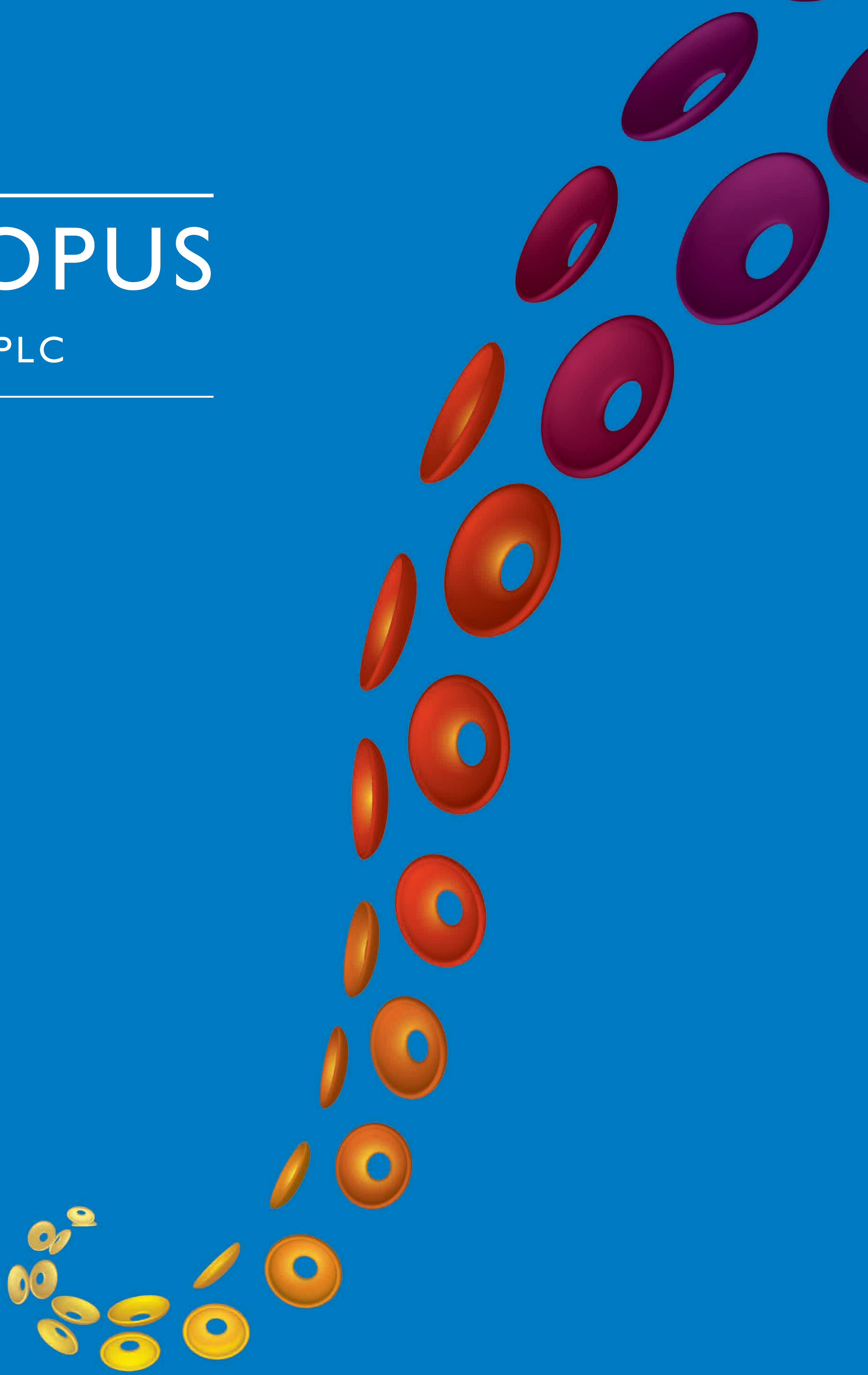
OCTOPUS

AIM VCT 2 PLC



ANNUAL REPORT FOR
THE YEAR ENDED
30 NOVEMBER 2014

OCTOPUS
INVESTMENTS

Octopus AIM VCT 2 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 2014	As at 30 November 2013
Net assets (£'000s)	**45,016**	39,818
(Loss)/Profit on ordinary activities for the year after tax (£'000s)	**(528)**	9,713
Net asset value ("NAV") per share	**80.3p**	84.4p
Dividends per share – paid in year	**4.0p**	3.5p
Final Dividend proposed	**2.0p**	2.0p
Special Dividend	**2.0p**	N/A

KEY DATES

Annual General Meeting	28 May 2015 at 10.30am
Final and Special dividend payment date	5 June 2015
Half yearly results to 31 May 2015 published	July 2015
Annual results to 30 November 2015 announced	March 2016
Annual Report and financial statements published	March/April 2016

CHAIRMAN'S STATEMENT

Introduction

First, I would like to welcome all new shareholders who have bought shares in the current open offer. I hope that you enjoy the returns this VCT produces over the next few years. I also hope that you are able to join us at the forthcoming Annual General Meeting, where I and my fellow directors look forward to meeting you.

The year to November 2014 has been a more difficult period than expected a year ago, with share prices more volatile and trading conditions, in general, deteriorating as time progressed. As a consequence the Net Asset Value has been broadly flat, taking account of the 4p in tax free dividends which have been paid. Several new investments have been made and profitable disposals too, including the announcement of a bid for your Company's largest holding just before the end of November. Meanwhile, your Company has launched a further offer for new shares and continued to buy back shares from selling shareholders.

Performance

The Net Asset Value on 30 November 2013 was 84.4p and at 30 November 2014 it was 80.3p, which is disappointing, especially compared to the hopes of a year ago. However, if the 4p of dividends are added back, then the fall in NAV of 0.1p represents a decline of 0.1%, which compared well with smaller companies generally. In the year under review, on a total return basis, the FTSE AIM All Share Index fell by 11.3% and the FTSE Smallcap Index fell by 0.3%. In contrast, the FTSE All Share Index gave a total return of 4.7%.

As these figures suggest it has been larger companies' shares which have performed relatively well, despite the UK economy expanding, which would normally be a background conducive to good performance by smaller company shares. However, that was not the case as increasingly through the year investors became more risk averse, more worried about both international conflicts and the Scottish referendum, and more wary of smaller companies. This is despite the companies themselves continuing, on the whole, to report good trading results.

Despite the performance of the AIM index, there has been a steady flow of new companies coming to the market. In the year under review, AIM has raised £8.98 billion (net of expenses) in new capital, which is a substantial increase on the previous year. I hope that trend continues, not only as it provides a pipeline of potential investments for the portfolio, but also because it indicates a healthy UK economy with companies and their managements seeing opportunities and wanting to deploy additional capital.

As ever performance is driven by specific stocks and, despite the dearth of takeover situations generally, the portfolio has recently sold its largest holding, Advanced Computer Software. The company was taken over at a price of 140p per share. Since the original investment in this start-up in 2008 was at 17p, this represents a substantial return and, on behalf of long-term shareholders, I thank the management of Advanced Computer Software for their efforts. This is the second time that your Investment Manager has backed the team which created Advanced Computer Software. Both investments have been profitable experiences for the Company.

Dividends

For nearly five years now your Board has had a dividend policy of providing shareholders with a 5% yield, which was amended slightly approximately a year ago to incorporate the intention of achieving a minimum annual payment of 3.6p. In October 2014 a 2p interim dividend was paid and in line with the policy, your Board has declared a final dividend of 2p to be paid on 5 June 2015, subject to approval at the Annual General Meeting (AGM). In addition, in the light of the exceptional profit realised by the takeover of Advanced Computer Software, your Board has decided to pay a special dividend of an additional 2p per share, over and above the normal final dividend of 2p. The record date for the special dividend is 8 May 2015 and the payment date is 5 June 2015.

Dividend Reinvestment Scheme

In common with a number of other VCTs in the industry, your Company started a Dividend Re-investment Scheme (DRIS) following approval at the last AGM, and we have already seen some shareholders take advantage of this opportunity. For investors who do not need income, but value the additional income tax relief on their re-invested dividend, this is an attractive scheme, and I hope that more shareholders will find it useful.

Share Issues and Share Buy backs

A prospectus was launched in August 2014, in a combined offer with the other AIM VCT managed by Octopus, with the intention to raise £8 million for your Company. So far £5.3 million (net of expenses) has been raised, by the issue of 6,402,185 new shares, with the Manager expecting to raise the balance before the end of the tax year. The prospectus gives the Board the ability to extend the offer so that your Company can raise up to £12 million in the year from its publication and it is possible that your Board will continue to raise funds in the new tax year up to the end of August 2015.

Your Company has continued to buy back shares when they have been offered. Your Board is determined that this facility will remain in place so would ask that you vote for its renewal at the AGM. While VCTs in general remain an attractive income investment, there is little secondary market activity, which is no doubt a reflection of the tax benefits of investing in new shares. Thus your Board regards the buyback policy and the issue of new shares as two sides of the same coin. Shares bought back are cancelled. In the year to 30 November 2014, 1,264,930 shares were bought back and cancelled.

Details of how to sell your shares are included on page 66.

VCT 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 AIM VCT 2 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 2014 some 87.9% of the portfolio, as measured by HMRC rules, was invested in qualifying investments.

Alternative Investments Fund Managers Directive ("AIFMD")

AIFMD was introduced under EU Legislation to bring consistency of reporting across all fund types. In accordance with this legislation, the Company applied to the Financial Conduct Authority to register as its own Alternative Investment Fund Manager and was entered in the register of small registered UK AIFMs with effect from 9 April 2014, under the Alternative Investment Fund Managers Regulations 2013 (AIFMRs). The Company is now required to make an annual report, which includes investments made, principal exposures, liquidity and risk management.

Annual General Meeting

Your Company's Investment Manager moved office in December and so this year's AGM will be held at their new office, 33 Holborn, which is on Holborn Circus, London EC1N 2HT. The AGM will be held on Thursday 28 May 2015 at 10.30am. Following the meeting, the Investment Manager will make a short presentation. My fellow directors and I hope very much that you will be able to attend and we and the Manager will answer any questions that you may have.

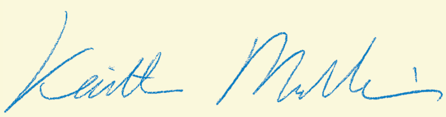
At the AGM, a resolution will be proposed to extend the life of the Company until 2021 in order to preserve the ability of the Company to make share offers in the future and to ensure that the recently issued shares have at least a five year life as required by HMRC regulations.

Outlook

Despite the many international concerns that persist, and the uncertainties created by the imminent General Election, economic activity will benefit from the monetary stimulus in Europe and the return of real

CHAIRMAN'S STATEMENT (continued)

wage rises here at home, as well as the additional economic benefit of lower oil prices. We are therefore optimistic that the UK economy can show good growth in 2015. At some point there will be a recovery in investor sentiment and that will be helpful not only for the valuation of the portfolio, but also as encouragement for the companies seeking to join AIM. Although the flow of fundraisings has been slower in early 2015 than in the same period last year, your Board understands that there is quite a pipeline of potential flotations and other fundraisings on AIM for the months ahead. We are therefore optimistic that there will be suitable, qualifying opportunities into which to deploy the new capital currently being raised. Assuming that to be the case your Board looks forward to reporting progress at the AGM and in subsequent shareholder reports in the years to come.



Keith Mullins
Chairman
23 March 2015

STRATEGIC REPORT

OUR STRATEGY

The Directors are required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to include a Strategic Report to shareholders.

The following sections form part of the Strategic Report:

- Our Strategy
- Investment Manager's Review
- Business Review

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

The Company's Objective

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

Investment Policy

The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 80 per cent in a portfolio of qualifying AIM, ISDX Growth Market traded, or unquoted companies where the management view an initial public offering (IPO) on AIM or ISDX Growth Market traded companies is a short to medium term objective. The qualifying target was achieved in 2009 and the Board 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 a minimum Moody's long-term debt rating of 'A'. Moody's is an independent rating agency, and is not registered in the EU. A proportion of the 20% could be invested in a UK smaller company fund managed by Octopus or other direct equity investments 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 buybacks.

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

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

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

STRATEGIC REPORT

OUR STRATEGY (continued)

Future prospects

The Company's recent performance record reflects the success of the strategy set out above and has allowed the Company to maintain the dividend payments to shareholders in line with the Dividend Policy set out on page 2. The Board believe the Company's business model will enable it to continue to deliver the targeted regular tax-free annual dividends referred to in the Chairman's statement. The Outlook statements in both the Chairman's statement and the Investment Manager's Review on pages 2 to 4 and 7 to 16 respectively provide further details on the future prospects of the Company.

On behalf of the Board

Keith Mullins

Keith Mullins
Chairman
23 March 2015

STRATEGIC REPORT

INVESTMENT MANAGER'S REVIEW

Introduction

At the interim stage we reported that the stock market had become a more difficult place after an exuberant first quarter, and this more cautious tone persisted for the remainder of the year, with the result that there was no progress in the NAV total return for the year. Share prices of earlier stage companies needing cash to fulfil growth plans were particularly badly affected and we talk about some examples in the portfolio later on in this report. More established and profitable companies saw their share prices advance despite market conditions and these contributed positively to the performance of the NAV in the year.

More encouragingly AIM once again raised more money for companies than in the previous year and although prices became heady for a while in 2014 they have now settled down at what we consider to be more realistic levels and we are told that the pipeline of new issues for 2015 remains strong despite the likely disruption of a General Election.

There are signs that takeover activity which had been at an all time low in 2013 is beginning to return to the market and we saw a bid for Advanced Computer Software Group, the largest holding in the portfolio, right at the period end which has prompted the Board to pay the special dividend mentioned in the Chairman's statement. We continue to balance the portfolio between existing maturing investments and the new younger ones which we make with the new funds raised.

The Alternative Investment Market

The year to 30 November 2014 was much more challenging than the previous twelve months which had seen record returns for smaller company investors. The market paused for breath after a sustained rise and began to focus more closely on some of the economic and political issues which remain today in both the international and domestic arenas. As far as AIM was concerned the most important of these was the collapse in the oil price to below $50 a barrel by November and the dismal performance of the AIM Index in 2014 was largely accounted for by an associated fall in resource stocks. AIM fell by 17% in the 2014 calendar year and Professors Dimson and Marsh concluded, in compiling the Numis Smaller Companies Index, that this would have been 7% without the effect of resource and oil stocks. The other negative impact was from a handful of large index constituents such as Quindell and ASOS which had a disproportionate effect in the year. AIM has some large constituents at the top of the Index which increases its volatility.

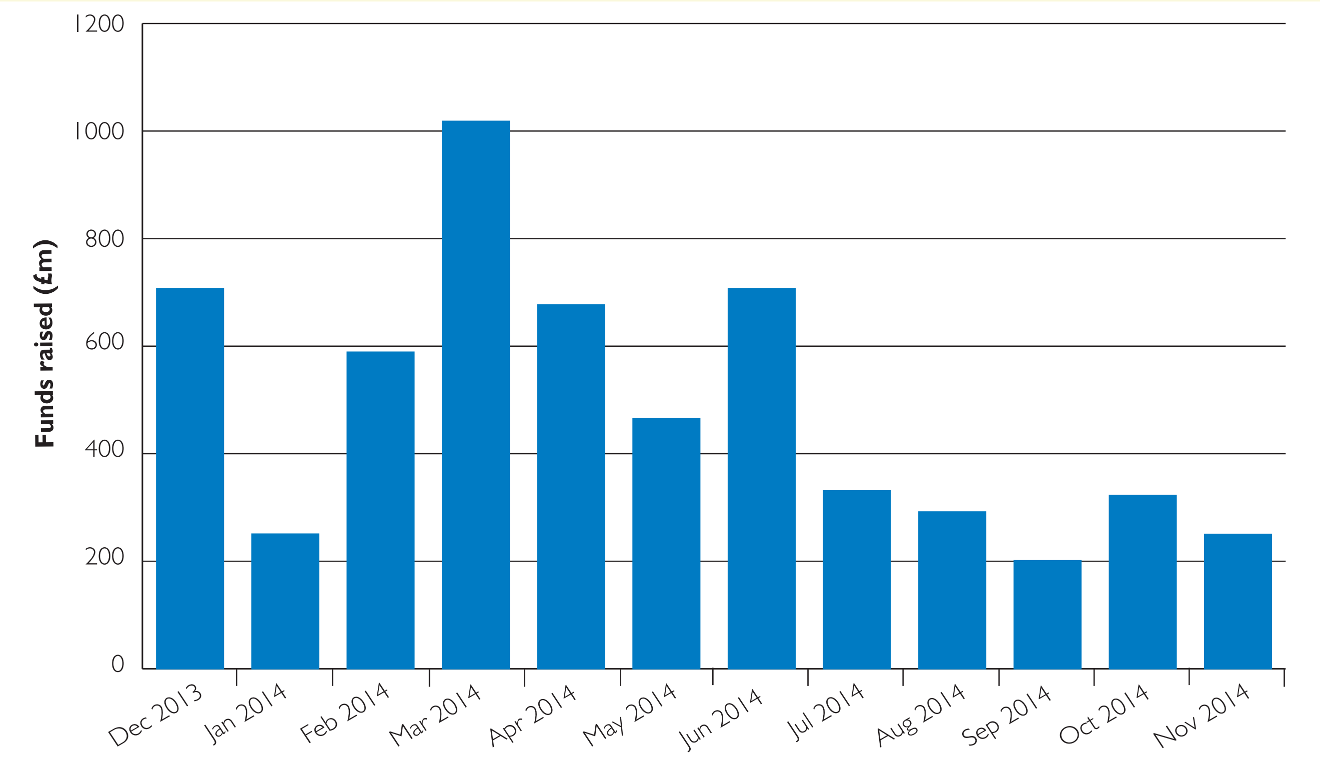
However, 2014 was not all bad news for AIM as it remained firmly open for fundraising by companies, particularly for new issues seeking to tap public markets for the first time. You will see from the bar chart below that activity was particularly strong in the first half of the year when companies were being floated on high multiples. Reality set in at the end of the second quarter when high prices for new issues became harder for companies to achieve, but the flow of secondary issues continued, with many of these being VCT qualifying. The ability of AIM to attract a range of new issues and to raise further funds for small growing companies is its most important characteristic as far as the VCT is concerned. There were moments in the first half of 2014 when valuations of new issues became too high to be attractive, but because this Company has well established existing holdings it did not need to invest in these and could afford to wait for valuations to settle down later on in the year.

STRATEGIC REPORT

INVESTMENT MANAGER'S REVIEW (continued)

The graph below shows the total AIM fundraising that has been undertaken in the twelve months to 30 November 2014.

Funds raised on AIM (£m): December 2013 – November 2014 (source: London Stock Exchange)



Performance

At the interim stage we reported that many of the substantial gains in the NAV that had been achieved in the first quarter of the year had been given back in the subsequent three months. Disappointingly this continued to be the case in the second half of the year with the result that the NAV fell by almost exactly the same value as the 4p of dividends that were paid out in the year, giving a total return of -0.1%. This compares with a total return for the FTSE Smallcap Index of -0.3% and for AIM of -11.3%. The FTSE All Share Index performed better in the period, rising by 4.7% on the same basis. The period from September to November was particularly challenging for smaller company shares as factors as diverse as the Ukrainian situation and the problems of Greek debt in the international arena, the Scottish Referendum in the domestic arena and a dramatic slide in the oil price removed the appetite for risk and led to a more general underperformance of smaller company shares.

Within the portfolio it was the older, more established and already profitable companies that tended to perform best in these market conditions, with a number of the not yet profitable earlier stage companies seeing their share prices suffer. Two holdings which stand out for their negative contributions in the year under review are WANdisco and MyCelx, both of which had performed extremely well in the previous year when market conditions were different.

WANdisco floated in 2011 at 180p and its share price made rapid gains as the market became excited by its technology enabling simultaneous access, use and editing of the same computer code as well as its

STRATEGIC REPORT

newer 'big data' product, which protects networks from failure. Having taken early profits in the shares we decided to keep a qualifying holding in the company which has interesting partners in the big data world and some very large international customers that are expected to drive significant revenues in time. Until those revenues start to come through the shares are vulnerable, particularly at moments when the company is perceived to need cash. It has announced since the period end that it has raised $25 million giving it time to demonstrate that new contracts will indeed deliver revenues. We are holding on to our remaining shares.

MyCelx was the other company whose shares saw a reversal in fortunes, ending the period in fundraising mode and with its shares below the original issue price. It has raised $12.4 million post the period end and we have added to our holding with some non-qualifying shares. It has a strong pipeline of significant contracts as well as some smaller ones, but is suffering from having disappointed market expectations in 2014 and, with the oil price having fallen below $50 a barrel, forecasts have also been cut for 2015 and beyond. Many of these delayed contracts are with oil companies but the need for an easy to deploy mechanism to clean hydrocarbons out of waste water to meet ever more stringent environmental standards remains. Revenues are still significantly higher than they were at the time the company floated and we expect the delayed contracts to start to arrive once the hiatus caused by the oil price collapse has subsided.

On the positive side some of the more established holdings in the portfolio enjoyed strong share price gains in the year and almost made up for the poor performers. Advanced Computer Software's shares responded to a series of upgrades to forecasts and have since strengthened further as the result of a bid for the company at 140p a share. The management have guided it from being a small software company in 2008 to a substantial supplier of software and computer services to both the public and private sectors today. We first invested at 17p and have taken profits in the shares along the way. Another established qualifying holding that has done very well in the period is Breedon Aggregates where upgrades to forecasts have resulted from a slow improvement in market conditions combined with management actions to increase margins. Among the smaller qualifying holdings Cambridge Cognition improved its profitability under new management and saw its share price recover to above its issue price. Netcall and Quixant both performed well and Nasstar, a new holding in the year responded well to news of strong trading. Nektan floated at a premium to our investment cost, and although the shares have been lacklustre ahead of contract news they show a paper profit.

The non-qualifying element of the equity portfolio came into its own in the year as our strategy of investing in larger more liquid, profitable companies to counterbalance new earlier stage qualifying holdings paid off. Staffline was the best contributor but SQS, Restore, Plus 500 and Goals Soccer Centres all did well.

Portfolio Activity

There was a steady flow of qualifying investment opportunities throughout the year although the new issues market was a little more volatile with price expectations very high at the end of the first quarter. We were able to stand back from the market because the Company remained well over its 70% qualifying threshold for HMRC purposes. Prices have been more realistic towards the end of 2014 and there is no sign that they are becoming inflated again since the period end.

In addition to the six qualifying investments which your Company made in the first half of the year and which were discussed at the time of the interim, there were four further qualifying investments made in the second half, two follow on investments into Proxama and Nektan and the other two new holdings making a total of just under £3 million invested in qualifying holdings in the year. Ergomed is a profitable growing medical services company which we supported at float and Microsaic is an existing AIM company making diagnostic equipment. It is not yet profitable although it

STRATEGIC REPORT

INVESTMENT MANAGER'S REVIEW (continued)

has some very exciting technology and is beginning to grow its sales. Proxama and Nektan were both raising further funds to develop their businesses, and Nektan combined this with a float in October. Post the year end we have made one further £0.4 million qualifying investment in Midatech, a newly floated pharmaceutical company which is not yet profitable and another £0.24 million one in Ideagen, an existing profitable AIM company.

In addition we added £1.5 million of non-qualifying investments in the year. We added to the holdings in Brady and GB Group and took a new holding in Skyepharma. The latter performed well and we sold part of the holding at a profit.

During the year we made disposals of £2.6 million realising an overall profit over book cost of £0.78 million. We sold the non-qualifying holding in EMIS in its entirety and took significant profits in the holding in Matchtech which had become a large non-qualifying holding after two years of good performance. We also took profits in Sinclair IS Pharma and Plus 500. In the qualifying portfolio we top-sliced the holdings in Advanced Computer Software and Breedon Aggregates to prevent them becoming too large a proportion of the portfolio and took some profits in Quixant, Omega Diagnostics and Proxama after the shares performed well.

Outlook

As yet we have seen no sustained recovery in market sentiment and smaller companies are therefore valued at a discount to their larger peers, not helped by the political uncertainty of an election year. However, the UK remains a growing economy for the foreseeable future. There will be some stimulus from an economic revival in Europe and a lower oil price, whilst directly the prospect of real wages rises suggests that the consumer will drive UK economic activity. That should continue to reinforce demand for many of the business service companies in the portfolio and, at the optimistic end of expectations, opens the prospect of upwards revisions to GDP growth forecasts for the UK in 2015.

It also suggests that capital raising and flotations will remain a significant feature of AIM, in the year when the market celebrates its twentieth birthday. In those circumstances we would expect to invest the present cash balance profitably for shareholders and at the AGM be able to tell you about some of the new holdings in the portfolio.

The AIM Team
Octopus Investments Limited
23 March 2015

STRATEGIC REPORT

INVESTMENT PORTFOLIO

Investment Portfolio

Fixed asset investments	Sector	Cost as at 30 November 2014 (£'000)	Cumulative change in fair value (£'000)	Fair value at 30 November 2014 (£'000)	Movement in year (£'000)	% equity held by AIM VCT 2 plc	% equity held by all funds managed by Octopus
Advanced Computer Software plc	Software	645	2,146	2,791	891	0.4%	3.7%
Breedon Aggregates Limited	Construction & Materials	573	1,432	2,005	275	0.5%	1.2%
Netcall plc	Software	421	1,063	1,484	294	1.9%	4.5%
Idox plc	Software	356	1,068	1,424	169	1.1%	3.8%
Quixant plc	Technology Hardware	465	897	1,362	171	1.6%	6.5%
Animalcare Group plc	Pharmaceuticals & Biotech	823	489	1,312	(291)	4.2%	6.8%
EKF Diagnostics plc	Healthcare Equipment	864	398	1,262	(179)	1.1%	4.0%
Tasty plc	Travel & Leisure	336	891	1,227	(89)	2.1%	5.2%
GB Group plc	Software	476	635	1,111	13	0.6%	5.8%
Vertu Motors plc	General Retailers	777	333	1,110	52	0.5%	6.7%
Staffline Recruitment Group plc	Support Services	225	778	1,003	319	0.4%	10.5%
Brooks MacDonald Group plc	General Financial	609	383	992	(85)	0.5%	5.3%
TLA Worldwide plc	Media	538	444	982	54	2.2%	8.1%
Escher Group Holdings plc	Software	753	220	973	(88)	2.4%	5.5%
Plastics Capital plc	Chemicals	485	368	853	51	2.0%	11.9%
Nektan Limited	Software	563	250	813	250	2.0%	14.4%
Matchtech Group plc	Support Services	273	505	778	28	0.6%	13.4%
Craneware plc	Software	479	263	742	39	0.6%	1.8%
Brady plc	Software	647	76	723	(25)	1.2%	3.1%
RWS Holdings plc	Support Services	249	453	702	46	0.0%	1.0%
Ergomed Plc	Pharmaceuticals & Biotech	800	(100)	700	(100)	1.7%	9.4%
Skyepharma plc	Pharmaceuticals & Biotech	398	226	624	226	0.2%	0.7%
Sinclair Pharma plc	Pharmaceuticals & Biotech	392	191	583	133	0.4%	0.7%
Chime Communications plc	Media	458	125	583	(92)	0.2%	0.3%
SQS Software plc	Software	207	356	563	83	0.3%	10.0%
Restore plc	Support Services	311	250	561	210	0.3%	7.8%
Vianet Group plc	Support Services	867	(321)	546	29	2.6%	4.7%
Nasstar plc	Software	320	224	544	224	1.7%	7.5%
Gooch & Housego plc	Electronic & Electrical	326	210	536	(4)	0.3%	6.9%
Omega Diagnostics Group plc	Healthcare Equipment	317	211	528	121	2.6%	6.1%
MyCelx Technologies plc	Oil Equipment	580	(83)	497	(884)	2.1%	6.9%
Fusionex International plc	Software	188	284	472	88	0.3%	1.5%
Adept Telecom plc	Telecommunications	501	(47)	454	(18)	1.6%	3.8%
Cambridge Cognition Holdings plc	Healthcare Equipment	400	17	417	80	3.4%	18.0%
Judges Scientific plc	Electronic & Electrical	209	197	406	(200)	0.6%	1.4%
Bond International Software plc	Software	303	76	379	–	1.1%	3.4%
Cello Group plc	Media	205	173	378	53	0.5%	6.5%
Proxama plc	Software	342	–	342	–	1.3%	10.5%
WANdisco plc	Software	160	159	319	(983)	0.4%	2.1%
Goals Soccer Centres plc	Travel & Leisure	148	160	308	67	0.2%	2.6%
Learning Technologies Group plc	General Retailers	341	(43)	298	100	0.4%	1.0%
Futura Medical plc	Pharmaceuticals & Biotech	408	(144)	264	(100)	0.7%	5.2%
Microsaic Systems plc	Industrial Engineering	217	36	253	36	0.8%	8.4%
Access Intelligence plc	Software	544	(299)	245	(27)	4.6%	9.6%
Plus 500 Limited	General Financial	56	188	244	117	0.0%	0.2%
Rated People Limited	Support Services	236	–	236	–	0.9%	4.1%
Tangent Communications plc	Support Services	385	(154)	231	(125)	1.4%	4.7%
Lombard Medical Technologies plc	Healthcare Equipment	589	(360)	229	(150)	0.3%	0.7%
DP Poland plc	Travel & Leisure	364	(140)	224	(206)	2.5%	6.4%
Mattioli Woods plc	General Financial	98	105	203	25	0.2%	3.1%
Corac plc	Industrial Engineering	452	(259)	193	(193)	0.9%	6.4%
Enteq Upstream plc	Oil Equipment	687	(509)	178	(158)	1.2%	3.8%
Immunodiagnostic Systems plc	Healthcare Equipment	454	(293)	161	(99)	0.2%	4.6%
Hasgrove plc	Media	153	(77)	76	–	2.1%	13.0%
Mears Group plc	Support Services	51	18	69	(13)	0.0%	0.1%
Clean Air Power Limited	Industrial Engineering	323	(256)	67	(294)	1.3%	10.9%
Woodspeen plc	Support Services	250	(187)	63	(21)	3.9%	11.2%
Enables IT Group plc	Software	200	(147)	53	(186)	2.0%	11.2%
Altitude Group plc	Support Services	24	17	41	8	0.6%	4.5%
Work Group plc	Support Services	473	(445)	28	(1)	2.1%	6.3%
Total investments		**24,294**	**12,451**	**36,745**	**(359)**		
Money market funds				588			
Total fixed investments and money market funds				**37,333**			
Cash at bank				7,393			
Debtors less creditors				290			
Total net assets				**45,016**			

STRATEGIC REPORT

INVESTMENT PORTFOLIO (continued)

Top 10 Holdings

Listed below are the ten largest investments by value as at 30 November 2014. These are all valued at bid price.

Advanced Computer Software plc

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

Initial investment date:	July 2008
Cost:	£645,000
Valuation:	£2,791,000
Equity held:	0.4%
Last audited accounts:	28 February 2014
Revenue:	£203.2 million
Profit before tax:	£12.1 million
Net assets:	£167.8 million

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

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:	£573,000
Valuation:	£2,005,000
Equity held:	0.5%
Last audited accounts:	31 December 2013
Revenue:	£224.5 million
Profit before tax:	£12.4 million
Net assets:	£149.0 million

Further information can be found at www.breedonaggregates.com

Netcall plc

Netcall plc is a provider of software and telephony services particularly to call centres enabling efficient customer interaction and process management and improving customer satisfaction.

Initial investment date:	August 2008
Cost:	£421,000
Valuation:	£1,484,000
Equity held:	1.9%
Last audited accounts:	30 June 2014
Revenue:	£16.9 million
Profit before tax:	£2.2 million
Net assets:	£20.2 million

Further information can be found at www.netcall.com

STRATEGIC REPORT

Idox plc

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

Initial investment date:	August 2008
Cost:	£356,000
Valuation:	£1,424,000
Equity held:	1.1%
Last audited accounts:	31 October 2014
Revenue:	£61.0 million
Profit before tax:	£7.6 million
Net assets:	£48.6 million

Further information can be found at www.idoxgroup.com

Quixant plc

Quixant plc is a manufacturer of hardware and software which sits inside gaming machines.

Initial investment date:	September 2013
Cost:	£465,000
Valuation:	£1,362,000
Equity held:	1.6%
Last audited accounts:	31 December 2013
Revenue:	$24.2 million
Profit before tax:	$6.0 million
Net assets:	$15.5 million

Further information can be found at www.quixant.com

Animalcare Group plc

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

Initial investment date:	December 2007
Cost:	£823,000
Valuation:	£1,312,000
Equity held:	4.2%
Last audited accounts:	30 June 2014
Revenue:	£12.9 million
Profit before tax:	£2.7 million
Net assets:	£19.5 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:	£864,000
Valuation:	£1,262,000
Equity held:	1.1%
Last audited accounts:	31 December 2013
Revenue:	£31.8 million
Profit before tax:	£0.6 million
Net assets:	£40.9 million

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

STRATEGIC REPORT

INVESTMENT PORTFOLIO (continued)

Tasty plc

Tasty plc is the operator of Wildwood and Dim T restaurants.

Initial investment date:	October 2013
Cost:	£336,000
Valuation:	£1,227,000
Equity held:	2.1%
Last audited accounts:	30 December 2013
Revenue:	£23.2 million
Profit before tax:	£1.7 million
Net assets:	£17.4 million

Further information can be found at www.wildwoodrestaurants.co.uk and www.dimt.co.uk

GB Group plc

GB Group plc specialises in ID verification which is used by businesses to prevent ID theft and fraud as well as to verify the age and circumstances of customers and employees for regulatory and commercial reasons.

Initial investment date:	November 2011
Cost:	£476,000
Valuation:	£1,111,000
Equity held:	0.6%
Last audited accounts:	31 March 2014
Revenue:	£41.8 million
Profit before tax:	£4.0 million
Net assets:	£34.5 million

Further information can be found at www.gbgplc.com

Vertu Motors plc

Vertu Motors plc (which also trades under the Bristol Street Motors, Macklin Motors and Farnell brands) was formed in late 2006 to acquire and consolidate UK motor retail businesses. It is now the sixth largest motor retailer in the UK.

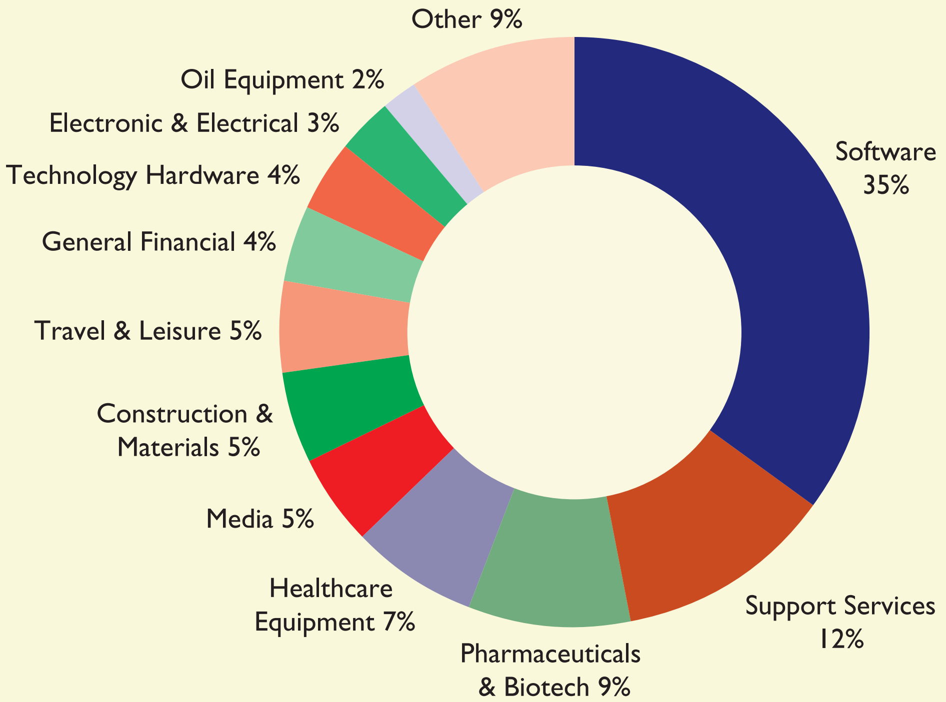
Initial investment date:	December 2006
Cost:	£777,000
Valuation:	£1,110,000
Equity held:	0.5%
Last audited accounts:	28 February 2014
Revenue:	£1,684.5 million
Profit before tax:	£15.8 million
Net assets:	£163.4 million

Further information can be found at www.vertumotors.com

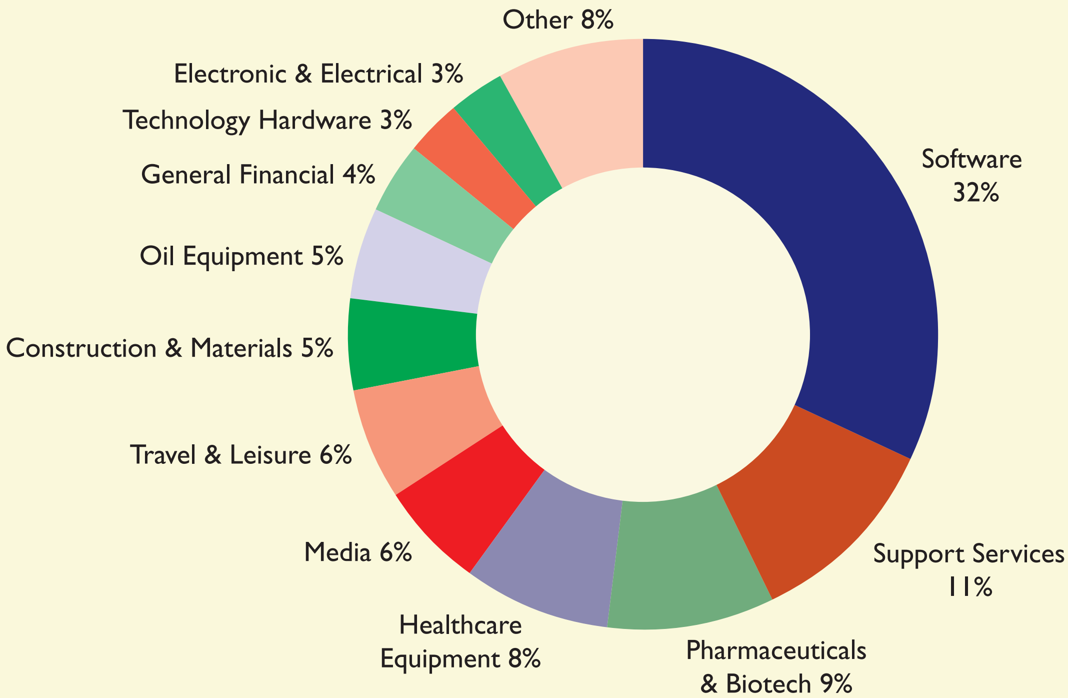
STRATEGIC REPORT

Sector Analysis

The graph below shows the sectors the Fund was invested in by value as at 30 November 2014:



The graph below shows the sectors the Fund was invested in by value as at 30 November 2013:



THE INVESTMENT MANAGER

Personal Service

At Octopus, 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 2295.

Octopus was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus Investments Limited also acts as Investment Manager of 7 other listed investment companies and has a total of approximately £5.0 billion of funds under management.

The AIM investment team of Octopus 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's investments 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's investments since its launch in 2006 as well as other AIM VCTs and IHT portfolios. She joined Octopus Investments Limited in 2008.

Richard Power

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

Edward Griffiths

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

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

Mark Symington

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

STRATEGIC REPORT

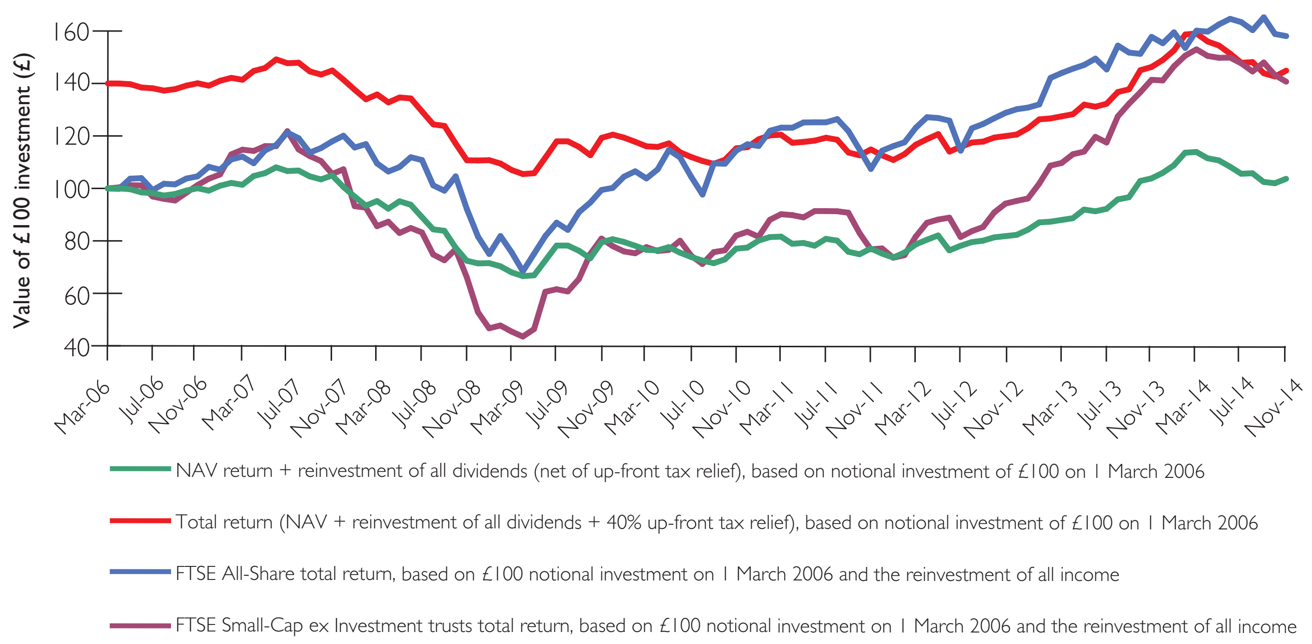
BUSINESS REVIEW

Performance

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

The graph below compares the total return of the Company over the period from 1 March 2006 to November 2014 with the total return from notional investments in the FTSE All-Share index and FTSE Small-Cap ex-investment trusts index over the same period. The Directors consider these to be the most appropriate benchmarks from a general investor's perspective, they would remind investors that approximately 30% of the FTSE AIM All-share index is attributable to resources or property sector stocks which venture capital trusts cannot invest in. Investors should be reminded that shares in venture capital trusts generally continue to trade at a discount to their net asset values.

Investors investing into Octopus AIM VCT 2 plc



STRATEGIC REPORT

BUSINESS REVIEW (continued)

Results and Dividend

	Year ended 30 November 2014 £'000	Year ended 30 November 2013 £'000
Net (loss)/profit attributable to shareholders	**(528)**	9,713
Appropriations: Interim dividend paid 2.0p per Ordinary share (2013 – 1.8p per Ordinary share)	**1,035**	840
Final dividend proposed 2.0p per Ordinary share (2013 – 2.0p per Ordinary share)	**1,149**	962

The proposed final dividend will, if approved by shareholders, be paid on 5 June 2015 to shareholders on the register on 8 May 2015. The Special Dividend of an additional 2p will be paid on 5 June 2015 to shareholders on the register on 8 May 2015.

Key Performance Indicators (KPIs)

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

The Board has a number of performance measures to assess the Company's success in meeting 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 graph on the previous page. 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 2 to 4 includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 7 to 16. Further details of the Company's risk management policies are provided in note 16 to the financial statements. The ongoing charges of the Company for the year to 30 November 2014 were 2.3% of average net assets during the year (2013: 2.5%). Total running costs are capped at 3.5% of net assets.

Principal risks, risk management and regulatory environment

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

Risk	How Mitigated
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.	Octopus keeps the Company's VCT qualifying status under continual review and reports to the Board regularly throughout the year. PricewaterhouseCoopers LLP have been retained by the Company to undertake an independent VCT status monitoring role reporting to the Board bi-annually.

STRATEGIC REPORT

Risk	How Mitigated
Valuation risk: Investments may be valued inappropriately which may result in an inaccurate representation of the Company's net assets and net asset value per share.	Quoted investments are valued by Octopus using bid prices as reported by Bloomberg. Unquoted investments are valued to current financial reporting standards.
Risk	**How Mitigated**
Investment risk: the majority of the Company's investments are in AIM-quoted and ISDX Growth Market traded investments which are VCT qualifying holdings, and which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies.	The Directors and Octopus 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, and industry sector. The Board reviews the investment portfolio with Octopus on a regular basis.
Risk	**How Mitigated**
Financial risk: as a VCT, the Company is exposed to market price risk, credit risk, liquidity risk, fair value risk, cash flow risk and interest rate risk.	The Company's income and expenditure is predominantly denominated in sterling and hence the Company has limited foreign currency risk. The Company is financed through equity and does not have any borrowings as the Directors consider that it is inappropriate to finance the Company's activities through borrowing. The Company does not use derivative financial instruments. Accordingly, the Manager seeks to maintain a proportion of the Company's assets in cash or cash equivalents in order to balance irregular cash flows from realisations. At the balance sheet date the cash and cash equivalents amounted to 16% of net assets. See Our Strategy on pages 5 and 6. These are considered in more detail below.

STRATEGIC REPORT

BUSINESS REVIEW (continued)

Risk	How Mitigated
Regulatory and Reputational risk: the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. The Company is also a small registered AIFM and has to comply with the requirements of the AIFM Directive. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties, qualified audit report or loss of shareholder trust.	The regulatory requirements are continually considered and adhered to by Octopus and the Board and legal advice taken when appropriate.
Risk	**How Mitigated**
Operational risk: the Board is reliant on Octopus to manage investments effectively.	The Board reviews annually, with professional assistance where appropriate, the system of internal controls, both financial and non-financial, operated by the Company and the Investment Manager (to the extent the latter are relevant to the Company's internal controls). These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained. Octopus has a significant commitment to small cap investment which means it has a broad team focused on quoted and unquoted investments. This mitigates the short term risk of any one individual leaving.
Risk	**How Mitigated**
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 Company has cash deposits which are held on the balance sheet of HSBC Bank plc and also 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 A+ for HSBC and AAA for BlackRock.

STRATEGIC REPORT

Risk	How Mitigated
Economic risk: Events such as an economic recession and movement in interest rates could affect smaller companies' valuations.	Octopus constantly monitor the markets and the portfolio companies and report to the Board at each meeting. The risk that the value of a security or portfolio of securities could decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.
Risk	**How Mitigated**
Price risk: the risk that the value of a security or portfolio of securities will decline in the future.	This risk is mitigated by holding a diversified portfolio, across a broad range of sectors and by weekly monitoring of each company's value.
Risk	**How Mitigated**
Cash flow risk: the risk that the Company's available cash will not be sufficient to meet its financial obligations.	This is managed by frequent budgeting and close monitoring of available cash resources and discussed at each Board meeting.
Risk	**How Mitigated**
Market risk: A substantial portion of the Company's investments are in AIM traded companies as well as some unquoted companies. All of these investments involve a higher degree of risk than investment in larger fully listed companies. In particular, smaller companies often have limited product lines, markets or financial resources, may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes.	Each company in the portfolio is regularly monitored by the Investment Managers. The Board seeks to mitigate the internal risks by regular review of performance, monitoring progress and compliance with internal procedures. In the mitigation and management of these risks, the Board applies the principles detailed in the 'Turnbull' guidance. Details of the Company's internal controls are contained in the Corporate Governance report on pages 27 to 30.

STRATEGIC REPORT

BUSINESS REVIEW (continued)

Further details of the Company's financial risk management objectives and policies are provided in Note 16 to the financial statements.

Gender and Diversity

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

Human Rights Issues

Due to the structure of the Company with no employees and only four Non-Executive Directors, there are no human rights or employee issues to report.

Environment Policy and Greenhouse Gas Emissions

The Board has no specific environmental policy; however, the Company recognises the need to conduct its business, including investment decisions, in a manner that is responsible to the environment wherever possible.

The Company does not produce any reportable emissions as the fund management is outsourced to Octopus with no physical assets or property held by the Company. As the Company has no employees or operations, it is not responsible for any direct emissions.

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

Keith Mullins
Chairman
23 March 2015

DETAILS OF DIRECTORS

The Board comprises four Directors all of whom are independent of the Investment Manager. The Directors operate in a Non-Executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has wide experience of investment in both smaller growing companies and larger quoted companies.

Keith Mullins (Chairman)

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

Andrew Raynor FCA

Andy is the Chief Executive of Shakespeares Legal LLP, an expanding Midlands law firm, and Non-Executive at HW Fisher & Co, the London accountants. Previously he joined RSM Tenon Group PLC ("RSM Tenon") in 2001 after its acquisition of the independent partnership formerly known as BDO Stoy Hayward – East Midlands. Following the acquisition of this business by RSM Tenon, he became finance director and, in a subsequent board reorganisation, chief executive in 2003, leading the company to win National Firm of the Year 2011 in the British Accountancy Awards. Andy then resigned in January 2012. Prior to joining RSM Tenon, he spent almost 20 years with BDO Stoy Hayward – East Midlands, where he established the corporate finance department and held overall responsibility for business development, before becoming managing partner. Andy became a Director of the Company on 14 September 2005.

Elizabeth Kennedy LLB (Hons) FCIS FCSI

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

Alastair Ritchie BA (Econ)

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. Alastair became a Director of the Company on 12 August 2010 when the Companies merged.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 November 2014.

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

Directors

Brief biographical notes on the Directors are given on page 21.

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Andy Raynor retires as a Director at the AGM, and being eligible, offer himself for re-election. The Board has considered provision B.7.2 of The UK Corporate Governance Code and following a formal performance evaluation as part of the Board Evaluation, further details of which can be found on page 28, believes that Andy continues to be effective and demonstrates commitment to his roles as director and Chairman of the Audit Committee. The Board therefore recommends his re-election at the forthcoming AGM.

Both Keith Mullins and Andy Raynor have now served over nine years as directors of the Company. The Association of Investment Companies Code of Corporate Governance recommends the Board should state its reasons for believing that a director who has served for more than nine years remains independent. The Board has considered provisions B1.1 and B.7.2 of the The UK Corporate Governance Code and believes that both Keith and Andy continue to be effective Non-Executive Directors providing considerable experience and continuity to the Company whilst continuing to demonstrate commitment to their roles as Chairman of the Company and Chairman of the Audit Committee.

Directors' and Officers' Liability Insurance

The Company has, as permitted by s236 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

VCT Regulation

Compliance with required rules and regulations is considered when all investment decisions are made. The Company is further monitored on a continual basis to ensure compliance. The main criteria to which the Company must adhere is as follows:

The Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 70% must comprise eligible ordinary shares (30% for subscriptions before 6 April 2012).

For this purpose, a "VCT qualifying holding" consists of up to £5 million invested in any one year in new shares or securities of a UK AIM traded company or an unquoted company which is carrying on a qualifying trade, and whose gross assets and number of employees at the time of investment do not exceed a prescribed limit. The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing.

The Finance Act 2014 amended the VCT Rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if, in respect of shares issued on or after 6 April 2014, a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks however the Company has sufficient liquidity to allow dividends to continue to be paid at a level in line with the Company's current dividend policy. Resolution 9 (referred to on page 26) is proposed for shareholder approval of the cancellation of the share premium account for the period up to 6 April 2014 which will be undertaken if further distributable reserves are required.

The Company will continue to ensure its compliance with the qualification requirements.

Going Concern

The Company's business activities and the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Investment Manager's Review on pages 7 to 16. Further details on the management of financial risk may be found in the Business Review on page 17 and in Note 16 to the Financial Statements.

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

A Resolution will be put to the Company's AGM on 28 May 2015 to approve the Company continuing as a VCT to 2021. The continuation to 2021 will allow shareholders who have participated in the recent Offer to subscribe for Ordinary Shares in the Company to hold their shares for the five years required to receive tax relief and, in addition, will also allow the Company to remain a going concern.

The assets of the Company include securities which are readily realisable (81.6% of net assets) and, accordingly, the Company has adequate financial resources to continue to meet the expenses of commitments under share buy backs and in operational existence for the foreseeable future.

Dividend

The proposed final and special dividend is set out in the Financial Summary on page 1, in the Chairman's Statement on page 2 and in the Business Review on page 18.

Management

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

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

As required by the Listing Rules, the Directors confirm that, in their opinion, the continuing appointment of Octopus as Investment Manager is in the best interests of the shareholders as a whole. In reaching this conclusion the Directors have taken into account the performance of the investment portfolio and the ability of the Investment Manager to produce satisfactory investment performance in the future. No Director has an interest in any contract to which the Company is a party.

The Board has delegated the routine management decisions such as the payment of standard running costs to Octopus. However, investment decisions are discussed and agreed with the Board.

Whistleblowing

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

DIRECTORS' REPORT (continued)

Bribery Act

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

Share Capital

The Company's ordinary share capital as at 30 November 2014 comprised 56,085,336 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 10,286,601 (2013: 5,456,453) Ordinary shares were issued through an Offer to subscribe for shares launched on 1 February 2013 which closed on 17 January 2014 and a further non-prospectus Offer, combined with Octopus AIM VCT plc, to raise up to £4.1 million which opened on 3 February 2014 and closed on 28 March 2014 fully subscribed. The Board decided to open a further Offer for subscription, again combined with Octopus AIM VCT plc, to raise up to £8 million with an over allotment facility of £4 million. This Offer was launched on 29 August 2014 and to date 6,402,185 shares have been issued for £5.3 million for the 2014/15 tax year.

Share Buy backs and Redemptions

During the year, the Company purchased 1,264,930 shares for cancellation at a weighted average price of 82.8p per share (2013: 1,227,225 shares at a weighted average price of 69.5 per share) for a total consideration of £1,048,000 (2013: £846,000). 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' 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 with 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 11,490,610 Ordinary shares (representing approximately 20% of the Company's issued share capital at 23 March 2015 – the latest practicable date before publication of this document). The authority conferred by this resolution will expire on the earlier of the next AGM and the date falling 15 months after the date of the passing of the resolution.

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

DIRECTORS' REPORT (continued)

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 the Resolution seeks renewal of such authority until the next AGM (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.

Share Premium Account cancellation

The Board consider it appropriate to obtain Shareholders' approval for the cancellation of the share premium account of the Company to create (subject to Court approval) distributable reserves which will enable the payment by the Company of future distributions and share buy backs and for other corporate purposes. A Special Resolution is, therefore, being proposed as Resolution 9.

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).

Independent Auditor

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

Post Balance Sheet Events

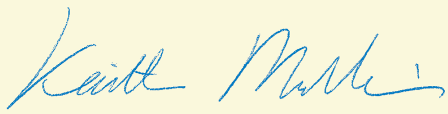
Since the year end, the Company has made the following investments:

Company	Date	Number of shares	Cost (£)
Midatech Pharma plc	3 December 2014	149,812	399,998
Access Intelligence plc	3 December 2014	Loan	80,000
Proxama plc	8 December 2014	6,669,984	166,750
MyCelx Technologies plc	10 December 2014	266,666	399,999
Iomart Group plc	11 December 2014	100,000	178,446
Ideagen plc	7 January 2015	705,882	240,000
Mattioli Woods	30 January 2015	500	2,525

Part disposals were made in Learning Technologies Group plc (5 December 2014 and 12 December 2014), resulting in gains of £3,000 and £8,000 respectively. Part disposals were made in Matchtech plc (9 December 2014 and 7 January 2015), resulting in gains of £94,000 and £75,000 respectively. Immunodiagnostics Group plc was fully disposed on 17 December 2014, resulting in a loss of £289,000.

Further details on the post balance sheet events are disclosed in note 17.

On behalf of the Board



Keith Mullins
Chairman
23 March 2015

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

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

Board of Directors

The Company has a Board of four Non-Executive Directors, all of whom are considered by the Board to be independent. The Board meets five times a year, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board.

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

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

During the year the following meetings were held:

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

CORPORATE GOVERNANCE (continued)

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

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

	Date of Original Appointment	Due date for Re-election
Keith Mullins	14/09/2005	AGM 2016
Elizabeth Kennedy	12/08/2010	AGM 2017
Andy Raynor	14/09/2005	AGM 2015
Alastair Ritchie	12/08/2010	AGM 2017

Performance Evaluation

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

Appointment and Replacement of Directors

A person may be appointed as a Director of the Company by the shareholders at a general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant Resolution) or by the Directors: no person, other than a Director retiring by rotation or otherwise, shall be appointed or reappointed a Director at any general meeting unless he is recommended by the Directors or, not less than seven nor more than twenty one clear days before the date appointed for the meeting, notice is given to the Company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the Company's Articles of Association. Each Director who is appointed by the Directors (and who has not been elected as a Director of the Company by the members at a general meeting held in the interval since his appointment as a Director of the Company) is to be subject to election as a Director of the Company by the members at the first AGM of the Company following his appointment. At each AGM of the Company one-third of the Directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one-third, are to be subject to re-election. The Companies Act allows shareholders in a general meeting by Ordinary Resolution (requiring a simple majority of the persons voting on the relevant Resolution) to remove any Director before the expiration of his or her period of office, but without prejudice to any claim for damages which the Director may have for breach of any contract of service between him or her and the Company. A person also ceases to be a Director if he or she resigns in writing, ceases to be a Director by virtue of any provision of the Companies Act, becomes prohibited by law from being a Director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the Board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the Company's Articles of Association.

Powers of the Directors

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company and any directions given by shareholders by Special Resolution, the Articles of Association specify that the business of the Company is to be managed by the Directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular the Directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the Company's 2014 AGM to make market purchases of up to 10% of the issued Ordinary share capital at any time up to the 2015 AGM and otherwise on the terms set out in the relevant Resolution, and renewed authority is being sought at the 2015 AGM as set out in the notice of meeting.

Board Committees

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

The Board does not have a separate Nomination Committee as there has not been a requirement for a Committee. Whilst diversity considerations would normally be a function of a Nomination Committee, these are dealt with by the Board as a whole on an annual basis. The Board considers its composition to be appropriate with due regard for the benefits of diversity and gender.

The Board has appointed one committee to make recommendations to the Board in a specific area:

Audit Committee:

Andy Raynor
Elizabeth Kennedy
Keith Mullins
Alastair Ritchie

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

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

Internal Control

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls and a specific review was undertaken by BDO LLP in respect of the year ended 30 November 2013. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with its Investment Manager.

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

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

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed and were satisfied of 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.

CORPORATE GOVERNANCE (continued)

Internal control systems include the production and review of monthly bank reconciliations and management accounts. All outflows made from the VCT's accounts require the authority of two signatories from Octopus. The Investment Manager is subject to regular review by the Octopus Compliance Department.

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in note 16 to the financial statements.

Statement of Voting at the Annual General Meeting

A significant portion of the votes cast, 11.81%, were against the resolution to dis-apply pre-emption rights for the allotment or offer of ordinary shares. No communication was received from shareholders giving reasons for the votes against the resolution.

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

Relations with Shareholders

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

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

Compliance Statement

The Listing Rules require the Board to report on compliance throughout the accounting period with all relevant provisions set out in The UK Corporate Governance Code. The preamble to The UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies adding that the AIC Code and AIC Guide can assist in meeting the obligations under The UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 30 November 2014 with the provisions set out in The UK Corporate Governance Code. The section references to The UK Corporate Governance Code are shown in brackets.

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

By Order of the Board

P. Standaloft

Patricia Standaloft, ACIS
Company Secretary
23 March 2015

AUDIT COMMITTEE REPORT

This report is submitted in accordance with The UK Corporate Governance Code in respect of the year ended 30 November 2014 and describes the work of the Audit Committee in discharging its responsibilities.

The Committee's key objective is the provision of effective governance of the appropriateness of the Company's financial reporting, the performance of the auditor and the management of the internal control and business risks systems. The Directors forming the Audit Committee can be found on page 29.

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

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

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The Committee meets twice per year and has direct access to BDO LLP, the Company's external auditor. A non-recurring non-audit service was provided by the external auditor during the period but the cost was immaterial and therefore the Audit Committee does not believe there are any influences on their independence or objectivity. When considering whether to recommend the re-appointment of the external auditor, the Committee takes into account the tenure of the current auditor in addition to comparing the fees charged to similar sized VCTs. The current auditor was appointed in 2008 under the name of PKF (UK) LLP, which subsequently merged with BDO LLP, and has held the position for six years.

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

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board. Octopus have an internal audit process, the performance of which has been outsourced to Ernst & Young. The Octopus Compliance Department report to the Board on the outcome of the internal audits that have taken place insofar as these relate to the Company and confirm the absence of any issues relating to internal audit of which the Board should be aware. Octopus undertake to immediately raise to the Committee, any significant issues arising from the Octopus internal audit that affect the Company.

AUDIT COMMITTEE REPORT (continued)

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

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

Significant Risks

The Audit Committee is responsible for considering and reporting on any significant risks that arise in relation to the audit of the financial statements. The Committee and the Auditors have identified the most significant risks for the Company as:

- Valuation of investments: The auditors give special audit consideration to the valuation of investments and supporting data provided by Octopus. The impact of this risk would be a large gain or loss in the Company's results. The valuations are supported variously by stock market quotations, investee company audited accounts and third party evidence (where relevant). These give comfort to the Audit Committee.
- Management override of financial controls. The auditors specifically review all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the completion of the financial statements.
- Recognition of revenue from investments: Investment income is the Company's main source of revenue, the revenue return is recognised when the Company's right to the return is established in accordance with the Statement of Recommended Practice. Octopus confirms to the Audit Committee that the revenues are recognised appropriately.
- Completeness of expenditure: The auditors review the completeness of expenses recorded, with particular reference to the accounting treatment of any ad-hoc costs and whether other costs are in line with our expectations and agreements with the suppliers.

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

The Audit Committee is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to the shareholders in respect of the audit of the financial statements to 30 November 2014.

Andrew Raynor
Audit Committee Chairman
23 March 2015

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with Regulation 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("Regulations") in respect of the year ended 30 November 2014.

The Company's auditor, BDO LLP, is required to give their opinion on certain information included in this report; comprising the Directors' emoluments section and shareholdings below and their report on these and other matters is set out on pages 38 and 41.

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 sought advice from Octopus in respect of its consideration of Directors' remuneration during the year and no increase in fees was agreed. The Company does not have a Chief Executive Officer, Senior Management or any employees.

Directors' Remuneration Policy Report

The Board consists entirely of Non-Executive Directors, who meet at least quarterly and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for a period of at least three years. All Directors retire at the first General Meeting after election and thereafter one third of all Directors are subject to retirement by rotation at subsequent AGMs. Re-election will be recommended by the Board but is dependent upon shareholder votes.

Each Director received a letter of appointment. A Director may resign at any time by giving three months' notice in writing to the Board. None of the Directors are entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid higher fees than the other Directors in recognition of their more onerous roles. The Remuneration policy is to review the Director's fees from time to time, benchmarking the fees against other VCT boards, although such review will not necessarily result in any changes. Due to the nature of the Company, there are no employees other than the Directors and therefore no such issues to consider when determining the Directors' remuneration.

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

The Director's fees for the year are expected to remain at the level as set out on the next page in the Annual Remuneration Report under the heading 'Directors' Emoluments (audited).

An Ordinary resolution to approve the remuneration policy of the Company was put to, and approved by, shareholders at the 2014 AGM and will remain in force for a three year period. The Board will review the remuneration of the Directors if thought appropriate and monitor competitors in the VCT industry on an annual basis.

DIRECTORS' REMUNERATION REPORT (continued)

Annual Remuneration Report

This section of the report is subject to approval by a simple majority of shareholders at the AGM in May 2015, as in previous years.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to Octopus through the Investment Management Agreement, as referred to in the Directors' Report. The performance graph on page 17 also shows the performance of the Company.

Directors' Emoluments (audited)

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

Directors' fees	**Year ended 30 November 2014**	Year ended 30 November 2013
Keith Mullins	**£20,000**	£20,000
Andrew Raynor	**£17,000**	£17,000
Elizabeth Kennedy	**£15,000**	£15,000
Alastair Ritchie	**£15,000**	£15,000
Total	**£67,000**	£67,000

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

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

Relative Importance of Spend on Pay

The actual expenditure in the current year is as follows:

	Year to 30 November 2014	Year to 30 November 2013
Total Dividends paid	**£2,078,000**	£1,602,562
Total Buybacks	**£1,048,000**	£1,198,913
Total Directors Fees	**£67,000**	£67,000

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

Statement of Directors' Audited Shareholdings (audited)

There are no guidelines or requirements for Directors' to own shares in the Company. The interests of the Directors, and their connected persons, in shares of the Company during the year (in respect of which transactions are notifiable under Disclosure 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 2014	Ordinary shares of 0.01p each 30 November 2013
Keith Mullins	201,065	170,165
Andrew Raynor	20,700	20,700
Alastair Ritchie	31,809	31,809
Elizabeth Kennedy	37,380	37,380

All of the Directors' shares were held beneficially. Mr Ritchie, Ms Kennedy and Mr Mullins' connected person all hold shares through a nominee company. There have been no changes in the Directors' share interests between 30 November 2014 and the date of this report.

Shareholders Proxy Voting Information

As required by Schedule 8:23 of the Regulations, the votes received for the AGM in 2014 were as follows:

	FOR	AGAINST	WITHHELD
Approval of Directors' Remuneration Report	93.77%	3.08%	0.70%
Approval of Directors' Remuneration Policy	95.13%	1.72%	0.70%

By Order of the Board

Keith Mullins
Chairman
23 March 2015

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report, 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 Conduct 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;
- prepare a strategic report, a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

The directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. The Directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for ensuring the annual report and financial statements are made available on a website and 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 responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with UK Generally Accepted Accounting Practice, (United Kingdom Standard and applicable laws), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and

- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Keith Mullins
Chairman
23 March 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS AIM VCT 2 PLC

In our opinion the Octopus AIM VCT 2 PLC financial statements for the year ended 30 November 2014, which have been prepared by the directors in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice):

- give a true and fair view of the state of the Company's affairs as at 30 November 2014 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

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.

What our opinion covers

Our audit opinion covers the:

- income statement;
- reconciliation of movement in shareholders' funds;
- balance sheet;
- cash flow statement; and
- related notes

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's (FRC) website at www.frc.org.uk/auditscopeukprivate.

Our approach

Underpinning our audit approach is our assessment of those aspects of the Company's transactions and balances which are most likely to give rise to a material misstatement. We identified the following risks that we consider to have had the greatest impact on our audit strategy and scope:

Risk area

Fair value of investments.

Reason

This is a key accounting balance where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the fund, derived using those valuations.

Audit response

- We note that c. 99% of the portfolio is represented by listed investments where there is less risk involved in determining fair value. We considered the design and implementation of controls over the pricing of quoted investments and tested the pricing of quoted investments to independent sources. We challenged the appropriateness of the use of the quoted bid price by reviewing the liquidity of the market for a sample of investments held; and
- For the remaining portfolio, represented by unquoted investments, we considered the design and implementation of controls in place over the valuation of investments and also reviewed the assumptions and underlying evidence supporting the year end valuations. In doing so, we reviewed the valuation reports prepared by the Investment Manager and considered whether, in our professional judgement, the methodology is the most appropriate in the circumstances under the IPEVC guidelines.

Risk area

Revenue recognition.

Reason

Revenue which consists of dividends receivable from investee companies and interest earned on cash and current asset investment balances. Revenue recognition is considered to be a significant audit risk as it is one of the key drivers of dividend returns to investors.

Audit response

- We evaluated the design of controls relating to income recognition and undertook testing of interest income by comparing actual income to expectations generated;
- We considered whether the classification of income as revenue or capital was appropriate;
- We tested dividends receivable to cash received and independently published data on dividends declared by the investee companies held in the reporting period; and
- We tested the interest income by comparing actual income to expectations generated using the interest rates applicable to the cash and current asset investments and average balances in the year.

The Audit Committee's consideration of these key issues is set out on page 32.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 FRC's Ethical Standards for Auditors.

Materiality in context

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure

Financial statement materiality.

Purpose

Assessing whether the financial statements as a whole present a true and fair view.

Key considerations and benchmarks

- The value of net assets
- The level of judgement inherent in the valuation
- The range of reasonable alternative valuations

Quantum (£)

360,000

Materiality measure

Performance materiality.

Purpose

- Assessing sample sizes and selecting transactions and balances for testing

Key considerations and benchmarks

- The likelihood of error within the population
- The history of error

Quantum (£)

270,000

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS AIM VCT 2 PLC (continued)

Materiality measure
Specific materiality – classes of transactions and balances which impact on net revenue returns.

Purpose
Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Key considerations and benchmarks
- Gross revenue

Quantum (£)
48,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £4,000, as well as differences below that threshold that impacted the net revenue return or that, in our view, warranted reporting on qualitative grounds.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 27 to 30 of the annual report with respect to 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

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; 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 23, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the provisions of The UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Neil Fung-On
(senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
23 March 2015

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

INCOME STATEMENT

		Year to 30 November 2014		
		Revenue	Capital	Total
	Notes	£'000	£'000	£'000
Gain on disposal of fixed asset investments	10	–	455	455
Loss on valuation of fixed asset investments	10	–	(359)	(359)
Investment Income	2	478	–	478
Investment management fees	3	(203)	(609)	(812)
Other expenses	4	(290)	–	(290)
Profit on ordinary activities before tax		(15)	(513)	(528)
Taxation on profit on ordinary activities	6	–	–	–
Loss on ordinary activities after tax		(15)	(513)	(528)
Loss per share – basic and diluted	8	–	(1.1p)	(1.1p)

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

The Company has no total 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 income statement, 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.

		Year to 30 November 2013		
	Notes	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	10	–	582	582
Gain on valuation of fixed asset investments	10	–	9,574	9,574
Investment Income	2	414	–	414
Investment management fees	3	(160)	(479)	(639)
Other expenses	4	(218)	–	(218)
Profit on ordinary activities before tax		36	9,677	9,713
Taxation on loss on ordinary activities	6	–	–	–
Profit on ordinary activities after tax		36	9,677	9,713
Earnings per share – basic and diluted	8	0.1p	21.7p	21.8p

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

The Company has no total 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 income statement, there were no differences between the loss as stated above and at historical cost.

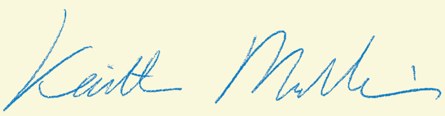
The accompanying notes form an integral part of the financial statements.

BALANCE SHEET

			As at 30 November 2014		As at 30 November 2013
	Notes	£'000	£'000	£'000	£'000
Fixed asset investments*	10		**36,745**		35,862
Current assets:					
Investments*	11	**588**		586	
Debtors	12	**397**		56	
Cash at bank		**7,393**		3,363	
		8,378		4,005	
Creditors: amounts falling due within one year	13	**(107)**		(49)	
Net current assets			**8,271**		3,956
Net assets			**45,016**		39,818
Called up equity share capital	14		**6**		5
Share premium	15		**8,979**		5
Shares to be issued	15		**–**		122
Special distributable reserve	15		**34,183**		35,231
Capital reserve realised	15		**(10,457)**		(8,550)
Capital reserve un-realised	15		**12,452**		13,137
Revenue reserve	15		**(147)**		(132)
Total equity shareholders' funds			**45,016**		39,818
Net asset value per share – basic and diluted	9		**80.3p**		84.4p

*Held at fair value through profit and loss

The statements were approved by the Directors and authorised for issue on 23 March 2015 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 2014 £'000	Year ended 30 November 2013 £'000
Shareholders' funds at start of year		**39,818**	28,712
(Loss)/profit on ordinary activities after tax		**(528)**	9,713
Share capital bought back	14	**(1,048)**	(8,280)
Issue of shares (net of issue costs)	14	**8,853**	11,154
Shares to be issued		**–**	122
Dividends paid	7	**(2,079)**	(1,603)
Shareholders' funds at end of year		**45,016**	39,818

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

CASH FLOW STATEMENT

	Note	Year to 30 November 2014 £'000	Year to 30 November 2013 £'000
Net cash outflow from operating activities		**(907)**	(375)
Taxation: UK Corporation tax paid	6	**–**	–
Financial investment			
Purchase of fixed asset investments	10	**(3,358)**	(3,104)
Disposal of fixed asset investments	10	**2,571**	3,050
Net cash outflow from investing activities		**(787)**	(54)
Equity dividends paid	7	**(2,079)**	(1,603)
Management of liquid resources			
Purchase of current asset investments	11	**(2)**	(3,953)
Sale of current asset investments	11	**–**	6,217
Net cash (outflow)inflow from management of liquid resources		**(2)**	2,264
Net cash (outflow)/inflow before financing		**(3,775)**	232
Financing			
Proceeds from issue of shares	15	**8,853**	3,720
Shares to be issued		**–**	122
Purchase of own shares	15	**(1,048)**	(846)
Net cash inflow from financing		**7,805**	2,996
Increase in cash		**4,030**	3,228

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

RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Note	Year to 30 November 2014 £'000	Year to 30 November 2013 £'000
(Loss)/profit on ordinary activities before tax		**(528)**	9,713
Gain on disposal of fixed asset investments10		**(455)**	(582)
Loss/(gain) on valuation of fixed asset investments	10	**359**	(9,574)
(Increase)/decrease in debtors	12	**(341)**	218
Increase/(decrease in creditors	13	**58**	(150)
Outflow from operating activities		**(907)**	(375)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	Year to 30 November 2014 £'000	Year to 30 November 2013 £'000
Increase in cash at bank		**4,030**	3,228
Movement in cash equivalent securities	11	**2**	(2,264)
Opening net funds		**3,949**	2,985
		7,981	3,949

Analysis of changes in Net Funds

	Note	As at 1 December 2013 £'000	Cash flows £'000	As at 30 November 2014 £'000
Cash at Bank		3,363	4,030	**7,393**
Money market cash funds	11	586	2	**588**
		3,949	4,032	**7,981**

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

NOTES TO THE FINANCIAL STATEMENTS

1. 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 principal accounting policies have remained unchanged from those set out in the Company's 2013 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 (except bank interest), 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 designated as fair value through profit or loss.

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

Unquoted investments are valued in accordance with International Private Equity and Venture Capital (IPEVC) guidelines. If you would like to find out more regarding the IPEVC valuation guidelines, please visit their website at: www.privateequityvaluation.com.

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.

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

1. Principal Accounting Policies (continued)

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.

Current asset investments

Current asset investments comprise 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 – unrealised.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. **Principal Accounting Policies (continued)**

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, including debtors, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate 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 2014 £'000	30 November 2013 £'000
Income receivable on money market securities and bank balances	**27**	19
Dividends receivable from fixed asset investments	**451**	395
	478	414

3. Investment Management Fees

	30 November 2014			30 November 2013		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**203**	**609**	**812**	160	479	639
	203	**609**	**812**	160	479	639

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 split of returns in the form of income and capital gains respectively from the Company's investment portfolio.

Octopus provides investment management and accounting and administration services to the Company under a management agreement which initially ran for a period of five years with effect from 6 October 2005 and may be terminated at any time thereafter by not less than 12 months' notice given by either party. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given. The management fee is an annual charge and is set at 2% of the Company's net assets.

The Company now pays ongoing adviser charges to IFA's. This is paid by Octopus Investments Limited to the IFA's and then re-charged to Octopus AIM VCT 2 plc. However the Company is rebated for this cost by way of a reduction in the management fee.

During the year Octopus charged management fees of £812,000 (2013: £639,000). At the year end there was £nil outstanding (2013: £nil). Octopus received £210,000 (2013: £457,000) as a result of upfront fees charged on the allotments of Ordinary Shares.

4. Other Expenses

	30 November 2014 £'000	30 November 2013 £'000
Directors' remuneration	**67**	67
Fees payable to the Company's auditor for the audit of the financial statements	**21**	20
Fees payable to the Company's auditor for other assurance services	**3**	–
Legal and professional expenses	**12**	1
Other administration expenses	**187**	130
	290	218

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

The ongoing charges of the Company were 2.3% of average net assets during the year to 30 November 2014 (2013: 2.5%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Directors' Remuneration

	30 November 2014 £'000	30 November 2013 £'000
Directors' emoluments		
Keith Mullins	**20**	20
Andrew Raynor	**17**	17
Elizabeth Kennedy	**15**	15
Alastair Ritchie	**15**	15
	67	67

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 (2013: four). The above table represents the gross remunerations received by the Directors and excludes Employer's National Insurance contributions, which amounted to £5,000 (2013: £5,000). The Directors received no pension contributions from the Company during the year (2013: £nil).

6. Tax on (Loss)/Profit on Ordinary Activities

The corporation tax charge for the year was £nil (2013: £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% (2013: 20%).

The differences are explained below:

Current tax reconciliation:	30 November 2014 £'000	30 November 2013 £'000
(Loss)/profit on ordinary activities before tax	**(528)**	9,713
Current tax at 20% (2012: 20%)	**(106)**	1,942
Income not liable to tax	**(95)**	(79)
Expenses not deductible for tax purposes	**–**	–
Gains not subject to tax	**(20)**	(2,031)
Excess management expenses carried forward	**–**	168
Unrelieved losses	**221**	–
Total current tax charge	**–**	–

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

As at 30 November 2014, there is an unrecognised deferred tax asset of £821,000 (2013: £600,000) in respect of surplus management expenses. This deferred tax asset could in future be used against taxable profits.

7. Dividends

	30 November 2014 £'000	30 November 2013 £'000
Recognised as distributions in the financial statements for the year		
Previous year's final dividend – 2.0p per share (2013: 2.0p per share)	**1,043**	764
Current year's interim dividend – 2.0p per share (2013: 1.8p per share)	**1,036**	839
	2,079	1,603
Paid and proposed in respect of the year		
Interim dividend paid – 2.0p per share (2013: 1.8p per share)	**1,036**	839
Final dividend proposed 2.0p per share (2013: 2.0p per share)	**1,149**	962
	2,185	1,801

8. Loss Per Share – basic and diluted

The loss per share is based on 50,754,470 (2013: 44,662,072) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and the loss on ordinary activities after tax for the year of £528,000 (2013: profit £9,713,000).

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

9. Net asset value per share – basic and diluted

The calculation of NAV per share as at 30 November 2014 is based on 56,085,336 (2013: 47,063,665) Ordinary shares in issue at that date plus nil (2013: 130,138) Ordinary shares awaiting allotment at that date.

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

10. Fixed Asset Investments

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 investments in the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. 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 investments in Nektan Limited, Rated People Limited and also Hasgrove which has de-listed having previously been AIM listed.

There has been one transfer between these classifications in the period (2013: one). In the year, Nektan listed on AIM so was transferred from level 3 to level 1.

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 2014 are summarised below and in note 11.

	Level 1: AIM-quoted equity investments £'000	Level 3: Unquoted investments £'000	Total £'000
Cost as at 1 December 2013	22,172	553	22,725
Opening unrealised gain/(loss) at 1 December 2013	13,214	(77)	13,137
Valuation at 1 December 2013	35,386	476	35,862
Purchases at cost	2,959	399	3,358
Disposal proceeds	(2,571)	–	(2,571)
Transfer of investments between level 3 and 1 at cost	563	(563)	–
Profit on realisation of investments	455	–	455
Change in fair value in year	(359)	–	(359)
Closing valuation at 30 November 2014	**36,433**	**312**	**36,745**
Cost at 30 November 2014	23,578	389	23,967
Closing unrealised gain/(loss) at 30 November 2014	12,855	(77)	12,778
Valuation at 30 November 2014	**36,433**	**312**	**36,745**

10. Fixed Asset Investments (continued)

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

Level 3 investments are valued in accordance with IPEVC guidelines. Hasgrove is valued at the last available bid price, prior to delisting, whilst Rated People is valued at cost. Cost is deemed to represent fair value for Rated People given the infancy of this investment.

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 via the income statement.

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 2014 there were no commitments in respect of investments approved by the Investment Manager but not yet completed.

Transaction costs on purchases and disposals for the year were £7,600 and £4,800 respectively.

11. Current Asset Investments

Current asset investments at 30 November 2014 and at 30 November 2013 comprised money market funds*. These fall into level 1 of the fair value hierarchy as defined in note 10.

	30 November 2014	30 November 2013
Cost at 1 December:	**586**	2,850
Revaluation to 1 December:	**–**	–
Valuation as at 1 December	**586**	2,850
Purchases at Cost	**2**	3,953
Disposal proceeds	**–**	(6,217)
Closing valuation as at 30 November	**588**	586
Cost at 30 November	**588**	586
Revaluation to 30 November	**–**	–
Closing valuation as at 30 November	**588**	586

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Debtors

	30 November 2014 £'000	30 November 2013 £'000
Other debtors	**350**	–
Prepayments and accrued income	**47**	56
	397	56

13. Creditors: amounts falling due within one year

	30 November 2014 £'000	30 November 2013 £'000
Accruals and other creditors	**107**	49
	107	49

14. Share Capital

	30 November 2014 £'000	30 November 2013 £'000
Allotted and fully paid up:		
56,085,336 Ordinary shares of 0.01p (2013: 47,063,665)	**6**	5
	6	5

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 5. The Company is not subject to any externally imposed capital requirements.

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

- 20 December 2013: 320,378 Ordinary shares at a price of 80.5p per share
- 3 February 2014: 235,785 Ordinary shares at a price of 84.0p per share
- 28 February 2014: 149,075 Ordinary shares at a price of 89.75p per share
- 15 May 2014: 48,000 Ordinary shares at a price of 85.25p per share
- 19 May 2014: 60,505 Ordinary shares at a price of 85.25p per share
- 27 June 2014: 107,639 Ordinary shares at a prices of 83.25p per share
- 27 June 2014: 92,359 Ordinary shares at a price of 83.25p per share
- 25 July 2014: 166,866 Ordinary shares at a price of 80.25p per share
- 26 September 2014: 84,323 Ordinary shares at a price of 77.25p per share

The total cost of the shares repurchased was £1,048,000 (2013: £846,000).

The total nominal value of the shares repurchased was £126 (2013: £123) representing 2.3% (2013: 2.6%) of the issued share capital.

14. Share Capital (continued)

The Company issued the following shares during the year:

- 17 January 2014: 1,719,960 Ordinary shares at a price of 93.8p per share
- 28 March 2014: 4,058,198 Ordinary shares at a price of 99.9p per share
- 17 June 2014: 104,453 Ordinary shares at a price of 93.9p per share
- 5 September 2014: 2,037 Ordinary shares at a price of 84.4p per share
- 17 October 2014: 1,661 Ordinary shares at a price of 80.5p per share
- 11 November 2014: 4,400,292 Ordinary shares at a price of 83.0p per share

The total proceeds from the shares issued were £9.4 million, Issue costs of 5.5% amounted to £0.5 million on the issue of these shares.

15. Reserves

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Special distributable reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £'000
01 December 2013	5	5	122	35,231	(8,550)	13,137	(132)	39,818
Repurchase of own shares	–	–	–	(1,048)	–	–	–	(1,048)
Issue of shares	1	9,386	(122)	–	–	–	–	9,265
Share issue costs	–	(412)	–	–	–	–	–	(412)
Loss on ordinary activities after tax	–	–	–	–	–	–	(15)	(15)
Management fees allocated as capital expenditure	–	–	–	–	(609)	–	–	(609)
Current year gains on disposal	–	–	–	–	455	–	–	455
Prior period holding gains/losses now realised	–	–	–	–	326	(326)	–	–
Current period losses on fair value of investments	–	–	–	–	–	(359)	–	(359)
Dividends paid	–	–	–	–	(2,079)	–	–	(2,079)
30 November 2014	**6**	**8,979**	**–**	**34,183**	**(10,457)**	**12,452**	**(147)**	**45,016**

Included within these reserves is an amount of £23,579,000 (2013: £26,549,000) which is considered distributable to shareholders.

The cash flow statement shows a figure of £8,853,000 for proceeds from issue of shares which is made up of £9,387,000 less the £412,000 and £122,000 above. The cash flow statement also shows a figure of £1,048,000, in relation to the purchase of own shares, as per the above reserves note.

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.

16. 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-traded securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial Instruments and Risk Management (continued)

The Company also holds two qualifying, unquoted investments; Rated People Limited which was purchased in the period and Hasgrove which de-listed from AIM in the prior period.

Fixed and current asset investments (see notes 10 and 11) are valued at fair value through profit and loss. For quoted investments this is bid price. The Directors believe that the fair value of the assets held at the year end is equal to their book value.

Unquoted investments are valued in accordance with International Private Equity and Venture Capital (IPEVC) guidelines. If you would like to find out more regarding the IPEVC valuation guidelines, please visit their website at: www.privateequityvaluation.com.

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 5. 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 27 to 30, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in smaller companies, by their nature, usually involve a higher degree of risk than investments in larger companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out on pages 11 to 15.

80.9% (30 November 2013: 89.1%) 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 2014 would have increased net assets and the total return for the year by £3,643,000 (30 November 2013: £3,546,000); 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 2014 (30 November 2013: 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

16. Financial Instruments and Risk Management (continued)

	30 November 2014 £000	30 November 2013 £000
Current asset investments	**588**	586
Cash at bank	**7,393**	3,363
	7,981	3,949

A 1% increase in the base rate would increase income receivable from these investments and the total return for the year by £79,810 (30 November 2013: £39,490).

Credit risk

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 30 November 2014, or 30 November 2013. By value, no individual bank holding or fixed rate note investment exceeded 16.4% of the Company's net assets at 30 November 2014 (8.2% of the Company's net assets at 30 November 2013).

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

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 BlackRock.

Liquidity risk

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

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

The Company's 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial Instruments and Risk Management (continued)

Liquidity risk

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 November 2014 these investments were valued at £7,981,000 (30 November 2013: £3,949,000).

17. Post balance sheet events

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

Company	Date	Number of shares	Cost (£)
Midatech Pharma plc	3 December 2014	149,812	399,998
Access Intelligence plc	3 December 2014	Loan	80,000
Proxama plc	8 December 2014	6,669,984	166,750
MyCelx Technologies plc	10 December 2014	266,666	399,999
Iomart Group plc	11 December 2014	100,000	178,446
Ideagen plc	7 January 2015	705,882	240,000
Mattioli Woods	30 January 2015	500	2,525

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

Company	Date	Number of shares	Proceeds £'000	Gain/(loss) £'000
Learning Technologies Group plc	5 December 2014	80,000	16	3
Matchtech plc	9 December 2014	24,900	143	94
Learning Technologies Group plc	12 December 2014	40,000	8	8
Immunodiagnostics Group plc	17 December 2014	50,000	165	(289)
Matchtech plc	7 January 2015	21,220	117	75

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

18 December 2014	69,071 shares bought back and cancelled at 74.75p per share
23 January 2015	256,080 shares bought back and cancelled at 75.75p per share
27 February 2015	309,026 shares bought back and cancelled at 78.0p per share

The following shares have been issued since the year end:

22 December 2014	814,691 Ordinary shares issued at a price of 83.4p per share
26 February 2015	1,187,202 Ordinary shares issued at a price of 87.0p per share

18. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments as at 30 November 2014 (2013: none).

19. Related Party Transactions

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

The Company has paid Octopus Investments £812,000 (2013: £639,000) in the year as a management fee. The management fee is payable quarterly in advance as is based on 2.0% of net assets at quarterly intervals.

INFORMATION AND CONTACT DETAILS

Octopus AIM VCT 2 plc was launched as Close IHT AIM VCT PLC in March 2006 and raised £25 million through an offer for subscription. On 12 August 2010 the Company acquired the assets and liabilities of Octopus Third AIM VCT plc (formerly Octopus Second AIM VCT plc) ("the merger") and changed its name from Octopus IHT AIM VCT plc to Octopus Second AIM VCT plc. Shareholders of Octopus Third AIM VCT plc received 0.48356191 Ordinary shares in the Company for each Ordinary share they had prior to the merger. On 30 January 2014, the Company name changed to Octopus AIM VCT 2 plc.

An offer, launched on 6 February 2012 and which closed on 5 April 2012, raised £1.3 million for the Company. An offer launched on 25 April 2012, closed on 31 July 2012 and raised a further £0.5 million for the Company. An Enhanced Buyback Facility opened on 23 October 2012 and closed on 28 December 2012. 10,470,985 existing shares were tendered and 9,974,094 new shares were issued. An Offer for subscription of up to £10 million, which opened on 1 February 2013 and closed on 17 January 2014, raised £5.9 million. A further Offer for subscription to raise £4.1 million was opened on 3 February 2014 and closed, fully subscribed, on 28 March 2014. A combined fund-raise with Octopus AIM VCT plc was launched on 29 August 2014 to raise up to £8 million with an over-allotment facility of £4 million.

Venture Capital Trusts ("VCTs")

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

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

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

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

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

VCT Legislation

The Government announced in the Budget on 19 March 2015 some amendments to VCT legislation which are subject to EU State Aid approval. As announced in the Budget, changes to qualifying investments include:

- companies must be less than 12 years old when receiving their first EIS or VCT investment, except where the investment will lead to a substantial change in the company's activity;

- a cap on total investment received under the tax-advantaged venture capital schemes of £15 million, increasing to £20 million for knowledge-intensive companies; and
- increase the employee limit for knowledge-intensive companies to 499 employees, from the current limit of 249 employees.

The Government is working hard to ensure that the above UK rules, which are in line but more generous than the proposed EU limits, come into effect. Octopus has been, and continues, to work closely with the Government to help them secure the best outcome for the sector and it is good to see the Government's continued support of VCTs in this year's Budget. While the above changes will inevitably prevent the VCT from making some investments there is a strong pipeline of IPOs and investment opportunity for our shareholders.

Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque sent to their registered address can complete a mandate form for this purpose or complete an instruction electronically by visiting the Capita Asset Services ("Capita") shareholder portal at: www.capitashareportal.com. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Asset Services, by calling 0871 664 0324 (calls cost 10p per minute plus network extras. Lines are open Monday – Friday 9.00am – 5.30pm), or by writing to them at:

Capita Asset Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

INFORMATION AND CONTACT DETAILS (continued)

The table below shows the net asset value per share and lists the dividends that have been paid since the launch of the Company. Following the merger of Octopus IHT AIM VCT and Octopus Third AIM VCT and various share re-organisations, there is now only one share class, Ordinary shares. For Octopus IHT AIM VCT Ordinary shares, together with Octopus Third AIM VCT Ordinary shares and 'C' & 'D' shares, the figures below represent the NAV, rebased to assume investment at 100p, and adjusted in accordance with the relevant conversion factors. Investment has been assumed at the first allotment of each tax year, hence the dividends shown below may not necessarily equate to the dividends actually received by shareholders.

Dividends paid during year ending	Octopus AIM VCT 2 Ordinary shares 2014/15	Octopus AIM VCT 2 Ordinary shares 2013/14	Octopus AIM VCT 2 Ordinary shares 2012/13	Octopus AIM VCT 2 Ordinary shares 2011/12	Octopus AIM VCT 2 Ordinary shares 2010/11	Octopus Second AIM VCT (formerly Octopus IHT AIM VCT A&B shares) 2005/06	Octopus Third AIM VCT C&D shares 2005/06 (formerly Octopus Second AIM VCT)	Octopus Third AIM Ordinary shares 2000/01 shares (formerly Octopus Second AIM VCT plc)
2003	–	–	–	–	–	–	–	1.6
2004	–	–	–	–	–	–	–	–
2005	–	–	–	–	–	–	–	–
2006	–	–	–	–	–	1.4	–	1.0
2007	–	–	–	–	–	2.0	0.8	7.0
2008	–	–	–	–	–	2.0	2.2	11.0
2009	–	–	–	–	–	2.0	2.0	2.0
2010	–	–	–	–	–	2.5	5.4	2.2
2011	–	–	–	–	4.7*	3.3	3.8*	1.6*
2012	–	–	2.3*	4.4*	4.6*	3.2	3.8*	1.6*
2013	–	4.5	5.1*	4.7*	5.0*	3.5	4.1*	1.7*
2014	2.1	5.2	5.8*	5.5*	5.8*	4.0	4.6*	1.9*
Total dividends paid (assumed investment at 100p)	2.1*	9.7*	13.2*	14.6*	20.1*	23.9	26.7*	31.6*
Adjusted NAV (assumed investment at 100p)	85.5**	104.3**	116.4**	107.9**	115.5**	80.3	94.4**	38.8**
NAV plus total dividends (assumes investment at 100p)	87.6***	114.0***	129.6	122.5***	135.6***	104.2	121.1***	70.4***

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.

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

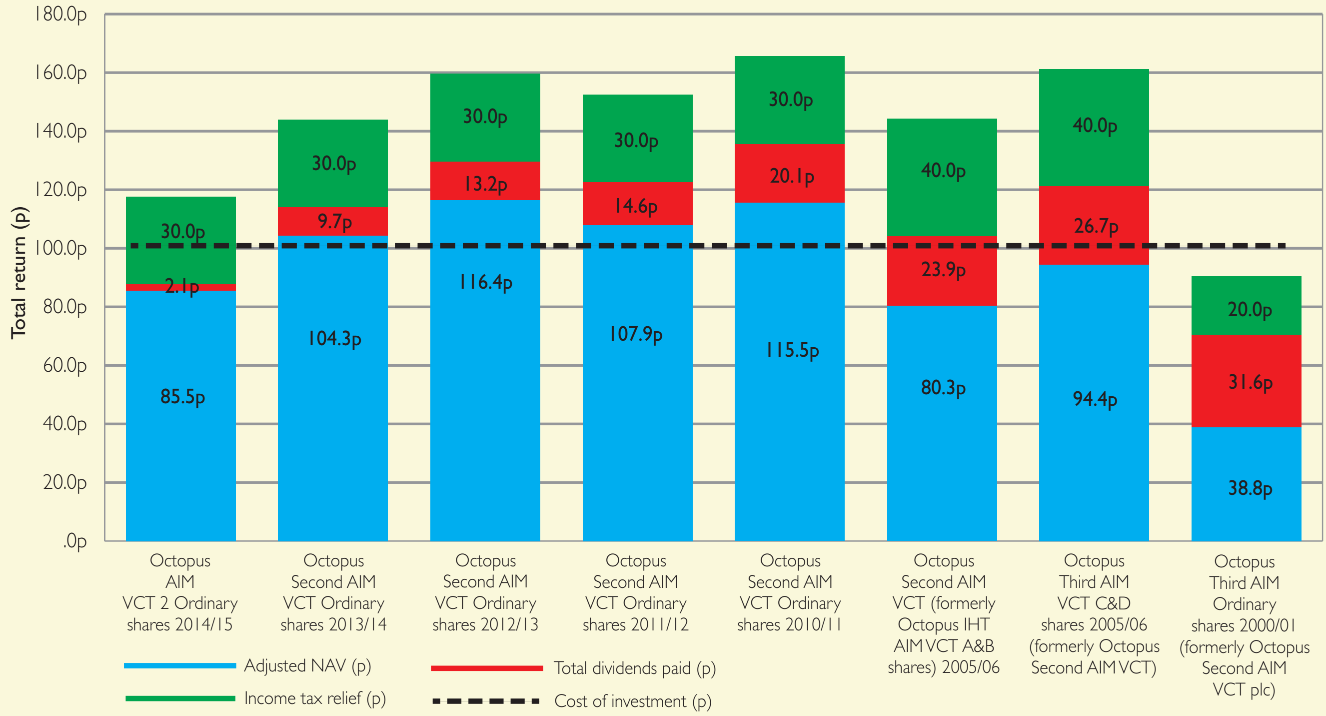
** NAV assuming investment at 100p and adjusting for conversion of various share classes into Octopus AIM 2 VCT plc Ordinary shares.

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

Notes

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

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



INFORMATION AND CONTACT DETAILS (continued)

The proposed final dividend of 2p will, if approved by shareholders, be paid on 5 June 2015 to shareholders on the register on 8 May 2015. The special dividend will be paid on 5 June 2015 to shareholders on the register on 8 May 2015.

Dividend Reinvestment Scheme (DRIS)

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

Any shareholder wishing to reinvest their dividends can request a DRIS instruction form by calling Capita on 0871 664 0324 or submit an instruction via the Capita online shareholder portal: www.capitashareportal.com. The application form and rules can also be found in the Document Library on the Octopus Investments Limited website: http://www.octopusinvestments.com/investors/shareholder-information/aim-vct-2/.

Share Price

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

	Ordinary shares
TIDM/EPIC code	OSEC
Latest share price (23 March 2015)	79.25 pence per share

Buying and Selling Shares

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

Buyback of Shares

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

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

Chris Lloyd	0207 886 2716	chris.lloyd@panmure.com
Paul Nolan	0207 886 2717	paul.nolan@panmure.com

Secondary Market

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

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

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

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to Capita, under the signature of the registered holder or via the Capita online share portal at: www.capitashareportal.com. Capita's contact details are provided on page 68.

Other Information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com by navigating to http://www.octopusinvestments.com/investors/shareholder-information/aim-vct-2/. Other statutory information about the Company can also be found there.

Electronic Communications

We also publish reports and accounts and all other correspondence electronically. This cuts the cost of print and reduces the impact on the environment. If, in future, you would prefer to receive an email telling you a report is available to view or to receive documents by email, please complete the enclosed form or contact Octopus on 0800 316 2295 or Capita on 0871 664 0324. Alternatively you can sign up to receive e-communications via the Capita online shareholder portal: www.capitashareportal.com.

Warning to Shareholders

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

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

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

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

DIRECTORS AND ADVISERS

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1 Embankment Place
London WC2N 6RH

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

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 0324 (calls cost 10p per minute plus network extras)
www.capitaregistrars.com
www.capitashareportal.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Octopus AIM VCT 2 plc will be held at 33 Holborn, London, EC1N 2HT on Thursday, 28 May 2015 at 10.30am for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 6 and 10 will be proposed as Ordinary Resolutions and Resolutions 7, 8 and 9 will be proposed as Special Resolutions:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 30 November 2014 and the Directors', Auditor's and Strategy reports therein.
2. To approve a final dividend of 2.0p per Ordinary share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Andy Raynor as a Director.
5. To re-appoint BDO LLP as auditor of the Company in accordance with section 489 of the Companies Act 2006, until the conclusion of the next general meeting of the Company at which audited accounts are laid before members, and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, pass Resolutions 6 and 10 as Ordinary Resolutions and Resolutions 7, 8 and 9, as Special Resolutions:

6. **AUTHORITY TO ALLOT RELEVANT SECURITIES**

   THAT the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £1,149 (representing approximately 20% of the Ordinary share capital in issue at today's date) 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.

NOTICE OF ANNUAL GENERAL MEETING (continued)

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, being 5,745,305 Ordinary shares;

(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) the Company may enter into a contract to purchase its Ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

9. CANCELLATION OF SHARE PREMIUM ACCOUNT

THAT, subject to the approval of the High Court of Justice, the amount standing to the credit of the share premium account and capital redemption reserve of the Company as at 5 April 2014 be cancelled.

10. CONTINUATION OF THE COMPANY AS A VCT

THAT the Company continue as a Venture Capital Trust until 2021.

By Order of the Board

P. Standaloft

Patricia Standaloft ACIS
Company Secretary
23 March 2015

33 Holborn
London
EC1N 2HT

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 Asset Services, 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 will not be liable for any proxy forms rendered illegible by means of fax transmission.

(d) You may submit your proxy electronically using the Shareportal Service at www.capitashareportal.com If not already registered for the share portal, you will need your investor code which can be found on your share certificate. If you cannot locate your investor code, please contact Capita Asset Services, between 9.00 am and 5.30 pm (GMT) Monday to Friday (except UK public holidays) on telephone number 0871 664 0324 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Asset Services' helpline (0871 664 0324) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

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

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

(g) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the 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.

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

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

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

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

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

(ii) It is defamatory of any person; or

(iii) It is frivolous or vexatious.

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

(i) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, http://www.octopusinvestments.com/investors/shareholder-information/aim-vct-2.

(j) 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.

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PROXY FORM

OCTOPUS AIM VCT 2 PLC

Annual General Meeting – 28 May 2015

I/We ....

(BLOCK CAPITALS PLEASE)

of [address] ....

being a member of Octopus AIM VCT 2 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 28 May 2015, notice of which was sent to shareholders with the Directors' Report and the accounts for the year ended 30 November 2014, 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
ORDINARY BUSINESS				
1.	To receive, consider and adopt the financial statements for the year ended 30 November 2014	☐	☐	☐
2.	To approve a final dividend	☐	☐	☐
3.	To approve the Directors' Remuneration Report	☐	☐	☐
4.	To re-elect Andy Raynor as a Director	☐	☐	☐
5.	To re-appoint BDO LLP as auditor of the Company, and to authorise the Directors to determine their remuneration.	☐	☐	☐
SPECIAL BUSINESS				
6.	To authorise the Directors to allot shares under s551 of the Companies Act 2006 (Ordinary Resolution)	☐	☐	☐
7.	To disapply s561 of the Companies Act 2006 and allot shares on a non-rights issue basis (Special Resolution)	☐	☐	☐
8.	To authorise the Directors to make market purchases of its own shares (Special Resolution)	☐	☐	☐
9.	To authorise the Directors to cancel the share premium account and capital redemption reserve of the Company (Special Resolution)	☐	☐	☐
10.	To continue the Company as a Venture Capital Trust until 2021 (Ordinary Resolution)	☐	☐	☐

Signed: .... Dated: 2015

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 AIM VCT 2 plc at, **Capita Asset Services, 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 pm 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. You may submit your proxy electronically using the Shareportal Service at www.capitashareportal.com If not already registered for the share portal, you will need your investor code which can be found on your share certificate. If you cannot locate your investor code, please contact Capita Registrars Limited, between 9.00am and 5.30pm (GMT) Monday to Friday (except UK public holidays) on telephone number 0871 664 0324 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0324) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.
9. 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 0324 (calls cost 10p per minute plus network extras, lines are open 9.00 am - 5.30 pm Monday - Friday) to request a change of address form.
10. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

PLEASE USE THE REPLY PAID ENVELOPE PROVIDED OR RETURN THE FORM TO: CAPITA ASSET SERVICES, PXS, THE REGISTRY, 34 BECKENHAM ROAD, BECKENHAM, KENT BR3 4TU