OCTOPUS
SECOND AIM VCT PLC

OCTOPUS INVESTMENTS

ANNUAL REPORT FOR THE YEAR ENDED
30 NOVEMBER 2010

FINANCIAL HEADLINES

67.9p Net Asset Value at 30 November 2010

1.65p Proposed final dividend per Ordinary share for the year to 30 November 2010

CONTENTS

SHAREHOLDER INFORMATION AND CONTACT DETAILS

Financial Calendar

The Company's financial calendar is as follows:

19 May 2011	Annual General Meeting
June/July 2011	2010 final dividend paid
July 2011	Half-yearly results to 31 May 2011 announced
March 2012	Annual results for the year to 30 November 2011 announced; Annual Report and financial statements published

Dividends

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

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

The table opposite shows the Net Asset Value ('NAV') per share and lists the dividends that have been paid since the launch of Octopus Second AIM VCT plc, including all historic share classes. Before the merger there were two separate companies, Octopus Second AIM VCT and Octopus IHT AIM VCT. Upon the merger, Octopus IHT AIM VCT acquired the net assets of Octopus Second AIM VCT. At which point Octopus Second AIM VCT was renamed Octopus Third AIM VCT and Octopus IHT AIM VCT was renamed Octopus Second AIM VCT:

Investors originally investing into:

Year ending	Octopus Second AIM VCT (post August 2010)	Octopus IHT AIM VCT 'A' Shares	Octopus Third AIM VCT Ordinary shares (formerly Octopus Second AIM VCT) (pre August 2010)*	Octopus Third AIM VCT 'C' and 'D' shares (formerly Octopus Second AIM VCT plc)*
2003	–	–	1.6	–
2004	–	–	–	–
2005	–	–	–	–
2006	–	1.4	1.0	–
2007	–	2.0	7.0	0.8
2008	–	2.0	11.0	2.2
2009	–	2.0	2.0	2.0
2010	1.5	2.5	2.2	5.4
Cumulative dividends paid (p)	**1.5**	**9.9**	**24.8**	**10.4**
NAV at 30 November 2010 (p)	**67.9**	**67.9**	**32.8**	**79.8**
NAV plus total dividends (p)	**n/a**	**77.8**	**57.6**	**90.2**

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

SHAREHOLDER INFORMATION AND CONTACT DETAILS (continued)

Share Price

The Company's share price is published daily in the Financial Times and its FTSE classification is 'Investment Companies' 'VCTs'. It can also be found on various financial websites with the following TIDM/EPIC code:

	Ordinary shares
TIDM/EPIC code	OSEC
Latest share price (11 March 2011)	65.0p per share

Buying and Selling Shares

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

The Company operates a policy of buying its own shares for cancellation as they become available. 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, you may wish to contact Matrix Corporate Capital ('Matrix');

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

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

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrar, Capita Registrars, under the signature of the registered holder. Their contact details are provided on page 57.

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 Services, Investor Services, Venture Capital Trusts, Octopus Second AIM VCT. All other statutory information will also be found there.

Warning to Shareholders

The VCT is aware that some shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offer to buy shares at a discount or offer for free company reports. Please note that it is very unlikely that either Octopus Investments Limited ('Octopus') or the Company's Registrar would make unsolicited telephone calls to shareholders. In any event 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 veracity of an unsolicited phone call, please call either Octopus, or the Registrar, at the numbers provided at the back of this report.

ABOUT OCTOPUS SECOND AIM VCT PLC

Octopus Second AIM VCT plc (the "Company" or "Fund" or "Second AIM") is a venture capital trust ("VCT") which aims to provide shareholders with attractive tax-free dividends and long-term capital growth.

The Investment Manager is Octopus Investments Limited ("Octopus" or "Manager"). The Company 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 will have received 0.48356191 Ordinary shares in the Company for each Ordinary share they had prior to the merger.

On 9 July 2010 the VCT issued a prospectus, proposing to raise a further £10 million by way of a top-up into the existing share class. Full details of the offer can be found in the prospectus sent to shareholders.

On 31 August 2010 the Company changed its Registered Office from 8 Angel Court, London, EC2R 7HP to 20 Old Bailey, London EC4M 7AN.

Venture Capital Trusts (VCTs)

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

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

The Company has been approved as a VCT by HM Revenue & Customs. In order to maintain its approval the Company must comply with certain requirements on a continuing basis. Above all, the Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 30% must comprise eligible Ordinary shares. For this purpose a 'VCT qualifying holding' consists of up to £1 million invested in any one year in new shares or securities of a UK unquoted company (which may be quoted on AIM) which is carrying on a qualifying trade, and whose gross assets at the time of investment do not exceed a prescribed limit. The definition of 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing. The Company will continue to ensure its compliance with these qualification requirements.

FINANCIAL SUMMARY

	Year to 30 November 2010	Year to 30 November 2009
Net assets (£'000s)*	**24,774**	10,783
Net profit after tax (£'000s)	**1,281**	1,484
Net asset value per share	**67.9p**	69.5p
Dividend per share – paid in year	**2.50p******	2.00p
Dividend proposed	**1.65p**	1.00p

* The significant increase in net assets of the current year is largely due to the merger and subsequent incorporation of the net assets of Octopus Third AIM VCT plc.

** 1.00p of this was paid pre-merger.

CHAIRMAN'S STATEMENT

Introduction

This is my first opportunity to welcome all the new shareholders following the merger of Octopus IHT AIM VCT with Octopus Third AIM VCT in August 2010. The resultant company used the corporate structure of IHT AIM VCT, but adopted the name of Second AIM VCT. Thus, former shareholders of IHT AIM VCT will have seen no change in the number of shares they hold, but holders of Octopus Third AIM VCT will have 0.48356191 new shares for each Ordinary share they had prior to the merger. These accounts cover the year to 30 November 2010, which is the usual year end for the former IHT AIM VCT. I appreciate that the new shareholders have not received a set of accounts for some time, as the year end of Third AIM VCT was extended by two months to the end of April 2010, requiring accounts to be released by the end of August 2010, by which time the merger was complete. I hope that all shareholders will find the contents interesting and useful and I hope that I will be able to meet as many of you as possible at the Annual General Meeting in May.

In addition to the merger, your Company has also announced a fundraising, so that shareholders and others can subscribe for new Ordinary shares. I will comment on this later. Meanwhile, the stock market has recovered strongly, as has the UK economy. While small companies in general lagged the broader market, your Company's NAV plus cumulative dividends has also risen, albeit modestly, and I believe can continue to do so in 2011.

Dividend

As part of the merger process your Board reconsidered its dividend policy and concluded, in discussion with the Manager, that setting a target annual yield of 5% was both realistic and achievable. Therefore, as you may have read in the merger prospectus, your Board has adopted this new dividend policy. An interim dividend of 1.5 pence was paid in October 2010 in respect of the six months period to May 2010 and, based on a share price of approximately 60 pence, was equivalent to a 5% annual yield. It was paid to all shareholders, since both IHT and Third AIM VCT had paid similar dividends per share and Third AIM VCT investors were due a final dividend in respect of the year to February 2010. Your Board has declared another dividend of 1.65 pence, subject to shareholders' and Her Majesty's Revenue & Customs ("HMRC") approval. As the NAV and share price change, so it would be your Board's intention to maintain the 5% target.

Your Company has continued to buy back shares, partly as a means of keeping the discount to an acceptable level. Reflecting the movement in NAV in the six months to 30 November 2010, the average share price paid has been approximately 60 pence.

New Capital

As the merger process required a prospectus to be produced, it seemed sensible to take the additional power to raise new capital using the same document, at a time when the Manager was seeing an increased number of investment opportunities. Although the new capital will have to be invested under the latest VCT regulations, which are different from the regulations governing the capital at the time of the merger, the Board set the limit at £10 million so as not to endanger the VCT qualifying nature of the Company. At present, the Manager is confident of raising the full £10 million.

As the Manager's Review will show, your Company has made some new investments this year and indeed made several in December immediately after the year end. As a provider of essential equity capital for small companies, which are capable of being British success stories in years to come, we believe your Company continues to fulfill the objectives of both investors and the government in permitting tax relief to investors. AIM VCTs continue to act as an effective channel by which investors can support small growing companies and it is to be hoped that the government will continue to support them in their endeavours.

CHAIRMAN'S STATEMENT (continued)

Merger

The merger of Octopus IHT AIM VCT and Octopus Third AIM VCT has gone smoothly. There have been no major portfolio issues to resolve since there was a very high overlap between the investments of the two VCTs. The costs came in below budget and all the shares held in Treasury by either VCT were cancelled at the time of the merger.

VCT Qualifying Status

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

A key requirement is to maintain at least the 70% qualifying investment level. As at 30 November 2010, 83.0% of the portfolio, as measured by HMRC rules, was invested in VCT qualifying investments.

Performance

At the end of November 2010 the Net Asset Value ('NAV') was 67.9 pence per share, which compares with 69.5p at 30 November 2009 for Octopus IHT AIM VCT. Shareholders in Octopus Third AIM VCT converted their shares at the ratio of 1 to 0.48356191 shares in the new Second AIM VCT, so to make a comparison these NAV per share figures need to be adjusted by that conversion ratio. The merger meant that the number of shares held was adjusted to reflect the higher NAV per share of Octopus IHT AIM VCT, so the value of your investment at the merger date remained the same (ignoring the merger costs).

This NAV per share is after paying total dividends in the year of 2.5p (1.5p having been paid post merger), and after bearing the merger costs, which were equivalent to 0.6p per share. Adding back these payments, which were made from the capital of the Company, means that the adjusted NAV was 71.0p per share. Comparing this with the 69.5p of November 2009 implies a rise in the NAV of 2.2%. By way of comparison the AIM index rose by 11.2% and the FTSE Small-cap ex investment trusts index by 4.9%. Given the very substantial representation of the resources sector in these indices, which your Company cannot invest in, your Board regards this as a creditable performance, which should continue to improve as smaller companies return to favour.

Outlook

Commentators and newspapers continue to reiterate their concerns about the major issues facing the world, and about the difficulty politicians will have in finding and implementing solutions. These remain substantially as they have been over the past year – the sustainability of recovery, inflationary pressures, the fragile condition of public finances in many countries, and the long-term effects of some of the measures being taken. These difficulties have been complicated more recently by a sharply higher oil price, itself reflecting political turmoil in the Middle East and North Africa.

However, the majority of small companies themselves have continued to report good trading results, despite the persistent reluctance of banks to lend to them as a group. It seems likely that this will have two effects. First, it will present investment opportunities for your Company. Secondly, it will begin to reinforce distinctions between better and poorly managed companies and to the extent that they are listed companies held in the portfolio, there will be a beneficial impact on the NAV. At present, the UK economy does seem set to grow again this year and this should again provide a good background against which your Company's NAV can make progress.

Keith Mullins

Keith Richard Mullins
Chairman
23 March 2011

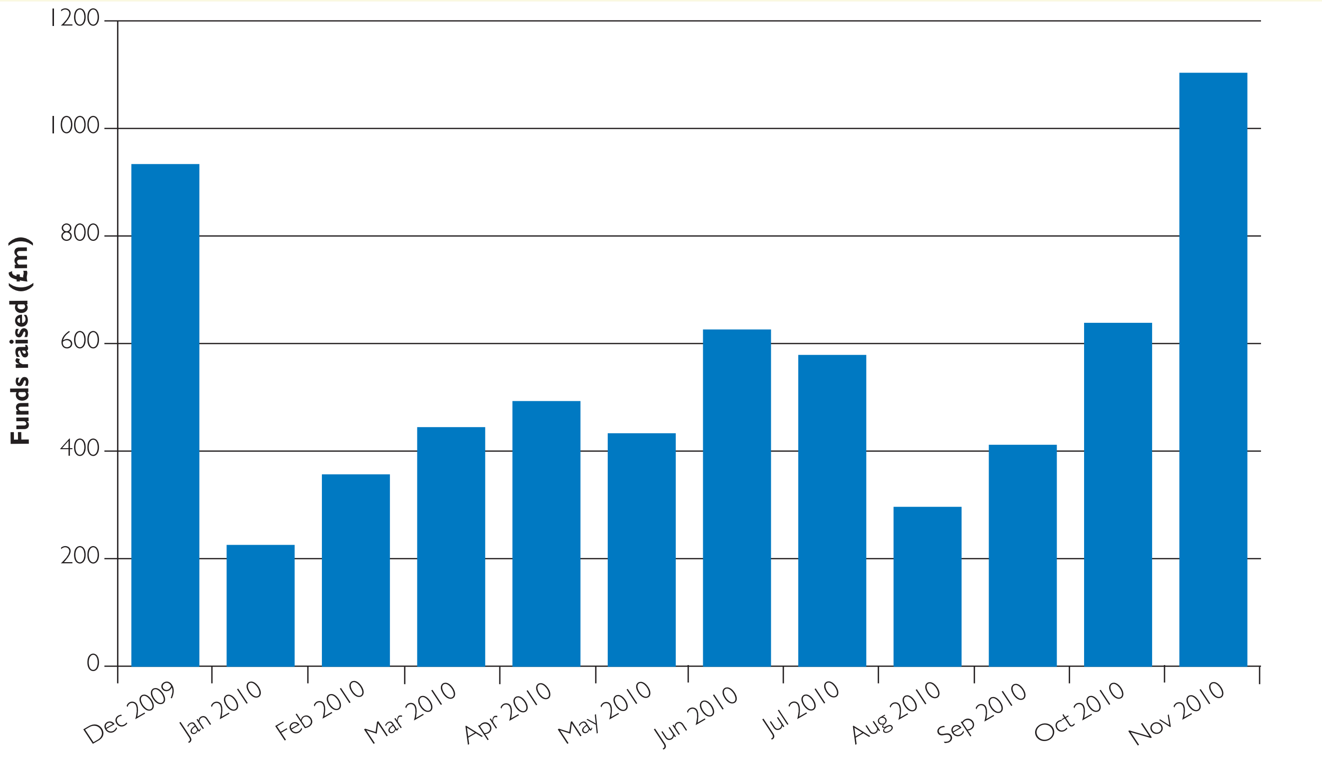
INVESTMENT MANAGER'S REVIEW

The Alternative Investment Market ('AIM')

Despite the good trading results that many AIM and other smaller companies reported in March 2010, it was not until much later in the year that prices in general started to rise. In the case of AIM, the Index then powered ahead fuelled by renewed enthusiasm for resource stocks which continue to have a disproportionate impact on the index. The small-cap index ex investment trusts showed a much more modest gain of 4.9% over the period under review, with nearly all of this being achieved towards the end. Your Company benefitted to a small degree from this recovery in share prices, which has continued into the present year. However, the start of 2009/10 was marked by the continuing aftermath of the financial crisis, the impending General Election and grave concerns about the capacity of both the global and the UK economies to recover. Even so, in the last accounts we remarked that we believed "it would be wrong to be too pessimistic", that "we have seen the beginnings of bid activity around the portfolio which is a sure sign of value" and that "recent trading statements have indicated that trading is in line with expectations or better". That was the correct investment stance a year ago and we believe that it remains so now. However, a general appreciation of the benefits for smaller company share prices had to wait until September, with the micro-cap sector that your portfolio has the greatest exposure to, inevitably the last to react.

AIM received poor press for most of the year, which was not merited by the trading performance of many companies. However, as sentiment improved progressively, so flotations and other fund raisings increased in value and in frequency. It would be overstating the position to say that by the end of November 2010, AIM had returned to normal, but at least it displayed a sense of purpose and of positive direction. AIM was attracting both new UK and overseas companies. In the twelve months to 30 November 2010, AIM raised £6.5 billion of new capital, nearly £1 billion more than in the year previously.

Funds raised on AIM: December 2009 - November 2010 (source: London Stock Exchange)



INVESTMENT MANAGER'S REVIEW (continued)

Performance

In the year to 30 November 2010, the AIM index rose by 30.3%. Significant contributions to this movement came from the resources sector, which produced a total return of 72% (source: Dimson and Marsh, RBS HGSC Index 2011) and together with the oil sector, these two accounted for 40% of AIM's value at the period end and therefore had a significant influence on the index's movement. Since VCTs are substantially precluded from investing in these sectors, comparisons are not really relevant. We continue to regard the FTSE Small-cap ex investment trusts index as more meaningful as a comparison, despite the fact that a VCT can not invest in any of that index's constituents. In the year to 30 November 2010 this index rose by 4.9% and in the same period the NAV of your company fell from 69.5p to 67.9p per share. However, during the year total dividends of 2.5p were paid to shareholders. This should be added back to give a year end NAV of 70.4p and a resultant performance showing a small increase in the NAV. The holders of Third AIM VCT will have had a different performance. The performance since inception of these old classes of shares is included in the table on page 1 so that shareholders can see what the NAV returns would have been as well as details of dividends paid.

This is not as good as we had hoped that it would be at the start of the year for three main reasons. First, a few holdings performed below expectations including Hasgrove, CBG Group, and Bond International Software. We believe that the managements of these companies are working to improve the present situation and that their share prices will recover in time. Second, there is still a substantial element of the portfolio where an appreciation in the share price depends on the company management completing deals to drive the value in the investment. In cases such as Managed Support Services and Praesepe progress has been slower than first hoped, although both companies now have made acquisitions of a size to enable the businesses to progress and build value for shareholders. However, the biggest factor in the disappointing performance was the number of holdings where the newsflow was good, but the share prices did not react positively. Examples of this would be Vertu Motors, where the share price still sits at around half of net asset value despite a constant round of forecast upgrades, and Chime Communications which still sits at a discount to its peers although its shares have had a strong run since the period end.

Good performance was seen in the share price rises of Brooks Macdonald, EKF, Craneware, IS Pharma, Praesepe, Idox, Plastics Capital, Breedon Aggregates and Animalcare as well as in companies which were the subject of takeover bids.

Portfolio Activity

Your portfolio is set out on page 10 of the accounts and includes holdings in Octopus Third AIM VCT at an adjusted book cost on the merger date, 12 August 2010.

We remarked a year ago that early signs of take-over activity had been seen and this was a recurring theme throughout the year. As a result we sold Research Now, Melorio, Win, Clapham House, Innovision and Mount Engineering to acquiring companies. The aggregate profit on these sales was £879,000 which can be distributed in capital dividends in the future. We also accepted part shares part cash for

Telephonetics, and we increased the resultant holding in Netcall, the acquirer. The only entire holding sold in the market, rather than to an acquirer, was Pressure Technologies, for a profit of £20,000. Clerkenwell also wound itself up and returned cash to shareholders after it failed to find a qualifying trade. We made a small loss on this investment. Since the period end, IS Pharma has announced that it is in merger talks with Sinclair Pharma. At this stage, take-over activity shows no sign of slackening.

We have added to the number of non-qualifying holdings during the second half of the year, with aggregate purchases of £1.3 million, which included more RWS, but also new holdings in Hargreaves Services, Matchtech and Immunodiagnostic Systems. The objective is to supplement the paltry returns currently on offer from cash balances.

In the interim report for Octopus IHT AIM VCT investors, it was reported that three new investments had been made, Snacktime and Access Intelligence (both qualifying holdings) and RWS (a non-qualifying holding). In the second half of the year, we have invested an aggregate £1.58 million into 3 new qualifying holdings, which were EKF Diagnostics, Netcall and Marwyn Materials, which has been renamed Breedon Aggregates. These new investments were made by both of the constituent VCTs, but the £1.58 million cost is the total for the two VCTs together.

The momentum of VCT qualifying investments has continued since the year end, and the fund has invested a further £760,000 in three more qualifying investments, Corac, Brady and Woodspeen.

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

Realisation	First investment date	Cost of investment (£'000)	Proceeds of investment (£'000)	Total gain/(loss) (£'000)
Telephonetics plc	July 2006	305	128	(177)
Pressure Technologies plc	May 2007	381	401	20
Mount Engineering plc	June 2007	602	818	216
Clerkenwell Ventures plc	August 2007	63	43	(20)
Melorio plc	October 2007	410	754	344
Fishworks plc**	November 2007	184	–	(184)
Research Now plc	December 2007	461	661	200
Innovision plc	July 2009	120	234	114
WIN plc*	August 2010	61	65	4
Clapham House plc*	August 2010	33	34	1

*These were investments inherited from the merger with Octopus Third AIM VCT plc. The date of first investment made by Octopus Third AIM VCT plc was September 2004 for WIN plc and November 2003 for Clapham House plc.

**Fishworks plc was dissolved in the year but had already been written down to nil in previous accounts.

INVESTMENT MANAGER'S REVIEW (continued)

Investment Portfolio

Qualifying investments	Sector	Book cost as at 30 November 2010 (£'000)	Cumulative change in fair value (£'000)	Fair value at 30 November 2010 (£'000)	Movement in year (£'000)	% equity held by Second AIM VCT	% equity held by all funds managed by Octopus
IS Pharma plc	Healthcare equipment	1,112	212	1,324	123	3.0%	4.8%
Animalcare Group plc	Food producers	924	313	1,237	153	5.3%	9.0%
Craneware plc	Software	530	642	1,172	457	0.8%	1.5%
Advanced Computer Software plc	Software	915	244	1,159	(17)	1.0%	2.3%
EKF Diagnostics plc	Healthcare equipment	869	113	982	113	2.7%	8.9%
Brulines (Holdings) plc	Support services	866	(92)	774	(122)	2.6%	4.6%
Chime Communications plc	Media & marketing	750	23	773	90	0.5%	0.7%
Praesepe plc	Travel & leisure	670	87	757	161	2.4%	4.5%
Managed Support Services plc	Support services	828	(110)	718	(76)	5.7%	9.8%
Breedon Aggregates Limited	Construction	601	100	701	100	0.9%	2.3%
Brooks MacDonald Group plc	General financial	600	97	697	97	0.7%	2.8%
Clarity Commerce Solutions plc	Software	651	(21)	630	18	4.3%	8.3%
Idox plc	Software	381	212	593	138	1.2%	2.6%
Access Intelligence plc	Support services	544	–	544	–	4.2%	9.1%
Vertu Motors plc	General retailers	777	(233)	544	(41)	0.9%	3.6%
Matchtech Group plc	Support services	442	50	492	50	1.0%	10.4%
Immunodiagnostic Systems plc	Healthcare equipment	454	26	480	25	0.2%	2.8%
Plastics Capital plc	Chemicals	485	(52)	433	159	2.6%	16.5%
Lombard Medical Technologies plc	Healthcare equipment	599	(215)	384	3	1.9%	1.9%
Netcall plc	Telecommunications	421	(88)	333	(17)	2.1%	5.0%
Snacktime plc	Food & drug retailers	367	(55)	312	(55)	1.5%	7.3%
Tasty plc	Travel & leisure	334	(33)	301	(11)	2.9%	7.3%
Hargreaves Services plc	Support services	282	(8)	274	(8)	0.1%	2.9%
Hasgrove plc	Media	436	(170)	266	58	2.0%	12.0%
RWS Holdings plc	Support services	249	(17)	232	(17)	0.2%	4.1%
Bond International Software plc	Software	303	(97)	206	(99)	1.1%	3.4%
Omega Diagnostics Group plc	Healthcare equipment	203	(20)	183	(92)	1.3%	4.3%
Twenty plc	Media	566	(420)	145	38	7.8%	14.7%
Optare plc	Industrial engineering	657	(521)	135	(67)	1.0%	1.5%
Colliers International UK plc	Real estate	196	(63)	132	(63)	0.7%	3.1%
Mattioli Woods plc	General financial	96	34	130	34	0.3%	2.6%
CBG Group plc	Non-life insurance	637	(520)	117	(150)	3.3%	17.2%
Mears Group plc	Support services	93	8	101	8	0.0%	0.3%
Atlantic Global plc	Software	119	(23)	97	(22)	3.2%	3.2%
Adept Telecom plc	Telecommunications	501	(420)	82	4	1.7%	4.4%
Work Group plc	Support services	473	(395)	79	15	2.1%	6.2%
Zetar plc	Food producers	68	(2)	66	(2)	0.2%	3.6%
Jelf Group plc	General financial	122	(57)	65	19	0.1%	0.5%
Cello Group plc	Media	54	10	64	10	0.2%	9.6%
Strategic Thought Group plc	Software	46	10	56	10	0.5%	7.0%
Altitude Group plc	Media	24	26	50	26	0.7%	5.1%
Datong plc	Electronic equipment	29	9	38	9	0.4%	3.4%
Individual Restaurant Company plc	Travel & leisure	160	(132)	28	(4)	0.5%	1.1%
Daisy Group plc	Telecommunications	20	1	21	1	0.0%	0.1%
Media Square plc	Media	8	(5)	3	(4)	0.2%	1.0%
Total fixed asset investments		**19,462**	**(1,552)**	**17,910**	**1,052**		
Money market funds		6,587	–	6,587			
Total fixed investments and money market funds				**24,497**			
Cash at bank				126			
Debtors less creditors				151			
Total net assets				**24,774**			

Top 10 Holdings

Listed below are the ten largest investments by value as at 30 November 2010

IS Pharma plc

IS Pharma plc is an international pharmaceutical company involved in the development and commercialisation of niche healthcare products, with a specialisation in cancer care.

Initial investment date:	March 2008
Cost:	£1,112,000
Valuation:	£1,324,000
Equity held:	3.0%
Last audited accounts:	March 2010
Profit before tax:	£2.6 million
Net assets:	£30.3 million

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

Animalcare Group plc

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

Initial investment date:	December 2007
Cost:	£924,000
Valuation:	£1,237,000
Equity held:	5.3%
Last audited accounts:	June 2010
Loss before tax:	(£0.6) million
Net assets:	£14.1 million

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

Craneware plc

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

Initial investment date:	September 2007
Cost:	£530,000
Valuation:	£1,172,000
Equity held:	0.8%
Last audited accounts:	June 2010
Profit before tax:	$7.3 million
Net assets:	$22.1 million

Further information can be found at www.craneware.com

INVESTMENT MANAGER'S REVIEW (continued)

Advanced Computer Software plc

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

Initial investment date:	July 2008
Cost:	£915,000
Valuation:	£1,159,000
Equity held:	1.0%
Last audited accounts:	February 2010
Profit before tax:	£4.2 million
Net assets:	£78.5 million

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

EKF Diagnostics plc

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

Initial investment date:	July 2010
Cost:	£869,000
Valuation:	£982,000
Equity held:	2.7%
Last audited accounts:	December 2009
Loss before tax:	(£0.3) million
Net assets:	£5.6 million

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

Brulines (Holdings) plc

Brulines (Holdings) plc designs and sells fluid monitoring systems to pubs and bars. The company is the market leader in its field and manages information from over 22,000 licensed premises, over one in three pubs in the UK. The system allows the landlord to reconcile the amount of beer being dispensed against what is being delivered. It also sells monitoring systems for petrol forecourts and vending machines.

Initial investment date:	October 2006
Cost:	£866,000
Valuation:	£774,000
Equity held:	2.6%
Last audited accounts:	March 2010
Profit before tax:	£4.0 million
Net assets:	£21.0 million

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

Chime Communications plc

Chime Communications plc provides public relations, advertising, market research and direct marketing, design, event management and sports marketing for a range of clients.

Initial investment date:	April 2008
Cost:	£750,000
Valuation:	£773,000
Equity held:	0.5%
Last audited accounts:	December 2009
Profit before interest & tax:	£18.6 million
Net assets:	£116.8 million

Further information can be found at www.chime.plc.uk

INVESTMENT MANAGER'S REVIEW (continued)

Praesepe plc

Praesepe plc is an operator of low stake, high volume adult gaming and bingo centres in the UK.

Initial investment date:	February 2009
Cost:	£670,000
Valuation:	£757,000
Equity held:	2.4%
Last audited accounts:	December 2009
Loss before tax:	(£1.4) million
Net assets:	£29.4 million

Further information can be found at www.praesepeplc.com

Managed Support Services plc

Managed Support Services plc maintains and services all types of commercial buildings on behalf of private and public sector organisations.

Initial investment date:	February 2009
Cost:	£828,000
Valuation:	£718,000
Equity held:	5.7%
Last audited accounts:	March 2010
Loss before tax:	(£4.9) million
Net assets:	£7.6 million

Further information can be found at www.managedsupportservicesplc.com

Breedon Aggregates Limited (formerly Marwyn Materials)

Breedon Aggregates supplies a diverse range of products to the construction and building sectors from a number of quarries and other sites in the Midlands and Scotland, having been acquired by Marwyn Materials in September 2010.

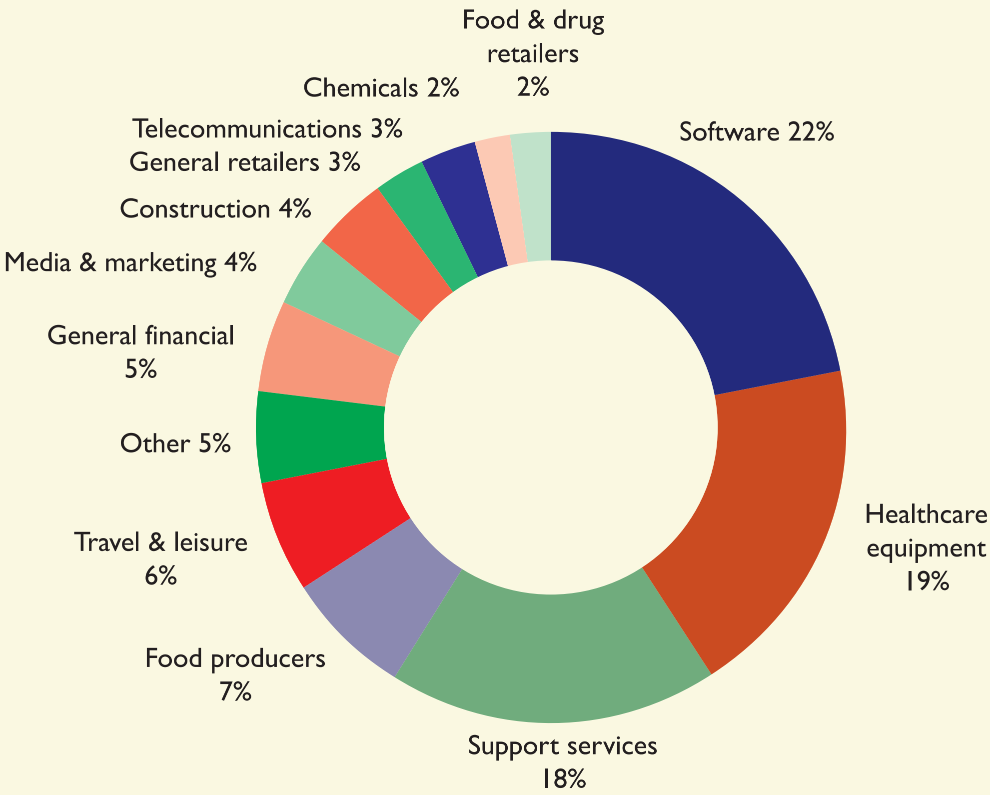
Initial investment date:	August 2010
Cost:	£601,000
Valuation:	£701,000
Equity held:	0.9%
Last audited accounts:	December 2009
Loss before tax:	(£0.8) million
Net assets:	£11.9 million

Further information can be found at www.breedonaggregates.com

INVESTMENT MANAGER'S REVIEW (continued)

Sector Analysis

The graph below shows the sectors the Fund is invested in by value as at 30 November 2010:



INVESTMENT MANAGER'S REVIEW (continued)

Outlook

The recent news of the earthquake and Tsunami in Japan added to fears of political instability in the Middle East that have resulted, in the short term, in a more volatile stock market environment. This has inevitably had an impact on share prices as the possibilities for international growth are contemplated.

However, the balance of the news from your portfolio companies has continued to be positive since the year end, and the NAV has started to respond and now stands at 70.0 pence as at 14 March 2011. There were a number of opportunities to invest our cash balances in new qualifying holdings in the final quarter of 2010, and we are optimistic that these conditions will continue in 2011. There are no immediate signs that the banks want to increase their lending to small companies, and the balance seems to have swung in favour of equity fundraisings, many of which have turned out surprisingly successful in terms of the sums raised.

Our prime source of information about the direction, health and prospects of the economy derives, as you might expect, from conversations with the management teams of the companies making up your portfolio, as well as other companies in which we are invested. That provides our knowledge of the state of both corporate and personal demand, the raw material price pressures and all the other evidence we have about labour availability and wage rates, for example. We are well aware of the tendency of managements to remain optimistic for too long and to fail to recognise turning points in economic trends. However, when they are themselves part of the evidence of a turning point, the message can be very powerful: as it was this time last year. There have been recent reminders of the difficulties companies and the UK economy face – for example, the initial GDP growth rate for the fourth quarter of 2010 being negative. However, both an elongated break over Christmas and the snow disruption have probably yet to be fully understood and early conversations with managements since January suggest that economic progress remains the order of the day.

We are not complacent about the severity of many problems ahead, nor of their magnitude. However, we are also well aware of the momentum in the economy, of the confidence of many of the managements we meet, particularly those with long term contracts from corporate customers and those with interesting product virtues.

So while we remain on the lookout for signs of increasing economic difficulty, whether that is international oil prices and political instability or domestic inflation and unemployment, as it affects individual companies in your portfolio, our fundamental belief is that smaller company shares remain undervalued and relatively unappreciated by investors. It is also true that many of the holdings in your portfolio are beginning to mature as businesses, and this is why we feel that the NAV can rise this year, despite the set back caused to share prices by the Japanese earthquake.

If you have any questions on any aspect of your investment, please call one of the team on 0800 316 2347.

The AIM team

Octopus Investments Limited
23 March 2011

DETAILS OF DIRECTORS

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

Keith Richard Mullins (Chairman) (53)

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 Mullins became a Director of the Company on 14 September 2005.

Andrew Paul Raynor FCA (53)

Andy Raynor joined RSM Tenon Group PLC ("RSM Tenon") in 2001 after its acquisition of the independent partnership formerly known as BDO Stoy Hayward – East Midlands. Following the acquisition of this business by RSM Tenon, he became finance director and, in a subsequent board reorganisation, chief executive in 2003. Prior to joining RSM Tenon, he spent almost 20 years with BDO Stoy Hayward – East Midlands, where he established the corporate finance department and held overall responsibility for business development, before becoming managing partner. Andy Raynor became a Director of the Company on 14 September 2005.

Elizabeth Anita Kennedy LLB (Hons) FCIS FCSI (55)

A qualified solicitor, Elizabeth has worked for nearly 30 years in corporate finance, principally in IPO, secondary issue, takeover code, UKLA sponsor and AIM nominated adviser work. She has been a member of the London Stock Exchange's AIM Advisory Group since 1995, was its chairman between 1999 and 2002 and is a member of the AIM Disciplinary Committee. Elizabeth is a divisional director in the corporate broking department of Brewin Dolphin Limited and a non executive director of F & C Private Equity Trust plc and Clean Future VCT No. 1 plc. Elizabeth Kennedy became a director of Octopus Third AIM VCT plc in February 2001 and a Director of the Company on 12 August 2010.

Alastair James Ritchie BA (Econ) (63)

Alastair Ritchie is chairman of John Swan & Sons plc, which is quoted on AIM, and a director of Aberforth Geared Capital & Income Trust plc. He has considerable experience in small companies, both private and public, and has served as chairman of several companies. Alastair Ritchie became a director of Octopus Third AIM VCT plc in February 2001 and a Director of the Company on 12 August 2010.

THE INVESTMENT MANAGER

Personal Service

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

We are working hard to manage your money in the current climate. We share your goal to make money from your investment, as our money is invested alongside yours. If you have any questions about this report, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on 0800 316 2347.

Octopus Investments Limited was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Octopus also acts as Manager of 17 other listed investment companies and has a total of approximately £2 billion of funds under management.

The AIM investment team of Octopus Investments Limited comprises:

Andrew Buchanan

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

Kate Tidbury

Kate has had an extensive career which has included periods as an investment analyst with Sheppards and Chase and Panmure Gordon and then as an Investment Manager specialising in ethical and smaller companies with the Co-operative Bank and Colonial First State Investments. She joined the AIM team at Close Brothers in 2000 where she was involved in the management of this Company since its launch in 2006 as well as other AIM VCTs and IHT portfolios. She joined Octopus 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 to head up the AIM team in 2004. He is involved in the management of AIM portfolios, AIM VCTs and the CF Octopus UK Microcap Growth Fund.

Edward Griffiths

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

Paul Stevens

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

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 November 2010.

The Company's independent auditor is required by law to report on whether the information given in the Directors' Report (including the Business Review) is consistent with the financial statements. The auditor's opinion is included in their report on pages 34 and 35.

Principal Activity and Status

The Company is a VCT and its principal activity is to invest in a diversified portfolio of AIM-listed companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream. The Company has been granted full approval as a VCT by HMRC. In order to maintain approved status, the Company must comply on a continuing basis with the provisions of s280A of the Income Tax Act 2007; in particular, the Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 30% must comprise eligible Ordinary shares. For this purpose, a "VCT qualifying holding" consists of up to £1 million invested in any one year in new shares or securities of a UK unquoted company (which may be quoted on AIM) that is carrying on a qualifying trade, and whose gross assets at the time of investment do not exceed a prescribed limit. The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing.

The Company has been approved by HMRC as a VCT in accordance with Part 6 of the Income Tax Act 2007. In the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 30 November 2010 is subject to review should there be any subsequent enquiry under corporation tax self assessment.

Under current tax legislation, shares in the Company provide tax free capital growth and income distribution, in addition to the income tax relief some investors would have obtained when they invested at the time of the initial fundraising.

To allow the Company to distribute realised capital gains and purchase its own shares, following the creation of the Special distributable reserve on cancellation of the Company's share premium account, Investment company status was revoked on 16 July 2008. The Directors are required by the Articles of Association to propose an Ordinary Resolution at the Company's Annual General Meeting in 2011 that the Company should continue as a VCT for a further five year period and at each fifth subsequent Annual General Meeting thereafter. If any such Resolution is not passed, the Directors shall within four months convene a general meeting to consider the proposals for the reorganisation or winding-up of the Company.

Review of Business Activities

The Directors are required by s417 of the Companies Act 2006 to include a Business Review to shareholders. The Business Review is set out below but also includes the Chairman's Statement on pages 5 to 6 and the Investment Manager's Review on pages 7 to 15.

The purpose of this Review is to provide information about the main trends and factors likely to affect the future development, performance and position of the Company.

Merger with Octopus Third AIM VCT plc

In August 2010, shareholders of the Company and Octopus Third AIM VCT plc ("Third AIM") were sent proposals outlining a merger of the two Octopus VCTs to be implemented by Third AIM being placed into members' voluntary liquidation and its assets and liabilities being purchased by the Company.

The merger was approved by shareholders of both companies at extraordinary general meetings held on 4 August 2010. The merger was effected by issuing Ordinary shares of the Company to the then shareholders of Third AIM at a ratio of 0.48356191. This meant that for every share held by shareholders of Third AIM, they received 0.48356191 shares in Second AIM. Any fraction of shares arising from the calculations was rounded down to the nearest whole share.

Upon the merger, Octopus Second AIM VCT was renamed Octopus Third AIM VCT and Octopus IHT AIM VCT was renamed Octopus Second AIM VCT.

Performance and Key Performance Indicators (KPIs)

As a VCT, the Company's objective is to provide shareholders with an attractive income and capital return by investing its funds in a broad spread of unquoted UK companies which meet the relevant criteria for VCTs. The Board has a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE Small-Cap Index and the FTSE All-Share Index. This is shown in the graphs on page 31 of the Directors' Remuneration Report. These indices have been adopted as an informal benchmark. Investment performance, cash returned to shareholders and share price are also measured against the Company's peer group of the other AIM VCTs. The Chairman's Statement, on pages 5 to 6 includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 7 to 15. Further details of the Company's risk management policies are provided in note 17 to the financial statements. The total expense ratio for the Company for the year to 30 November 2010 was 3.4% based upon average net assets throughout the year (2009: 3.0%). Total running costs are capped at 3.5% of net assets.

Results and Dividend

	Year ended 30 November 2010 £'000	Year ended 30 November 2009 £'000
Net profit attributable to shareholders	**1,281**	1,484
Appropriations:		
Final dividend proposed 1.65p per Ordinary (2009 – 1p) per Ordinary share	**610**	154

Objective and Investment Policy

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

The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 80 per cent in a portfolio of qualifying AIM, PLUS quoted investments or unquoted companies where the management view an initial public offering ('IPO') on AIM or PLUS a short to medium term objective. Once its qualifying target has been reached, the Company intends that approximately 20% of its funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities and short term money market deposits with, or issued, by major companies and institutions with a minimum Moody's long term debt rating of 'A'. A proportion of the 20% could be invested in an authorised UK smaller company fund managed by Octopus or direct in equities and bonds. This 20% could provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

DIRECTORS' REPORT (continued)

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

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

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

Principal Risks, Risk Management and Regulatory Environment

The Board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the Board are as follows:

VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment. The Investment Manager keeps the Company's VCT qualifying status under continual review and reports to the Board regularly throughout the year. The Board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

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

Financial risk: By its nature, as a VCT, the Company is exposed to market price risk, credit risk, liquidity risk, fair value and cash flow interest rate risks. All of the Company's income and expenditure is denominated in sterling and hence the Company has no foreign currency risk. The Company is financed through equity and does not have any borrowings. The Company does not use derivative financial instruments.

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

Regulatory risk: the Company is required to comply with the Companies Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

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

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

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

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

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

Directors

Elizabeth Kennedy and Alastair Ritchie were appointed on 12 August 2010 following the completion of the merger with Third AIM. On the same date Christopher Holdsworth Hunt resigned as a Director.

The Directors of the Company during the year and their interests (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued Ordinary shares of 0.01p are shown in the table below:

	Ordinary shares of 0.01p each 30 November 2010	Ordinary shares of 0.01p each 30 November 2009
Keith Richard Mullins	**50,000**	50,000
Andrew Paul Raynor	**20,700**	20,700
Alastair James Ritchie	**31,809**	–
Elizabeth Anita Kennedy	**37,380**	–
Christopher Holdsworth Hunt	**–**	51,500

All of the Directors' shares were held beneficially. There have been no changes in the Directors' share interests between 30 November 2010 and the date of this report.

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

Elizabeth Kennedy and Alastair Ritchie retire in accordance with the Articles of Association, and being eligible, offer themselves for re-election. The Board has considered provision A.7.2 of the Combined Code 2008 and believes that they continue to be effective and demonstrate commitment to their roles. They, therefore, recommend their re-election at the forthcoming Annual General Meeting.

Brief biographical notes on the Directors are given on page 16.

DIRECTORS' REPORT (continued)

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.

Management

Octopus Investments Limited ('the Manager') acts as Investment Manager to the Company. The principal terms of the Company's management agreement with Octopus are set out in note 3 to the financial statements. The Manager also provides secretarial, administrative and custodian services to the Company. The Managers are not entitled to any performance fee.

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 efficient and effective service provided by Octopus to the Company.

Share Issues and Open Offers

During the year 20,489,637 (2009: 8,984,075 A) Ordinary shares were issued as a result of the merger at a deemed issue price of 63.20p per share (2009: B Ordinary shareholders converting their B Ordinary shares into A Ordinary shares on a 1 for 1 basis). A further 951,343 shares were issued through the offer. At the date of this report, the Company was open for offers.

Share Buy-Backs

During the year, the Company purchased 705,334 shares for a weighted average price of 59p per share (2009: 659,644 shares for a weighted average price of 60p per share) for total consideration of £416,454 (2009: £397,760). These shares were cancelled. They were repurchased in accordance with the Company's share buy-back facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV. During the year, 840,019 Ordinary shares, previously held in Treasury, were cancelled. (2009: 17,680,650 B Ordinary shares).

Appointment and Replacement of Directors

A person may be appointed as a Director of the Company by the shareholders in 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 or she is recommended by the Directors or, not less than seven nor more than 42 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 or her appointment as a Director of the Company) is to be subject to election as a Director of the Company by the members at the first Annual General Meeting of the Company following his or her appointment. At each Annual General Meeting of the Company one-third of the Directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one-third, are to be subject to re-election. The Companies Act allows shareholders in a general meeting by Ordinary Resolution (requiring a simple majority of the persons 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.

International Financial Reporting Standards

As the Company is not part of a group it is not mandatory for it to comply with International Financial Reporting Standards. The Company does not anticipate that it will voluntarily adopt International Financial Reporting Standards in the short term. However, in accordance with the "Future of UK GAAP" project, as a publicly accountable entity, the Company will be required to report under full IFRS when this is implemented. This is not expected to have a significant impact upon the balances included in the financial statements, but will give rise to significant changes in presentational information and disclosures.

Creditor Payment Policy

The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The Company does not follow any code or standard with regard to creditor payment practice. At 30 November 2010 there were no trade creditors (2009: £nil).

Going Concern

The Company's business activities and the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Investment Manager's Review on pages 7 to 15. Further details on the management of financial risk may be found in note 17 to the Financial Statements.

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

Substantial Shareholdings

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

Annual General Meeting

Notice convening the 2011 Annual General Meeting of the Company and a form of proxy in relation to the meeting can each be found at the end of this document. In addition to the ordinary business and the re-appointment of the auditors, the following special business will also be proposed. Resolutions proposed as ordinary resolutions will require more than 50% of the votes cast at the meeting being in favour and resolutions proposed as special resolutions will require at least 75% of the votes cast being in favour.

Independent Auditor

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

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

(a) there is no relevant information of which the auditors are unaware; and

(b) they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

The authority proposed under Resolution 7 is required so that the Directors may issue shares in connection with the current offer or other offers if the Directors believe this to be in the best interests of

DIRECTORS' REPORT (continued)

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 7 renews the Directors' authority to allot up to 17,198,488 Ordinary shares (representing approximately 45% of the Company's issued share capital at 17 March 2011 – the latest practicable date before publication of this document). The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

Resolution 8 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 7 and for the same reasons. The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 9 is required so that the Directors may make purchases of up to approximately 10% of the Company's expected issued share capital following closure of the current offer and Resolution 9 seeks renewal of such authority. The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase and the Buyback and Stabilisation Regulations 2003. 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 be cancelled. The authority conferred by this resolution will expire on the earlier of the next Annual General Meeting and the date falling 15 months after the date of the passing of the resolution.

To continue as a VCT

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

By order of the Board

Celia L Whitten FCIS
Company Secretary
23 March 2011

CORPORATE GOVERNANCE

The Board of Octopus Second AIM VCT plc has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2008 Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company is committed to maintaining high standards in corporate governance. The Directors consider that the Company has, throughout the year under review, complied with the provisions set out in the 2008 Combined Code on Corporate Governance with the exceptions set out in the Compliance Statement on page 29.

There are no restrictions on the transfer of securities or on voting rights known to the Company.

Share Capital, Rights Attaching to the Shares and Restrictions on Voting and Transfer

The Company's issued share capital as at 30 November 2010 was £3,624 divided into 36,244,288 shares of 0.01p each. There were no shares held in Treasury. 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) *Dividends*

The holders of the Ordinary shares shall be entitled to receive profits resolved to be distributed and paid as dividend out of the income derived from the assets attributable to the Ordinary shares net of the expenses and liabilities attributed to such assets in accordance with Article 3.9. 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) *Rights as to Capital*

The holders of the Ordinary shares shall be entitled to the surplus assets attributable to the Ordinary shares after payment of such proportion of the Company's liabilities, including the fees and expenses of a liquidation or other return of capital, as the Directors or liquidator shall reasonably attribute to the assets attributable to the Ordinary shares.

(c) *Voting Rights*

All Ordinary shares shall rank pari passu with each other as to rights to receive notice of, to attend and to vote at any general meeting of the Company. The holders of the Ordinary shares shall be entitled to notice of any general meeting at which such a Resolution or special Resolution is to be proposed. On a show of hands, every eligible 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

CORPORATE GOVERNANCE (continued)

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 and 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.

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.

Board of Directors

The Company has a Board of four non-executive Directors, all of whom are considered to be independent. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board. The Board has a formal schedule of matters specifically reserved for its decision which include:

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

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

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

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

During the year the following were held:

Four full Board meetings	Two Audit Committee meetings
All members attended with the exception of Andy Raynor who was unable to attend two of the meetings.	All members attended with the exception of Christopher Holdsworth Hunt who was unable to attend one of the meetings.

Additional meetings were held as required to address specific issues including considering recommendations from the Investment Manager and approval of documentation to shareholders. A brief biographical summary of each Director is given on page 16.

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

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

Audit Committee:

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

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

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

CORPORATE GOVERNANCE (continued)

- 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 PKF (UK) LLP, the Company's external auditor.

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.

During the year ended 30 November 2010, the Audit Committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement and remuneration;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing Octopus' statement of internal controls and compliance procedures in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of Octopus's compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial and interim results statement prior to Board approval; and
- reviewing the external auditor's detailed reports to the Committee on the annual financial statements.

Internal Control

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls, under Turnbull guidance 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 Managers.

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

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

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying; evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Financial Reporting Council guidelines for internal control. The Board does not consider it necessary to maintain a separate internal audit function.

Financial Risk Management Objectives and Policies

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

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the Annual General Meeting. In addition to the formal business of the Annual General Meeting, the Board is available to answer any questions shareholders may have.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at 20 Old Bailey, London EC4M 7AN. Alternatively, the team at Octopus is happy to answer any questions you may have and can be contacted on 0800 316 2347.

Compliance Statement

The Listing Rules require the Board to report on compliance with the 48 Combined Code provisions throughout the accounting year. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 30 November 2010 with the provisions set out in the 2008 Combined Code.

1. New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise.
2. The Company does not have a Chief Executive Officer or senior independent Director. The Board does not consider this necessary for the size of the Company.
3. The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for a VCT.
4. The Company does not have a separate Nomination Committee, appointments are dealt with by the full Board as and when appropriate.
5. The non-executive Directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts.
6. The Company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting.
7. The Company does not have a remuneration committee as it does not have any executive Directors.

By order of the Board

Celia L Whitten FCIS
Company Secretary
23 March 2011

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with s421 of the Companies Act 2006, in respect of the year ended 30 November 2010. An Ordinary Resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The Company's auditors, PKF (UK) LLP, are required to give their opinion on certain information included in this report; this comprises the Directors' emoluments section below only. Their report on these and other matters is set out on pages 34 and 35.

Consideration by the Directors of matters relating to Directors' Remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect. The Board has not sought advice or services from any person in respect of its consideration of Directors' remuneration during the year (although the Directors expect from time to time to review the fees against those paid to the boards of directors of other VCTs).

Statement of the Company's Policy on Directors' Remuneration

The Board consists entirely of non-executive Directors, who meet at least four times a year and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for, at least, a period of 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 Annual General Meetings. Re-election will be recommended by the Board but dependent upon shareholder vote.

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

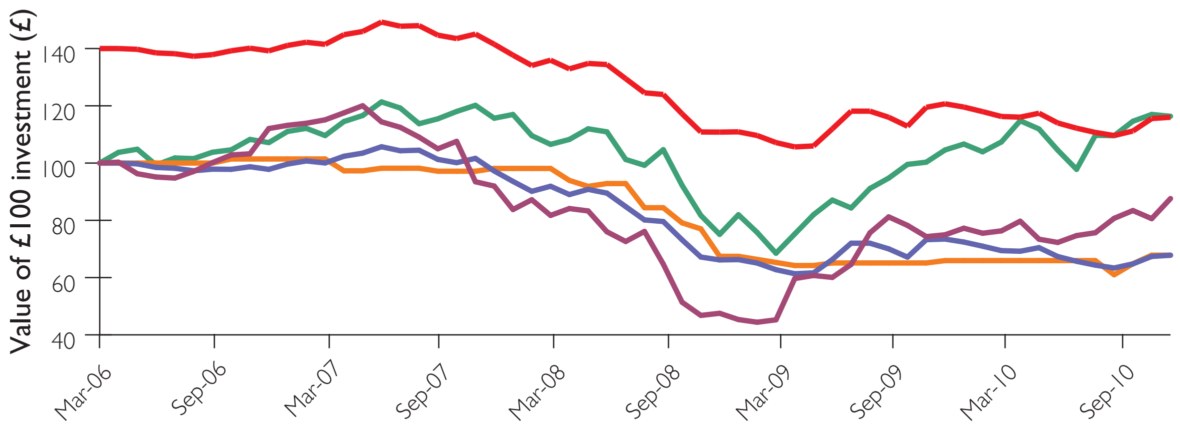
The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid higher fees than the other Directors in recognition of his more onerous role. The policy is to review these rates from time to time, although such review will not necessarily result in any changes.

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

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Directors' Report on pages 18 to 24. The graph below compare the share price, NAV and total return (NAV assuming the re-investment of all dividends plus 40% upfront tax relief)) of the relevant company over the period from 1 March 2006 to 30 November 2010 with the total return from notional investments in the FTSE All-Share index and the FTSE Small-Cap over the same period. These indices are considered to be the most appropriate broad equity market indices for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the main market in their observance of the VCT rules.

Investors originally investing into Octopus IHT AIM VCT plc



NAV return (net of dividends and up-front tax relief), based on notional investment of £100 on 1 March 2006

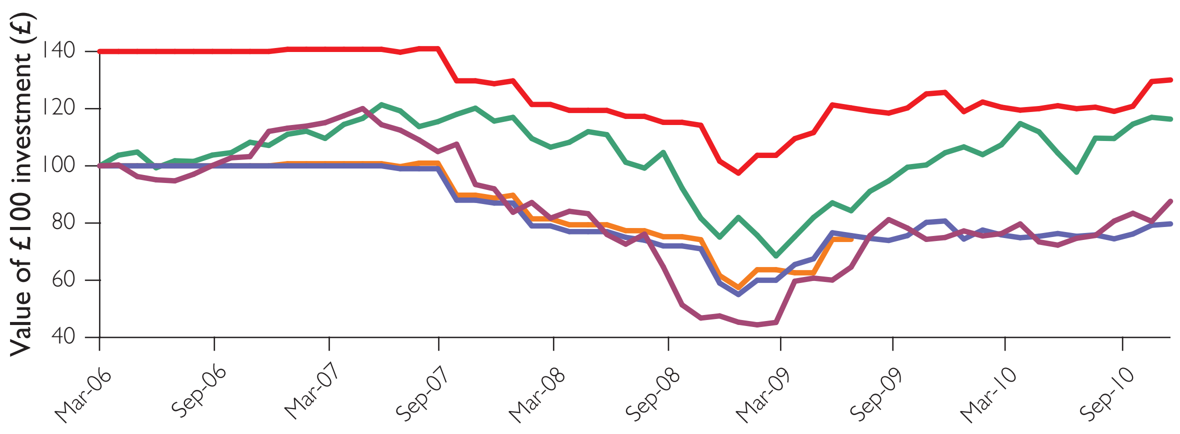
Total return (NAV + re-investment of all dividends + 40% up-front tax relief), based on notional investment of £100 on 1 March 2006

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

Share price, based on £100 notional investment on 1 March 2006 and the reinvestment of all income

Investors originally investing into Octopus Second AIM VCT 'C' & 'D' shares



NAV return (net of dividends and up-front tax relief), based on notional investment of £100 on 1 March 2006

Total return (NAV + re-investment of all dividends + 40% up-front tax relief), based on notional investment of £100 on 1 March 2006

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

Share price, based on £100 notional investment on 1 March 2006 and the reinvestment of all income (last released 19 June 2009)

DIRECTORS' REMUNERATION REPORT (continued)

The total expense ratio for the Company for the year to 30 November 2010 was 3.4% based upon average net assets throughout the year (2009: 2.8%). Total running costs are capped at 3.5% of net assets.

Directors' Emoluments (information subject to audit)

Directors' fees, exclusive of Employees' National Insurance

	Year ended 30 November 2010	Year ended 30 November 2009
Keith Richard Mullins	**£16,000**	£16,000
Christopher Holdsworth Hunt	**£12,367**	£13,000
Andrew Paul Raynor	**£13,000**	£13,000
Elizabeth Anita Kennedy	**£3,950**	–
Alastair James Ritchie	**£3,950**	–
Total	**£49,267**	£42,000

Although the Directors' fees in total are greater in 2010 than in 2009, the merger has created overall savings across the two companies of circa £125,000. This compares favourably to the estimated cost savings of £120,000 as detailed in the prospectus.

The table below shows the cost savings in relation to the Directors fees on an annualised basis:

	Octopus Third AIM pre-merger	Octopus Second AIM pre-merger	Total annual directors costs pre-merger	Octopus Second AIM post-merger	**Overall annual cost savings**
Keith Richard Mullins	–	£16,000	£16,000	£16,000	**–**
Andrew Paul Raynor	–	£13,000	£13,000	£13,000	**–**
Christopher Holdsworth Hunt	–	£13,000	£13,000	–	**£13,000**
Elizabeth Anita Kennedy	£16,000	–	£16,000	£13,000	**£3,000**
Alastair James Ritchie	£13,000	–	£13,000	£13,000	**–**
Aubrey Thomas Brocklebank	£13,000	–	£13,000	–	**£13,000**
Total	£42,000	£42,000	£84,000	£55,000	**£29,000**

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

By Order of the Board

Celia L Whitten FCIS
Company Secretary
23 March 2011

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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

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

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

The Directors confirm, to the best of their knowledge, that:

- the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice, and the 2009 Statement of Recommended Practice, 'Financial Statements of Investments Trust Companies' and Venture Capital Trusts' (SORP), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report, comprising the Chairman's Statement, Investment Manager's Review, Investment Portfolio and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the Directors are stated on page 16.

On Behalf of the Board

Keith Mullins

Keith Richard Mullins
Chairman
23 March 2011

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

We have audited the financial statements of Octopus Second AIM VCT plc for the year ended 30 November 2010 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2010 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.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 23, in relation to going concern; and
- the part of the Corporate Governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Timothy Drew
(Senior statutory auditor)
for and on behalf of PKF (UK) LLP
Statutory auditors
London, UK
23 March 2011

INCOME STATEMENT

		Year to 30 November 2010		
		Revenue	Capital	Total
	Notes	£'000	£'000	£'000
Gain on disposal of fixed asset investments	11	–	601	601
Gain on disposal of current asset investments	12	–	8	8
Gain on valuation of fixed asset investments	11	–	1,052	1,052
Gain on valuation of current asset investments	12	–	–	–
Investment Income	2	182	–	182
Investment management fees	3	(71)	(213)	(284)
VAT management fee rebate	3	–	–	–
Merger costs	6	(68)	–	(68)
Other expenses	4	(210)	–	(210)
(Loss)/profit on ordinary activities before tax		(167)	1,448	1,281
Taxation on (loss)/profit on ordinary activities	7	–	–	–
(Loss)/profit on ordinary activities after tax		(167)	1,448	1,281
Earnings per share – basic and diluted	9	(0.8p)	6.7p	5.9p

- the 'Total' column of this statement represents the statutory Profit and Loss account of the Company; the supplementary revenue return and capital return columns have been prepared in accordance with the AITC Statement of Recommended Practice.
- all revenue and capital items in the above statement derive from continuing operations of the Company up to 11 August 2010 and thereafter reflects that of the enlarged entity. This includes the assets and liabilities of Octopus Third AIM VCT plc that were transferred to the Company on 12 August 2010. No restatement has been made for the comparable periods.
- the accompanying notes are an integral part of the financial statements.
- the Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

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

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

	Notes	Year to 30 November 2009 Revenue £'000	 Capital £'000	 Total £'000
Gain on disposal of fixed asset investments		–	903	903
Gain on disposal of current asset investments		–	68	68
Gain on valuation of fixed asset investments		–	642	642
Gain on valuation of current asset investments		–	111	111
Investment Income	2	195	–	195
Investment management fees	3	(65)	(196)	(261)
VAT management fee rebate	3	12	37	49
Other expenses	4	(218)	–	(218)
(Loss)/profit on ordinary activities before tax		(76)	1,565	1,489
Taxation on (loss)/profit on ordinary activities	7	(5)	–	(5)
(Loss)/profit on ordinary activities after tax		(81)	1,565	1,484
Earnings per share – basic and diluted	9	(0.4)p	7.8p	7.4p

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

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

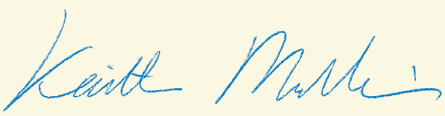
Other than revaluation movements arising on investments held at fair value through the profit and loss account, there were no differences between the profit as stated above and at historical cost.

BALANCE SHEET

			As at		As at
			30 November 2010		30 November 2009
	Notes	**£'000**	**£'000**	£'000	£'000
Fixed asset investments*	11		**17,910**		8,632
Current assets:					
Investments*	12	**6,587**		1,838	
Debtors	13	**211**		249	
Cash at bank		**126**		186	
		6,924		2,273	
Creditors: amounts falling due within one year	14	**(60)**		(122)	
Net current assets			**6,864**		2,151
Net assets			**24,774**		10,783
Called up equity share capital	15		**4**		2
Shares to be issued	15		**154**		–
Share premium	16		**13,658**		–
Special distributable reserve	16		**13,481**		14,364
Capital reserve realised	16		**(807)**		(305)
Capital reserve un-realised	16		**(1,552)**		(2,814)
Own shares held in Treasury	16		**–**		(467)
Revenue reserve	16		**(164)**		3
Total equity shareholders' funds			**24,774**		10,783
Net asset value per share – basic and diluted	10		**67.9p**		69.5p

*Held at fair value through profit and loss

The statements were approved by the Directors and authorised for issue on 23 March 2011 and are signed on their behalf by:



Keith Richard Mullins
Chairman

Company No: 05528235

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Notes	**Year ended 30 November 2010 £'000**	Year ended 30 November 2009 £'000
Shareholders' funds at start of year		**10,783**	16,049
Profit on ordinary activities after tax		**1,281**	1,484
Distribution in Specie	8	**–**	(5,644)
Shares issued upon acquisition of assets and liabilities from Octopus Third AIM VCT plc	16	**13,084**	–
Stamp duty on shares issued	16	**(57)**	–
Share capital bought back		**(416)**	(703)
Issue of shares		**633**	–
Shares to be issued		**154**	–
Dividends paid	8	**(688)**	(403)
Shareholders' funds at end of year		**24,774**	10,783

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

CASH FLOW STATEMENT

	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Net Cash outflow from operating activities	**(404)**	(125)
Taxation: UK Corporation tax paid	**–**	(9)
Financial investment		
Purchase of investments	**(2,917)**	(2,865)
Disposal of investments	**3,551**	1,846
Management of liquid resources		
Purchase of current asset investments	**(13,238)**	(2,340)
Sale of current asset investments	**8,497**	4,607
Net cash (outflow)/inflow from investing activities	**(4,511)**	1,114
Equity dividends paid		
Distribution in Specie	**–**	(249)
Other dividends paid	**(688)**	(403)
Net cash (outflow)/inflow before financing	**(5,199)**	462
Financing		
Cash received on acquisition of net assets of Octopus Third AIM VCT plc	**4,825**	–
Stamp duty on shares issued to acquire net assets of Octopus Third AIM VCT plc	**(57)**	–
Proceeds from issue of shares	**633**	–
Shares to be issued	**154**	–
Purchase of own shares	**(416)**	(703)
Net cash inflow/(outflow) from financing	**5,139**	(703)
Decrease in cash	**(60)**	(241)

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

RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Note	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Profit on ordinary activities before tax		**1,281**	1,489
Gain on disposal of current asset investments	12	**(8)**	(68)
Gain on disposal of fixed asset investments	11	**(601)**	(903)
Gain on valuation of fixed asset investments	11	**(1,052)**	(111)
Gain on valuation of current asset investments	12	**–**	(642)
Decrease in debtors	13	**38**	44
(Decrease)/increase in creditors	14	**(62)**	66
(Outflow)/inflow from operating activities		**(404)**	(125)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN LIQUID RESOURCES

	Note	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Decrease in cash at bank		**(60)**	(241)
Movement in cash equivalent securities	12	**4,749**	(3,211)
Opening net liquid resources		**2,024**	5,476
Net liquid resources at 30 November		**6,713**	2,024

Liquid Resources at 30 November comprised:

	Note	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Cash at bank		**126**	186
Money market cash funds	12	**6,587**	10
Floating rate notes		**–**	1,828
Net liquid resources at 30 November		**6,713**	2,024

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

NOTES TO THE FINANCIAL STATEMENTS

1. **Principal Accounting Policies**

Basis of accounting

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP), and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (revised 2009).

The results for the year to 30 November 2010 reflect the activities of what were previously the 'A' Ordinary shares for the whole period. In addition, these results include the transfer of the assets and liabilities of Octopus Third AIM VCT plc to the Company, with effect from 12 August 2010. Results for the current year are reported for the one share class of the enlarged VCT now in issue, namely Ordinary shares. These were formerly the 'A' Ordinary shares of the Company, redesignated Ordinary shares on 12 August 2010.

The comparatives reported in these financial statements reflect the activities of what were previously the 'A' Ordinary shares of the Company and are therefore as previously reported.

The principal accounting policies have remained unchanged from those set out in the Company's 2009 Annual Report and financial statements. A summary of the principal accounting policies is set out below.

The Company presents its income statement in a three column format to give shareholders additional detail of the performance of the Company, split between items of a revenue or capital nature.

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

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

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

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

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

Investments

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

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly, as permitted by FRS 26, the investments will be designated as fair value through profit and loss (FVTPL) on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

1. **Principal accounting policies (continued)**

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

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

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

Current asset investments

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

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

Income

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

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

Expenses

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

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

Revenue and capital

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Principal Accounting Policies (continued)

Taxation

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

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

Cash and liquid resources

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

Loans and receivables

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

Financial instruments

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

Financing strategy and capital structure

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

The Company does not have any externally imposed capital requirements.

1. Principal Accounting Policies (continued)

Dividends

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

2. Income

	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Income on money market securities and bank balances	**30**	87
Dividends received (fixed asset investments)	**152**	99
Interest received relating to VAT rebate	–	9
	182	195

3. Investment Management Fees

	Year to 30 November 2010			Year to 30 November 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**71**	**213**	**284**	65	196	261
VAT rebate	–	–	–	(12)	(37)	(49)
	71	**213**	**284**	53	159	212

For the purposes of the revenue and capital columns in the Income Statement, the management fee (including VAT) has been allocated 25% to revenue and 75% to capital, in line with the Board's expected long term return in the form of income and capital gains respectively from the Company's investment portfolio.

Octopus 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 management fees of £284,000 (2009: £261,000). At the year end there was £nil outstanding (2009: £nil). Octopus also received £17,000 (2009: £nil) as a result of upfront fees charged on the allotments of Ordinary Shares resulting from the offer.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Other Expenses

	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Directors' remuneration	**49**	42
Fees payable to the Company's auditor for the audit of the financial statements	**26**	22
Bank charges and safe custody fees	**–**	(3)
Legal and professional expenses	**69**	69
Other administration expenses	**66**	88
	210	218

The total expense ratio for the Company for the year to 30 November 2010 was 3.4 per cent based upon average net assets throughout the year (2009: 2.8 per cent). Total running costs are capped at 3.5 per cent.

5. Directors' Remuneration

	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Directors' emoluments		
Keith Richard Mullins	**16**	16
Christopher Holdsworth Hunt	**12**	13
Andrew Paul Raynor	**13**	13
Elizabeth Anita Kennedy	**4**	–
Alastair James Ritchie	**4**	–
	49	42

None of the Directors received any other remuneration or benefit from the Company during the year. Mr Holdsworth Hunt resigned as Director on 12 August 2010. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was three (2009: three).

6. Merger costs

At the time of the consolidation of Octopus Second AIM VCT plc and Octopus Third AIM VCT plc, the prospectus estimated that total costs to combine the Company with Octopus Third AIM VCT plc would be £238,000. The actual costs were £228,000. £136,000 of this was borne by Octopus Third AIM VCT plc, while £92,000 was borne by the Company due to the relatively lower total net assets of the Company. The total stamp duty on the issue of shares was £57,000; (£33,000 of this was borne by Octopus Third AIM when determining its assets and liabilities at the date of the merger). The cash payment of the total £57,000 was borne by the Company. £68,000 is disclosed as merger costs in the Income Statement as the stamp duty went to the share premium account. Further details of the merger can be found in note 18.

7. Tax on Ordinary Activities

The corporation tax charge for the year was £nil (2009: £5,000).

Factors affecting the tax charge for the current year:

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 21% (2009: 21%). The differences are explained below.

Current tax reconciliation:

	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Profit on ordinary activities before tax	**1,281**	1,489
Current tax at 21% (2009: 21%)	**269**	312
Income not liable to tax	**(36)**	(244)
Expenses not deductible for tax purposes	**19**	(68)
Losses not subject to tax	**(348)**	–
Excess management expenses carried forward	**96**	–
Adjustment in respect of prior years	**–**	5
Total current tax charge	**–**	5

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

As at 30 November 2010, there is an unrecognised deferred tax asset of £154,000 (2009: £68,000) in respect of surplus management expenses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Dividends

	Year to 30 November 2010 £'000	Year to 30 November 2009 £'000
Recognised as distributions in the financial statements for the year		
Previous year's final dividend	**154**	246
Distribution in Specie	**–**	5,644
Current year's interim dividend	**534**	157
	688	6,047
Paid and proposed in respect of the year		
Interim dividend paid – 1.5p per share (2009: 1p per share)	**534**	157
Distribution in specie	**–**	5,644
Final dividend proposed 1.65p (2009: 1p) per share	**610**	154
	1,144	5,955

9. Earnings per share – basic and diluted

The earnings per share is based on 21,644,414 (2009: 20,051,665 'A') Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

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

10. Net asset value per share – basic and diluted

The calculation of NAV per share as at 30 November 2010 is based on 36,470,759 (2009: 15,508,642 'A') Ordinary shares, of which 226,471 were un-allotted, in issue at that date (excluding Treasury shares).

11. Fixed Asset Investments

Effective from 1 January 2009 the Company adopted the amendment to FRS 29 regarding financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

11. Fixed Asset Investments (continued)

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

There have been no transfers between these classifications in the period (2009: none). The change in fair value for the current and previous year is recognised through the profit and loss account.

All items held at fair value through profit or loss were designated as such upon initial recognition. Movements in investments at fair value through profit or loss during the year to 30 November 2010 are summarised below and in note 12.

	Level 1: AIM-quoted investments	Total investments
	£'000	£'000
Book cost as at 1 December 2009	**11,446**	11,446
Revaluation to 1 December 2009	**(2,814)**	(2,814)
Valuation at 1 December 2009	**8,632**	8,632
Purchases at cost	**2,917**	2,917
Disposal proceeds	**(3,551)**	(3,551)
Profit on realisation of investments – current year	**601**	601
Assets acquired from Octopus Third AIM VCT plc	**8,259**	8,259
Revaluation in year	**1,052**	1,052
Closing valuation at 30 November 2010	**17,910**	17,910
Book cost at 30 November 2010:		
– Ordinary shares	**19,462**	19,462
Revaluation to 30 November 2010:		
– Ordinary shares	**(1,552)**	(1,552)
Valuation at 30 November 2010	**17,910**	17,910

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

All investments are designated as fair value through profit or loss from the time of acquisition, and all capital gains or losses on investments so designated. Given the nature of the Company's venture capital investments, the changes in fair value of such investments recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as unrealised.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Fixed Asset Investments (continued)

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

At 30 November 2010 and 30 November 2009 there were no commitments in respect of investments approved by the manager but not yet completed.

Transaction costs on purchases and disposals for the year were £9,000 and £11,000 respectively.

12. Current Asset Investments

Current asset investments at 30 November 2010 and at 30 November 2009 comprised floating rate notes (FRNs*) and money market funds**.

	£'000	£'000
Book cost at 1 December 2009:		
FRNs	1,832	
Money market funds	10	
		1,842
Revaluation to 1 December 2009:		
FRNs	(4)	
Money market funds	–	
		(4)
Valuation as at 1 December 2009		1,838
Purchases at cost:		
Money market funds	13,238	
		13,238
Disposal proceeds:		
FRNs	(1,836)	
Money market funds	(6,661)	
		(8,497)
Profit/(loss) in year on realisation of investments:		
FRNs	8	
Money market funds	–	
		8
Revaluation in year:		
Money market funds	–	
		–
Closing valuation as at 30 November 2010		**6,587**
Book cost at 30 November 2010:		
Money market funds	6,587	
Revaluation to 30 November 2010:		
Money market funds	–	
Closing valuation as at 30 November 2010		**6,587**

*FRNs represent money held pending investment and can be accessed with 5 working days notice.

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

13. Debtors

	30 November 2010 £'000	30 November 2009 £'000
Other debtors	**145**	199
Prepayments and accrued income	**66**	50
	211	249

14. Creditors: amounts falling due within one year

	30 November 2010 £'000	30 November 2009 £'000
Accruals and other creditors	**60**	122

15. Share Capital

	30 November 2010 £'000	30 November 2009 £'000
Allotted and fully paid up:		
36,244,288 Ordinary shares of 0.01p (2009: 16,283,536 'A')	**3,624**	1,628
Non-allotted and fully paid up:		
226,471 Ordinary shares of 0.01p (2009: nil)	**23**	–

The value of shares to be issued at 30 November 2010 amounted to £154,000 (2009: £nil). This represented 213,030 Ordinary shares at 72.29p.

During the year 'A' Ordinary shares were re-designated as Ordinary shares.

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

In the year to 30 November 2010, 20,489,637 Ordinary shares were issued to acquire the assets and liabilities of Octopus Third AIM VCT plc.

The Company repurchased the following 'A' Ordinary shares during the year to be held in Treasury:

- 10 February 2010: 65,125 'A' Ordinary shares at a price of 61.0p per share

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

- 19 May 2010: 17,419 'A' Ordinary shares at a price of 59.5p per share

On 25 May 2010 840,019 'A' Ordinary shares previously held in Treasury were cancelled. At 30 November 2010 the Company held no shares in Treasury (2009: 774,894).

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

- 21 July 2010: 64,805 Ordinary shares at a price of 57.75p per share
- 16 September 2010: 164,095 Ordinary shares at a price of 56.3p per share
- 30 September 2010: 50,000 Ordinary shares at a price of 57.0p per share

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Share Capital (continued)

- 29 October 2010: 250,000 Ordinary shares at a price of 60.5p per share
- 12 November 2010: 93,890 Ordinary shares at a price of 60.5p per share

The total nominal value of the shares repurchased was £148 (2009: £66) representing 0.41% (2009: 4.05%) of the issued share capital.

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

- 6 October 2010: 508,175 Ordinary shares at a price of 69.54p
- 10 November 2010: 443,168 Ordinary shares at a price of 71.43p

16. Reserves

	Share Premium £'000	Special distributable reserve* £'000	Capital reserve realised* £'000	Capital reserve unrealised* £'000	Own shares held in treasury £'000	Revenue reserve* £'000
As at 1 December 2009	–	14,364	(305)	(2,814)	(467)	3
Shares issued to acquire the assets and liabilities of Octopus Third AIM VCT	13,084	–	–	–	–	–
Stamp duty on shares issued to acquire net assets of Octopus Third AIM VCT plc	(57)	–	–	–	–	–
Shares issued through offer	631	–	–	–	–	–
Repurchase of own shares	–	(416)	–	–	–	–
Profit on ordinary activities after tax	–	–	–	–	–	(167)
Cancellation of treasury shares	–	(467)	–	–	467	–
Management fees allocated as capital expenditure	–	–	(213)	–	–	–
Prior period gains/(losses) on disposal	–	–	(210)	210	–	–
Current year gains/(losses) on disposal	–	–	609	–	–	–
Gains/(losses) on revaluation	–	–	–	1,052	–	–
Dividends paid	–	–	(688)	–	–	–
Balance as at 30 November 2010	13,658	13,481	(807)	(1,552)	–	(164)

**These reserves are considered distributable to shareholders.

16. Reserves (continued)

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

The purpose of the special distributable reserve was to create a reserve which will be capable of being used by the Company to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount to net asset value at which the Company's ordinary shares trade. In the event that the revenue reserve and capital reserve gains/(losses)-realised do not have sufficient funds to pay dividends, these will be paid from the special distributable reserve.

17. Financial Instruments and Risk Management

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

Fixed and current asset investments (see notes 11 and 12) are valued at fair value. For quoted investments this is either bid price or the latest traded price, depending on the convention of the exchange on which the investment is quoted. The 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.

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

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 19. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 25 to 29, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in smaller companies, by their nature, usually involve a higher degree of risk than investments in larger companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out on pages 10.

72.3% (30 November 2009: 80.0%) by value of the Company's net assets comprised equity securities listed on the London Stock Exchange or quoted on AIM. A 10% increase in the bid price of these securities as at 30 November 2010 would have increased net assets and the total return for the year by £1,791,000 (30 November 2009: £863,200); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Financial Instruments and Risk Management (continued)

Interest rate risk

Some of the Company's financial assets are interest-bearing. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 0.5% at 30 November 2010 (30 November 2009: 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	30 November 2010 £000	30 November 2009 £000
Current investments	**6,587**	1,838
Cash at bank	**126**	186
	6,713	2,024

A 1% increase in the base rate would increase income receivable from these investments and the total return for the year by £67,130 (30 November 2009: £20,240).

Credit risk

There were no significant concentrations of credit risk to counterparties at 30 November 2010. By value, no individual investment exceeded 5.3% (2009: 7.2%) of the Company's net assets at 30 November 2010.

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

At 30 November 2010 the Company's financial assets exposed to credit risk comprised the following:

	30 November 2010 £000	30 November 2009 £000
Current investments	**6,587**	1,838
Cash at bank	**126**	186
Loans and receivables		
Accrued dividends and interest receivable	**59**	44
	6,772	2,068

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.

17. Financial Instruments and Risk Management (continued)

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

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

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

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 30 November 2010 or 30 November 2009.

Liquidity risk

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

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

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 2010 these investments were valued at £6,713,000 (30 November: 2009 £2,024,000).

18. The transfer of assets and liabilities of Octopus Third AIM VCT plc ('Merger')

On 12 August 2010, following approval from shareholders at the Extraordinary General Meeting on 4 August 2010, shareholders of Third AIM had their shares converted into Second AIM Ordinary shares on a relative net asset value basis. 20,489,637 Second AIM Ordinary shares were issued from this process, at a total value of £13,084,000. Subsequently and on the same day, Third AIM was placed into members' voluntary liquidation pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986.

The net asset values (NAV) of each Fund used for the purposes of conversion at the calculation date of 11 August 2010 were:

Company	NAV per share (p)	Conversion ratio applied
Octopus Second AIM VCT plc	63.20209575	1.00000000
Octopus Third AIM VCT plc	30.56212615	0.48356191

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Post balance sheet events

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

Company	Date	Number of shares	Cost (£)
Corac Group plc	2 December 2010	1,679,810	251,972
Woodspeen Training plc	3 December 2010	1,388,750	249,975
Goals Soccer Centres plc	10 December 2010	125,000	125,940
Omega plc	14 December 2010	2,916,650	349,988
Brady plc	16 December 2010	873,300	257,624
SQS Software plc	20 December 2010	95,900	206,868
EKF Diagnostics plc	22 December 2010	1,000	296
Goals Soccer Centres plc	19 January 2011	18,000	21,763

Part disposals were made in Lombard medical technologies plc (12 January 2011), Animalcare plc (26 January 2011) and IS Pharma plc (15 February 2011), resulting in a combined profit of £129,119.

The following shares have been issued since the year end:

9 December 2010	631,316 shares issued at 72.30p
7 January 2011	406,135 shares issued at 74.39p
11 February 2011	604,920 shares issued at 76.19p

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

23 December 2010	108,653 shares bought back and cancelled at 61.72p
28 January 2011	269,507 shares bought back and cancelled at 64.50p
4 February 2011	71,799 shares bought back and cancelled at 64.50p
16 February 2011	147,142 shares bought back and cancelled at 65.50p
4 March 2011	154,036 shares bought back and cancelled at 64.75p

A further allotment is due on 22 March 2011.

20. Contingencies, Guarantees and Financial Commitments

There were no contingencies, guarantees or financial commitments as at 30 November 2010 (2009: none).

DIRECTORS AND ADVISERS

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

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

Investment and Administration Manager
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20 Old Bailey
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EC4M 7AN
Tel: 0800 316 2349
www.octopusinvestments.com

Custodians
Octopus Investments Limited
20 Old Bailey
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EC4M 7AN

Bankers
HSBC Bank plc
31 Holborn
London
EC1N 2HR

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

Taxation Adviser
PricewaterhouseCoopers UK
1 Embankment Place
London WC2N 6RH

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Octopus Second AIM VCT plc ("the Company") will be held at 20 Old Bailey, London, EC4M 7AN on Thursday, 19 May 2011 at 2.30 p.m. for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 7 and 10 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 30 November 2010 and the Directors' and Auditor's reports thereon.
2. To approve a final dividend of 1.65 pence per Ordinary share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Elizabeth Anita Kennedy as a Director.
5. To re-elect Alastair James Ritchie as a Director.
6. To re-appoint PKF (UK) LLP as auditor of the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

7. AUTHORITY TO ALLOT RELEVANT SECURITIES

THAT the Directors be and hereby are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £1,720, such authority to expire on the earlier of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of this 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 shares to be allotted after the expiry of such authority).

8. EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES

That the Directors be and hereby are empowered, pursuant to s570 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 conferred in Resolution 7 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;

(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

(c) the proceeds of such issue may, in whole or part, be used to purchase shares in the Company

such power, unless previously varied, revoked or renewed, to expire on the earlier of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of this Resolution.

9. AUTHORITY TO MAKE MARKET PURCHASES

THAT the Company be and hereby is generally and unconditionally empowered to make market purchases (within the meaning of s693(4) of the Companies Act 2006) of Ordinary shares of 0.01p each in the Company ('Ordinary shares') provided that:

(a) the maximum number of Ordinary shares so authorised to be purchased shall not exceed 10% of the present issued Ordinary share capital of the Company;

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

(c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to the higher of (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(1) of the Buyback and Stabilisation Regulations 2003;

(d) the authority conferred by this resolution shall expire on the earlier of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of this Resolution; 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.

10. CONTINUATION OF THE COMPANY AS A VCT

That the Company continue in being as a Venture Capital Trust until 2017.

By Order of the Board

Celia L Whitten FCIS
Company Secretary
23 March 2011

20 Old Bailey
London
EC4M 7AN

NOTICE OF ANNUAL GENERAL MEETING (continued)

NOTES

(a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.

(b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the **Company, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** so as to be received by no later than 48 hours before the time the Annual General Meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the Annual General Meeting.

(c) As an alternative to returning a hard-copy proxy form by post, you can appoint a proxy by sending it by fax to Octopus Investments Limited on 020 7657 3338. For the proxy appointment to be valid, your appointment must be received by Octopus Investments Limited in such time as it can be transmitted to the registrars of the Company so as to be received no later than 48 hours before the time appointed for the meeting or any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Capita Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.

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

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

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

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

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

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

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

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

  (ii) It is defamatory of any person; or

  (iii) It is frivolous or vexatious.

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

(h) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, www.octopusinvestments.com under Products/Venture Capital Trusts.

(i) Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules and a copy of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion, as well as on the Investment Manager's website www.octopusinvestments.com.

Perivan Financial Print 220945

PROXY FORM

OCTOPUS SECOND AIM VCT PLC

Annual General Meeting – 19 May 2011

I/We...

(BLOCK CAPITALS PLEASE)

of ....

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

Name of Proxy .... Number of Shares..

as my/our proxy and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 19 May 2011, notice of which was sent to shareholders with the Directors' Report and the accounts for the year ended 30 November 2010, and at any adjournment thereof. The proxy will vote as indicated below in respect of the Resolutions set out in the notice of meeting.

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

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

RESOLUTION NUMBER		FOR	AGAINST	WITHHELD
1.	To receive, consider and adopt the financial statements for the year ended 30 November 2010	☐	☐	☐
2.	To approve a final dividend	☐	☐	☐
3.	To approve the Directors' Remuneration Report	☐	☐	☐
4.	To re-elect Elizabeth Kennedy as a Director	☐	☐	☐
5.	To re-elect Alastair Ritchie as a Director	☐	☐	☐
6.	To re-appoint PKF UK LLP as auditor and authorise the Directors to agree their remuneration	☐	☐	☐
7.	To authorise the Directors to allot shares under s551 of the Companies Act 2006 (Ordinary Resolution)	☐	☐	☐
8.	To disapply s561 of the Companies Act 2006 and allot shares on a non-rights issue basis (Special Resolution)	☐	☐	☐
9.	To authorise the Directors to make market purchases of its own shares (Special Resolution)	☐	☐	☐
10.	To continue the Company as a Venture Capital Trust until 2017	☐	☐	☐

Signed: .... Dated: 2011

If you are unable to attend the AGM and wish to pass on any comments to the Board, please use the box below (NB: Please provide a telephone contact number):

NOTES

1. To be valid, the proxy form must be received by the Registrars of Octopus Second AIM VCT plc at, **Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** no later than 48 hours before the commencement of the meeting. If delivering by courier please use the full address of Capita set out in the Notice.
2. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
3. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement. (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.)
4. To appoint more than one proxy, you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. The 'Vote Withheld' option is provided to enable you to abstain on any particular Resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a Resolution.
6. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6 p.m. on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. The address on the envelope containing this notice is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0871 664 0300. (calls cost 10p per minute plus network extras, lines are open 8.30 a.m. – 5.30 p.m. Monday – Friday) to request a change of address form.)
9. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

PLEASE RETURN USING ADDRESSED ENVELOPE SUPPLIED

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