities before tax		(167)	1,448	1,281
Taxation on (loss)/profit on ordinary activities	7	–	–	–
(Loss)/profit on ordinary activities after tax		(167)	1,448	1,281
Earnings per share – basic and diluted	9	(0.8p)	6.7p	5.9p

- the 'Total' column of this statement represents the statutory Profit and Loss account of the Company; the supplementary revenue return and capital return columns have been prepared in accordance with the AITC Statement of Recommended Practice.
- all revenue and capital items in the above statement derive from continuing operations of the Company up to 11 August 2010 and thereafter reflects that of the enlarged entity. This includes the assets and liabilities of Octopus Third AIMVCT plc that were transferred to the Company on 12 August 2010.
- the accompanying notes are an integral part of the financial statements.
- the Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

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

Other than revaluation movements arising on investments held at fair value through the profit and loss account, there were no differences between the profit as stated above and at historical cost.

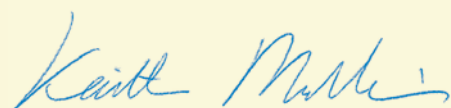
The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

	Notes	As at 30 November 2011 £'000	As at 30 November 2010 £'000
Fixed asset investments*	11	21,742	17,910
Current assets:			
Investments*	12	3,901	6,587
Debtors	13	506	211
Cash at bank		636	126
		5,043	6,924
Creditors: amounts falling due within one year	14	(195)	(60)
Net current assets		4,848	6,864
Net assets		26,590	24,774
Called up equity share capital	15	4	4
Shares to be issued	15	–	154
Share premium	16	20	13,658
Special distributable reserve	16	31,681	13,481
Capital reserve realised	16	(3,855)	(807)
Capital reserve un-realised	16	(1,056)	(1,552)
Revenue reserve	16	(204)	(164)
Total equity shareholders' funds		26,590	24,774
Net asset value per share – basic and diluted	10	62.4p	67.9p

*Held at fair value through profit and loss

The statements were approved by the Directors and authorised for issue on 22 March 2012 and are signed on their behalf by:



Keith Richard Mullins

Chairman

Company No: 05528235

The accompanying notes form an integral part of the financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Notes	Year ended 30 November 2011 £'000	Year ended 30 November 2010 £'000
Shareholders' funds at start of year		24,774	10,783
(Loss)/Profit on ordinary activities after tax		(1,208)	1,281
Shares issued upon acquisition of assets and liabilities from Octopus Third AIMVCT plc		–	13,084
Stamp duty on shares issued	6	–	(57)
Share capital bought back		(1,362)	(416)
Issue of shares		5,770	633
Shares to be issued		–	154
Dividends paid	8	(1,384)	(688)
Shareholders' funds at end of year		26,590	24,774

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENT

	Note	Year to 30 November 2011 £'000	Year to 30 November 2010 £'000
Net Cash outflow from operating activities		(603)	(404)
Taxation: UK Corporation tax paid	7	–	–
Financial investment			
Purchase of investments	11	(5,963)	(2,917)
Disposal of investments	11	1,366	3,551
Management of liquid resources			
Purchase of current asset investments	12	(16,364)	(13,238)
Sale of current asset investments	12	19,050	8,497
Net cash outflow from investing activities		(2,514)	(4,511)
Dividends paid		(1,384)	(688)
Net cash outflow before financing		(3,898)	(5,199)
Financing			
Cash received on acquisition of net assets of Octopus Third AIMVCT plc		–	4,825
Stamp duty on shares issued to acquire net assets of Octopus Third AIMVCT plc		–	(57)
Proceeds from issue of shares		5,770	633
Shares to be issued		–	154
Purchase of own shares		(1,362)	(416)
Net cash inflow from financing		4,408	5,139
Increase/(decrease) in cash		510	(60)

The accompanying notes form an integral part of the financial statements.

RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Note	Year to 30 November 2011 £'000	Year to 30 November 2010 £'000
(Loss)/Profit on ordinary activities before tax		(1,208)	1,281
Gain on disposal of current asset investments	12	–	(8)
Loss/(Gain) on disposal of fixed asset investments	11	697	(601)
Loss/(Gain) on valuation of fixed asset investments	11	68	(1,052)
(Increase)/Decrease in debtors	13	(295)	38
Increase/(Decrease) in creditors	14	135	(62)
Outflow from operating activities		(603)	(404)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN LIQUID RESOURCES

	Note	Year to 30 November 2011 £'000	Year to 30 November 2010 £'000
Increase/(Decrease) in cash at bank		510	(60)
Movement in cash equivalent securities	12	(2,686)	4,749
Opening net liquid resources		6,713	2,024
Net liquid resources at 30 November		4,537	6,713

Liquid Resources at 30 November comprised:

	Note	As at 30 November 2011 £'000	As at 30 November 2010 £'000
Cash at Bank		636	126
Money market cash funds	12	3,901	6,587
Net liquid resources at 30 November		4,537	6,713

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

I. Principal Accounting Policies

Basis of accounting

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 (UK GAAP), and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (revised 2009).

The comparatives reported in these financial statements reflect the activities of what were previously the 'A' Ordinary shares of the Company and are therefore as previously reported. In addition, these results include the transfer of the assets and liabilities of Octopus Third AIMVCT plc to the Company, with effect from 12 August 2010. Results for the current year are reported for the one share class of the enlarged VCT now in issue, namely Ordinary Shares. These were formerly the 'A' Ordinary shares of the Company, redesignated Ordinary Shares on 12 August 2010.

The principal accounting policies have remained unchanged from those set out in the Company's 2010 Annual Report and financial statements. A summary of the principal accounting policies is set out below.

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.

The preparation of the financial statements requires Management to make accounting judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments.

The Company has designated all fixed asset investments as being held at fair value through profit and loss; therefore all gains and losses arising from investments held are attributable to financial assets held at fair value through profit and loss. Accordingly, all interest income, fee income, expenses and investment gains and losses are attributable to assets designated as being at fair value through profit or loss.

Current asset investments comprising money market funds and deposits are held for trading and are therefore automatically classified as fair value through profit or loss.

Quoted investments are valued in accordance with the bid-price on the relevant date.

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.

Investments

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 26, the investments will be designated as fair value through profit and loss (FVTPL) on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

I. Principal Accounting Policies (continued)

Investments (continued)

In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. This is consistent with the International Private Equity and Venture Capital ('IPEVC') valuation guidelines.

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

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

Current asset investments

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

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

Income

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

Dividends receivable are brought into account when the Company's right to receive payment is established and there is no reasonable doubt 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.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the investment management fee, which has been charged 25% to the revenue account and 75% to the capital reserve to reflect, in the Directors' opinion, the expected long-term split of returns in the form of income and capital gains respectively from the investment portfolio.

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

Revenue and capital

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

I. Principal Accounting Policies (continued)

Taxation

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

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date. Where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities, investment grade bonds and investments in money market managed funds.

Loans and receivables

The Company's loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

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.

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.

The Company does not have any externally imposed capital requirements.

Dividends

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

2. Income

	30 November 2011	30 November 2010
	£'000	£'000
Income on money market securities and bank balances	38	30
Dividends received (fixed asset investments)	277	152
	315	182

3. Investment Management Fees

	30 November 2011			30 November 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	135	403	538	71	213	284
	135	403	538	71	213	284

For the purposes of the revenue and capital columns in the Income Statement, 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.

Octopus Investments Limited 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. Following the merger of funds in the prior year, the net assets of the resulting fund have grown. This has led to an increase in the investment management fee payable during the year.

During the year Octopus Investments Limited charged management fees of £538,000 (2010: £284,000). At the year end there was £nil outstanding (2010: £nil). Octopus Investments Limited received £25,000 (2010: £17,000) as a result of upfront fees charged on the allotments of Ordinary Shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Other Expenses

	30 November 2011	30 November 2010
	£'000	£'000
Directors' remuneration	55	49
Fees payable to the Company's auditor for the audit of the financial statements	22	26
Legal and professional expenses	12	69
Other administration expenses*	131	66
	220	210

*other administrative expenses have increased due to the merger of funds in the prior year and the resulting larger fund.

The total expense ratio for the Company for the year to 30 November 2011 was 2.9 per cent based upon net assets as at 30 November 2011, (2010: 3.4 per cent based upon average net assets throughout the year, due to the merger).

5. Directors' Remuneration

	30 November 2010	30 November 2009
	£'000	£'000
Keith Richard Mullins	16	16
Christopher Holdsworth Hunt (resigned 12 August 2010)	–	12
Andrew Paul Raynor	13	13
Elizabeth Anita Kennedy (appointed 12 August 2010)	13	4
Alastair James Ritchie (appointed 12 August 2010)	13	4
	55	49

None of the Directors received any other remuneration or benefit from the Company during the year. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was four (2010: three). The above table represents the gross remunerations received by the directors and excludes Employer's National Insurance contributions.

6. Merger costs

In the prior year, the Company merged with Octopus Third AIMVCT plc. At the time of the consolidation of Octopus Second AIMVCT plc and Octopus Third AIMVCT plc, the prospectus estimated that total costs to combine the Company with Octopus Third AIMVCT plc would be £238,000. The actual costs were £228,000. £136,000 of this was borne by Octopus Third AIMVCT plc, while £92,000 was borne by the Company due to the relatively lower total net assets of the Company. The total stamp duty on the issue of shares was £57,000 (£33,000 of this was borne by Octopus Third AIM when determining its assets and liabilities at the date of the merger). The cash payment of the total £57,000 was borne by the Company. £68,000 was disclosed as merger costs in the Income Statement as the stamp duty went to the share premium account.

7. Tax on Ordinary Activities

The corporation tax charge for the year was £nil (2010: £nil).

Factors affecting the tax charge for the current year:

The current tax charge for the year differs from the effective small company rate of corporation tax in the UK of 20.33% (2010: 21%).

The differences are explained below:

Current tax reconciliation:

	30 November 2011	30 November 2010
	£'000	£'000
(Loss)/Profit on ordinary activities before tax	(1,208)	1,281
Current tax at 20.33% (2010: 21%)	(246)	269
Income not liable to tax	(56)	(36)
Expenses not deductible for tax purposes	2	19
(Gains)/Losses not subject to tax	155	(348)
Excess management expenses carried forward	145	96
Total current tax charge	–	–

Approved VCTs are exempt from tax on capital gains within the Company. Since the Directors intend that the Company will continue to conduct its affairs so as to maintain its approval as a venture capital trust, no current 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 2011, there is an unrecognised deferred tax asset of £292,000 (2010: £154,000) in respect of surplus management expenses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Dividends

	30 November 2011	30 November 2010
	£'000	£'000
Recognised as distributions in the financial statements for the year		
Previous year's final dividend	697	154
Current year's interim dividend	687	534
	1,384	688
Paid and proposed in respect of the year		
Interim dividend paid – 1.6p per share (2010: 1.5p per share)	687	534
Final dividend 1.6p (2010: 1.65p) per share	673	610
	1,360	1,144

9. Earnings per share – basic and diluted

The earnings per share is based on 40,589,911 (2010: 21,644,414) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

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

10. Net asset value per share – basic and diluted

The calculation of NAV per share as at 30 November 2011 is based on 42,586,289 (2010: 36,470,759) Ordinary shares in issue at that date.

11. Fixed Asset Investments

FRS 29, regarding financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets and liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the current bid price. These instruments are included in level 1 and comprise AIM listed investments classified as held at fair value through profit or loss.

Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Company held no such investment in the current or prior year.

11. Fixed Asset Investments (continued)

Level 3: the fair value of financial instruments that are not traded in an active market (for example investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Company held no such investments in the current or prior year.

There have been no transfers between these classifications in the period (2010: none). The change in fair value for the current and previous year is recognised through the profit and loss account.

All items held at fair value through profit or loss were designated as such upon initial recognition. Movements in investments at fair value through profit or loss during the year to 30 November 2011 are summarised below and in note 12.

	Level 1: AIM-quoted investments	Total investments
	£'000	£'000
Book cost as at 1 December 2010	19,462	19,462
Revaluation to 1 December 2010	(1,552)	(1,552)
Valuation at 1 December 2010	17,910	17,910
Purchases at cost	5,963	5,963
Disposal proceeds	(1,366)	(1,366)
Loss on realisation of investments – current year	(697)	(697)
Revaluation in year	(68)	(68)
Closing valuation at 30 November 2011	21,742	21,742
Book cost at 30 November 2011:		
– Ordinary shares	22,798	22,798
Revaluation to 30 November 2011:		
– Ordinary shares	(1,056)	(1,056)
Valuation at 30 November 2011	21,742	21,742

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.

All investments are designated as fair value through profit or loss from the time of acquisition, and all capital gains or losses on investments so designated. 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 unrealised.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Fixed Asset Investments (continued)

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

At 30 November 2011 there were no commitments in respect of investments approved by the Manager but not yet completed.

Transaction costs on purchases and disposals for the year were £18,000 and £4,000 respectively.

12. Current Asset Investments

Current asset investments at 30 November 2011 and at 30 November 2010 comprised of money market funds* and FRNs. These fall into level 1 of the fair value hierarchy as defined in note 11.

	30 November 2011	30 November 2010
	£'000	£'000
Book cost at 1 December:		
Money market funds	6,587	10
FRNs	–	1,832
	6,587	1,842
Revaluation to 1 December:		
Money market funds	–	–
FRNs	–	(4)
	–	(4)
Valuation as at 1 December	6,587	1,838
Purchases at cost:		
Money market funds	16,364	13,238
	16,364	13,238
Disposal proceeds:		
Money market funds	(19,050)	(6,661)
FRNs	–	(1,836)
	(19,050)	(8,497)
Profit/(loss) in year on realisation of investments:		
Money market funds	–	–
FRNs	–	8
	–	8
Revaluation in year:		
Money market funds	–	–
	–	–
Closing valuation as at 30 November	3,901	6,587
Book cost at 30 November:		
Money market funds	3,901	6,587
Revaluation to 30 November:		
Money market funds	–	–
Closing valuation as at 30 November	3,901	6,587

*Money market funds represent money held pending investment and can be accessed with 1 working day notice.

13. Debtors

	30 November 2011	30 November 2010
	£'000	£'000
Other debtors	458	145
Prepayments and accrued income	48	66
	506	211

14. Creditors: amounts falling due within one year

	30 November 2011	30 November 2010
	£'000	£'000
Accruals and other creditors	195	60

15. Share Capital

	30 November 2011	30 November 2010
	£'000	£'000
Allotted and fully paid up:		
42,586,289 Ordinary shares of 0.01p (2010: 36,244,288)	4	4
Non-allotted and fully paid up:		
Nil Ordinary shares of 0.01p (2010: 226,471)	–	154

The value of shares to be issued at 30 November 2011 amounted to £Nil (2010: £154,000).

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 19. The Company is not subject to any externally imposed capital requirements.

The Company repurchased the following Ordinary shares during the year to be cancelled:

- 3 December 2010: 150,641 Ordinary shares at a price of 60.5p per share
- 23 December 2010: 108,653 Ordinary shares at a price of 61.7p per share
- 28 January 2011: 269,507 Ordinary shares at a price of 64.5p per share
- 4 February 2011: 71,799 Ordinary shares at a price of 64.5p per share
- 16 February 2011: 147,142 Ordinary shares at a price of 65.5p per share
- 4 March 2011: 154,036 Ordinary shares at a price of 64.7p per share
- 24 March 2011: 71,789 Ordinary shares at a price of 62.2p per share
- 21 April 2011: 103,863 Ordinary shares at a price of 62.2p per share
- 5 May 2011: 11,605 Ordinary shares at a price of 62.5p per share
- 6 May 2011: 214,307 Ordinary shares at a price of 62.5p per share
- 3 June 2011: 40,653 Ordinary shares at a price of 61.2p per share
- 17 June 2011: 63,969 Ordinary shares at a price of 61.7p per share

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Share Capital (continued)

- 8 July 2011: 229,347 Ordinary shares at a price of 63.0p per share
- 27 July 2011: 5,000 Ordinary shares at a price of 62.5p per share
- 29 July 2011: 173,513 Ordinary shares at a price of 62.5p per share
- 2 September 2011: 34,965 Ordinary shares at a price of 57.7p per share
- 7 September 2011: 78,768 Ordinary shares at a price of 56.1p per share
- 30 September 2011: 27,497 Ordinary shares at a price of 56.7p per share
- 21 October 2011: 65,325 Ordinary shares at a price of 56.2p per share
- 11 November 2011: 171,424 Ordinary shares at a price of 57.5p per share

The total nominal value of the shares repurchased was £219 (2010: £148) representing 0.01% (2010: 0.41%) of the issued share capital.

The Company issued the following shares during the year in connection with the offer for subscription announced on 9 July 2010:

- 9 December 2010: 631,316 Ordinary shares at a price of 72.3p
- 7 January 2011: 406,135 Ordinary shares at a price of 74.3p
- 11 February 2011: 604,920 Ordinary shares at a price of 76.1p
- 22 March 2011: 1,346,742 Ordinary shares at a price of 73.3p
- 30 March 2011: 847,029 Ordinary shares at a price of 74.0p
- 5 April 2011: 3,071,375 Ordinary shares at a price of 72.7p
- 19 April 2011: 229,613 Ordinary shares at a price of 74.4p
- 6 May 2011: 155,954 Ordinary shares at a price of 73.6p
- 8 July 2011: 1,242,720 Ordinary shares at a price of 74.0p

16. Reserves

	Share Premium £'000	Special distributable reserve* £'000	Capital reserve realised* £'000	Capital reserve unrealised* £'000	Revenue reserve* £'000
As at 1 December 2010	13,658	13,481	(807)	(1,552)	(164)
Cancellation of share premium	(19,562)	19,562			
Shares issued through offer	5,924	–	–	–	–
Repurchase of own shares	–	(1,362)	–	–	–
Loss on ordinary activities after tax	–	–	–	–	(40)
Management fees allocated as capital expenditure	–	–	(403)	–	–
Current year gains/(losses) on disposal	–	–	(697)	–	–
Prior period gains/(losses) on disposal	–	–	(564)	564	–
(Losses) on revaluation	–	–	–	(68)	–
Dividends paid	–	–	(1,384)	–	–
Balance as at 30 November 2011	20	31,681	(3,855)	(1,056)	(204)

*Included within these reserves is an amount of £26,566,000 (2010: £10,958,000) which is considered distributable to shareholders.

When the Company revalues its investments during the year, any gains or losses arising are credited/charged to the Income Statement. Unrealised gains/losses are then transferred to the Capital reserve – unrealised. When an investment is sold, any balance held on the 'capital reserve – unrealised' is transferred to the 'capital reserve – realised' as a movement in reserves.

A court order obtained on 11 November 2011, permitted the cancellation of the share premium account and the capital redemption reserve. As a result, £19,562,000 was transferred to special distributable reserve. The purpose of the special distributable reserve was to create a reserve which will be capable of being used by the Company to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount to net asset value at which the Company's ordinary shares trade. In the event that the revenue reserve and capital reserve gains/(losses)-realised do not have sufficient funds to pay dividends, these will be paid from the special distributable reserve.

17. Financial Instruments and Risk Management

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

Fixed and current asset investments (see notes 11 and 12) are valued at fair value. For quoted investments this is either bid price or the latest traded price, depending on the convention of the exchange on which the investment is quoted. The Directors believe that the fair value of the assets held at the year end is equal to their book value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Financial Instruments and Risk Management (continued)

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

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 19. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 25 to 29, 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 10.

81.7% (30 November 2010: 72.3%) by value 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 2011 would have increased net assets and the total return for the year by £2,174,000 (30 November 2010: £1,791,000); a corresponding fall would have reduced net assets and the 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 0.5% at 30 November 2011 (30 November 2010: 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	30 November 2011	30 November 2010
	£000	£000
Current investments	3,901	6,587
Cash at bank	636	126
	4,537	6,713

A 1% increase in the base rate would increase income receivable from these investments and the total return for the year by £45,370 (30 November 2010: £67,130).

17. Financial Instruments and Risk Management (continued)

Credit risk

There were no significant concentrations of credit risk to counterparties at 30 November 2011. By value, no individual bank holding or fixed rate note investment exceeded 10.2% (2010: 14.2%) of the Company's net assets at 30 November 2011.

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. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 30 November 2011 the Company's financial assets exposed to credit risk comprised the following:

	30 November 2011	30 November 2010
	£000	£000
Current investments	3,901	6,587
Loans and receivables		
Accrued dividends and interest receivable	37	59
Cash at bank	636	126
	4,574	6,772

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

Those assets of the Company which are traded on recognised stock exchanges are held on the Company's behalf by third party sub-custodians (for example, BlackRock in the case of listed money market securities and Charles Stanley 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.

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

The Company's interest-bearing deposit and current accounts are maintained with HSBC and The Co-operative Bank.

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 30 November 2011 or 30 November 2010.

Liquidity risk

The Company's financial assets include investments in AIM-quoted 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Financial Instruments and Risk Management (continued)

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 2011 these investments were valued at £4,537,000 (30 November 2010: £6,713,000).

18. Post balance sheet events

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

Company	Date	Number of shares	Cost (£)
Advanced Computer Software plc	29 December 2011	1,000	489
Augean plc	2 February 2012	240,000	73
Animalcare Group plc	16 February 2012	1,000	2
Advanced Computer Software plc	16 February 2012	5,000	3
Breedon Aggregates plc	16 February 2012	5,000	1
Escher Group Holdings plc	16 February 2012	500	1
IDOX plc	16 February 2012	5,000	1
Tasty plc	16 February 2012	1,000	1
Escher Group Holdings plc	21 February 2012	500	1
Augean plc	2 March 2012	42,340	13
Corero Network Security plc	2 March 2012	837,209	360
Augean plc	15 March 2012	83,000	25

A disposal was made in Optare plc (3 January 2012), resulting in a loss of £43,000. A part disposal was made in Chime Communications plc (10 February 2012), resulting in a profit of £43,000.

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

9 December 2011	217,101 shares bought back and cancelled at 55.8p
20 January 2012	78,095 shares bought back and cancelled at 55.0p
24 February 2012	44,388 shares bought back and cancelled at 58.5p
16 March 2012	176,601 shares bought back and cancelled at 60.5p

On 6 February 2012, existing shareholders were notified of a Top-up offer aimed to raise a further £3 million of funds for this VCT.

19. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments as at 30 November 2011 (2010: none).

DIRECTORS AND ADVISERS

Board of Directors

Keith Richard Mullins (Chairman)
Andrew Paul Raynor FCA
Elizabeth Anita Kennedy
Alastair James Ritchie

Secretary and Registered office

Celia L Whitten FCIS
20 Old Bailey
London
EC4M 7AN
Registered in England No: 05528235

Investment and Administration Manager

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN
Tel: 0800 316 2349
www.octopusinvestments.com

Custodians

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN

Bankers

HSBC Bank plc
31 Holborn
London
EC1N 2HR

The Co-operative Bank
11 Market Road
Chelmsford
CMI 1XA

Independent Auditor

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

Taxation Adviser

PricewaterhouseCoopers UK
1 Embankment Place
London WC2N 6RH

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 0300
(Calls cost 10p per minute plus network extras)
www.capitaregistrars.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Octopus Second AIM VCT plc will be held at 20 Old Bailey, London EC4M 7AN on Wednesday, 16 May 2012 at 11.00 a.m. for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 6 and 9 will be proposed as Ordinary Resolutions and Resolutions 7 and 8 will be proposed as Special Resolutions:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 30 November 2011 and the Directors' and Auditor's reports thereon.
2. To approve a final dividend of 1.6p pence per Ordinary share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Andy Raynor as a Director.
5. To re-appoint PKF (UK) LLP as auditor of the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, pass Resolutions 6 and 9 as Ordinary Resolutions and Resolutions 7 and 8, 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 £851.73 (representing approximately 20% of the Ordinary share capital in issue at 15 March 2012) such authority to expire at the later of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in 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).

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 Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

8. AUTHORITY TO MAKE MARKET PURCHASES

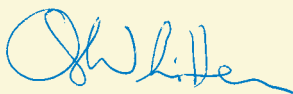
THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Act) of Ordinary shares of 0.01p each in the Company ('Ordinary shares') provided that:

- (a) the maximum number of Ordinary shares so authorised to be purchased shall not exceed 10% of the present issued Ordinary share capital of the Company;
- (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 105% of the average of the middle market quotations for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased;
- (d) the authority conferred comes to an end at the conclusion of the next Annual General Meeting of the Company or upon the expiry of 15 months from the passing of this Resolution, whichever is the later; and
- (e) that the Company may enter into a contract to purchase its Ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

9. CONTINUATION OF THE COMPANY AS A VCT

THAT the Company continue in being as a Venture Capital Trust until 2018.

By Order of the Board



Celia L Whitten FCIS

Company Secretary

22 March 2012

20 Old Bailey
London
EC4M 7AN

NOTICE OF ANNUAL GENERAL MEETING

(continued)

NOTES

- (a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.
- (b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, **Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the Annual General Meeting.
- (c) As an alternative to returning a hard-copy proxy form by post, you can appoint a proxy by sending it by fax to Octopus Investments Limited on 020 7657 3338. For the proxy appointment to be valid, your appointment must be received by Octopus Investments Limited in such time as it can be transmitted to the registrars of the Company so as to be received no later than 48 hours before the time appointed for the meeting or any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Capita Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.
- (d) 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.
- (e) 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.
- (f) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
- (g) 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.
- (h) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, www.octopusinvestments.com under Products/Venture Capital Trusts.
- (i) 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 Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.

PROXY FORM

OCTOPUS SECOND AIM VCT PLC

Annual General Meeting – 16 May 2012

I/We.....

(BLOCK CAPITALS PLEASE)

of [address].....

being a member of Octopus Second AIM VCT plc, hereby appoint the Chairman of the meeting or;

Name of Proxy Number of Shares.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 16 May 2012, notice of which was sent to shareholders with the Directors' Report and the accounts for the year ended 30 November 2011, and at any adjournment thereof. The proxy will vote as indicated below in respect of the Resolutions set out in the notice of meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made.

For the appointment of one or more proxy, please refer to the explanatory note 4 below.

RESOLUTION NUMBER	FOR	AGAINST	WITHHELD
1. To receive, consider and adopt the financial statements for the year ended 30 November 2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Andy Raynor as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint PKF UK LLP as auditor and authorise the Directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to allot shares under s551 of the Companies Act 2006 (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply s561 of the Companies Act 2006 and allot shares on a non-rights issue basis (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to make market purchases of its own shares (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To continue the Company as a Venture Capital Trust until 2018 (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed: Dated:2012

If you are unable to attend the AGM and wish to pass on any comments to the Board, please use the box below:



NOTES

1. To be valid, the proxy form must be received by the Registrars of Octopus Eclipse VCT plc at, **Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU**, no later than 48 hours before the commencement of the meeting. If delivering by courier please use the full address of Capita set out in the Notice.
2. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
3. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement. (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.)
4. To appoint more than one proxy, you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
6. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
7. 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 6 p.m. on the day which is two days before the day of the meeting or adjourned 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.
8. The address on the envelope containing this notice is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0871 664 0300. (calls cost 10p per minute plus network extras, lines are open 8.30 a.m. - 5.30 p.m. Monday - Friday) to request a change of address form.
9. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

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