Octopus AIM VCT 2 plc

Annual Report and Accounts for the year ended 30 November 2020

Company number: 05528235

For UK investors only

octopus investments

Octopus AIM VCT 2 plc (the "Company") is a venture capital trust ("VCT") which aims to provide shareholders with attractive tax-free dividends and long-term capital growth by investing in a diverse portfolio of predominantly AIM-traded companies. The Company is managed by Octopus Investments Limited ("Octopus" or the "Investment Manager").

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Financial Summary

	30 November 2020	30 November 2019
Net assets (£'000)	**104,146**	80,040
Profit/(loss) after tax (£'000)	**17,762**	(476)
Net asset value ("NAV") per share (p)	**82.9**	72.4
Dividends per share paid in year (p)	**4.2**	8.1
Total return (%)*	**20.3**	(0.4)
Final dividend proposed (p)**	**2.1**	2.1
Total ongoing charges (%)***	**1.9**	2.0

*Total return is an alternative performance measure calculated as movement in NAV per share in the period plus dividends paid in the period, divided by the NAV per share at the beginning of the period.

**Subject to shareholder approval at the Annual General Meeting, the proposed final dividend will be paid on 21 May 2021 to shareholders on the register on 30 April 2021.

***Total ongoing charges is an alternative performance measure calculated using the AIC recommended methodology.

Definitions of key terms and alternative performance measures shown above and throughout this report are shown in the Glossary of Terms on page 70.

Key Dates

Annual General Meeting	29 April 2021
Final dividend payment date	21 May 2021
Half-Yearly Results to 31 May 2021 published	July 2021
Annual Results to 30 November 2021 announced	February 2022
Annual Report and Accounts published	March 2022

Chairman's Statement

Introduction

I am pleased to present the Annual Report of AIM VCT 2 for the year ended 30 November 2020. I would like to welcome all new shareholders who have joined in the year.

It has been an extraordinary year and events have had an impact on stock market sentiment and movements as well as on peoples' lives, jobs and the wider economy both here and around the world.

A strong start fuelled by initial stock market euphoria at the decisive general election result in December 2019 gave way to concern as news of a new strain of coronavirus emerged from China in early 2020. By March, the seriousness of the situation had become apparent and businesses and schools were forced to close and our economy was effectively shut down in order to protect the National Health Service and to save lives. Since then, attempts to relax restrictions and open up the economy have been constrained by further outbreaks of the virus which caused restrictions to be increased again in November 2020. Rules have been further tightened with schools and shops once again closed and hospital cases still high. While all this was happening the Brexit clock continued to advance with fears that the United Kingdom would leave without a deal.

In the year under review AIM raised £5.5 billion of new capital, a sharp increase on the £3.6 billion raised in the previous year. It was really encouraging to see existing AIM companies successfully raising funds to see them through the crisis, emphasising the advantages of a public market listing. Unsurprisingly the number of new issues remained low although our investment manager reports an uptick in companies looking to float in the next six months.

Coronavirus

The Board's initial concern was that your Company could function in this new virtual world with the next being for the health of the underlying portfolio companies. I am pleased to say that all Octopus and all our other service providers successfully adapted to the 'new normal' and that Board meetings and other VCT business continued seamlessly on the usual schedule using remote communications. Board meetings were supplemented by regular portfolio updates from the Investment Management team at Octopus in what turned out to be a rapidly changing situation. There is more in the Investment Manager's Review on pages 4 to 16 about how the team kept up to date with portfolio companies during the pandemic.

Against this background I am pleased to report a very strong year of investment performance as well as an increase in the amount invested into VCT qualifying investments to £5.3 million, up from £4.3 million in the previous year.

I am sorry that it was not possible to hold an open Annual General Meeting last year because of the restrictions on public meetings. The Board takes its shareholder communications very seriously and I hope that any shareholder who had a question was able to submit it by email as advised. A summary of the answers to questions we received was posted on the Octopus website. Octopus also gave an opportunity for shareholders to hear a presentation from the Investment Manager later on in the year which I hope those who attended found informative. I look forward to welcoming you to an AGM in person again once regulations permit.

Performance

The NAV on 30 November 2020 was 82.9p per share, an increase on the NAV of 72.4p per share reported at 30 November 2019. Adding back the 4.2p of dividends paid in the year, to adjust the year end NAV to 87.1p, gives a total return of 20.3%. In the same year, the FTSE AIM All Share Index rose by 14.9%, the FTSE SmallCap (excluding investment companies) Index rose by 2.8% and the FTSE All Share Index fell by 10.3%, all on a total return basis.

Once again stock specific factors had a significant impact on performance, both positive and negative, and these are covered in more detail in the Investment Manager's Review. The need for companies to adhere to lockdown rules has meant that company performances have been even more polarised than usual, although the portfolio's relatively high exposure to the software, environmental and healthcare sectors has provided a significant boost to returns. The purpose of a VCT is to provide capital for small growth companies and 2020 has seen strong performance from those companies exposed to the new economy which make up a significant proportion of our investment portfolio.

Dividends

In November 2020 an interim dividend of 2.1p was paid to all shareholders. The Board is recommending a final dividend in respect of the year to 30 November 2020 of 2.1p per share, making 4.2p in total paid in respect of the year. Subject to the approval of shareholders at the AGM the dividend will be paid on 21 May 2021 to shareholders on the register on 30 April 2021. It remains the Board's intention to maintain a minimum annual dividend payment of 3.6p per share or a 5% yield based on the prior year end share price, whichever is greater. This will usually be paid in two instalments during each year.

Cancellation of Share Premium Account

At the last Annual General Meeting, shareholders voted to cancel share premium to create a pool of distributable reserves to the amount of £23.4 million. This is a regular occurrence for share premium created more than three years ago to enable the continued payment of dividends and buyback of shares. A further resolution to cancel share premium is being proposed at this year's Annual General Meeting.

Dividend Reinvestment Scheme

In common with a number of other VCTs, the Company has established a Dividend Reinvestment Scheme (DRIS) following approval at the AGM in 2014. Some shareholders have already taken advantage of this opportunity. For investors who do not need income, but value the additional tax relief on their reinvested dividends, this is an attractive scheme and I hope that more shareholders will find it useful. In the course of the year 1,281,159 new shares have been issued under this scheme, returning £925,000 to the Company. The final dividend referred to above will be eligible for the DRIS.

Share Buybacks

During the year to 30 November 2020 the Company continued to buy back shares in the market from selling shareholders and purchased 3,788,659 ordinary shares for a total consideration of £2,710,000. We have maintained a discount of approximately 4.5% to NAV (equating to a 5.0% discount to the selling shareholder after costs), which the Board monitors and intends to retain as a policy which fairly balances the interests of both remaining and selling shareholders. Buybacks remain an essential practice for VCTs, as providing a means of selling is an important part of the initial investment decision and has enabled the Company to grow. As such I hope you will all support the appropriate resolution at the AGM.

Share Issues

During the year 12,140,295 shares were issued under the fundraise that launched on 29 November 2019 and closed on 27 February 2020 raising £8.8m after costs.

On 20 August 2020, a prospectus offer was launched alongside Octopus AIM VCT plc to raise a combined total of up to £20 million with a £10 million over allotment facility. This prospectus closed to further applications on 30 November 2020. 5,502,829 shares were issued in the current period, raising £4.4 million after costs. The remaining balance of the fundraise for the 2020/2021 tax year was completed in December 2020 post the period end when a further 10,527,955 shares were issued, raising £8.8 million after costs.

Liquidity

The issue of liquidity within investment funds has remained a topic of discussion this year. Shareholders may be interested to know that at the year end 27% of the Company's portfolio was held in cash or collective investment funds providing short-term liquidity, 68% in individual quoted shares and 5% of the Company's assets were held in unquoted single company investments. Shareholders should be aware that a proportion of the quoted securities may have limited liquidity owing to the size of the investee company and the overall proportion held by the Company.

VCT Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice concerning continuing compliance with HMRC regulations for VCTs. The Board has been advised that the Company is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT. From 1 December 2019 a key requirement is to maintain at least an 80% qualifying investment level, up from the previous level of 70%. As at 30 November 2020, 93.5% (as measured by HMRC rules) of the Company's portfolio were in qualifying investments.

Annual General Meeting ("AGM")

The AGM will take place on 29 April 2021 at 11:00am. In light of the UK government's public health guidelines on the Coronavirus pandemic and the interests of the safety and wellbeing of our shareholders, this year's AGM will be run as a closed meeting and shareholders will not be able to attend in person. However, we intend to host a virtual shareholder event on the same day as the AGM so that shareholders receive an update from the Investment Manager and can ask the Board and the Investment Manager questions. We would encourage all shareholders to submit their votes for the closed AGM via proxy as there will be no opportunity to vote in person. There will not be a facility to lodge votes at the virtual shareholder event following the AGM. If you have a question you wish to submit to the virtual shareholder event then please send these via email to **AIMVCT2AGM@octopusinvestments.com** by 5.00pm on 26 April 2021.

Further information can be found in the Directors' Report and Notice of Annual General Meeting on pages 72 and 73 respectively. Formal notices will be sent to shareholders by their preferred method (e-mail or post).

At the AGM a resolution will be proposed to extend the life of the Company until 2026 in order to preserve its VCT status for the benefit of both existing shareholders and new investors who are participating in the latest offer.

Outlook

The recovery in share prices from their lows in March 2020 has continued with remarkably few wobbles given the seriousness of the pandemic and the added worries about Brexit. With a deal on Brexit now achieved some of the uncertainty which overshadowed the UK market has gone leaving shares looking relatively undervalued compared with their international competitors. Investors are now looking through the current coronavirus pandemic, encouraged by the approval of three vaccines for use which should provide hope that the economy can open up again and start the process of recovery.

The net asset value has continued to rise since year end. The latest announced NAV as at 15 February 2021 is 94.7p.

The portfolio now contains 82 holdings across a range of sectors with exposure to some exciting new technologies in the software, environmental and healthcare sectors. Many of these have been able to raise funds for growth in the past year leaving them well positioned to achieve their ambitions. The balance of the portfolio towards profitable companies remains, and the Investment Manager expects to find good opportunities to invest the cash as a recovery in confidence feeds through to an increased demand from companies for more growth capital.

Keith Mullins

Keith Mullins
Chairman
22 February 2021

Investment Manager's Review

Introduction

It has been a rollercoaster year. In our interim review we highlighted a strong start on hopes of a Brexit settlement post the December General Election result swiftly followed by a sharp fall in UK stockmarket as the severity of the Coronavirus pandemic became apparent in February and March. This forced our government in common with others around the world to shut down economic activity to protect healthcare systems and save lives. More encouragingly, policies were put in place to alleviate the worst of the short term social and economic damage wreaked by the virus. Even though there were individual volatile months in the second half of the year, the market recovered from its March lows once the economy demonstrated its potential to bounce back as restrictions were eased over the summer. Although we were back in lockdown by November, the market had started to look through the disastrous economic performance in the second quarter of 2020 and hope for better conditions with fewer restrictions to follow. Added to this there was the constant hope of a Brexit resolution, potentially removing the uncertainty which had held back the valuation of UK assets. Against this turbulent background we were pleased with the total positive return for the Net Asset Value of 20.3% for the year. Since the period end we have had a resolution to the Brexit negotiations and the successful approval of three vaccines, providing hope for better times to come in 2021.

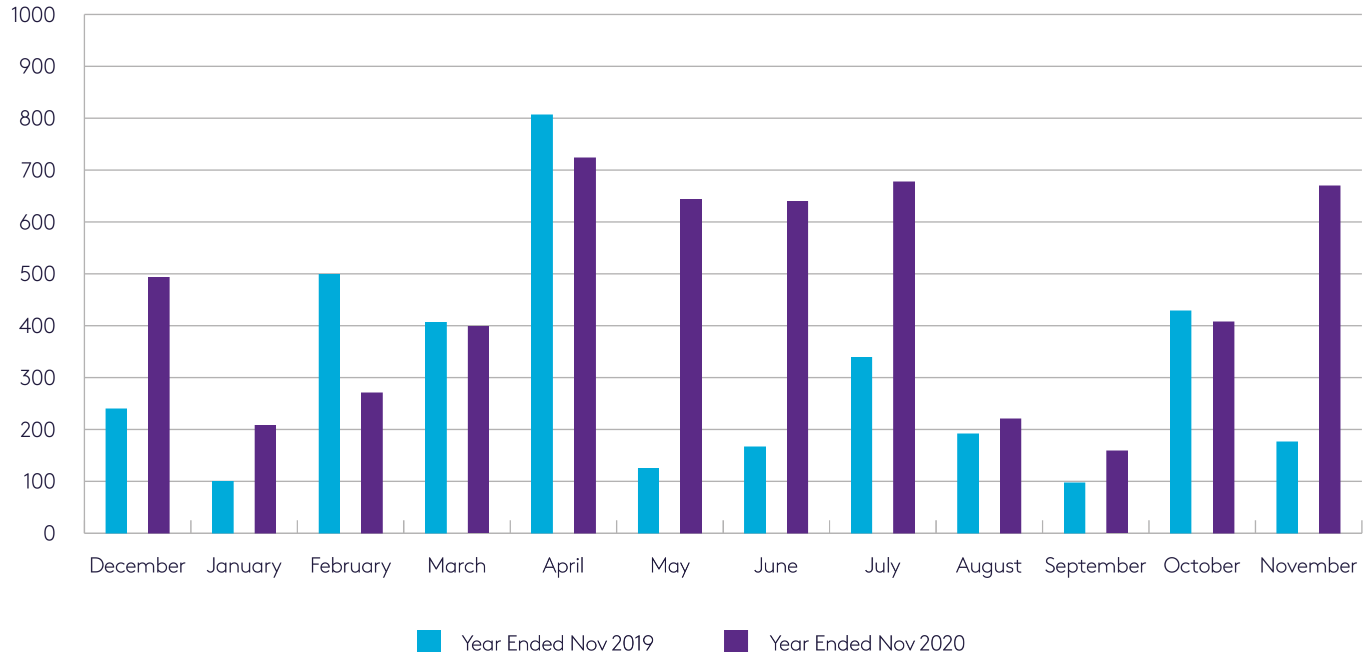
In the year to 30 November 2020 AIM excelled itself in successfully raising capital for its constituents across the market capitalisation range. For portfolio companies this has left many well financed for future growth plans and has particularly helped many in the healthcare and technology sectors to raise money to develop new treatments and products. New issues were understandably still subdued but there are now signs that these are returning in 2021.

The Alternative Investment Market

AIM was the best performing UK index in 2020, reflecting a higher exposure to growth stocks in the software, technology and healthcare sectors than the wider market. In the 12 months to November 2020 the AIM Index returned 14.9% exceeding a more muted 2.8% for the FTSE SmallCap (excluding investment companies) Index . This compared with significant negative returns for both the FTSE 100 and the Mid 250 indices which are exposed to some of the more traditional sectors of the economy including banks, traditional retailers and manufacturing companies.

The graph below shows total fundraising by AIM companies each month throughout the year to 30 November 2020.

Funds raised on AIM (£m): December 2019 – November 2020



Source: London Stock Exchange

In the interim report we highlighted the success of AIM in raising new capital for its existing members. In the four months from April 2020 onwards we saw a steady procession of companies of all sizes successfully raising money to help with pandemic costs and for growth. You can see on the bar chart above that there was a brief lull in fundraisings in August and September and then another strong month in November. This was reflected in the figures for the year to 30 November 2020, when AIM raised a further £5.1 billion of new capital for existing companies which compares to a figure of £3.2 billion the previous year.

Given the background it was not really surprising that AIM raised only £0.4 billion for new listings, the same as the previous year. Anecdotally we are now hearing about a healthy pipeline of new issues from brokers and we hope that the current buoyant state of the market helps to restore the flow of new entrants. VCTs play a significant part in the funding process and we identify below the companies we have invested in during the year.

Performance

Adding back the 4.2p of dividends paid in the year, the NAV total return was 20.3%. This compares with a rise in the FTSE AIM All Share Index of 14.9%, the FTSE SmallCap (excluding investment companies) Index of 2.8% and a fall in the FTSE All Share Index of 10.3%. It was a year characterised by individual months of significant market volatility as investors reacted to unfolding events. At the end of February and March 2020 all share prices fell across the board as the seriousness of the pandemic became apparent and people and companies focused on the immediate priorities of keeping themselves and their employees safe. Once the dust had settled, investors quickly focused on those companies showing resilience and balance sheet strength as well as those with an opportunity to capitalise on new opportunities thrown up by the pandemic. This has meant that performance was more than ever dominated by stock specific factors.

Among the holdings in the pharmaceutical and healthcare sectors Ergomed had another outstanding year. Profit expectations were upgraded several times as it managed to replace some delayed cancer trials with some trials for Covid-19 drugs fairly early in the pandemic. It has a range of services it can offer large pharmaceutical companies including the monitoring of drugs for regulatory purposes and the conducting of drugs trials for very rare diseases. We expect the strong organic growth to continue in the current year.

Another healthcare stock, EKF Diagnostics also performed extremely well, achieving a series of upgrades to forecasts. Like Ergomed, some of its business was negatively impacted by Coronavirus related delays to orders as doctors saw fewer patients and needed fewer point of care diagnostic consumables. However, this was more than made up for by orders for Primestore MTM, a Coronavirus sample collection device which has been in strong demand and has generated profits and cash for the Group. In the same sector Ixico continued its strong share price run as it added new brain imaging contracts for clinical trials into neurological diseases resulting in further forecast increases. Maxcyte, which has developed an instrument which can produce cells safely in large volumes for cell therapy, again saw increased demand for its instruments which have now moved decisively out of the research lab and are being used to develop treatments in the clinic. Forecasts have been upgraded several times and the shares have performed exceptionally well for the VCT.

Some of the smaller stocks in the healthcare sector also did very well, helped by a much warmer attitude of investors to companies needing funding which has left many of them far better equipped for potential success than previous years. Two of the newer holdings C4X Discovery that helps to design better drug molecules and Synairgen which is conducting clinical trials for an inhaled treatment for Coronavirus are both performing very well post successful fundraises. Intelligent Ultrasound successfully raised further cash and although its sales of training simulators were affected by the pandemic its software is now being designed in to a GE ultrasound machine. It also developed a lung module for use in the Coronavirus pandemic. Verici Dx followed Renalytix AI as a spin-out from EKF Diagnostics, raising finance on AIM. Both shares have done well in the year.

Other portfolio companies benefitted from their exposure to the new economy. The best performing of these was Trackwise Designs which signed a substantial contract with an electric vehicle manufacturer to use its improved harness technology which can also be designed into medical equipment and aircraft to save weight and space. Ilika, which is developing and starting to supply solid state batteries also performed well and both successfully raised funds in 2020.

Events forced many companies and individuals to change the way that they operate. In different ways Gear4Music whose high street competition was unable to open their shops for much of a year of strong demand for instruments, The Panoply Holdings which specialises in helping the public sector to embrace efficient ways of working in a digital world and Hasgrove who saw strong demand for its intranet solution for internal communications were all beneficiaries. GB Group was another strong performer and remains one of the largest holdings in the portfolio even after taking significant profits in the year. Where a company is established and has grown in size we will continue to hold the shares if we still believe it has the capacity to grow further on a medium term time horizon. This helps to balance the portfolio as newly raised cash is invested in earlier stage companies which could take some time to achieve profitability. More details on performance of individual holdings can be seen on pages 9 to 12.

Individual companies suffered from pandemic related headwinds which resulted in poor share price performance. Quixant is still being held back by the loss of market share of its largest customer and the closure of its customer base in lockdown. It has some exciting new products aimed at the broadcasting sector which have yet to establish themselves but it has a strong balance sheet and trading has found a base. Equals Group suffered from a loss of currency trades from tourists going through its platform. We sold the shares at a loss. Velocity Composites and Myclex have customers in sectors badly impacted by the pandemic and its economic consequences and so have faced a challenging year. Breedon Group had to cease trade completely in March although it has been allowed to operate in the subsequent lockdowns and we expect demand to be strong in 2021 as the government looks to increase capital spending on building projects. Its shares have therefore already recovered well.

Those consumer facing companies forced to shut faced significant challenges. Vertu Motors was able to adapt quite swiftly to an on-line world and was helped in recent lockdowns by being able to keep its workshops open to all customers. However, this was not possible for Escape Hunt or Tasty which can only trade once conditions permit again. The VCT does not have a high exposure to direct consumer facing businesses.

Craneware shares are still being held back by the slower than hoped uptake of its new Trisus platform at a time when its US hospital customer base has been focusing its attention on managing the Coronavirus crisis. It retains its strong positioning in the US hospital market and stands out as a cash generative software company with growing annual recurring revenues. Likewise, Clinigen has seen demand for Proleukin, its cancer treatment drug disrupted by the pandemic in the short term and Creo Medical has been unable to roll out the training programme on its portfolio of approved devices.

A wide range of portfolio companies found it harder to sell to customers in the pandemic. Adept Telecom's share price suffered from lacklustre figures held back by lack of demand for on premise telephony solutions and the continued decline of its voice and lines business. We expect growth to accelerate now that this side of the business is less significant. Restore was also affected by lockdown as offices were left empty and recycling services not needed. Among the smaller software holdings Osirium, Falanx and DXS all reported similar problems accessing customers and closing deals.

Investing for a VCT involves backing companies when they are small and still at an early stage of development and share price progress depends on them being noticed by a wider circle of investors as they produce results and develop their businesses over time. Our fear in April 2020 was that the pandemic would make raising enough finance to achieve this much harder. To the credit of AIM investors this has not turned out to be the case in 2020 and even those companies which have faced more difficult trading conditions should emerge with stronger balance sheets.

This quite often takes longer than expected and they remain potentially vulnerable until they achieve profitability.

Although the earlier stage companies in the portfolio represent a relatively small proportion by value we expect them to contribute to future performance when they start to demonstrate growth in their businesses. In the year under review there were some examples of companies that demonstrated that they had started to achieve that in the period and whose shares outperformed including Ixico, SDI Group, Sosandar, Diaceutics, and Renalytix AI. The latter was spun out of the holding in EKF Diagnostics since when it has made better than expected progress with its commercialisation strategy for its kidneyintelx test in the US.

Portfolio Activity

Having made eleven qualifying investments at a total cost of £3.9 million in the first half of the year, we added two new qualifying investments of £0.2 million and £0.28 million into Feedback plc and Verici Dx plc as well as two further investments of £0.8 million and £0.14 million into ReNeuron Group plc and Popsa in the second half. This made a total investment of £5.3 million in qualifying investments for the year, an increase on last year's £4.3 million, reflecting a busy AIM market for fundraisings.

Feedback plc is a specialist medical imaging company providing software and messaging systems to NHS hospitals. Its Bleepa app is approved as a class 1 medical device. It is able to message medical images and records securely between healthcare professionals and is the only medical imaging product on the NHSX National Communications Framework. It raised money for growth, targeting NHS hospital trusts as new customers. Verici Dx was another spin-out from EKF Diagnostics following the success of Renalytix AI which is now dual listed on the Nasdaq exchange. It has two tests for use on kidney transplant patients. The money has been raised to conduct clinical trials which are expected to show that these tests improve the outcome for patients as well as enabling a more precise prescription of anti-rejection drugs following each transplant.

The small follow-on investment into Popsa was to fund the ongoing strong growth of its photo book business. Sales have exceeded forecasts and the valuation has been written up with this round although we still hold it at a 20% discount to the fundraise price to reflect the fact that it is a private company. We made a larger follow-on investment into Reneuron which has now stopped spending money on its costly stroke programme to concentrate on getting approval for its treatment for Retanosis Pigmentosa, for which most sufferers cannot be treated leaving them to eventually go blind. Some significant clinical trial results are expected over the next twelve months, and the company is now financed well into 2022.

During the year we took profits into rising share prices and sold part of the holdings in Gamma, Learning Technologies, GB Group, LoopUp, Ixico, Synairgen, C4X Discovery, VR Education and Trackwise Designs. We also sold the entire holdings in Staffline and Equals Group at a loss after a series of profit warnings and Omega Diagnostics at a profit after its shares bounced strongly on the news that it was developing a Coronavirus test. Brady, Nasstar and Cello Health were all sold following successful cash takeover bids. In all disposals made a £1.5 million profit over original cost and generated £5.2 million of cash proceeds.

Non-qualifying investments are used to manage liquidity while awaiting new qualifying investment opportunities. Although we still hold some existing non-qualifying AIM holdings where we see the opportunity for further share price progress we continued to reduce some of these holdings in the year under review. More recently we have reduced the size of our holdings in the Octopus Managed Portfolios as we have made qualifying investments and increased our holdings in the FP Octopus Micro-Cap and the FP Octopus Multi-Cap Income Fund. This strategy is designed to obtain a better return on funds awaiting investment than the very low rates available on cash. In the period under review £1.6 million was invested into the FP Octopus Multi-Cap Income Fund and £0.8 million was invested into FP Octopus Micro-Cap. A net divestment of £4.8 million was made in each of the Octopus Portfolio Manager ("OPM") funds; OPM 3 and OPM 4.

VCT Regulations

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

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

In order to qualify, companies must:

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

The most recent changes were to encourage VCTs to keep their investment rate up after raising money. However, allowing knowledge intensive companies to raise up to £10 million of the £20 million lifetime limit in a twelve month period rather than the existing £5 million has given the VCT more flexibility. In addition, the rules around the amount of time allowed for re-investment of cash from sales of qualifying holdings have increased from six to twelve months which has further created some head room.

Long-term responsible investing

The investment team has always invested as long-term responsible shareholders and supported businesses in the process of improving the corporate governance structure. As part of the investment process, the team is incorporating a material risk review depending on the exposure of the underlying business where appropriate. These risks span from environmental (emissions, energy management, waste, ecological impact, social (privacy, security, product quality, selling practices), human (labour, health and safety, diversity), business model (product design, supply chain, material sourcing) to leadership (ethics, competitive behaviour, regulatory, critical incidents and risk management). The team assess the exposure and how well management is managing these material risks. The team believes that assessing these factors allows for informed investment analysis and it forms part of the investment strategy. The investment manager is taking its duty as a shareholder seriously and acting as a steward of capital. This includes regular engagement with the independent non-executive members of boards. The team's stewardship and engagement policy can be found here **(https://media.octopusinvestments.com/m/519bad6a06ce2d77/original/Octopus-Quoted-Smaller-Companies-Engagement-Policy.pdf)**

Coronavirus

For the past ten months the team has been mainly working from home, absorbing the continuous flow of information from companies and communicating with each other. The team continue to operate business as usual, holding meetings with companies and reporting back to your Board on developments.

We were initially concerned about balance sheet strength for more mature companies as well as funding for those that had not yet reached the point of profitability and were likely to be unable to get there on existing resources as a result of delays to business caused by the pandemic.

In the first category, the majority of the more established companies in the portfolio were quick to publish fairly detailed trading statements including banking relationships and balance sheet headroom. We were very impressed by how efficiently many companies handled the situation, sometimes having to react twice in the space of a week to changing conditions and regulations. It is also interesting to note that the AIM market fulfilled its function to fund companies and there have been many examples of this in action over the past months both within and outside the portfolio. The priority for many of them was to come out of the crisis on the front foot and in a position to take advantage of any opportunities that presented themselves.

In the second category there were examples like Trackwise Designs, PCI-Pal and Sosandar that had already raised money before the pandemic took hold. This has helped them to move their businesses towards being self-supporting and able to grow. Although there are some companies such as Tasty or Escape Hunt in the portfolio which have gone through a particularly difficult period given their direct consumer businesses, the portfolio is balanced with exposure to many different sectors some of which have benefitted from events. Gear4 Music is one direct example and Ergomed, EKF Diagnostics, Diaceutics, Maxcyte and Fusion Antibodies are all operating in areas which will receive increased attention and funding in the future and others such as GB Group will benefit from the general move by companies to operate remotely.

Reflecting on the underlying portfolio, we have been struck by the resilience shown by the companies during what has been a particularly challenging year. The shock of the Coronavirus pandemic led many companies to concentrate in increasing the efficiency of their operations and to embrace technology. Additionally the majority of investee companies are business rather than directly consumer facing, and many have recurring revenues. When the pandemic struck, forecasts were withdrawn in many cases and then only cautiously reinstated. The result has been that expectations have been upgraded as visibility has improved, supporting share prices.

Outlook and Future Prospects

This time last year we wrote about the continuing need for a Brexit resolution, the uncertainty to come in a US Election year and the emerging Coronavirus pandemic. Today we have left the EU with a deal, the US Election has produced a result which ought to provide a more stable environment for global trade and there is finally hope with vaccines being rolled out that the Coronavirus pandemic can be brought under control. The short-term social and economic damage caused by the virus is obvious to all, however, economists have reasons to remain upbeat about the future. A combination of the policy support from Governments around the world, easing global trade tensions, the growing strength of corporate balance sheets over the last year and the spike in the consumer savings ratio could all contribute to a significant pick up in spending and growth later in the year.

We believe that a return of confidence following the conclusion of Brexit talks will have a positive impact on equity markets as asset allocators deploy money back into the UK. There are signs that new issues will be stronger in 2021 to supplement the secondary fundraising market which remained surprisingly healthy throughout the volatile months of 2020. Encouragingly, as a result of successful fundraises in 2020 most of the unprofitable companies in the portfolio are now much better financed to execute on their growth ambitions. The portfolio now contains 82 holdings with investments across a range of sectors including both domestic and international exposure. The balance of the portfolio towards profitable companies remains.

The AIM Team
Octopus Investments Limited
22 February 2021

Investment Portfolio

Investee Company	Sector	Book cost as at 30 November 2020 £'000	Cumulative change in Fair Value £'000	Fair Value as at 30 November 2020 £'000	Movement in Year £'000	% Equity held by Octopus AIM VCT 2 plc	% Equity held by all funds managed by Octopus	Fair Value as a % of Octopus AIM VCT 2 NAV
Quoted Investments								
Ergomed plc	Pharmaceuticals and Biotechnology	960	4,090	5,050	2,816	1.22%	4.01%	4.85%
GB Group plc	Software and Computer Services	361	4,600	4,961	978	0.30%	6.32%	4.76%
Learning Technologies Group plc	Software and Computer Services	701	3,557	4,258	492	0.42%	2.80%	4.09%
Breedon Group plc	Construction and Materials	573	3,246	3,819	496	0.28%	4.55%	3.67%
Trackwise Designs plc	Technology Hardware and Equipment	1,441	2,175	3,616	2,407	5.68%	15.04%	3.47%
Craneware plc	Health Care Providers	479	3,115	3,594	(172)	0.58%	1.38%	3.45%
Ixico plc	Pharmaceuticals and Biotechnology	697	2,215	2,912	1,195	5.29%	13.22%	2.80%
EKF Diagnostics Holdings plc	Medical Equipment and Services	864	1,970	2,834	1,492	0.97%	2.89%	2.72%
Intelligent Ultrasound Group plc	Medical Equipment and Services	1,279	605	1,884	765	4.66%	11.66%	1.81%
Gear4music Holdings plc	Leisure Goods	372	1,500	1,872	1,323	1.28%	3.19%	1.80%
Judges Scientific plc	Electronic and Electrical Equipment	209	1,639	1,848	94	0.53%	1.34%	1.77%
IDOX plc	Software and Computer Services	356	1,491	1,847	536	0.84%	1.90%	1.77%
The Panoply Holdings plc	Software and Computer Services	653	1,023	1,676	1,059	1.28%	3.20%	1.61%
Animalcare Group plc	Pharmaceuticals and Biotechnology	824	794	1,618	158	1.46%	2.37%	1.55%
Sosandar plc	Retailers	1,235	334	1,569	(464)	4.19%	11.51%	1.51%
Ilika plc	Energy	542	827	1,369	827	0.98%	2.78%	1.31%
Maxcyte Inc	Pharmaceuticals and Biotechnology	690	660	1,350	988	0.49%	1.89%	1.30%
Scientific Digital Imaging plc	Technology Hardware and Equipment	119	1,175	1,294	312	1.52%	3.79%	1.24%
Creo Medical Group plc	Medical Equipment and Services	981	290	1,271	(259)	0.50%	1.51%	1.22%
Brooks Macdonald Group plc	Investment Banking and Brokerage Services	610	585	1,195	(180)	0.46%	12.59%	1.15%
Quixant plc	Technology Hardware and Equipment	391	798	1,189	(679)	1.28%	3.19%	1.14%
Access Intelligence plc	Software and Computer Services	589	583	1,172	479	1.66%	4.02%	1.13%
PCI-Pal plc	Software and Computer Services	944	153	1,097	313	4.40%	11.01%	1.05%
Diaceutics plc	Health Care Providers	620	457	1,077	326	0.97%	2.43%	1.03%
Netcall plc	Software and Computer Services	356	716	1,072	380	1.46%	3.47%	1.03%
Renalytix AI plc	Health Care Providers	246	708	954	386	0.28%	0.82%	0.92%
RWS Holdings plc	Industrial Support Services	99	850	949	(157)	0.04%	3.54%	0.91%
VR Education Holdings plc	Software and Computer Services	653	229	882	392	2.70%	7.19%	0.85%
Next Fifteen Communications Group plc	Media	344	475	819	40	0.18%	14.11%	0.79%
Gooch & Housego plc	Technology Hardware and Equipment	281	512	793	(62)	0.28%	13.35%	0.76%

Investment Portfolio (continued)

Investee Company	Sector	Book cost as at 30 November 2020 £'000	Cumulative change in Fair Value £'000	Fair Value as at 30 November 2020 £'000	Movement in Year £'000	% Equity held by Octopus AIM VCT 2 plc	% Equity held by all funds managed by Octopus	Fair Value as a % of Octopus AIM VCT 2 NAV
Gamma Communications plc	Telecommunications Service Providers	183	583	766	170	0.05%	6.05%	0.74%
Advanced Medical Solutions Group plc	Medical Equipment and Services	495	270	765	(34)	0.14%	10.81%	0.73%
C4X Discovery plc	Pharmaceuticals and Biotechnology	558	168	726	130	1.64%	4.11%	0.70%
Adept Telecom plc	Telecommunications Service Providers	502	200	702	(451)	1.43%	3.14%	0.67%
Verici Dx plc	Pharmaceuticals and Biotechnology	280	392	672	392	0.99%	2.65%	0.65%
Vertu Motors plc	Retailers	777	(203)	574	(157)	0.51%	2.65%	0.55%
Fusion Antibodies plc	Health Care Providers	497	67	564	114	2.34%	6.00%	0.54%
Beeks Financial Cloud Group plc	Software and Computer Services	302	253	555	24	1.17%	3.05%	0.53%
Clinigen Group plc	Pharmaceuticals and Biotechnology	469	37	506	(171)	0.06%	5.00%	0.49%
Restore plc	Industrial Support Services	170	301	471	(103)	0.10%	11.31%	0.45%
The British Honey Company plc	Retailers	400	18	418	18	3.82%	9.54%	0.40%
Vectura Group plc	Pharmaceuticals and Biotechnology	332	86	418	113	0.06%	0.15%	0.40%
Mattioli Woods plc	Investment Banking and Brokerage Services	101	249	350	5	0.17%	1.94%	0.34%
Cloudcall Group plc	Software and Computer Services	380	(42)	338	(30)	0.98%	2.45%	0.32%
Cambridge Cognition Holdings plc	Health Care Providers	400	(86)	314	154	1.83%	4.59%	0.30%
Rosslyn Data Technologies plc	Software and Computer Services	286	14	300	14	1.68%	4.21%	0.29%
Maestrano Group plc	Software and Computer Services	383	(128)	255	219	1.66%	4.16%	0.24%
WANdisco plc	Software and Computer Services	96	149	245	57	0.10%	0.26%	0.24%
Synairgen plc	Pharmaceuticals and Biotechnology	98	139	237	139	0.14%	0.60%	0.23%
DP Poland plc	Travel and Leisure	677	(449)	228	103	1.24%	3.11%	0.22%
TP Group plc	Aerospace and Defense	452	(231)	221	(22)	0.47%	2.37%	0.21%
Feedback plc	Medical Equipment and Services	200	20	220	20	1.87%	4.69%	0.21%
Falanx Group Limited	Industrial Support Services	600	(428)	172	(128)	3.81%	9.52%	0.17%
LoopUp Group plc	Software and Computer Services	197	(32)	165	43	0.36%	0.89%	0.16%
DXS International plc	Software and Computer Services	200	(38)	162	(38)	5.18%	12.95%	0.16%
Genedrive Plc	Pharmaceuticals and Biotechnology	241	(81)	160	24	0.53%	1.33%	0.15%
KRM22 plc	Closed End Investments	454	(295)	159	(77)	1.70%	4.25%	0.15%
MyCelx Technologies Corporation	Oil, Gas and Coal	980	(828)	152	(136)	2.79%	15.85%	0.15%
Osirium Technologies plc	Software and Computer Services	900	(776)	124	(43)	3.18%	11.87%	0.12%
Velocity Composites plc	Aerospace and Defense	533	(426)	107	(124)	1.73%	4.33%	0.10%
Verici DX Limited	Pharmaceuticals and Biotechnology	41	57	98	57	0.99%	2.65%	0.09%

Investment Portfolio (continued)

Investee Company	Sector	Book cost as at 30 November 2020 £'000	Cumulative change in Fair Value £'000	Fair Value as at 30 November 2020 £'000	Movement in Year £'000	% Equity held by Octopus AIM VCT 2 plc	% Equity held by all funds managed by Octopus	Fair Value as a % of Octopus AIM VCT 2 NAV
Enteq Upstream plc	Oil, Gas and Coal	687	(591)	96	(82)	1.02%	4.32%	0.09%
Escape Hunt plc	Travel and Leisure	658	(573)	85	12	0.61%	1.52%	0.08%
Microsaic Systems plc	Electronic and Electrical Equipment	922	(853)	69	(52)	3.78%	9.45%	0.07%
Tasty plc	Travel and Leisure	336	(299)	37	7	0.79%	1.85%	0.04%
Mears Group plc	Software and Computer Services	51	(23)	28	(16)	0.02%	0.13%	0.03%
Diurnal Group plc	Pharmaceuticals and Biotechnology	88	(65)	23	8	0.03%	0.08%	0.02%
1Spatial plc	Software and Computer Services	200	(184)	16	(1)	0.06%	1.00%	0.02%
Haydale Graphene Industries plc	Industrial Materials	399	(389)	10	5	0.06%	0.15%	0.01%
Midatech Pharma plc	Pharmaceuticals and Biotechnology	400	(398)	2	(2)	0.01%	0.03%	0.00%
Location Sciences Group plc	Software and Computer Services	509	(508)	1	(3)	0.03%	0.09%	0.00%
Total Quoted Investments		**34,903**	**36,449**	**71,352**	**16,439**			
Unquoted Equity Investments								
Hasgrove plc	Media	153	2,288	2,441	1,488	2.53%	14.80%	2.34%
Popsa Holdings Ltd	Software and Computer Services	780	618	1,398	87	4.66%	11.64%	1.34%
ReNeuron Group plc	Pharmaceuticals and Biotechnology	800	–	800	–	6.72%	2.09%	0.77%
Airnow Plc	Software and Computer Services	838	(671)	167	(56)	0.32%	0.84%	0.16%
Fusionex International plc	Software and Computer Services	188	(109)	79	–	N/A	N/A	0.08%
ReNeuron Group plc	Pharmaceuticals and Biotechnology	216	(181)	35	(22)	6.72%	2.09%	0.03%
Rated People Ltd	Software and Computer Services	236	(213)	23	(65)	0.07%	0.33%	0.02%
Total Unquoted Equity Investments		**3,211**	**1,732**	**4,943**	**1,432**			
Loan Notes								
Osirium Technologies plc Loan Notes	Software and Computer Services	400	–	400	–	N/A	N/A	0.38%
Total Loan Notes		**400**	**–**	**400**	**–**			
Total Fixed Asset Investments		**38,514**	**38,181**	**76,695**	**17,871**			

Investment Portfolio (continued)

Investee Company	Sector	Book cost as at 30 November 2020 £'000	Cumulative change in Fair Value £'000	Fair Value as at 30 November 2020 £'000	Movement in Year £'000	% Equity held by Octopus AIM VCT 2 plc	% Equity held by all funds managed by Octopus	Fair Value as a % of Octopus AIM VCT 2 NAV
Current Asset Investments								
Octopus UK Micro Cap Growth Fund		3,020	1,553	4,573	901	N/A	N/A	4.39%
Octopus UK Multi Cap Income Fund		2,266	230	2,496	130	N/A	N/A	2.40%
Octopus Portfolio Manager – Conservative Capital Growth		1,551	201	1,752	54	N/A	N/A	1.68%
Octopus Portfolio Manager – Defensive Capital Growth		1,431	144	1,575	41	N/A	N/A	1.51%
Total Current Asset Investments		**8,268**	**2,128**	**10,396**	**1,126**			

Total Fixed and Current Asset Investments	87,091
Money Market Funds	3,486
Cash at Bank	14,838
Debtors less Creditors	(1,269)
Total Net Assets	**104,146**

Top ten holdings

Listed below are the ten largest investments by value, which comprise of quoted level 1 investments which are valued at bid price and one Level 3 investment which are valued in accordance with IPEV Guidelines, as at 30 November 2020:

Ergomed plc

Ergomed provide highly specialised services to the pharmaceutical industry, operating in over 65 countries.

Initial investment date:	July 2014
Cost:	£960,000
Valuation:	£5,050,000
Equity held:	1.22%
Last audited accounts:	31 December 2019
Revenue:	£68.3 million
Loss before tax:	£5.0 million
Net assets:	£36.8 million
Dividends received in year:	£nil

GB Group plc

GB Group is a global technology specialist in fraud, location and identity data intelligence.

Initial investment date:	November 2011
Cost:	£361,000
Valuation:	£4,961,000
Equity held:	0.3%
Last audited accounts:	31 March 2020
Revenue:	£199.1 million
Profit before tax:	£20.6 million
Net assets:	£344.9 million
Dividends received in year:	£nil

Learning Technologies Group plc

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

Initial investment date:	June 2011
Cost:	£701,000
Valuation:	£4,258,000
Equity held:	0.42%
Last audited accounts:	31 December 2019
Revenue:	£130.1 million
Profit before tax:	£14.3 million
Net assets:	£174.0 million
Dividends received in year:	£0.02 million

Breedon Group plc

Breedon Group is a leading construction material group operating in Great Britain and Ireland.

Initial investment date:	August 2010
Cost:	£573,000
Valuation:	£3,819,000
Equity held:	0.28%
Last audited accounts:	31 December 2019
Revenue:	£929.6 million
Profit before tax:	£94.6 million
Net assets:	£839.1 million
Dividends received in year:	£nil

Trackwise Designs plc

Trackwise Designs manufactures specialist products using printed circuit technology. The specialist circuits are used in RF/antenna and lightweight interconnect products across multiple market sectors and applications.

Initial investment date:	July 2018
Cost:	£1,441,000
Valuation:	£3,616,000
Equity held:	5.68%
Last audited accounts:	31 December 2019
Revenue:	£2.9 million
Loss before tax:	£0.1 million
Net assets:	£6.0 million
Dividends received in year:	£nil

Craneware plc

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

Initial investment date:	February 2010
Cost:	£479,000
Valuation:	£3,594,000
Equity held:	0.58%
Last audited accounts:	30 June 2020
Revenue:	$71.5 million
Profit before tax:	$19.3 million
Net assets:	$68.4 million
Dividends received in year:	£0.04 million

Ixico plc

Ixico is a UK clinical research firm that provides neuroimaging and digital biomarker analytics to biopharmaceutical firms conducting clinical trials into neurological diseases.

Initial investment date:	May 2018
Cost:	£697,000
Valuation:	£2,912,000
Equity held:	5.29%
Last audited accounts:	30 September 2020
Revenue:	£9.5 million
Profit before tax:	£0.9 million
Net assets:	£9.1 million
Dividends received in year:	£nil

EKF Diagnostics Holdings plc

EKF Diagnostics Holdings is a global medical manufacturer of point-of-care and laboratory based diagnostic devices and reagents, for use in a wide array of tests. Its products are in regular use in over 100 countries.

Initial investment date:	July 2010
Cost:	£864,000
Valuation:	£2,834,000
Equity held:	0.97%
Last audited accounts:	31 December 2019
Revenue:	£44.9 million
Profit before tax:	£5.5 million
Net assets:	£71.2 million
Dividends received in year:	£nil

Hasgrove plc

Hasgrove is a digital and communications services business specialising in intranet software solutions for large organisations. This is classified as a level 3 investment which is an unquoted investment.

Initial investment date:	November 2008
Cost:	£153,000
Valuation:	£2,441,000
Equity held:	2.53%
Last audited accounts:	31 December 2019
Revenue:	£16.3 million
Profit before tax:	£2.9 million
Net assets:	£11.0 million
Dividends received in year:	£nil

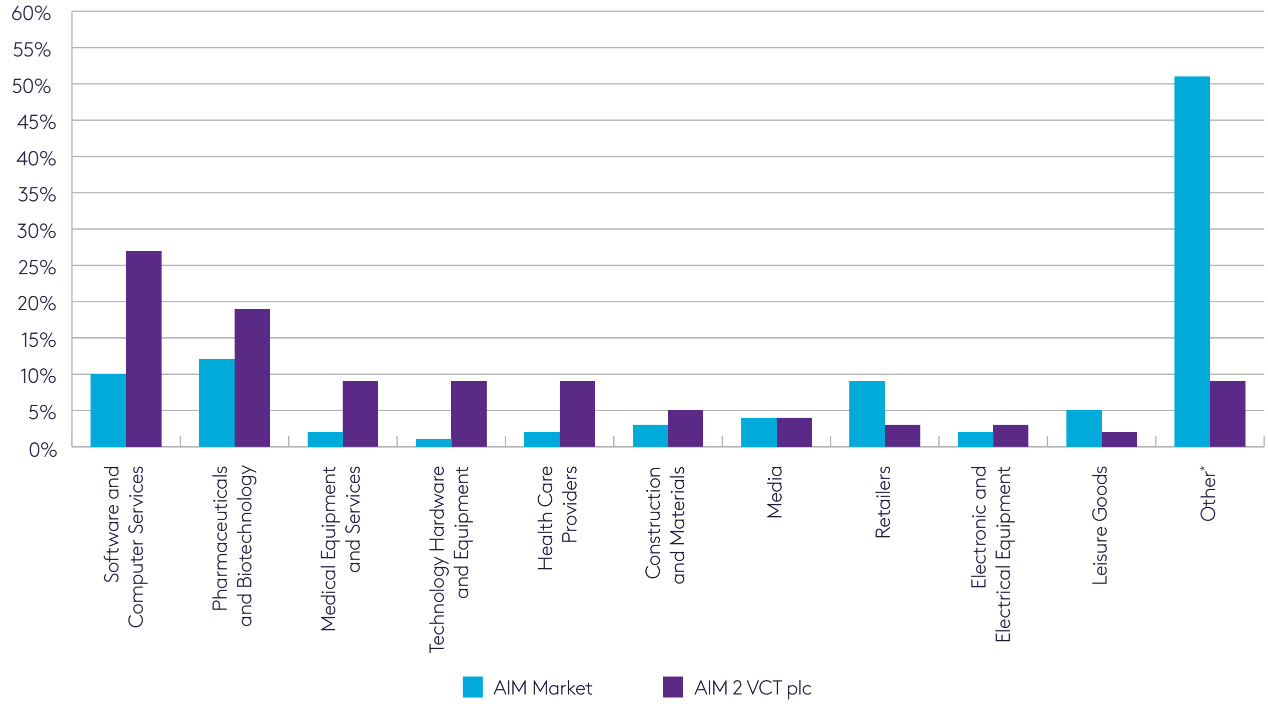
Intelligent Ultrasound plc

Intelligent Ultrasound is a producer of advanced ultrasound training simulators and artificial intelligence image analysis software for medical practitioners.

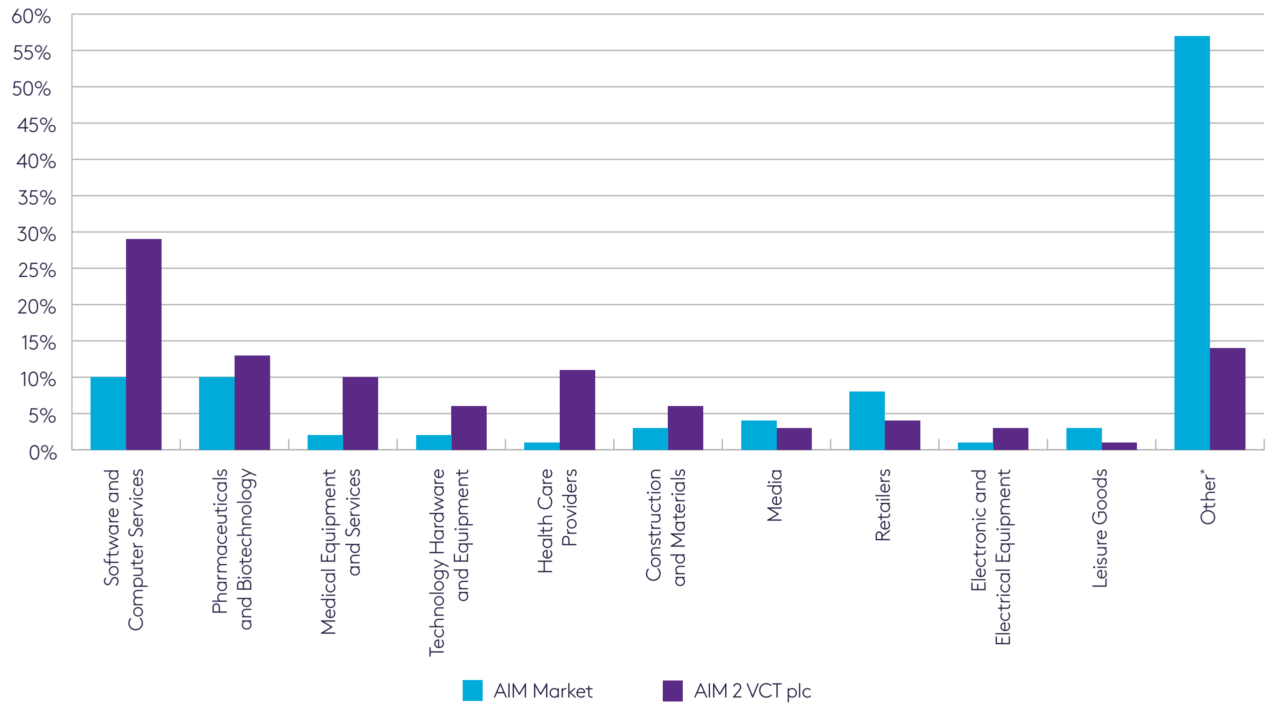
Initial investment date:	August 2019
Cost:	£1,279,000
Valuation:	£1,884,000
Equity held:	4.66%
Last audited accounts:	31 December 2019
Revenue:	£5.9 million
Loss before tax:	£4.6 million
Net assets:	£11.0 million
Dividends received in year:	£nil

Sector analysis

The graph below shows the sectors the equity portfolio was invested in by value as at 30 November 2020. It also shows the sectors of the AIM market as a whole as at 30 November 2020:



The graph below shows the sectors the equity portfolio was invested in by value as at 30 November 2019. It also shows the sectors of the AIM market as a whole as at 30 November 2019:



*Other sectors include Industrial Support Services, Investment Banking and Brokerage Services, Telecommunications Service Providers, Energy, Travel and Leisure, Aerospace and Defence, Oil, Gas and coal, Closed End Investments and Industrial Materials.

The Investment Manager

Personal Service

Octopus was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus Investments Limited also acts as Investment Manager to four other listed investment companies and has a total of over £9.1 billion of funds under management. If you have any questions about this report, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on **0800 316 2295**.

The AIM investment team of Octopus comprises:

Kate Tidbury
Kate has had an extensive career which has included periods as an investment analyst with Sheppards and Chase and Panmure Gordon and then as an Investment Manager specialising in ethical and smaller companies with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000 where she was involved in the management of this Company's investments 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, the FP Octopus UK Micro Cap Growth Fund and the FP Octopus Multi Cap Income Fund.

Edward Griffiths
Edward is an experienced portfolio manager at Octopus Investments Limited, involved particularly in the management of AIM portfolios for private individuals. He joined Octopus Investments Limited in 2004 to help launch the AIM Inheritance Tax Service, having previously worked at Schroder's and State Street.

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

Stephen Henderson
Stephen joined Octopus Investments Limited in 2008. He has particular responsibility for portfolio management across the Octopus AIM Inheritance Tax Service portfolios and Octopus AIM Inheritance Tax ISA portfolios. Stephen conducts analysis 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 a portfolio manager focussing predominantly on the Octopus AIM VCTs and the Eureka EIS portfolio service, and provides analytical support to the team.

Dominic Weller
Having joined Octopus Investments in 2015, Dominic is a co-manager of the Octopus AIM VCT 2 plc, Octopus AIM VCT plc and FP Octopus UK Micro Cap Growth Fund. He is responsible for qualitative and quantitative analysis. His professional background is in strategy consulting with Roland Berger and Clevis Research. Furthermore, he worked for Rocket Internet in international venture development. He holds a degree in International Management and is a Chartered Financial Analyst (CFA).

Jessica Sweeney
Jessica graduated from the University of Liverpool in 2014, where she studied International Business. Starting her career at Octopus shortly after, she has worked in multiple operations functions before moving to the AIM team to assist with the management of AIM portfolios.

Charles Lucas
Charles joined Octopus in 2011 from LV= Asset Management, having previously worked in the Personal Pensions and SIPP space for GE Life and LV=. Charles initially joined Octopus as a member of the operations team, later working as a Project Manager for MiFID II. He has joined the Smaller Companies team as a Product Development Analyst to enhance trading capabilities and performance analytics.

Section 172 (1) Statement

Introduction
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 act in good faith and to promote the success of the Company in accordance with section 172 of the Companies Act 2006 for the benefit of shareholders as a whole as set out in the Strategic Report on pages 18 and 19. KPIs on performance are on pages 22 and 23. As a Venture Capital Trust Company Octopus AIM VCT 2 plc has no employees; however, the Directors also assessed the impact of the Company's activities on other stakeholders, in particular Shareholders and our third party providers, as well as the portfolio of companies.

Shareholder relations
Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and annual report and accounts, which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is published via the Stock Exchange and on our website at **www.octopusinvestments.com**.

We always welcome questions from our shareholders at the AGM but this year, to ensure we are able to respond to any questions you may have for either the Investment Manager or AIM VCT 2 Board, please send these via email to **AIMVCT2AGM@octopusinvestments.com** by 5:00pm on 26 April 2021.

The Company monitors the 20% threshold for votes cast against Board recommendations for a resolution but has not yet been required to take any actions in this regard. Provision 4 of the 2018 UK Corporate Governance Code requires a company which has received 20% or more of votes cast against a resolution to explain, when announcing the voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result.

Relations with other key stakeholders
The requirement for the Company to consider the interests of its other key stakeholders is limited as it does not have any employees. The Board considers Octopus Investments Limited to be its key business partner with responsibility for the provision of investment management, administration, custody and company secretarial services.

The Directors of a company are required to act in the way they consider will most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires Directors to include these factors:

- likely consequences of any decisions in the long-term;
- need to act fairly as between members of the Company;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- interests of the Company's employees.

In discharging our section 172 duties we have regard to these factors set out above (although we do not have any employees). We also have regard to other factors where relevant. By considering the Company's purpose and objectives together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and predictable.

It is normal practice for Venture Capital Trusts to delegate authority for day-to-day management of the Company to an Investment Manager and then to engage with the Manager in setting, approving and overseeing the execution of the business strategy and related policies and all administration and control functions. At every Board meeting a review of financial and operational performance, as well as legal and regulatory compliance, is undertaken. The Board also review other areas over the course of the financial year including the Company's business strategy; key risks; stakeholder-related matters; diversity and inclusivity; environmental matters; corporate responsibility and governance, compliance and legal matters. The Board formally reviews the performance of the Investment Manager on an annual basis. This is done by all Board members completing an annual questionnaire and discussing the outcome before concluding.

During the period we received sufficient information to help the Board to understand the interests and views of the Company's key stakeholders; investors, investee companies and service providers to the Company, including the Investment Manager.

The Company's performance is directly linked to the performance of its underlying investee companies. The Board has delegated the monitoring of its portfolio companies to the Investment Manager which engages with investee companies through a programme of regular company meetings as part of its investment process. The Board has also given the Investment Manager discretionary authority to vote on investee company resolutions on its behalf as part of its approach to corporate governance.

We set out below some examples of how this has worked in 2020

In deciding to enter into a fundraising for the 2020/2021 and 2021/2022 tax year, the Board considered:

- the impact of dilution on shareholders' holdings;
- the ability to adhere to the Company's dividend policy;
- the effect on the Net Asset Value and the ability of the Company to be able to meet HMRC's VCT investment rules and timelines;
- the costs involved in issuing a prospectus borne by Octopus.

The Board considered other stakeholders' interests such as:

- at what level to set the discount to net asset value at which the Company's shares are repurchased balancing the interests of exiting and remaining shareholders; and
- the advantages to shareholders of meeting requests to buy back shares with the requirement for the Company to have adequate liquidity.

The Board considers that the Company's investment operations create employment, aid economic growth, generate tax revenues and produce wealth, thus benefiting the community and the economy more generally.

Business Review

The Company's Objective

The objective of the Company is to invest in a broad range of Alternative Investment Market (AIM) or Aquis Stock Exchange (AQSE) (previously known as New Securities Stock (NEX) Exchange) traded companies in order to provide shareholders with attractive tax-free dividends and long-term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

The Company has been approved as a Venture Capital Trust by HMRC under section 259 of the Income Taxes Act 2007. The shares of the Company were first admitted to the Official List of the UK Listing Authority and trading on the London Stock Exchange on 25 January 2006 and can be found under the TIDM code "OSEC". The Company is premium listed.

Investment Policy

The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 85% in a portfolio of qualifying AIM, AQSE Exchange traded investments or unquoted companies where in the short to medium term, the management is planning an initial public offering ("IPO") on AIM or AQSE Exchange.

The non-qualifying balance will be invested in permitted investments held for short term liquidity, generally comprising short term cash or money market deposits with a minimum Moody's long term debt rating of 'A', authorised funds including those managed by Octopus or directly in equity investments and bonds. This provides a reserve of liquidity which should maximise the Company's flexibility as to the timing of investments, disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to the amount permitted pursuant to VCT legislation in a fiscal year and no more than 15% of the value of its investment 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.

The Company's Articles permit borrowings of amounts up to 10% of the adjusted share capital and reserves (as defined in the Company's Articles). However, investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any borrowings.

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

Future Prospects

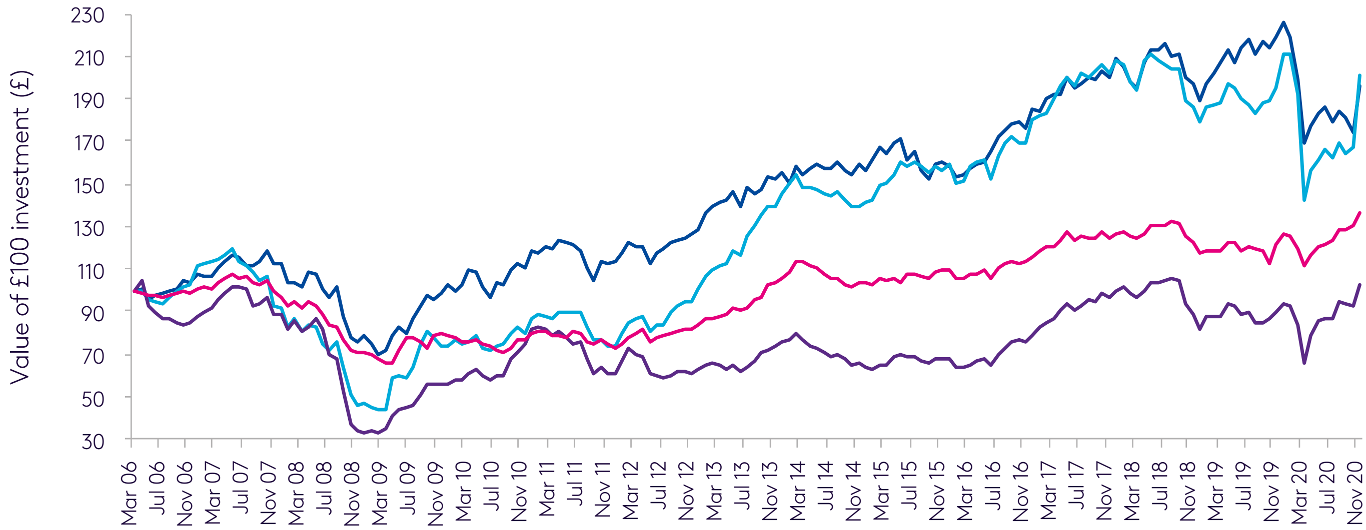
The Company's longer term performance record has allowed the Company to maintain the dividend payments to shareholders in line with the Dividend Policy set out on page 2. The Board believes the Company's business model will enable it to continue to deliver the targeted regular tax-free annual dividends referred to in the Chairman's Statement. Although we have seen a year of uncertainty due to the Coronavirus pandemic the Company has performed well due to the balance of the existing portfolio. The Company has a strong cash position which enables us to invest in new companies and support existing companies. The Outlook statements in both the Chairman's Statement and the Investment Manager's Review on pages 3 and 8 respectively provide further details on the more immediate prospects of the Company and also the potential impact of Brexit.

Performance

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

The graph below compares the total return of the Company over the period from 1 March 2006 to 30 November 2020 with the total return from notional investments in the FTSE AIM All-Share Index and FTSE SmallCap (ex-investment companies) Index over the same period. The FTSE AIM All-Share Index is a stock market index consisting of all companies quoted on the Alternative Investment Market and the FTSE SmallCap Index is an index of small market capitalisation companies. The Directors consider these to be the most appropriate in helping shareholders benchmark returns from the Company but would remind investors that approximately 10.1% of the FTSE AIM All-share Index is attributable to resources, investment vehicles and property sector stocks which VCTs cannot invest in. VCTs are also limited to investing into companies with certain size and age restrictions. The inclusion of the FTSE All Share Index is to provide a wider stock market context. Investors should be reminded that shares in VCTs generally continue to trade at a discount to the NAV of the Company.

Investors investing into Octopus AIM VCT 2 plc



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

Results and Dividend

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Net profit/(loss) attributable to shareholders	**17,762**	(476)
Distributions:		
Interim dividend paid 2.1p (2019 – 2.1p)	**2,534**	2,303
Special dividend paid nil (2019 – 3.9p)	**–**	4,278
Final dividend proposed 2.1p (2019 paid – 2.1p)	**2,838**	2,374

The proposed final dividend of 2.1p for the year ended 30 November 2020 will be paid on 21 May 2021 to shareholders on the register on 30 April 2021 subject to approval at the AGM.

Key Performance Indicators (KPIs)

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

The Board has identified five key performance measures to assess the Company's success in meeting these objectives. Some of these are classified as alternative performance measures ("APMs"*) in line with Financial Reporting Council ("FRC") guidance. The Glossary of terms on page 70 has further details:

1. NAV per share;
2. Total return per share;
3. Dividends per share paid in the year;
4. Total ongoing charges; and
5. VCT Qualification %.

1. NAV per share

The NAV per share of the Company is the sum of the underlying assets less the liabilities of the Company divided by the total number of shares in issue.

Current year (pence per share)	Prior year (pence per share)	Reason for movement
82.9	72.4	The NAV per share has increased from last year's value of 72.4 p to 82.9p. This uplift of 14.5% is mainly driven by portfolio movement benefitting from its relatively high exposure to the technology and healthcare sectors.

2. Total return per share*

Total return is calculated as movement in NAV per share in the period plus dividends paid in the period, divided by the NAV per share at the beginning of the period. Total return on the NAV per share enables shareholders to evaluate more clearly the performance of the Fund, as it reflects the underlying value of the portfolio at the reporting date. This is the most widely used measure of performance in the VCT sector.

Current year %	Prior year %	Reason for movement
20.3	(0.4)	As previously considered, the NAV per share has increased from last years' value of 72.4p to 82.9p. This gave a total return of 20.3% or 14.7p per share, after adding back dividends of 4.2p paid in the year.

The Board notes that for the year under review this was ahead of the FTSE AIM All Share Index total return figure of a positive 14.9%. The Board remain confident about achieving the long-term objective of the Company. Performance is also measured against the FTSE SmallCap Index and the FTSE All-Share Index with the latter being provided for wider stock market context. This is also shown on the graph on the previous page. In the year under review the FTSE SmallCap Index rose by 2.8% and the FTSE ALL-Share Index fell by 10.3% all on a total return basis. These indices have been adopted as comparative indices. Further details on performance can be found within the Investment Manager's Review on pages 5 to 6.

3. Dividends per share paid in the year

The Company has a target of paying an annual dividend of 3.6p per share or a 5% yield based on the prior year end share price, whichever is greater at the time.

Current year (pence per share)	Prior year (pence per share)	Reason for movement
4.2	8.1	Last year the dividends paid was higher due to a special dividend of 3.9p made following a number of partial and total sales of holdings from the portfolio in the year. The dividends paid of 4.2p this year still achieves the Board target.

*These KPIs are defined as alternative performance measures ("APMs") and are defined in more detail on the Glossary of terms on page 70.

The 4.2p dividends paid in the year gives an annual yield of 6.1% based on the share price of 69.0p at the prior year end which is above the Board's policy of paying the higher of a 5% yield or 3.6p of dividends in the year. Dividends will be paid semi-annually. It remains the intention of the Board to continue this policy, subject to available cash and distributable reserves. However, this is not a guarantee, and no projection or forecast is expressed or implied. A full list of dividends paid can be found in the table on page 67.

4. Total ongoing charges*

The ongoing charges Ratio has been calculated using the AIC recommended methodology and exclude irrecoverable VAT, exceptional costs and trail commission.

Current year %	Prior year %	Reason for movement
1.9	2.0	The ongoing charges ratio has decreased slightly from last year primarily due to an increase in average net assets over the year combined with broadly static expenses compared to last year.

There are a number of costs involved in operating a VCT, some of these expenses are outlined in note 4 on page 55. The Company has an expense cap of 3.5%. The ongoing charges have been lower than the expense cap for the current and prior year which is in line with the Board expectations.

5. VCT Qualification %

The Company must comply with VCT legislation laid down by HMRC. From 1st December 2019 a key requirement is to maintain at least an 80% qualifying investment level.

Current year %	Prior year %	Reason for movement
93.5	91	93.5% (as measured by HMRC rules) by value of the Company's investments has been represented throughout the period by shares or securities comprised in qualifying holdings of the Company. The qualification level has increased by 2.7% due to the increase in deployment levels so more investments are contributing to the 80% qualifying investment level. Further details on VCT regulations can be found within the Investment Manager's Review on page 7.

The Company has continued to maintain to meet the 80% qualification investment level. There continues to be sufficient investment opportunities to enable the Manager to comply with these ratios.

The Chairman's Statement, on pages 2 and 3 includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 4 to 16.

*These KPIs are defined as alternative performance measures ("APMs") and are defined in more detail on the Glossary of terms on page 70.

Viability Statement

In accordance with provision 4.31 of The UK Corporate Governance Code 2018 the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a period of five years, which was considered to be a reasonable time horizon given that the Company has raised funds under an offer for subscription which closed to new applications on 30 November 2020 and, under VCT rules, subscribing investors are required to hold their investment for a five year period in order to benefit from the associated tax reliefs. The Board regularly considers the Company's strategy, including investor demand for the Company's shares, and a five year period is considered to be a reasonable time horizon for this.

The Board carried out a robust assessment of the emerging and principal risks facing the Company and its current position. This includes the impact of the Coronavirus pandemic and any other risks which may adversely impact its business model such as the Brexit deal, future performance, solvency or liquidity. Particular consideration was given to the Company's reliance on, and close working relationship with, the Investment Manager. The principal risks faced by the Company and the procedures in place to monitor and mitigate them are set out on the following pages.

The Board has also considered the liquidity of the underlying investments and the Company's cash flow projections and found these to be realistic and reasonable. The Company's cash flow includes Cash equivalents which are short-term, highly liquid investments.

Based on the above assessment the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 30 November 2025. A Resolution will be put to the Company's AGM on page 73 to approve the Company continuing as a VCT to 2026.

Emerging and Principal Risks, Risk Management and Regulatory Environment

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

Risk	Mitigation	Movement in year
VCT qualifying status risk: The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 and the Finance Act 2018 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment. The new requirements this year are from 1st December 2019 is to maintain at least 80% qualifying investment level, up from previous level of 70%. Furthermore any funds raised in accounting periods beginning on or after 6 April 2018 should be 30% invested in qualifying holdings within 12 months of the end of the accounting period in which the shares were issued.	Prior to investment, Octopus seeks assurance from the Company's VCT status adviser that any portfolio asset will meet the legislative requirements for VCT investments. Furthermore, Octopus continually monitors the Company's compliance with VCT regulations in respect of cash and non-qualifying holdings, distributions, and deployment of funds raised, to ensure ongoing compliance with VCT legislation. Regular updates on compliance are also provided to the Board throughout the year (see page 7 of the Investment Manager's Review and page 29 of the Directors' Report for details on recent changes to VCT legislation). Additionally, PricewaterhouseCoopers LLP has been retained by the Company to undertake an independent VCT status monitoring role reporting to the Board bi-annually.	= No change
Operational risk: The Board is reliant on Octopus for all day-to-day operational and investment management for the Company.	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 broad team focused on quoted and unquoted investments. This mitigates the risk of a knowledge or skills gap resulting from a loss of a key person with sector and product experience leaving.	= No change
Regulatory and reputational risk: In addition to specific VCT legislation, the Company is required to comply with the Companies Act, UK Listing Authority regulations and financial statements and notes must be prepared under UK GAAP. The Company is also a small registered Alternative Investment Fund ("AIF") and must comply with the requirements of the AIF Management Directive. Breach of any of these could result in penalties including suspension of the Company's Stock Exchange listing, financial penalties, qualified audit report or loss of shareholder trust.	Day-to-day operational oversight of the Company is carried out by Octopus. Octopus conduct rigorous on boarding procedures for new employees and conduct regular staff reviews and training to ensure that teams charged with oversight of the Company are appropriately qualified to conduct their roles and ensure compliance with relevant legislation. The Board are updated regularly on all regulatory and compliance matters and take specific legal advice where appropriate.	= No change

Valuation risk: Inaccuracies in the valuation of investment assets may result in the Company net asset position being misrepresented and errors in the reported NAV per share.	Investments traded on AIM and AQSE Exchange are valued by Octopus using closing bid prices as reported on Bloomberg. Where investments are unquoted or there are limited trading volumes, alternative valuation techniques are employed in accordance with current International Private Equity and Venture Capital Valuation ("IPEV") guidelines, December 2018. Investment in Octopus Portfolio Manager ("OPM") is valued with reference to the daily prices which are prepared by State Street, the Custodian and Fund Administrator and then published by Fund Partners, the Authorised Corporate Director.	= No change
Investment risk: Most of the Company's investments are into companies admitted to trading on AIM and AQSE Exchange which are VCT qualifying holdings and so, by their nature, entail a higher level of risk and lower liquidity than investments in larger quoted companies. The risk will be amplified by the emphasis in new legislation on encouraging investment into earlier stage companies (see "VCT Regulations" page 7). The Company also makes non-qualifying investments into FP Octopus UK Micro Cap Growth Fund. FP Octopus UK Micro Cap Growth Fund invests into smaller companies quoted on the LSE, AIM and AQSE markets. Non-qualifying investments of surplus cash balances are also made into OPM. The OPM service invests via collective investment schemes into global markets which fluctuate meaning that investments and the income derived from them may go down as well as up, potentially resulting in investors in OPM not getting all capital back.	The Directors and Octopus aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, carrying out rigorous due diligence procedures and maintaining a diversified portfolio in terms of business life cycle and sector. The Board reviews the investment portfolio with Octopus on a regular basis. No material changes to the investment approach are considered necessary as a result of new legislation. The OPM Service is a discretionary management service offering a range of risk-targeted portfolios which invest in underlying collective investment schemes. The portfolios selected target defined levels of volatility at the lower end of the risk spectrum and have been specifically chosen for their lower risk investment approach to accessing global markets and the ability to offer daily liquidity.	= No change
Financial risk: The Company is exposed to market price risk, credit risk, liquidity risk, fair value risk, cash flow risk and interest rate 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. The Company invests in financial assets of a nature that may not always be readily realisable. Accordingly, the Investment Manager seeks to maintain a proportion of the Company's assets in cash or cash equivalents and liquid investments in order to balance irregular cash flows from realisations. At the balance sheet date the cash and cash equivalents (including cash held in liquid funds) amounted to 28% of net assets (2019: 27%). The financial risks are considered in more detail in note 17 to the financial statements.	= No change

Economic and price risk: Macroeconomic conditions such as government regulation, political instability or recession could cause volatility in the markets, damaging both the price and underlying value of Company investments. The risk is amplified for smaller companies earlier in their life cycle.	To mitigate these risks Octopus constantly monitors the markets and the portfolio companies, providing performance update to the Board at each meeting. The risk of material decline in the value of a single security is further mitigated by holding a diversified portfolio, across a broad range of sectors. The Investment Manager is continually assessing the implication of the financial impact arising from the current Coronavirus crisis and Brexit which has an impact on the UK and Global economies. The continuous assessment ensures that exposure to the risks for each portfolio company will be addressed, and appropriate actions, where possible, will be implemented.	↑ Increase due to Coronavirus pandemic

The Board has considered emerging risks. The Board seeks to mitigate the internal risks by regular review of performance, monitoring progress and compliance with internal procedures. In the mitigation and management of these risks the Board applies the principles in the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Details of the Company's internal controls are contained in the Corporate Governance Report on pages 33 to 36.

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

Gender and Diversity

The Board of Directors comprises one female and three male Non-Executive Directors with considerable experience of the VCT industry. The gender, diversity and constitution of the Board is reviewed on an annual basis. If a new Director were to be appointed the appointments will be made in accordance with expertise and knowledge.

Employee, Human Rights, Social and Community Issues, Environment Policy and Greenhouse Gas Emissions

The Board's policy on Employee, Human Rights, Social and Community Issues, Environment Policy and Greenhouse Gas Emissions is discussed in the Directors' Report on page 30.

Climate-related matters

Octopus AIM VCT 2 plc acknowledge the recommendations under Task Force on Climate-related Financial Disclosures (TCFD) and have given some initial disclosure under the main headings below, which we will evolve over future periods.

Governance

On a quarterly basis the investment team report to the Octopus Investments ESG Committee (comprised of an Octopus Founder, the CIO and the Impact and Sustainability Director) to review climate related risks and opportunities that have been identified as being financially material to the management of Octopus AIM VCT 2 plc.

Strategy

Octopus AIM VCT 2 plc makes investments into a range of sectors but the companies receiving funding are small companies specifically listed on the AIM Market. As a result, exposure to climate related risks is assessed on a deal-by-deal basis and analysis considers the physical impact of climate for businesses where this has been identified as a material risk.

Risk Management

Where potential material climate related risks have been identified, the investment team score the company on a 1-7 rating depending on how it is being managed by the company. This is raised with the management team and Board where appropriate as part of the investment process and continues to be monitored through investment committee meetings. As part of climate-related reporting to the ESG Committee, the investment team must highlight the risks and opportunities that have been identified.

Metrics and Targets

The team reviews physical climate related risks as well as transition risks relating to emissions, air quality, water, energy management, waste and ecological impact based on the material exposure of underlying business and tracks how the management team manages these risk exposures. The team will report these to the ESG committee and track the development of exposure and management.

The Strategic Report was approved on behalf of the Board by:

Keith Mullins
Chairman
22 February 2021

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 retired from the position of Chief Executive of Shakespeare Martineau LLP in January 2019, an expanding Midlands and London law firm that he led from 2015 through a period of significant growth in turnover and profits. He currently has a portfolio of senior advisory roles in the professional and financial services sector. Previously he has held a number of non-executive positions and joined RSM Tenon Group PLC ("RSM Tenon") in 2001 after its acquisition of the independent partnership formerly known as BDO Stoy Hayward – East Midlands. Andy led the company to win National Firm of the Year 2011 in the British Accountancy Awards. Prior to joining RSM Tenon, he spent almost 20 years with BDO Stoy Hayward – East Midlands, where he became managing partner. Andy became a Director of the Company on 14 September 2005.

Elizabeth Kennedy LLB (Hons) FCIS FCSI

Elizabeth Kennedy worked for 30 years in corporate finance, principally with Brewin Dolphin Limited, specialising in IPO, secondary issue, takeover code, UKLA sponsor and AIM nominated adviser work. She has been a member of the London Stock Exchange's AIM Advisory Group since 1995. She is currently a non-executive Director of a number of companies including BMO Private Equity Trust plc and Sofant Technologies Limited. She is also a consultant with Davidson Chalmers Stewart LLP, Solicitors specialising in compliance advice to AIM Nominated Advisers. Elizabeth became a Director of the Company on 12 August 2010 when Octopus AIM 2 merged with Octopus Second AIM VCT plc.

Alastair Ritchie BA

Alastair Ritchie has considerable experience in smaller businesses, both private and public, and has served as chairman of several companies quoted on the Main Market and AIM. Alastair became a Director of the Company on 12 August 2010 when Octopus AIM 2 merged with Octopus Second AIM VCT plc.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 November 2020. The Corporate Governance Report on pages 33 to 36 and the Audit Committee Report on pages 37 and 38 form part of this Directors' Report.

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

Directors

Brief biographical notes on the Directors are given on page 28.

In accordance with the Articles of Association and the Association of Investment Companies Code of Corporate Governance, Andy Raynor will retire as Director's at the AGM, and being eligible, offer themselves 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 34, believes that Andy can continue to be effective and demonstrate commitment to their roles as Directors. The Board therefore recommends their re-election at the forthcoming AGM.

All the Directors 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 provision 3.21 of the UK Corporate Governance Code and believes that the Board all continue to be effective Non-Executive Directors, providing considerable experience and continuity to the Company whilst continuing to demonstrate commitment to their roles as Directors of the Company.

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 Regulations

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 to are outlined below:

The Company is required at all times to hold at least 80% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 70% must comprise eligible ordinary shares.

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

The Finance Act 2014 amended the VCT Rules in respect of VCT shares issued on or after 6 April 2014, such that VCT status will be withdrawn if a dividend is paid (or other forms of distribution or payments are made to investors) from the capital received by the VCT from that issue within three years of the end of the accounting period in which shares were issued to investors. This may reduce the amount of distributable reserves available to the Company to fund dividends and share buybacks. However, with share premium cancellations when necessary, the Company currently has sufficient distributable reserves to allow dividends to continue to be paid at a level in line with the Company's current dividend policy.

The Finance Act 2016 introduced a number of changes to VCT rules to bring the legislation into line with EU State Aid Risk Finance Guidelines. The legislation introduced new criteria which stipulate a lifetime cap on the total amount of State Aid investment a company can receive, the age of companies which are eligible for investment and specific requirements relating to the use of the funds raised. See page 7 of the Investment Managers Review for a summary of the requirements.

The Finance Act 2018 made further changes to VCT rules. As referred to earlier in page 7 the Company is required to hold at least 80% of its investments in VCT qualifying holdings as of this accounting year. The legislation also introduced a new deadline by which the Company must invest at least 30% of the money raised from the issue of shares in qualifying holdings within 12 months of the accounting period in which the shares were issued.

The Company has maintained compliance with VCT legislation for the year under review and intends to continue to do so for future periods

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 2 and 3 and pages 4 to 16. Further details on the management of financial risk may be found in the Business Review on pages 25 and in note 17 to the financial statements.

The Board receives regular reports from the Investment Manager and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period at least twelve months from the date of approval of the financial statements. As discussed in the Viability Statement on page 23 the Directors have considered the Company's cash flow projections, including the potential effects of Coronavirus and Brexit and found these to be realistic and reasonable. They are satisfied that 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 page 73 to approve the Company continuing as a VCT to 2026. The continuation to 2026 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, a large proportion of which are readily realisable and, accordingly, the Company has adequate financial resources to continue to satisfy the expenses of commitments under share buybacks and to remain in operational existence for a period of at least twelve months.

Dividend
The proposed final dividend is set out in the Financial Summary on page 1, the Chairman's Statement on page 2 and in the Business Review on page 21.

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.

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

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

The Board has delegated the routine management decisions such as the payment of standard running costs to Octopus. Investment decisions are discussed with the Board.

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

Employee, Human Rights, Social and Community Issues
The Board seeks to conduct the Company's affairs responsibly. The Company is required by company law to provide details of employee, human rights, social and community issues, including information about any policies it has in relation to these matters and the effectiveness of such policies. As an externally managed investment company with no employees the Company does not maintain specific policies in relation to these matters.

Environment Policy and Greenhouse Gas Emissions
The Board has no specific environmental policy; however, the Company recognises the need to conduct its business, including investment decisions, in a manner that is environmentally responsible wherever possible. 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.

Financial Risk Management
The most significant financial risks arising from the Company's financial instruments are price risk, interest rate risk, credit risk and liquidity risk. The policies for managing these risks are regularly reviewed by the Board and full details can be found in note 17 to the financial statements.

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

Share Capital
The Company's ordinary share capital as at 30 November 2020 comprised 125,660,654 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 12,140,295 shares were issued under the fundraise that launched on 29 November 2019 and closed on 27 February 2020 raising £8.8m after costs.

On 20 August 2020, a prospectus offer was launched alongside Octopus AIM VCT plc to raise a combined total of up to £20 million with a £10 million over allotment facility. This prospectus closed to further applications on 30 November 2020. 5,502,829 shares were issued in the current period, raising £4.4 million after costs.

During the year 1,281,159 shares were issued to those shareholders who elected to receive shares under the Dividend Reinvestment Scheme ("DRIS") as an alternative to dividends. This raised £0.9 million.

An additional 24,291 shares were issued to shareholders as a result of reduced advisor charges. A further 7,887 shares were issued to Octopus employee shareholders as a result of a rebate of part of the annual management fee.

Share Buybacks and Redemptions

During the year, the Company purchased 3,788,659 Ordinary shares with a nominal value of 0.01p for cancellation at a weighted average price of 71.5p per share (2019: 3,838,793 shares at a weighted average price of 72.5p per share) for a total consideration of £2.7 million (2019: £2.8 million). This represents 3.0% of the closing share capital. These were repurchased in accordance with the Company's share buyback facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

Post Balance Sheet Events

A full list of post balance sheet events since 30 November 2020 can be found in note 18 to the financial statements on page 64.

Rights Attaching to the Shares and Restrictions on Voting and Transfer

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

(a) the right to receive profits available for distribution, such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in a general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;

(b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities pari passu with the other holders of Ordinary shares; and

(c) The right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands, every member present or represented and voting has one vote, and on a poll, every member present or represented and voting has one vote for every share of which that member is the holder. The appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

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

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

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

The authority proposed under Resolution 6 is required so that the Directors may issue shares in connection with offers, if the Directors believe this to be in the best interests of the Company and the shareholders as a whole. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in whole or part, to purchase Ordinary shares in the market. Resolution 6 renews the Directors' authority to allot up to 27,031,983 Ordinary shares (representing approximately 20% of the Company's issued share capital at the date of the Notice of AGM). The authority conferred by this resolution will expire on the earlier of the next AGM and the date falling 15 months after the date of the passing of the resolution and is in addition to existing authorities.

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

Directors' Authority to Make Market Purchases of its Own Shares

The authority proposed under Resolution 8 is required so that the Directors may make purchases of up to 20,260,471 Ordinary shares (representing approximately 14.99% of the Company's issued share capital at the date of the Notice of AGM) and the Resolution seeks renewal of such authority until the next AGM (or the expiry of 15 months, if earlier). Any shares bought back under this authority will be at a price determined by the Board, (subject to a minimum of 0.01p (being the nominal value of such shares) and a maximum of 5% above the average mid-market quotation for such shares on the London Stock Exchange and the applicable regulations thereunder). This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-sale in appropriate market conditions.

Cancellation of Share Premium Account

The Board considers it appropriate to obtain shareholders' approval for the cancellation of the remaining amount standing to the share premium account of the Company as at 30 November 2017 to create (subject to Court approval) a pool of distributable reserves. A Special Resolution to this effect is being proposed at Resolution 9.

Substantial Shareholdings

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

Independent Auditor and Disclosure of Information to Auditor

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

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

On behalf of the Board

Keith Mullins
Chairman
22 February 2021

Corporate Governance Report

The Board of the Company has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance ("AIC Code") 2019 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 and other closed-ended Investment Companies. The Board considers that reporting against the principles and recommendations of The UK Corporate Governance Code by reference to the AIC Guide will provide better information to shareholders.

Corporate governance within the closed-ended investment company industry differs from that of other companies. In addition, VCTs differ from most other investment companies in that they have, developed over many years, a complex range of additional legal, tax and regulatory requirements.

Octopus AIM VCT 2 plc, as a VCT and closed-ended investment company has particular factors which have an impact on its governance arrangements. Octopus AIM VCT 2 plc, the Company,

- outsources all day-to-day activities (such as portfolio management, administration, accounting and company secretarial). This means that it is governed entirely by a Board of Non-Executive Directors. In these circumstances, the proper oversight of these relationships is the key aspect of achieving good corporate governance.
- does not have Executive Directors or employees. As a consequence, the only "corporate memory" is that of the Non-Executive Directors;
- does not have customers, only shareholders.

The AIC Code deals with matters such as the relationship with the manager and other service providers. In practice, most of the time spent by the Board of a well-functioning investment company should be spent on matters of general corporate governance (e.g. the investment strategy, policy and performance) which is what we do.[1]

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 Code with the exceptions set out in the Compliance Statement on page 36.

[1]Please see the AIC Code at theaic.co.uk

Board of Directors

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

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

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

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

The Company Secretarial function is discharged by Octopus Company Secretarial Services Limited which 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, which 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	6	6	2	2
Elizabeth Kennedy	6	6	2	2
Andy Raynor	6	6	2	2
Alastair Ritchie	6	6	2	2

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

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

	Date of Original Appointment	Due Date for Re-election	Date of Last Election
Keith Mullins	14/09/2005	AGM 2022	AGM 2019
Elizabeth Kennedy	12/08/2010	AGM 2023	AGM 2020
Andy Raynor	14/09/2005	AGM 2021	AGM 2018
Alastair Ritchie	12/08/2010	AGM 2023	AGM 2020

Performance Evaluation and Independence of Directors

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.

We believe (in line with the AIC Code) that members of the Board are independent in character and judgement with respect to their duties to the shareholders.

Length of service is currently one of several indicators for boards to consider when assessing independence of a NED. We believe a more experienced board can better serve the needs of the Company and its shareholders by providing experience across the business/ economic cycle.

We believe that the Board continues to have the balance of skills, experience, length of service and knowledge of the company and its operating environment that enables us to act in the best interest of shareholders.

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.

Length of service of the Chairman and other Directors is one of a number of factors taken into account when considering the contribution and ongoing independence of the Board, both individually and in terms of overall composition, including the experience, range of skills and diversity of the Directors. Accordingly the Board's policy on tenure is that the term the Chairman and other Directors serve on the Board should not be restricted to a fixed time limit.

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 2020 AGM to make market purchases of up to 14.99% of the issued Ordinary share capital at any time up to the 2021 AGM and otherwise on the terms set out in the relevant Resolution and renewed authority is being sought at the 2021 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 39 to 41. 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 37 and 38.

Internal Control

The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with its Investment Manager.

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

Octopus is engaged to carry out the accounting and custodian functions of the Company. All quoted investments are held in CREST. Unquoted investments are held in certificated form.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed and were satisfied with the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board does not consider it necessary to maintain an internal audit function.

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

Financial Risk Management Objectives and Policies

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

Statement of Voting at the Annual General Meeting

The most significant portion of the votes cast against a resolution at the 2020 AGM was 3.97%, for the resolutions to approve the Directors' Remuneration Policy and to approve the Directors' Remuneration Report. No communication was received from shareholders giving reasons for the votes against the resolutions.

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

Relations with Shareholders

We always welcome questions from our shareholders at the AGM but this year, to ensure we are able to respond to any questions you may have for either the Investment Manager or AIM VCT 2 Board, please send these via email to **AIMVCT2AGM@octopusinvestments.com** by 5:00pm on 26 April 2021. 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 2020 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. [2.9 and 2.12]
2. The Company does not have a separate Nomination Committee due to the relatively small size and structure of the Company. Appointments are dealt with by the full Board as and when appropriate. [3.17 and 3.23]
3. The Company does not have a Remuneration Committee given the size of the Company and as it does not have any Executive Directors. The whole Board deals with any matters of this nature.[5.32 – 5.41]
4. 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. [1.3]
5. All Directors are not subject to annual re-election. This is to ensure experience is retained on the Board. [3.18]

By Order of the Board

Keith Mullins
Chairman
22 February 2021

Audit Committee Report

This report is submitted in accordance with The AIC Code in respect of the year ended 30 November 2020 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 35.

Matters considered by the Audit Committee in the year

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

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

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

The Audit Committee undertook a competitive audit tender process in 2018 as required for all Public Interest Entities who have had the same auditor for ten years.

Independence and Objectivity of the Auditor

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.

Auditor Evaluation

The effectiveness of the external audit is assessed as part of the Board evaluation conducted annually and by the quality and content of the Audit Plan and Report provided to the Committee by the Auditor and the resultant discussions on topics raised. The Committee also challenges the Auditor when present at a Committee meeting, if appropriate. The Audit Committee is satisfied that BDO LLP provided effective challenge in carrying out its responsibilities.

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

Internal Audit

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

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

Significant Risks

The Audit Committee is responsible for considering significant issues in relation to the financial statements. The Committee has identified the most significant risks for the Company as:

- **Valuation and ownership of investments:** The Committee gives special audit consideration to the valuation of investments and supporting data provided by Octopus. The impact of this risk would be a large gain or loss in the Company's results. The valuations are supported variously by stock market quotations, investee company audited accounts and third party evidence (where relevant). These, together with reconciliations and independent confirmations performed by the auditor give comfort to the Audit Committee.
- **Management override of financial controls:** The Committee specifically review all significant accounting estimates that form part of the financial statements and consider any material judgements applied by management during the completion of the financial statements.
- **Recognition and categorisation 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, as either revenue or capital income. Octopus confirms to the Audit Committee that the revenues are recognised appropriately

In addition to the above, the Committee has also considered the implications of the Coronavirus pandemic and Brexit. As at the date of issuing this Report, whilst the Committee anticipates short-term market volatility affecting the underlying investments, it does not consider that this will have an impact upon the long-term viability of the Company. This is discussed further in the Viability Statement on page 23.

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

The Committee has considered the whole Annual Report and Accounts for the year ended 30 November 2020 and has reported to the Board that it considers them to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

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 2020.

Andrew Raynor
Audit Committee Chairman
22 February 2021

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 2020.

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

Directors' Remuneration Policy Report

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

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

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

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

An Ordinary Resolution to approve the remuneration policy of the Company was put to, and approved by, shareholders at the 2020 AGM and will remain in force for a three year period. The Board will review the remuneration of the Directors if thought appropriate and monitors competitors in the VCT industry on an annual basis.

Annual Remuneration Report

This section of the report is subject to approval by a simple majority of shareholders at the AGM in April 2021, as in previous years. In light of the current Coronavirus stay at home measures in the UK, the AGM will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders attempting to attend the AGM will be refused entry. The Board encourages shareholders' to vote on the resolutions within the Notice of Annual General Meeting on pages 72 and 73 of the Financial Statements using the proxy form, or electronically at **www.investorcentre.co.uk/eproxy**.

Statement of Voting at the Annual General Meeting

The 2019 Remuneration Report was presented to the AGM in April 2020 and received shareholder approval following a vote on a show of hands. 96.03% of the votes cost on proxy forms were in favour of the Remuneration Report or at the Chairman's discretion.

Shareholders' views are always considered by the Board, and the methods of contacting the Board are set out on page 39.

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 21 also shows the performance of the Company.

Directors' Emoluments (audited)

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

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Keith Mullins	**25**	25
Andy Raynor*	**23**	23
Elizabeth Kennedy	**20**	20
Alastair Ritchie	**20**	20
Total	**88**	88

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

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

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

Relative Importance of Spend on Pay

The actual expenditure in the current year is as follows:

	Year to 30 November 2020 £'000	Year to 30 November 2019 £'000
Total Dividends paid	**5,067**	8,906
Total Buybacks	**2,710**	2,782
Total Directors Fees	**88**	88

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

Directors' Interest in Shares (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 Guidance and Transparency Rule 3.1.2) in the issued Ordinary shares of 0.01p are shown in the table below:

	Ordinary shares of 0.01p each 30 November 2020	Ordinary shares of 0.01p each 30 November 2019
Keith Mullins	**204,195**	204,195
Andy Raynor	**21,080**	21,080
Alastair Ritchie	**31,809**	31,809
Elizabeth Kennedy	**37,380**	37,380

All of the Directors' shares were held beneficially. Mr Ritchie, Mrs Kennedy and Mr Mullins and their connected persons all hold shares through a nominee company. There have been no changes in the Directors' share interests between 30 November 2020 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 2020 were as follows:

	For		Discretion		Against	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Approval of Directors' Remuneration Report	3,222,153	82.28	538,407	13.75	155,310	3.97

By Order of the Board

Keith Mullins
Chairman
22 February 2021

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Accounts in accordance with applicable law and regulations.

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

In preparing these financial statements the Directors are required to:

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

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

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

Website Publication

The Directors are responsible for ensuring the Annual Report and Accounts are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to Disclosure Guidance and Transparency Rules 4 (DTR4)

Keith Mullins (Chairman), Andy Raynor, Elizabeth Kennedy and Alastair Ritchie, the Directors confirm to the best of their knowledge:

- the financial statements, prepared in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102"), give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description or the principal risks and uncertainties that it faces.

On Behalf of the Board

Keith Mullins
Chairman
22 February 2021

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

Opinion

We have audited the financial statements of Octopus AIM VCT 2 plc (the 'Company') for the year ended 30 November 2020 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement and Notes to the Financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2020 and of its profit 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.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How We Addressed the Key audit matter in the Audit
Valuation and ownership of quoted investments (Note 1 and 10 to the financial statements) The Company's investments held at fair value through profit and loss total £76.7m of which £72.2m (94.1%) are quoted investments. We considered the valuation and ownership of quoted investments to be a most significant audit area as quoted investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. Furthermore, we consider the valuation disclosures to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We responded to this matter by testing the valuation and ownership of the portfolio of fixed asset investments comprising quoted equity investments. We performed the following procedures: In respect of 100% of quoted equity investments (c. 94% of the portfolio by value) we have: • Confirmed the year end bid price was used by agreeing all quoted investments to externally quoted prices and assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. • Obtained direct confirmation from the custodian regarding all of investments held at the balance sheet date. We also considered the completeness, accuracy and clarity of investment-related disclosures. **Key observations:** Based on our procedures performed we did not identify any exceptions with regards to valuation or ownership of investments as well as the corresponding disclosures
Valuation of level 3 investments (Note 1 and 10 to the financial statements) The Company's investments held at fair value through profit and loss total £76.7m, of which £4.5m (5.9%) are unquoted and are valued using more subjective techniquestechniques (level 3). Investments represent the most significant balance in the financial statements and are the primary driver of returns to shareholders. There is a high level of estimation uncertainty involved in determining the unquoted investment valuations. The investment manager's fee is based on the value of the net assets of the fund, as shown in note 3. As the investment manager is responsible for valuing the unquoted investments for the financial statements, there is a potential risk of overstatement	We responded to this matter by testing the valuation and ownership of the portfolio of fixed asset investments comprising unquoted investments. We performed the following procedures: In respect of unquoted investment valuations (c. 6% of the portfolio by value) we have: • Obtained direct confirmation from the custodian at the balance sheet date. • Confirmed the assumptions and underlying evidence supporting the year end valuations are in line with UK GAAP and the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. • Re-performed the calculation of the investment valuation • Verified and benchmarked key inputs in the valuation to independent information and our own research • Obtained the most recent audited accounts and most recent management accounts of the underlying investee company and considered the consistency of reported performance with the assumptions used in the valuations • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation, including challenging key assumptions made in the valuation and ensuring that the valuation methodology applied remains applicable given the economic impact of Covid-19 **Key observations:** Based on the procedures performed we were satisfied that the valuation of level 3 investments was within an acceptable range

Our application of materiality

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

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality. **(1% of invested assets)**	Assessing whether the financial statements as a whole present a true and fair view.	• The value of gross investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	£910,000 (30 November 2019: £780,000)
Performance materiality. **(75% of financial statement materiality)**	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • History of prior errors (if any)	£680,000 (30 November 2019: £590,000)

We have set a lower testing threshold for those items impacting revenue return of £180,000 (30 November 2019: £190,000) which is based on 10% of gross expenditure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £40,000 (2019: £16,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA Listing Rules and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation as any breach of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

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

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

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 30 November 2008 and subsequent financial periods. We were reappointed as auditors in respect of the year ended 30 November 2018. The period of total uninterrupted engagement is 13 years, covering the years ending 30 November 2008 to 30 November 2020.

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
22 February 2021

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

Income Statement

		Year to 30 November 2020			Year to 30 November 2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	10	**–**	**433**	**433**	–	315	315
(Loss)/gain on disposal of current asset investments		**–**	**(158)**	**(158)**	–	61	61
Gain/(loss) on valuation of fixed asset investments	10	**–**	**17,871**	**17,871**	–	(900)	(900)
Gain on valuation of current asset investments		**–**	**1,126**	**1,126**	–	1,390	1,390
Investment income	2	**290**	**41**	**331**	539	–	539
Investment management fees	3	**(334)**	**(1,001)**	**(1,335)**	(353)	(1,058)	(1,411)
Other expenses	4	**(506)**	**–**	**(506)**	(470)	–	(470)
Profit/(loss) before tax		**(550)**	**18,312**	**17,762**	(284)	(192)	(476)
Tax	6	**–**	**–**	**–**	–	–	–
Total comprehensive income/ (loss) after tax		**(550)**	**18,312**	**17,762**	(284)	(192)	(476)
Earnings per share – basic and diluted	8	**(0.5)p**	**15.5p**	**15.0p**	(0.3)p	(0.1)p	(0.4)p

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

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

The accompanying notes on pages 52 to 65 form an integral part of the financial statements.

Balance Sheet

	Notes	As at 30 November 2020 £'000	As at 30 November 2020 £'000	As at 30 November 2019 £'000	As at 30 November 2019 £'000
Fixed asset investments	10		**76,695**		58,246
Current assets:					
Investments	11	**10,396**		16,458	
Money Market Funds	11	**3,486**		3,474	
Debtors	12	**120**		134	
Cash at bank	11	**14,838**		1,881	
		28,840		21,947	
Creditors: amounts falling due within one year	13	**(1,389)**		(153)	
Net current assets			**27,451**		21,794
Total assets less current liabilities			**104,146**		80,040
Called up equity share capital	14		**13**		11
Share premium			**37,758**		47,044
Capital redemption reserve			**1**		1
Special distributable reserve			**35,051**		19,423
Capital reserve realised			**(7,492)**		(8,641)
Capital reserve unrealised			**40,309**		23,146
Revenue reserve			**(1,494)**		(944)
Total equity shareholders' funds			**104,146**		80,040
NAV per share – basic and diluted	9		**82.9p**		72.4p

The statements were approved by the Directors and authorised for issue on 22 February 2021 and are signed on their behalf by:

Keith Mullins
Chairman
Company No: 05528235

The accompanying notes on pages 52 to 65 form an integral part of the financial statements.

Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Special distributable reserves* £'000	Capital reserve – realised* £'000	Capital reserve – unrealised £'000	Capital redemption reserve £'000	Revenue reserve* £'000	Total £'000
As at 1 December 2019	**11**	**47,044**	**19,423**	**(8,641)**	**23,146**	**1**	**(944)**	**80,040**
Comprehensive income for the year:								
Management fee allocated as capital expenditure	–	–	–	(1,001)	–	–	–	(1,001)
Current year gains on disposal	–	–	–	275	–	–	–	275
Current period gains on fair value of investments	–	–	–	–	18,997	–	–	18,997
Capital Investment Income	–	–	–	41	–	–	–	41
Loss after tax	–	–	–	–	–	–	(550)	(550)
Total comprehensive income for the year	–	–	–	(685)	18,997	–	(550)	17,762
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	–	–	(2,710)	–	–	–	–	(2,710)
Issue of shares	2	15,027	–	–	–	–	–	15,029
Share issue costs	–	(908)	–	–	–	–	–	(908)
Dividends paid	–	–	(5,067)	–	–	–	–	(5,067)
Total contributions by and distributions to owners	2	14,119	(7,777)	–	–	–	–	6,344
Other movements:								
Cancellation of share premium	–	(23,405)	23,405	–	–	–	–	–
Prior years' holding gains now realised	–	–	–	1,834	(1,834)	–	–	–
Total other movements	–	(23,405)	23,405	1,834	(1,834)	–	–	–
Balance as at 30 November 2020	**13**	**37,758**	**35,051**	**(7,492)**	**40,309**	**1**	**(1,494)**	**104,146**

	Share capital £'000	Share premium £'000	Special distributable reserves* £'000	Capital reserve – realised* £'000	Capital reserve – unrealised £'000	Capital redemption reserve £'000	Revenue reserve* £'000	Total £'000
As at 1 December 2018	**11**	**57,045**	**19,536**	**(9,898)**	**24,595**	**1**	**(660)**	**90,630**
Comprehensive income for the year:								
Management fee allocated as capital expenditure	–	–	–	(1,058)	–	–	–	(1,058)
Current year gains on disposal	–	–	–	376	–	–	–	376
Current period gains on fair value of investments	–	–	–	–	490	–	–	490
Loss after tax	–	–	–	–	–	–	(284)	(284)
Total comprehensive loss for the year	–	–	–	(682)	490	–	(284)	(476)
Contributions by and distributions to owners:								
Repurchase and cancellation of own shares	–	–	(2,782)	–	–	–	–	(2,782)
Issue of shares	–	1,576	–	–	–	–	–	1,576
Share issue costs	–	(2)	–	–	–	–	–	(2)
Dividends	–	–	(8,906)	–	–	–	–	(8,906)
Total contributions by and distributions to owners	–	1,574	(11,688)	–	–	–	–	(10,114)
Other movements:								
Cancellation of share premium	–	(11,575)	11,575	–	–	–	–	–
Prior years' holding gains now realised	–	–	–	1,939	(1,939)	–	–	–
Total other movements	–	(11,575)	11,575	1,939	(1,939)	–	–	–
Balance as at 30 November 2019	**11**	**47,044**	**19,423**	**(8,641)**	**23,146**	**1**	**(944)**	**80,040**

*Included within these reserves is an amount of £26,065,000 (2019: £9,838,000) which is considered distributable to shareholders.

Cash Flow Statement

	Notes	Year to 30 November 2020 £'000	Year to 30 November 2019 £'000
Cash flows from operating activities			
Profit/(loss) on ordinary activities before tax		**17,762**	(476)
Adjustments for:			
Decrease/(increase) in debtors	12	**14**	(69)
Increase/(decrease) in creditors	13	**437**	(386)
Gain on disposal of fixed assets	10	**(433)**	(315)
Loss/(gain) on disposal of current asset investments		**158**	(61)
(Gain)/loss on valuation of fixed asset investments	10	**(17,871)**	900
Gain on valuation of current asset investments		**(1,126)**	(1,390)
Non-cash distributions	2	**(41)**	–
Cash from operations		**(1,100)**	(1,797)
Income taxes paid	–	**–**	–
Net cash from operating activities		**(1,100)**	(1,797)
Cash flows from investing activities			
Purchase of fixed asset investments	10	**(4,518)**	(4,959)
Proceeds from sale of fixed asset investments	10	**5,214**	5,346
Purchase of current asset investments		**(2,471)**	(3,116)
Proceeds from sale of current asset investments		**9,500**	5,000
Total cash flows from investing activities		**7,725**	2,271
Cash flows from financing activities			
Purchase of own shares	14	**(2,710)**	(2,782)
Share issues	14	**14,104**	92
Share issue costs		**(908)**	(2)
Dividends paid		**(4,142)**	(7,422)
Total cash flows from financing activities		**6,344**	(10,114)
Increase/(decrease) in cash and cash equivalents		**12,969**	(9,640)
Opening cash and cash equivalents		**5,355**	14,995
Closing cash and cash equivalents		**18,324**	5,355
Closing cash and cash equivalents is represented by:			
Cash at bank	11	**14,838**	1,881
Money market funds	11	**3,486**	3,474
Total cash and cash equivalents		**18,324**	5,355

The accompanying notes on pages 52 to 65 form an integral part of the financial statements.

Notes to the Financial Statements

1. Principal Accounting Policies

The Company is a Public Limited Company ("plc") incorporated in England and Wales and its registered office is 33 Holborn, London EC1N 2HT.

The Company's principal activity is to invest in a diverse portfolio of predominately AIM-traded companies with the aim of providing shareholders with attractive tax-free dividends and long-term capital growth.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice ("GAAP"), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), and with the Companies Act 2006 and the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued 2014 and updated in October 2019 with consequential amendments).'

The principal accounting policies have remained unchanged since those set out in the Company's 2019 Annual Report and Accounts. A summary of the principle accounting policies is set out below.

FRS 102 sections 11 and 12 have been adopted with regard to the Company's financial instruments. The Company held all fixed asset investments at fair value through profit or loss ("FVTPL"); therefore all gains and losses arising from such investments held are attributable to financial assets held at FVTPL. Accordingly, all interest income, fee income, expenses and gains and losses on investments are attributable to assets held at FVTPL.

Going Concern

After reviewing the Company's forecasts and expectations, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its Financial Statements. In reaching this conclusion the Directors have had regard to the potential impact on the economy and the Company of the current coronavirus pandemic and the Brexit deal. See Director's Report on page 29 to 32 for further details.

Revenue and Capital

The Company presents its Income Statement in a three column format to give shareholders additional detail of the performance of the Company, split between items of a revenue or capital nature as required by the SORP.

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

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

Key judgements and estimates

The preparation of the financial statements requires the Board to make judgements and estimates that affect the application of policies and reported amounts of assets and liabilities. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

Investment valuation policies are important to the depiction of the Company's financial position and require the application of subjective and complex judgements, notably with regards to unquoted holdings, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The main accounting and valuation policies used by the Company are disclosed below.

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Unquoted investments are valued in accordance with current IPEV guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of the subsidiary companies of investee companies and liquidity or marketability of the investments held.

Although the Company believes that the assumptions concerning the business environment and estimate of future cash flows are appropriate, changes in estimates and assumptions could require changes in the stated values. This could lead to additional changes in fair value in the future (see note 10).

Financial instruments
The Company's principal financial assets are its investments and the policies in relation to those assets are set out above and in Note 10. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

The Company's trade receivables are initially recognised at fair value which is normally transaction cost and subsequently measured at amortised cost.

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

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

Cash and liquid resources
Cash, for the purposes of the cash flow statement, comprises cash at bank. Cash equivalents 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. This comprises investments in money market funds subject to insignificant changes in fair value.

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

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

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

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

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

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

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

Functional and presentational currency
The financial statements are presented in Sterling (£). The functional currency is also Sterling (£).

2. Income

Accounting Policy
Investment income includes interest earned on money market securities and includes income tax withheld at source. Dividend income is shown net of any related tax credit. Dividends are allocated to revenue or capital depending on whether the dividend is of a revenue or capital nature. During the year the Company received shares in Verici Dx plc as a result of an in-specie dividend from Renalytix AI plc. This has been treated as capital income.

Dividends receivable are brought into account when the Company's right to receive payment is established and it is probable that payment will be received. Fixed returns on debt and money market securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

Disclosure

	30 November 2020 £'000	30 November 2019 £'000
Dividends receivable from fixed asset investments	**255**	478
In-Specie dividend*	**41**	–
Loan note interest receivable	**25**	36
Income receivable on money market securities and bank balances	**10**	25
	331	539

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

3. Investment Management Fees

	30 November 2020			30 November 2019		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**334**	**1,001**	**1,335**	353	1,058	1,411

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

During the year Octopus charged gross management fees of £1,674,000 (2019: £1,732,000). When the various allowances detailed below are included, the net management fee for the year is £1,335,000 (2019: £1,411,000). At the year end there was £384,000 payable to Octopus (2019: £nil). Octopus received £298,000 as a result of upfront fees charged on allotments of Ordinary shares (2019: £2,000). The increase in upfront fees this year has proportionately increased in line with the number of allotments in the year.

The Company pays ongoing adviser charges to Independent Financial Advisers (IFAs). Ongoing adviser charges are an ongoing fee of up to 0.5% per annum of the amount invested for a maximum of nine years paid to Advisers who are on an advised and ongoing fee structure. The Company is rebated for this cost by way of a reduction in the annual management fee. For the year to 30 November 2020 the rebate received was £154,000 (2019: £149,000).

The Company also facilitates upfront fees to IFAs where an investor has invested through a financial adviser and has received upfront advice. Where an investor agrees to an upfront fee only, the Company can facilitate a payment of an initial adviser charge of up to 4.5% of the investment amount. If the investor chooses to pay their intermediary/adviser less than the maximum initial adviser charge, the remaining amount will be used for the issue and allotment of additional new shares for the investor. In these circumstances the Company does not facilitate ongoing annual payments. To ensure that the Company is not financially disadvantaged by such payment, a notional ongoing advisor charge equivalent to 0.5% per annum of the amount invested will be deemed to have been paid by the Company for a period of nine years. The Company is rebated for this cost, also by way of a reduction in the annual management fee. For the year to 30 November 2020 the rebate received was £131,000 (2019: £101,000).

The Company also receives a reduction in the management fee for the investments in other Octopus managed funds, being the Octopus Portfolio Manager, Multi Cap and Micro Cap Growth products, to ensure the Company is not double charged on these products. This amounted to £54,000 for the year to 30 November 2020 (2019: £71,000).

The management fee has been allocated 25% to revenue and 75% to capital, in line with the Board's expected long-term return in the form of income and capital gains respectively from the Company's investment portfolio.

4. Other Expenses

Accounting Policy

All expenses are accounted for on an accruals basis.

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

Disclosure

	30 November 2020 £'000	30 November 2019 £'000
IFA charges	**155**	149
Directors' remuneration	**88**	88
Registrar fees	**51**	35
Audit fees	**30**	25
VCT monitoring fees	**20**	14
Printing and postage	**18**	18
Legal and professional fees	**9**	11
Directors and officers liability insurance	**8**	7
Brokers fees	**6**	6
Other administration expenses	**121**	117
	506	470

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

The ongoing charges of the Company were 1.9% of average net assets during the year to 30 November 2020 (2019: 2.0%).

5. Directors' Remuneration

Directors were paid £88,000 in the year to 30 November 2020 (2019: £88,000). This excludes Employer's National Insurance contributions of £8,000 (2019: £7,000). None of the Directors received any other remuneration, pension contributions or benefits from the Company during the year. The Company has no employees other than Non-Executive Directors. The average number of Non-Executive Directors in the year was four (2019: four).

6. Tax

Accounting Policy

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

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

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

Disclosure
The corporation tax charge for the year was £nil (2019: £nil).

	30 November 2020 £'000	30 November 2019 £'000
Profit/(loss) before tax	**17,762**	(476)
Current tax at 19.00% (2019: 19.00%)	**3,375**	(90)
Effects of		
Non taxable income	**(55)**	(91)
Non taxable capital gains	**(3,662)**	(164)
Non deductible expenses	**2**	2
Excess management expenses on which deferred tax not recognised	**340**	343
Total tax charge	**–**	–

Approved VCTs are exempt from tax on capital gains within the Company. Since the Board intend that the Company will continue to conduct its affairs so as to maintain its approval as a VCT, 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 2020, there is an unrecognised deferred tax asset of £2,556,000 (2019: £1,982,000) in respect of surplus management expenses, based on a prospective tax rate of 19% (2019: 17%). This deferred tax asset could in future be used against taxable profits.

Provided the Company continues to maintain its current investment profile, it is unlikely that the expenses will be utilised and that the company will obtain any benefit from this asset.

7. Dividends

Accounting Policy
Dividends payable are recognised as distributions in the financial statements when the Company's liability to make a payment has been established. This liability is established on the record date, the date on which those shareholders on the share register are entitled to the dividend. This liability is established for interim dividends when they are paid and for final dividends when they are approved by the shareholders usually at the Annual General Meeting.

Disclosure

	30 November 2020 £'000	30 November 2019 £'000
Dividends paid on Ordinary Shares during the year		
2019 Final dividend – 2.1p paid 22 May 2020 (2019: 2.1p)	**2,533**	2,325
2020 Interim dividend – 2.1p paid 5 November 2020 (2019: 2.1p)	**2,534**	2,303
2020 Special dividend – nil (2019: 3.9p)	**–**	4,278
	5,067	8,906

During the year £925,000 (2019: £1,484,000) of dividends were reinvested under the DRIS, see note 14.

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

	30 November 2020 £'000	30 November 2019 £'000
2020 Interim dividend – 2.1p paid 5 November 2020 (2019: 2.1p)	**2,534**	2,303
Final proposed dividend – 2.1p payable 21 May 2021 (2019 paid: 2.1p)	**2,838**	2,374
	5,372	4,677

The above proposed final dividend is based on the number of shares in issue at the date of this report. The actual dividend paid may differ from this number as the dividend payable will be based on the numbers of shares in issue on the record date and will reflect any changes in the share capital between the year end and the record date.

8. Earnings per share

	30 November 2020			30 November 2019		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) attributable to ordinary shareholders	**(550)**	**18,312**	**17,762**	(284)	(192)	(476)
Earnings per ordinary share	**(0.5)p**	**15.5p**	**15.0p**	(0.3)p	(0.1)p	(0.4)p

The profit/(loss) per share is based on 118,842,639 (2019: 110,696,797) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year, and the profit on ordinary activities after tax for the year of £17,762,000 (2019 loss: £476,000).

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

9. Net Asset Value per share

	30 November 2020	30 November 2019
Net assets (£'000)	**104,146**	80,040
Shares in issue	**125,660,654**	110,492,852
NAV per share (p)	**82.9**	72.4

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

10. Fixed asset investments

Accounting Policy

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

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

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly, as permitted by FRS 102, the investments are measured as being FVTPL on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

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

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

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

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

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

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

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

There have been two reclassifications from Level 1 to Level 2. These relate to Reneuron Group plc and DP Poland plc where these investments are not actively trading at year end. There has been one reclassification from Level 1 to Level 3 in the year as Nektan Limited was de-listed. This holding is held at £nil. Other than this, there have been no reclassifications between levels in the year. The change in fair value for the current and previous year is recognised through the profit and loss account.

Disclosure

	Level 1: Quoted equity investments £'000	Level 2: Quoted equity investments £'000	Level 3: Unquoted investments £'000	Total £'000
Cost as at 1 December 2019	34,058	–	2,785	36,843
Opening unrealised gain at 1 December 2019	20,945	–	458	21,403
Valuation at 1 December 2019	**55,003**	**–**	**3,243**	**58,246**
Purchases at cost*	4,378	800	140	5,318
In-Specie dividend	41	–	–	41
Disposal proceeds	(5,214)	–	–	(5,214)
Profit on realisation of investments	776	-	(343)	433
Reclassifications between levels	(196)	183	13	–
Change in fair value in year	16,336	80	1,455	17,871
Closing valuation at 30 November 2020	**71,124**	**1,063**	**4,508**	**76,695**
Cost at 30 November 2020	34,225	1,694	2,595	38,514
Closing unrealised gain at 30 November 2020	36,899	(631)	1,913	38,181
Valuation at 30 November 2020	**71,124**	**1,063**	**4,508**	**76,695**

*The difference to the cash flow is a timing difference in respect of an investment in Reneuron Group plc. The trade date was in the current year whilst the settlement of cash will be in December 2020.

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 2 investments are valued using other observable inputs not included in Level 1. Reneuron Group plc is valued partly at closing market bid price and partly at a fixed fundraise price. DP Poland is valued at a closing price, the day before suspension took effect.

Level 3 investments are valued in accordance with IPEV guidelines. Hasgrove plc is valued using a range of inputs, including the most recent transaction price, whilst Rated People Ltd and Popsa Holdings Ltd is valued at the latest fundraise price. Fusionex International plc and Airnow Group plc are held at the latest available price. The loan notes are held at cost which is deemed to be current fair value.

All capital gains or losses on investments are classified at FVTPL. Given the nature of the Company's venture capital investments, the changes in fair value of such investments recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as holding gains or losses.

At 30 November 2020 there were no commitments in respect of investments approved by the Investment Manager but not yet completed. The transaction costs incurred when purchasing or selling assets are written off to the Income Statement in the period that they occur.

11. Current Asset Investments and Cash at Bank

Accounting Policy

For the purposes of the cash flow statement, cash at bank comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents. This comprises government securities, investment grade bonds and investments in money market funds.

Current asset investments on the Balance Sheet comprise of investments in Open Ended Investment Companies (OEICs), money market funds and deposits and are designated as FVTPL. Gains and losses arising from changes in fair value of current investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve – unrealised.

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

Disclosure

Current asset investments at 30 November 2020 and at 30 November 2019 comprised of money market funds and deposits and OEICs. These fall into Level 1 of the fair value hierarchy as defined in the Fixed asset investment accounting policy in Note 10 above.

	30 November 2020 £'000	30 November 2019 £'000
OEICs:		
FP Octopus UK Micro Cap Growth Fund	**4,573**	2,850
FP Octopus UK Multi Cap Income Fund	**2,496**	718
Octopus Portfolio Manager – Conservative Capital Growth	**1,752**	6,542
Octopus Portfolio Manager – Defensive Capital Growth	**1,575**	6,348
Total current asset investments	**10,396**	16,458
Money Market Funds	**3,486**	3,474
Total current asset investments and money market funds	**13,882**	19,932
Cash at bank	**14,838**	1,881
	28,720	21,813

12. Debtors

	30 November 2020 £'000	30 November 2019 £'000
Prepayments and accrued income	**120**	108
Other debtors	**–**	26
	120	134

13. Creditors: Amounts falling due within one year

	30 November 2020 £'000	30 November 2019 £'000
Accruals	**583**	152
Trade creditors*	**805**	–
Other	**1**	1
	1,389	153

*Trade creditors relates to an investment made where the trade date was in current year whilst the settlement date falls after year end. This movement is captured under the investing activities section of the cash flow statement.

14. Share capital

	30 November 2020 £'000	30 November 2019 £'000
Allotted and fully paid up:		
125,660,654 Ordinary Shares of 0.01p (2019: 110,492,852)	**13**	11

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

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

Date	Number of shares	Price per share (p)	Total cost of shares repurchased (£)
19 December 2019	321,283	70.8	228,000
23 January 2020	684,729	73.3	502,000
20 February 2020	538,063	73.2	394,000
19 March 2020	237,186	58.2	138,000
23 April 2020	251,844	64.0	161,000
28 May 2020	152,800	64.6	99,000
25 June 2020	137,063	67.0	92,000
23 July 2020	118,828	67.7	80,000
27 August 2020	121,731	73.5	89,000
24 September 2020	144,618	72.9	105,000
22 October 2020	633,056	75.2	476,000
19 November 2020	447,458	77.4	346,000
Totals	**3,788,659**		**2,710,000**

The total nominal value of the shares repurchased for cancellation was £379 representing 3.01% of the issued share capital (2019: 3,838,793 shares with a nominal value of £384 representing 3.47% of the issued share capital).

The Company issued the following shares during the year:

Date	Number of shares	Price per share (p)	Net proceeds of shares issued (£)
16 January 2020	3,572,789	81.5	2,727,455
06 March 2020	8,317,435	76.2	5,915,169
16 April 2020	250,071	70.2	165,266
26 May 2020 (DRIS)	698,494	67.1	468,689
24 June 2020*	32,178	69.9	22,493
28 October 2020	5,502,829	84.6	4,365,004
5 November 2020 (DRIS)	582,665	78.4	456,809
Totals	**18,956,461**		**14,120,885**

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

The total value net of share issue costs was £13,196,000, excluding the value of shares issued under the DRIS (2019: £4,460,000). This is shown in the cash flow statement.

15. Reconciliation of movements in equity

	Notes	30 November 2020 £'000	30 November 2019 £'000
Shareholders' funds at start of year		**80,040**	90,630
Total comprehensive income/(loss) after tax		**17,762**	(476)
Share capital bought back	14	**(2,710)**	(2,782)
Issue of shares (net of issue costs)	14	**14,121**	1,574
Dividends paid	7	**(5,067)**	(8,906)
Shareholders' funds at end of year		**104,146**	80,040

Included within these reserves is an amount of £26,065,000 (2019: £9,838,000) which is considered distributable to shareholders.

During the year there was a share premium cancellation amounting to £23.4 million. This was carried out with the approval of shareholders for the purposes of creating sufficient distributable reserves.

16. Financial Instruments

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

	30 November 2020 £'000	30 November 2019 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments	**76,695**	58,246
Money market securities	**3,486**	3,474
OEICs	**10,396**	16,458
Total financial assets at fair value through profit or loss	**90,577**	78,178
Financial assets measured at amortised cost		
Cash at bank	**14,838**	1,881
Debtors	**120**	134
Total financial assets measured at amortised cost	**14,958**	2,015
Financial liabilities measured at amortised cost		
Creditors	**1,389**	153
Total financial liabilities measured at amortised cost	**1,389**	153

The Company holds five qualifying, unquoted investments; Rated People Limited, Popsa Holdings Limited, Airnow Group plc, Hasgrove plc which delisted from AIM in 2013, and Fusionex plc which delisted from AIM in 2017. The Company also holds one unquoted loan note investments Osirium Technologies plc valued at £400,000, held at cost. Unquoted investments and loan notes are included in fixed asset investments in the table above.

Fixed and current asset investments (see notes 10 and 11) are initially recognised at FVTPL. For quoted investments this is bid price. The Directors believe that the fair value of the assets held at the year end is equal to their book value. Unquoted investments are valued in accordance with IPEV guidelines.

The Company's creditors and debtors are initially recognised at fair value which is usually the transaction cost and subsequently measured at amortised cost using the effective interest method.

The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. The Directors believe that the fair value of the assets held at the year end is equal to their book value.

17. Financial Risk Management

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

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 20. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance Report on pages 33 to 36, having regard to the possible effects of adverse price movements, and other macroeconomic affects on the market such as the Coronavirus outbreak and Brexit with the objective of maximising overall returns to shareholders. Investments in smaller companies, by their nature, usually involve a higher degree of risk than investments in larger companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

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

By value, 69% (2019: 69%) of the Company's net assets comprised equity securities listed on the London Stock Exchange or quoted on AIM. In the context of the short-term market volatility caused by the Coronavirus pandemic and the uncertainty around Brexit, we have increased the sensitivity analysis to 20% compared to 10% in 2019. Therefore, a decrease in the bid price of these securities as at 30 November 2020 would have decreased net assets and the total return for the year by £14,270,000 (2019: £5,500,000 decrease); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount.

OEIC investments comprised 10% of the Company's net assets by value (2019: 21%). A 20% decrease (2019: 10%) in the price of these securities at 30 November 2020 would have decreased net assets by £2,079,000 (30 November 2019: £1,646,000 decrease); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount.

Unquoted investments comprised 5% of the Company's net assets by value (2019: 3%). A 20% decrease (2019:10%) in the price of these securities at 30 November 2020 would have decreased net assets by £989,000 (2019: £251,000 decrease); and an equivalent change in the opposite direction would have increased net assets for the year by the same amount. The directors consider this to not be significant.

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 0.1% at 30 November 2020 (2019: 0.75%). The amounts held in floating rate investments at the balance sheet date were as follows:

	30 November 2020 £'000	30 November 2019 £'000
Money Market Funds	**3,486**	3,474
Cash at bank	**14,838**	1,881
	18,324	5,355

A 1% increase in the base rate would increase income receivable from these investments and the total return for the year by £183,240 (2019: £53,550).

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

Other than cash, loan notes or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 30 November 2020 or 30 November 2019. By value, no individual bank holding or fixed rate note investment exceeded 18% of the Company's net assets at 30 November 2020 (2019: 8%).

The Company's interest-bearing deposit and current accounts are maintained with HSBC and BlackRock. The risk of loss to this cash is deemed to be low due to the historical credit ratings and a current Moody's rating of A2 for HSBC and A3 for BlackRock cash funds.

The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. Should the credit quality or the financial position of HSBC deteriorate significantly, the Investment Manager will move the cash holdings to another bank.

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

Credit risk relating to loans to and shares in unquoted companies is considered to be part of market risk. The investments in money market funds and OEICs are uncertified.

Those assets of the Company which are traded on recognised stock exchanges are held on the Company's behalf by third party sub-custodians (for example, BlackRock in the case of listed money market securities and Octopus Investments Limited in the case of quoted equity securities). Bankruptcy or insolvency of a custodian could cause the Company's rights with respect to securities held by the custodian to be delayed or limited or by bankruptcy proceedings.

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

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

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

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

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 30 November 2020 these investments were valued at £28,720,000 (2019: £21,813,000).

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

18. Post balance sheet events

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

- an investment of £720,000 into the FP Octopus UK Micro Cap Growth Fund
- an investment of £560,000 into the FP Octopus UK Multi Cap Income Fund
- an investment of £347,136 into Abingdon Health plc
- an investment of £320,000 in Oberon Investments Group plc
- an investment of £439,999 in British Honey Company plc
- partial disposal of 91,600 shares in Ilika plc for total consideration of £230,519
- partial disposal of 66,600 shares in Ergomed plc for total consideration of £784,307.
- partial disposal of 56,600 shares in Trackwise Designs plc for total consideration of £164,147.
- partial disposal of 80,000 shares in Verici Dx plc for total consideration of £74,053.
- partial disposal of 825,000 shares in Maestrano Group plc for total consideration of £131,960.
- disposal of £1.3 million in Octopus Portfolio Manager – Conservative Capital Growth
- disposal of £1.3 million in Octopus Portfolio Manager – Defensive Capital Growth

The following shares have been allotted since the year end:

- 9 December 2020: 8,353,120 shares at a price of 89.8p per share
- 9 December 2020: 2,174,835 shares at a price of 89.8p per share

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

- 10 December 2020: 557,881 shares at a price of 73.3p per share

19. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments as at 30 November 2020 (2019: nil).

20. Related Party Transactions

The Company has employed Octopus Investments Limited ("Octopus" or "the Manager") throughout the period as Investment Manager. Octopus has also been appointed as Custodian of the Company's investments under a Custodian Agreement. The Company has been charged £1,335,000 by Octopus as a management fee in the year to 30 November 2020 (2019: £1,411,000). The management fee is payable quarterly and is based on 2% of net assets at quarterly intervals.

The Company receives a reduction in the management fee for the investments in other Octopus managed funds, being the Octopus Portfolio Manager and Micro Cap Growth Fund, to ensure the Company is not double charged on these products. This amounted to £54,000 in the year to 30 November 2020 (2019: £71,000). For further details please refer to note 3. Details of amounts invested in Octopus managed funds can be found on page 12.

Octopus received £nil (2019:£nil) transaction fees and directors' fees from investee companies.

Information and Contact Details

Octopus AIM VCT 2 plc was launched as Close IHT AIM VCT PLC in March 2006 and raised £25 million through an offer for subscription. On 12 August 2010 the Company acquired the assets and liabilities of Octopus Third AIM VCT plc (formerly Octopus Second AIM VCT plc) ("the merger") and changed its name from Octopus IHT AIM VCT plc to Octopus Second AIM VCT plc. Shareholders of Octopus Third AIM VCT plc received 0.48356191 Ordinary shares in the Company for each Ordinary share they had prior to the merger. On 30 January 2015, the Company name changed to Octopus AIM VCT 2 plc.

An offer, launched on 6 February 2012 and which closed on 5 April 2012, raised £1.3 million for the Company. An offer launched on 25 April 2012, closed on 31 July 2012 and raised a further £0.5 million for the Company. An Enhanced Buyback Facility opened on 23 October 2012 and closed on 28 December 2012. 10,470,985 existing shares were tendered and 9,974,094 new shares were issued. An Offer for subscription of up to £10 million, which opened on 1 February 2013 and closed on 17 January 2014, raised £5.9 million. A further Offer for subscription to raise £4.1 million was opened on 3 February 2014 and closed, fully subscribed, on 28 March 2014. A combined fund raise with Octopus AIM VCT plc by way of an issue of new shares was launched on 29 August 2014 to raise up to £8 million with an over-allotment facility of £4 million was closed, fully subscribed on 11 August 2015. A combined fund raise with Octopus AIM VCT plc by way of an issue of new shares was launched on 21 December 2015 to raise up to £8 million with an over-allotment facility of £4 million. This Offer closed, fully subscribed, on 21 October 2016. On 6 February 2017 the Board announced a further Offer for subscription to raise up to £4.3 million. A further combined Offer for subscription with Octopus AIM VCT plc was launched on 16 June 2017 to raise up to £12 million with an over-allotment facility of £4 million which closed to new applications on 14 November 2017. A combined fund raise with Octopus AIM VCT plc by way of an issue of new shares was launched on 3 August 2018 to raise up to £20 million with an over-allotment facility of £10 million. This offer closed, fully subscribed, on 28 September 2018. A further combined fundraise with Octopus AIM VCT plc by way of an issue of new shares was launched on 29 November 2019 to raise a combined total of up to £20 million with a £10 million over allotment facility. This offer closed, fully subscribed, on 27 February 2020. On 20 August 2020, a prospectus offer was launched alongside Octopus AIM VCT plc to raise a combined total of up to £20 million with a £10 million over allotment facility. This prospectus closed to further applications on 30 November 2020.

About 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 80% of the Company's investments must comprise 'qualifying holdings'* (as defined in the legislation);
- at least 70% of the qualifying holdings must be invested into Ordinary shares with no preferential rights (30% for funds invested before 6 April 2011);
- no single investment made can exceed 15% of the total Company value at the time of investment; and
- a minimum of 10% of each qualifying investment must be in Ordinary shares with no preferential rights.

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

VCT Legislation

The Finance Act 2018 contained some further adjustments to the VCT regulations. The new requirements are that any funds raised in accounting periods beginning on or after 6 April 2018 should be 30% invested in qualifying holdings within 12 months of the end of the accounting period in which the shares were issued, and for financial years ending after 6 April 2019 the portfolio will also have to maintain a minimum qualifying investment of 80%. The Board, in conjunction with the Manager, has reviewed the impact of the new legislation on the Company's investment strategy and has concluded that it expects there to be sufficient investment opportunities to enable the Manager to comply with the new rules and to continue to generate attractive returns for shareholders.

Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose or complete an instruction electronically by visiting the Computershare Investor Centre at: **www-uk.computershare.com/investor/**.

Queries relating to dividends, shareholdings or requests for mandate forms should be directed to Computershare by calling **0370 703 6326** (calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open Monday-Friday 9.00am-5.30pm), or by writing to them at:

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

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

Dividends paid during the period ending	Octopus AIM VCT 2 Ordinary shares 2020/21	Octopus AIM VCT 2 Ordinary shares 2019/20	Octopus AIM VCT 2 Ordinary shares 2018/19	Octopus AIM VCT 2 Ordinary shares 2017/18	Octopus AIM VCT 2 Ordinary shares 2016/17	Octopus AIM VCT 2 Ordinary shares 2015/16	Octopus AIM VCT 2 Ordinary shares 2014/15	Octopus AIM VCT 2 Ordinary shares 2013/14	Octopus AIM VCT 2 Ordinary shares 2012/13	Octopus AIM VCT 2 Ordinary shares 2011/12	Octopus AIM VCT 2 Ordinary shares 2010/11	Octopus Second AIM VCT (formerly Octopus IHT AIM VCT A&B shares) 2005/06	Octopus Third AIM VCT C&D shares 2005/06 (formerly Octopus Second AIM VCT)	Octopus Third AIM Ordinary shares 2000/01 (formerly Octopus Second AIM VCT plc)
30 November 2003				–	–	–	–	–	–	–	–	–	–	1.6
30 November 2004				–	–	–	–	–	–	–	–	–	–	–
30 November 2005				–	–	–	–	–	–	–	–	–	–	–
30 November 2006				–	–	–	–	–	–	–	–	1.4	–	1
30 November 2007				–	–	–	–	–	–	–	–	2.0	0.8	7
30 November 2008				–	–	–	–	–	–	–	–	2.0	2.2	11
30 November 2009				–	–	–	–	–	–	–	–	2.0	2.0	2
30 November 2010				–	–	–	–	–	–	–	–	2.5	5.4	2.2
30 November 2011				–	–	–	–	–	–	–	4.7*	3.3	3.9*	1.6*
30 November 2012				–	–	–	–	–	2.3*	4.4*	4.6*	3.2	3.8*	1.6*
30 November 2013				–	–	–	–	4.5*	5.1*	4.7*	5.0*	3.5	4.1*	1.7*
30 November 2014				–	–	–	4.3*	5.2*	5.8*	5.4*	5.8*	4.0	4.7*	1.9*
30 November 2015				–	–	7.0*	6.4*	7.8*	8.7*	8.1*	8.6*	6.0	7.1*	2.9*
30 November 2016				–	4.8*	4.6*	4.3*	5.2*	5.8*	5.4*	5.8*	4.0	4.7*	1.9*
30 November 2017				4.5*	4.9*	4.8*	4.4*	5.3*	5.9*	5.5*	5.9*	4.1	4.8*	2.0*
30 November 2018			4.5*	4.6*	5.0*	4.9*	4.5*	5.5*	6.1*	5.6*	6.0*	4.2	4.9*	2.0*
30 November 2019		9.8*	8.7*	8.9*	9.7*	9.4*	8.6*	10.5*	11.7*	10.9*	11.6*	8.1	9.5*	3.9*
30 November 2020	6.0*	5.1*	4.5*	4.6*	5.0*	4.9*	4.5*	5.5*	6.1*	5.6*	6.0*	4.2	4.9*	2.0*
Total dividends paid (assumed investment at 100p)	**6.0**	**14.9**	**17.7**	**22.6**	**29.4**	**35.6**	**37.0**	**49.5**	**57.5**	**55.6**	**64.0**	**54.5**	**62.8**	**46.3**
Adjusted NAV (assumed investment at 100p)	**118.1p****	**100.5****	**86.9****	**90.7****	**98.8****	**96.2****	**88.3****	**107.7****	**120.1****	**111.4****	**119.2****	**82.9**	**97.5****	**40.1****
NAV plus total dividends (assumes investment at 100p)	**124.1*****	**115.4*****	**104.6*****	**113.3*****	**128.2*****	**131.8*****	**125.3*****	**157.2*****	**177.7*****	**167.1*****	**183.2*****	**137.4**	**160.2*****	**86.4*****

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

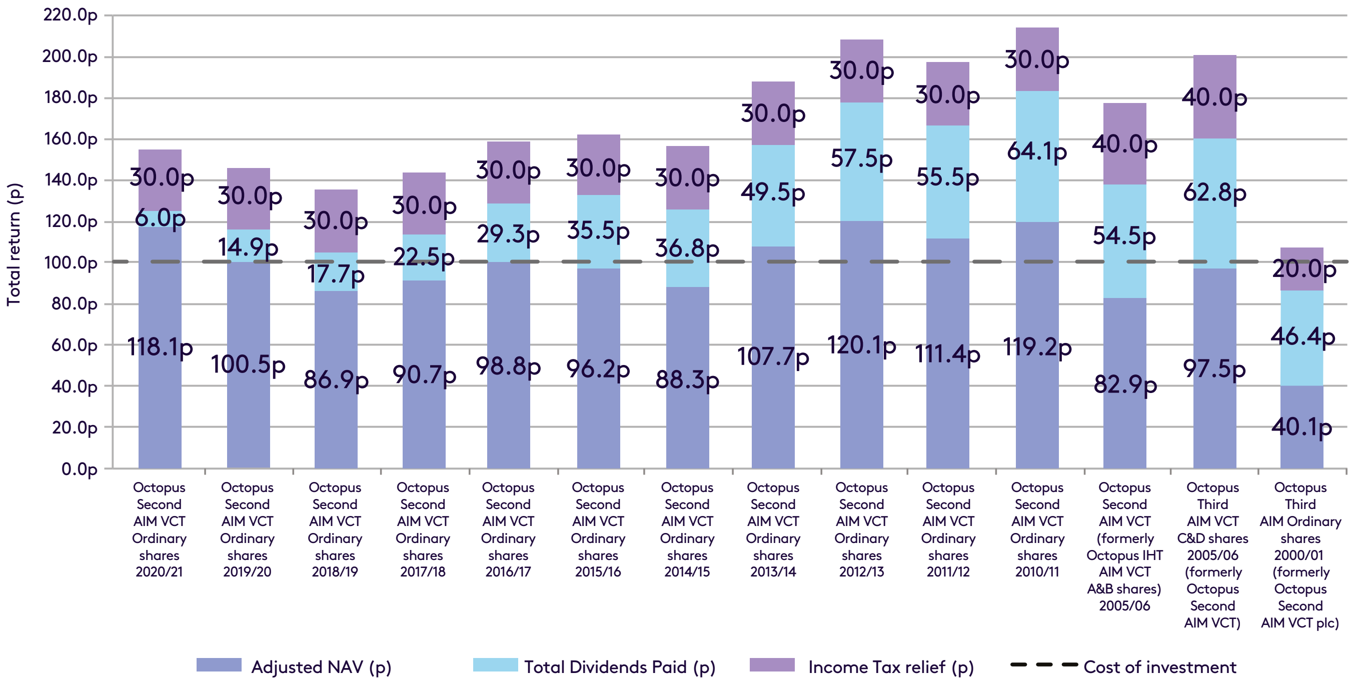
**NAV assuming investment at 100p and adjusting for conversion of various share classes into Octopus AIM 2 VCT plc Ordinary shares.

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

Notes

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

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



The proposed final dividend of 2.1p will, if approved by shareholders, be paid on 21 May 2021 to shareholders on the register on 30 April 2021.

Dividend Reinvestment Scheme ("DRIS")

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

Any shareholder wishing to reinvest their dividends can request a DRIS instruction form by calling Computershare on **0370 703 6326** or complete an instruction electronically by visiting the Computershare Investor Centre at: **www-uk.computershare.com/investor/**. The application form and rules can also be found in the Document Library on the Octopus Investments Limited website: **www.octopusinvestments.com/investor/our-products/venture-capital-trusts/octopus-aim-vcts/**.

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 19 February 2021	89.5 pence per share

Buying and Selling Shares

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

Buyback of Shares

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

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

Chris Lloyd	020 7886 2716	chris.lloyd@panmure.com
Paul Nolan	020 7886 2717	paul.nolan@panmure.com

Secondary Market

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

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

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

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment, this should be notified to the Company's registrar, Computershare, under the signature of the registered holder or via the Computershare Investor Centre at: **www-uk.computershare.com/investor/**. Computershare's contact details are provided on page 71.

Other Information for Shareholders

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

Electronic Communications

We also publish reports and accounts and all other correspondence electronically. This cuts the cost of print and reduces the impact on the environment. If, in future, you would prefer to receive an email telling you a report is available to view or to receive documents by email, please complete the enclosed form or contact Octopus on **0800 316 2295** or Computershare on **0370 703 6326**. Alternatively you can sign up to receive e-communications via the Computershare Investor Centre at: **www-uk.computershare.com/investor/**.

Warning to Shareholders

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

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

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

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

Glossary of Terms

Alternative performance measure ("APM")
A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. These APMs will help Shareholders to understand and assess the Company's progress. A number of terms within this Glossary have been identifies as APMs.

Net asset value or NAV
The value of the VCTs' total assets less liabilities. It is equal to the total shareholders' funds.

Net asset value per share or NAV per share
The NAV per share of the Company is the sum of the underlying assets less the liabilities of the Company divided by the total number of shares in issue.

Ongoing charges ratio (APM)
The ongoing charges Ratio has been calculated using the AIC recommended methodology and exclude irrecoverable VAT, exceptional costs and trail commission. The figure shows the annual percentage reduction in shareholder returns as a result of recurring operational expenses. It informs shareholders of the likely costs that will be incurred in managing the fund in the future.

This is calculated by dividing your expenses of £1,646,028 which includes the expenses listed out in Note 4 on page 55 excluding irrecoverable VAT, exceptional costs and trail commission by average new assets of £87,198,914.

Total Return (APM)
Total return is calculated as movement in NAV per share in the period plus dividends paid in the period, dividend by the NAV per share at the beginning of the period. Total return on the NAV per share enables shareholders to evaluate more clearly the performance of the Fund, as it reflects the underlying value of the portfolio at the reporting date.

Directors and Advisers

The Board of Directors
Keith Mullins (Chairman)
Andrew Raynor FCA
Alastair Ritchie BA
Elizabeth Kennedy LLB (Hons) FCIS FCSI

Company Number
Registered in England No: 05528235

Secretary and Registered office
Octopus Company Secretarial Services Limited
33 Holborn
London
EC1N 2HT

Investment and Administration Manager
Octopus Investments Limited
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Custodians
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Bankers
HSBC Bank plc
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EC1N 2HR

Independent Auditor
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Tax Adviser
PricewaterhouseCoopers UK
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London
WC2N 6RH

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

Registrars
Computershare Investor Services PLC
The Pavilions
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Bristol
BS99 6ZZ
Tel: 0370 703 6326
(calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate.
www.computershare.com/uk
www-uk.computershare.com/investor/

Corporate Broker
Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF
020 7886 2500

Notice of Annual General Meeting

At the date of this Notice, there remain in place UK Government restrictions on public gatherings and social distancing. In light of this it is likely that general meetings will be required to be held on a closed basis until at least 17 May 2021 and possibly until at least 21 June 2021. This means shareholders will not be able to attend the AGM in person. Therefore, we would strongly encourage all shareholders to appoint the Chairman of the Meeting as their proxy to vote on their behalf. Please continue to check our website **octopusinvestments.com/aimvcts-shareholders/** in advance of the Meeting in case there are any further changes to the arrangements for the AGM. However, the Board intends to host a virtual shareholder event on the same day as the AGM at 11.30am to enable shareholders to receive a presentation on the fund performance from the Investment Manager and ask the Board any questions relating to the AGM resolutions or Report & Accounts.

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 29 April 2021 at 11:00 am for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 5, 6 and 10 will be proposed as Ordinary Resolutions and Resolutions 7, 8 and 9 will be proposed as Special Resolutions:

Ordinary Business

1. To receive and adopt the financial statements for the year to 30 November 2020 and the Directors', Auditor's and Strategy reports therein.

2. To approve a final dividend of 2.1p per Ordinary share.

3. To approve the Directors' Remuneration Report.

4. To re-elect 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 £2,513 (representing approximately 20% of the Ordinary share capital in issue at the date of this Notice) such authority to expire at the later of the conclusion of the Company's AGM next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in a general meeting but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority). The authority granted under this resolution is in addition to existing authorities.

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

(a) reference to allotment in this Resolution shall be construed in accordance with s560(2) of the said Act; and

(b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

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

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

(a) the maximum number of Ordinary shares so authorised to be purchased shall not exceed 18,836,532 Ordinary shares, representing approximately 14.99% of the Company's issued share capital at the date of this Notice;

(b) the minimum price which may be paid for an Ordinary share shall be 0.01p;

(c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to (i) 105% of the average of the middle market quotation for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased; and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation;

(d) the authority conferred comes to an end at the conclusion of the next AGM of the Company or upon the expiry of 15 months from the passing of this Resolution, whichever is the later; and

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

9. Cancellation of Share Premium

THAT, subject to the approval of the High Court of Justice, £9.2m of the amount standing to the credit of the share premium account of the Company as at 30 November 2017 be cancelled.

10. Continuation of the Company as a VCT

THAT the Company continue as a VCT until 2026.

By Order of the Board

Keith Mullins

Keith Mullins
Chairman
22 February 2021

Notes:

(a) A member entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member. In light of the UK government's public health guidelines on the Coronavirus pandemic and the interests of the safety and wellbeing of our shareholders, this year's AGM will be run as a closed meeting and shareholders will not be able to attend in person or online.

(b) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is two days before the day of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

(c) A form of proxy is enclosed which, to be effective, must be completed and delivered to the Company's registrars, **Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY** or alternatively, you may register your proxy electronically at **www.investorcentre.co.uk/eproxy**, in each case, so as to be received by no later than 48 hours before the time the AGM is scheduled to begin. To vote electronically, you will be asked to provide your Control Number, Shareholder Reference Number and PIN which are detailed on your proxy form.

Appointment of a proxy, or any CREST proxy instruction (as described in paragraph (d) below) will not preclude a member from subsequently attending and voting at the meeting should he or she choose to do so. This is the only acceptable means by which proxy instructions may be submitted electronically.

(d) To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

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

Questions from our shareholders in relation to the AGM can be sent via email to **AIMVCT2AGM@octopusinvestments.com.** The Company may, however, elect to provide answers to questions raised within a reasonable period of days after the conclusion of the AGM.

(g) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

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

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

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

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

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

(ii) It is defamatory of any person; or

(iii) It is frivolous or vexatious.

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

(i) A copy of the Notice of AGM and the information required by Section 311A Companies Act 2006 is included on the Company's website, **www.octopusinvestments.com** under VCTs. Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules and a copy of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the AGM, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.

(j) As at 19 February 2021 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 135,159,918 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 19 February 2021 are 135,159,918.

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