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# OCTOPUS

AIM VCT PLC

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UNAUDITED  
HALF-YEARLY REPORT  
FOR THE SIX MONTHS ENDED 31 AUGUST 2014

  
OCTOPUS  
INVESTMENTS

# OCTOPUS AIM VCT PLC

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

## The Company's Objective

The objective of the Company is to invest in a broad range of predominantly AIM-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 offers investors exposure to the AIM market through a mature portfolio which takes a long term view. This enables investors to benefit from the tax advantages of investing in a VCT.

## The investment portfolio

The Company's funds are managed by Octopus Investments Limited within a VCT-qualifying structure and the objective is to invest in a diversified portfolio of smaller companies principally listed on AIM. Investments are selected for their growth potential, dividend prospects and quality management teams which have a clear business plan to create growth. VCT regulation prevents material investment into asset backed companies, such as resource stocks and as a result, typically the focus is on companies in the consumer, services and computer and software sectors.

Although the investment philosophy takes a long term view, the Company operates a buy-back policy so that shareholders can exit their

investment if they wish to. Shares are repurchased at a 5% discount to NAV and cancelled.

## Tax benefits

Shareholders who buy shares in a new offer by the Company receive up to 30% up-front income tax relief on investments up to £200,000 per tax year providing the shares are held for five years. Dividends are tax free irrespective of whether they purchased their shares in the secondary market or through a new share offer. It is your Board's intention to continue to pay a minimum dividend of 2.5p each half year. At the year-end our intention is to adjust the final dividend so that on an annual basis, and based on the year-end share price, shareholders receive either 5p per annum or a 5% yield, whichever is greater at the time. This will enable dividends to progress with a rising NAV, whilst maintaining the minimum historic level.

Shareholders can sell shares through the Company-operated buy back policy and all disposals are free of Capital Gains Tax.

## The Manager

The Octopus Investments Limited Smaller Companies Team is one of the most experienced AIM fund managers in the market. Octopus is a fast growing fund management company and currently manages £4.7 billion in funds making it the UK's biggest VCT provider:

# FINANCIAL HEADLINES

112.5p Net Asset Value at 31 August 2014

2.5p Interim dividend

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# SHAREHOLDER INFORMATION AND CONTACT DETAILS

## Financial Calendar

The Company's financial calendar is as follows:

15 January 2015	– 2014 interim dividend paid
June 2015	– Annual results for the year to 28 February 2015 announced; Annual Report and financial statements published
July/August 2015	– 2015 final dividend paid
January 2016	– Interim dividend paid

## Dividends

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

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

## Share Price

The Company's share price can be found on various financial websites, such as [www.londonstockexchange.com](http://www.londonstockexchange.com), by typing 'Octopus AIM' in the 'Quotes Search' box.

The latest share price as at the close of business on 13 October 2014 was 105.0p per Ordinary share.

## Buying and Selling Shares

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

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

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

Chris Lloyd 0207 886 2716 [chris.lloyd@panmure.com](mailto:chris.lloyd@panmure.com)

Paul Nolan 0207 886 2717 [paul.nolan@panmure.com](mailto:paul.nolan@panmure.com)

## 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 Asset Services, under the signature of the registered holder. Their contact details can be found at the end of this report.

## Other Information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Octopus website at [www.octopusinvestments.com](http://www.octopusinvestments.com) by navigating to Investors, Octopus AIM VCT plc, Document Library. All other statutory information will also be found there.

## Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They

can be very persistent and extremely persuasive. Shareholders are therefore advised to be 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 any such calls would relate only to official documentation already circulated to shareholders and would never be in respect of investment "advice".

If you are in any doubt about the 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 AIM VCT PLC

Octopus AIMVCT plc ("the Company or Fund") was launched as Close AIMVCT PLC in the spring of 1998 and raised £10.1 million from private investors through an issue of Ordinary shares.

Between October 2000 and March 2001 a further £20.0 million was raised through an issue of C shares. Furthermore, between 16 March 2004 and final closing on 5 April 2004 the Company raised £3.3 million by way of a D share issue.

The C Shares were merged and converted into Ordinary shares on 31 May 2004 at a conversion ratio determined by a price mechanism related to the respective net assets per share of both the Ordinary shares and C shares at 29 February 2004 (which resulted in C Shareholders receiving 1.0765 Ordinary shares for each C share held).

A further £15.0 million was raised between 6 January 2005 and 8 April 2005 through an issue of New D shares.

On 31 May 2008, the Ordinary shares converted into D shares at a conversion ratio of 0.5448 D shares for each Ordinary share. All of the D shares were then re-designated into New Ordinary shares.

With effect from 1 August 2008, the management of the Company was transferred to Octopus Investments Limited.

On 4 August 2010 the share capital was restructured and each existing Ordinary share of 50 pence was subdivided into one Ordinary share of 1 pence and one Deferred share of 49 pence. The Deferred shares had no economic value and were bought back by the Company for an aggregate amount of 1 pence and cancelled.

On 12 August 2010, following approval at the Extraordinary General Meeting on 4 August 2010, shareholders of Octopus

PhoenixVCT had their shares converted into Octopus AIMVCT shares on a relative net asset value basis using the conversion factor of 0.42972672. On the same day, Octopus PhoenixVCT was placed into members' voluntary liquidation.

The offer for subscription in the prospectus dated 9 July 2010 relating to the issue of new shares in connection with the merger with Octopus PhoenixVCT Plc was extended by a supplemental prospectus and closed on 19 April 2011 raising £10 million. A subsequent offer raised £1.9 million, closing on 5 April 2012.

A further offer was launched on 25 April 2012 and closed on 31 July 2012. The offer resulted in the issue of 2,843,092 new shares, raising a total of £2.6 million.

On 23 October 2012 the Company announced an Enhanced Buyback Facility ("EBB") in respect of up to 50 per cent of the issued share capital. The EBB closed on 31 January 2013. As a result of the EBB, the Company repurchased 10,801,537 Ordinary shares and 10,289,443 new Ordinary shares were issued.

An offer for subscription of up to £10 million, which opened on 1 February 2013 and closed on 17 December 2013, raised £9.4 million. As mentioned in the Chairman's statement, the Board completed a fund-raise of £4.1 million by way of an issue of new shares in a non-prospectus offer that opened on 2 February 2014 and closed fully subscribed on 28 March 2014.

A further combined offer for subscription with Octopus AIM VCT 2 plc of up to £20.0 million, with an over-allotment facility of £10.0 million (maximum of £18.0 million in the Company and £12.0 million in Octopus AIMVCT 2 plc), was launched on 29 August 2014.

## FINANCIAL SUMMARY

	Six months to 31 August 2014	Six months to 31 August 2013	Year to 28 February 2014
Net assets (£'000s)	<b>64,726</b>	53,590	69,730
Net (loss)/profit after tax (£'000s)	<b>(5,515)</b>	6,630	19,148
Net asset value per share ("NAV")	<b>112.5p</b>	104.4p	125.2

The object of the table below is to show the return of each individual share class (representing the first allotment from each tax year), assuming no subsequent corporate actions had occurred, so that the NAV plus cumulative dividends shown at the bottom of the table relates directly to the original investment. There is now only one share class, that being Ordinary shares (formerly D shares).

Dividends paid in the period ended*	Ordinary shares 2013/14	Ordinary shares 2012/13	Ordinary shares 2011/12	Ordinary shares 2010/11	Ordinary shares 2009/10	D shares 2003/04	C shares 2000/01	Ordinary shares 1997/98	Phoenix 'C' shares 2005/06	Phoenix Ordinary shares 2002/03
28 February 1999	–	–	–	–	–	–	–	1.88	–	–
29 February 2000	–	–	–	–	–	–	–	3.13	–	–
28 February 2001	–	–	–	–	–	–	–	37.25	–	–
28 February 2002	–	–	–	–	–	–	2.55	6.50	–	–
28 February 2003	–	–	–	–	–	–	1.50	3.50	–	–
29 February 2004	–	–	–	–	–	–	0.50	0.50	–	0.15
28 February 2005	–	–	–	–	–	0.50	0.50	0.50	–	6.50
28 February 2006	–	–	–	–	–	2.25	2.31	2.15	–	1.00
28 February 2007	–	–	–	–	–	3.30	4.52	4.20	1.00	3.35
31 August 2007	–	–	–	–	–	2.50	2.69	2.50	3.00	6.00
9 February 2008	–	–	–	–	–	2.50	2.69	2.50	3.00	6.00
31 August 2008	–	–	–	–	–	2.50	2.69	2.50	2.00	5.00
28 February 2009	–	–	–	–	–	2.50	1.47*	1.36*	3.00	5.00
31 August 2009	–	–	–	–	–	2.50	1.46*	1.36*	1.35	1.00
28 February 2010	–	–	–	–	–	2.50	1.47*	1.36*	1.35*	1.00
31 August 2010	–	–	–	–	–	–	1.46*	1.36*	2.70*	2.00
28 February 2011	–	–	–	5.28*	5.59*	5.00	1.47*	1.36*	3.06*	2.27
31 August 2011	–	–	2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
29 February 2012	–	–	2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
31 August 2012	–	–	2.59	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
28 February 2013	–	2.76*	2.59*	2.64*	2.79*	2.50	1.47*	1.36*	1.53*	1.13
31 August 2013	2.40*	2.76*	2.59*	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
28 February 2014	2.40*	2.76*	2.59*	2.64*	2.80*	2.50	1.47*	1.36*	1.53*	1.13
31 August 2014	2.87*	3.31*	3.11*	3.17*	3.00*	3.00	1.76*	1.63*	1.74*	1.29
<b>Cumulative dividends paid</b>	<b>7.67</b>	<b>11.59</b>	<b>18.65</b>	<b>24.29</b>	<b>25.38</b>	<b>44.05</b>	<b>37.86</b>	<b>83.70</b>	<b>31.38</b>	<b>47.34</b>
<b>Adjusted NAV as at 31 August 2014** (assuming investment at 100p)</b>	<b>107.8</b>	<b>124.00</b>	<b>116.50</b>	<b>118.90</b>	<b>125.84</b>	<b>112.50</b>	<b>66.00</b>	<b>61.30</b>	<b>65.30</b>	<b>48.30</b>
<b>Adjusted NAV plus cumulative dividends paid***</b>	<b>115.47</b>	<b>135.59</b>	<b>135.15</b>	<b>143.19</b>	<b>151.22</b>	<b>156.55</b>	<b>103.86</b>	<b>145.00</b>	<b>96.68</b>	<b>95.64</b>

Following the merger with Octopus Phoenix VCT plc and various share reorganisations, there is now only one share class, Ordinary shares. For Octopus Phoenix VCT plc Ordinary shares and C shares, the figures above represent a notionally adjusted NAV per share in accordance with the relevant conversion factors listed in the shareholder information sector on the preceding page.

\* Notional dividends adjusting for conversion & assuming an investment at 100p, of Phoenix 'C' shares into Phoenix Ordinary shares, and relevant AIMVCT shares into AIMVCT Ordinary shares (formerly D shares).

\*\* NAV adjusted for conversion of relevant shares into AIMVCT Ordinary shares at the date of each conversion. Phoenix Ordinary shares adjusted as at the date of the merger.

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

An interim dividend of 2.5p will be paid on 15 January 2015 to shareholders on the register on 19 December 2014.

# CHAIRMAN'S STATEMENT

After a sustained period of rising share prices, the stockmarket peaked in March and a more cautious mood has prevailed throughout the summer, causing the smaller company indices to give back some of the gains of the previous year. The initial catalyst for the change in sentiment was commentary from the various authorities around the world indicating that the direction of quantitative easing would need to change as signs of economic recovery in the US and the UK gathered momentum. This was compounded by geopolitical worries about the situation in the Ukraine and the Middle East and a looming general election in the UK. These uncertainties have reduced appetite for risk, eliminating the premium to larger company shares that smaller companies had briefly enjoyed at the beginning of 2014 and punishing any poor trading news from individual companies with sharp falls in share prices.

The New Issues market has seen pricing similarly affected although AIM remains firmly open for business. After a very strong end to 2013 for new admissions to AIM, the market seemed to get carried away with its own success with the result that there was a flood of companies looking to float in the first quarter of 2014 at ever increasingly optimistic valuations. At first, this seemed to present few problems but more recently sense has prevailed with the result that some of the headier valuations were cut to get new issues away. Your Company has been able to monitor these investment opportunities without having to make investments at the wrong price as it is already well past its 70% investment threshold for HMRC purposes. More recently prices have started to settle back at more realistic levels and it is encouraging to note that there has been no slowing in the rate of

companies looking to float. We are seeing a strong pipeline of potential opportunities for the rest of the year and so are looking forward to having new funds from the current linked offer with Octopus AIM VCT 2 to invest. The offer opened at the beginning of September and has already raised £10.2 million.

## Performance

It is disappointing to have to report a fall in the Net Asset Value in the six month period after a particularly strong performance in the year to February 2014. Against the background of a much more cautious UK market, the NAV of the fund fell in the first six months of the financial year, by 7.7% if the 3.0p dividend paid to shareholders in July is added back. At the end of the period the fair value of the Company's investments was 73% more than the book cost. The FTSE Smaller Companies Index (ex Investment Trusts) fell by 6.4% in the six month period and the AIM Index fell by 12.6%, the latter reflecting some sharp share price moves in some highly rated stocks which disappointed such as ASOS.

As the tone of the market became more cautious we saw some of the more expensively rated shares in the portfolio give back some of their previous outperformance. This was regardless of good results and news about initial contracts for the new GIANT big data product in the case of Fusionex or more announcements about partnerships from Proxama and WANDisco both of which are early stage and lossmaking but which have pioneering technologies with the potential for mass market application. Other negative contributors to performance in the six months were Mycelx, EKF Diagnostics, Syntectics and Judges Scientific, all of



which suffered downgrades to forecasts and saw their share prices suffer as a consequence. All of these were impacted to a degree by the headwind of stronger sterling and we sold the holding in Synectics at a small profit over book cost. Mycelx's revenues will be flat this year. It is suffering from being a very small company with large customers and a lumpy order book still struggling to achieve sufficient recurring revenues. We are prepared to be patient as we believe that their clean water technology has broad applications and still expect growth to come through strongly. EKF's shares suffered a setback as a result of a recent acquisition losing a reimbursement code for one of its laboratory tests in the US. The current valuation does not reflect the potential of its emerging molecular diagnostics business.

It was hard to find too many shares which made a significant positive contribution to the NAV in the period. Staffline made a substantial and earnings enhancing addition to its training business and Breedon Aggregate's share price continued to appreciate as signs of economic recovery strengthened. We took some profits in Breedon in the period, although it remains one of the Fund's larger positions. Other established holdings which did well for the Fund include Netcall, GB Group, IDOX, Bond International Software, TLA Worldwide and Brady although there were also good trading updates and figures from Brooks MacDonald, Advanced Computer Software, Mattioli Woods, Quixant and Craneware among others which did not result in any increase in share prices.

## Portfolio Activity

£2.6 million was invested in the period of which £1.4 million was in two qualifying holdings. The

first was a small investment into an existing holding which had disposed of its business and turned itself into a cash shell. The new management team reversed an on-line provider of training, Epic into the company and has since made acquisitions to grow what was already a profitable business. The other investment of £1.2 million was into Ergomed, a provider of drugs trials and post market drug monitoring services to the pharmaceutical industry. It is profitable and growing and has the potential to earn milestones and royalties from a portfolio of four drugs where it has a carried interest earned in return for work done.

Your managers have continued to use non-qualifying investments with the objective of enhancing performance. In the period they added a new holding in Skyepharma, in the wake of its restructuring of its previously debt encumbered balance sheet, so that it is now in a position to develop its drug portfolio more effectively without having to consider debt and interest payments. The holdings in Brady and GB Group were also added to.

£1.3 million was received from disposals in the period. The holding in Synectics was disposed of in its entirety as was the holding in EMIS after it had performed well. Profits were taken in Breedon Aggregates, Proxama and Plus 500 after the shares performed well.

At the end of the period 83.9% of the portfolio was invested in qualifying holdings, comfortably above the HM Revenue and Customs requirement of 70% and your Company had liquid funds of £7.8 million.

# CHAIRMAN'S STATEMENT (continued)

## Risks and Uncertainties

The principle risks and uncertainties are set out in Note 6 to the Half Yearly Report on page 18.

## Dividend and Dividend Reinvestment Scheme

Your Board is very conscious of the importance of dividends to shareholders. It aims to maintain a dividend of at least 2.5p per share each half year and to adjust on an annual basis, based on the year-end share price, the final dividend so that shareholders receive either 5p per annum or a 5% yield, whichever is the greater. A dividend of 3.0p per share was paid to shareholders in July.

Your Board has approved the payment of an interim dividend of 2.5p per share which will be paid to shareholders on 15 January 2015 who are on the register on 19 December 2014. It is the Board's intention that, at the year end, the dividend will be calculated in such a way that the total dividends paid in the year produce a 5% yield or a minimum of 5.0p per annum, whichever is greater at the time.

Following approval from shareholders at the Annual General Meeting, shareholders can now elect to reinvest their dividends in new VCT qualifying shares if they wish, with their associated tax breaks. Forms were incorporated in the recent circular to shareholders and can be found on Octopus's website.

## Share issued and purchased

During the period, in furtherance of the Board's policy to maintain the discount at which the Company's shares stand in the market of not more than 5%, 292,803 shares were purchased. 3,142,052 shares were issued in connection with

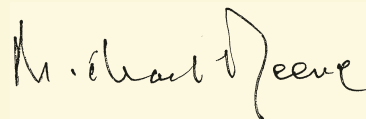
the Top Up Offer which had been launched in January and closed in March, fully subscribed.

## New Combined Share Offer

On 29 August your fund launched a new combined prospectus with Octopus AIM 2VCT to raise up to £12 million for this Company with the potential to raise a further £6 million if that is achieved before the closing date on 10 August 2015. The prospectus and brochure can be found on the Octopus website. £10.2 million has been raised to date.

## Outlook

The last few months have seen a market largely unable to make its mind up about what it wants to do and certainly at the smallcap end of the scale, there is the thrust of some good trading news and performances countered by the sentiment of conflict, slower growth in China, deflation in Europe and unfavourable exchange rates for exporters. Though the statistics show that the UK economy is growing, there seems to be a wariness amongst both investors and managements. The good news is that this has not slowed the supply of new issues coming to AIM and your managers are optimistic that a more cautious market will result in opportunities to invest the substantial funds we will have available at reasonable prices.



**Michael Reeve**

Chairman  
13 October 2014

# INVESTMENT PORTFOLIO

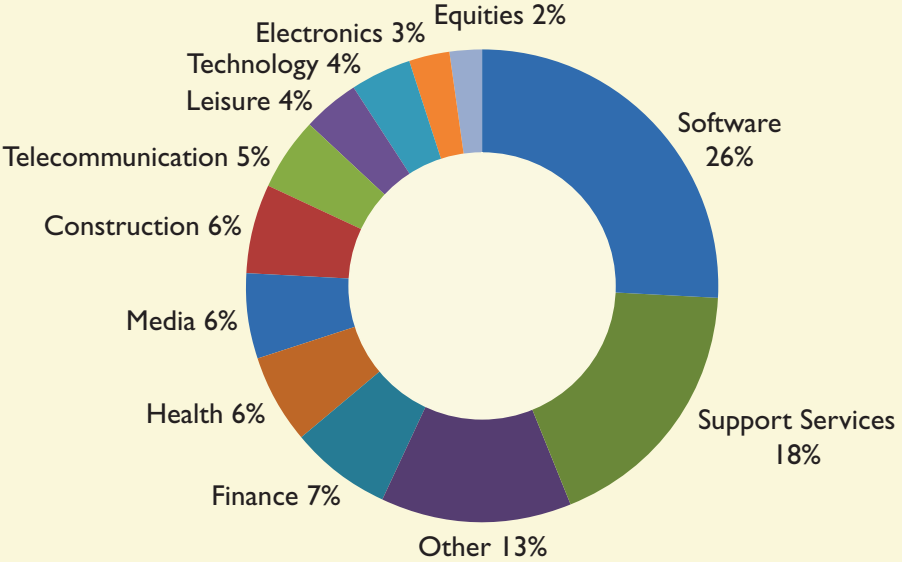
Investment Portfolio as at 31 August 2014:

Quoted equity investments	Sector	Book costs as at 31 August 2014 £'000	Movement in valuation as at 31 August 2014 £'000	Fair value as at 31 August 2014 £'000	Movement in year £'000	% equity held by AIM VCT	% equity held by all funds managed by Octopus
Staffline Recruitment Plc	Support Services	341	3,002	3,343	501	1.4%	10.3%
Advanced Comp Software Plc	Software	577	2,701	3,278	(341)	0.6%	3.6%
Breedon Aggregates Limited	Construction	858	2,361	3,219	430	0.7%	1.2%
Quixant plc	Technology	697	1,498	2,195	-	2.3%	6.5%
Netcall plc	Telecommunication	437	1,717	2,154	409	2.9%	5.0%
Brooks MacDonald Group Plc	Finance	746	1,395	2,131	(225)	1.1%	4.5%
Idox Plc	Software	353	1,676	2,029	129	1.3%	3.8%
GB Group plc	Support Services	714	1,034	1,748	151	1.0%	4.8%
Mattioli Woods Plc	Finance	526	1,194	1,720	12	2.0%	3.1%
Escher Group Holdings plc	Software	1,003	706	1,709	(147)	3.2%	5.5%
TLA Worldwide plc	Media	807	746	1,553	101	4.0%	9.9%
Vertu Motors Plc	General Retailers	1,265	262	1,527	(153)	0.8%	6.7%
Tasty Plc	Leisure	621	897	1,518	(119)	2.7%	5.1%
MyCelx Technologies plc	Equities	870	622	1,492	(497)	3.1%	6.9%
Matchtech Group Plc	Support Services	346	1,130	1,476	(65)	1.1%	12.8%
EKF Diagnostics Plc	Health	931	370	1,301	(692)	1.3%	3.9%
Ergomed Plc	Pharmaceuticals	1,200	(53)	1,147	(53)	2.6%	9.4%
Cello Group Plc	Media	895	195	1,090	97	1.4%	6.6%
Skyepharmia plc	Pharmaceuticals	731	261	992	261	0.3%	0.8%
RWS Holdings Plc	Support Services	367	608	975	(219)	0.3%	4.6%
Bond International Plc	Software	354	578	932	190	2.2%	3.4%
Brady plc	Software	716	187	903	166	1.5%	2.5%
Omega Diagnostics Plc	Health	464	396	860	(325)	3.5%	6.1%
Nektan Limited	Software	725	120	845	-	3.1%	11.0%
Gooch & Housego Plc	Electronics	489	309	798	(65)	0.5%	6.1%
Nasstar plc	Software	480	312	792	48	2.7%	7.8%
Proxama plc	Software	538	237	775	(786)	2.7%	7.5%
Animalcare Group Plc	Food	304	465	769	(66)	2.6%	6.8%
Restore	Support Services	467	301	768	145	0.5%	7.3%
Judges Scientific Plc	Electronics	314	422	736	(401)	0.9%	1.4%
Craneware Plc	Software	183	521	704	(97)	0.5%	1.8%
SQS Software Plc	Software	291	407	698	(51)	0.4%	9.6%
Cohort Plc	Aerospace & Defence	300	380	680	(10)	0.9%	3.7%
Fusionex International plc	Software	282	370	652	(568)	0.4%	1.5%
Immunodiagnostic Systems Plc	Health	528	65	593	(123)	0.4%	4.6%
Futura Medical Plc	Pharmaceuticals	613	(22)	591	(43)	1.4%	6.6%
Mears Group Plc	Support Services	139	426	565	(53)	0.1%	0.1%
WANdisco Plc	Software	241	305	546	(1,204)	0.6%	2.1%
Adept Telecom Plc	Telecommunication	600	(103)	497	(17)	2.0%	3.9%
Cambridge Cognition Group plc	Health	600	(129)	471	(26)	5.1%	18.0%
Plastics Capital Plc	Engineering	400	60	460	(28)	1.3%	13.9%
Sinclair Pharma Plc	Pharmaceuticals	771	(319)	452	(53)	0.4%	0.7%
Tangent Communications Plc	Support Services	578	(130)	448	(72)	2.1%	5.4%
Goals Soccer Centres Plc	Leisure	205	215	420	(12)	0.0%	0.3%
Emis Group	Software	319	53	372	65	0.1%	2.1%
Corac Plc	Engineering	647	(276)	371	(253)	1.3%	5.7%
Rated People Limited	Software	354	-	354	-	1.4%	4.1%
DP Poland Plc	Leisure	546	(200)	346	(218)	3.8%	6.4%
Learning Technologies Group plc	Support Services	511	(166)	345	33	0.6%	1.0%
Enteq Upstream Plc	Oil Services	1,032	(703)	329	(134)	1.8%	3.8%
Plus 500 Ltd	Finance	84	236	320	(51)	0.1%	0.2%
Chime Communications Plc	Media	194	95	289	(25)	0.1%	0.3%
Altitude Group Plc	Media	600	(358)	242	58	3.9%	4.6%
Lombard Medical Technologies Plc	Health	408	(166)	242	(197)	0.4%	0.7%
Vianet Group Plc	Support Services	359	(131)	228	9	1.1%	4.6%
Access Intelligence Plc	Software	375	(150)	225	38	3.2%	9.6%
Clean Air Power Limited	Industrial	485	(271)	214	(252)	2.0%	10.9%
Enables IT Group plc	Software	300	(167)	133	(117)	3.2%	11.7%
Woodspen Plc	Support Services	350	(233)	117	-	5.4%	11.3%
Hasgrove Plc	Media	88	(9)	79	-	2.2%	13.0%
Work Group Plc	Support Services	943	(878)	65	(29)	4.2%	6.3%
Tanfield Group Plc	Engineering	226	(177)	49	(4)	0.2%	0.6%
Dods Group Plc	Media	203	(172)	31	8	0.2%	0.3%
Synarbor Plc	Support Services	15	7	22	-	0.8%	0.8%
<b>Total investments</b>		<b>32,906</b>	<b>24,019</b>	<b>56,925</b>	<b>(4,940)</b>		
Money market funds				453			
<b>Total fixed asset investments and money market funds</b>				<b>57,378</b>			
Cash at bank				7,466			
Debtors less creditors				(118)			
<b>Total net assets</b>				<b>64,726</b>			

# INVESTMENT PORTFOLIO (continued)

## SECTOR ANALYSIS

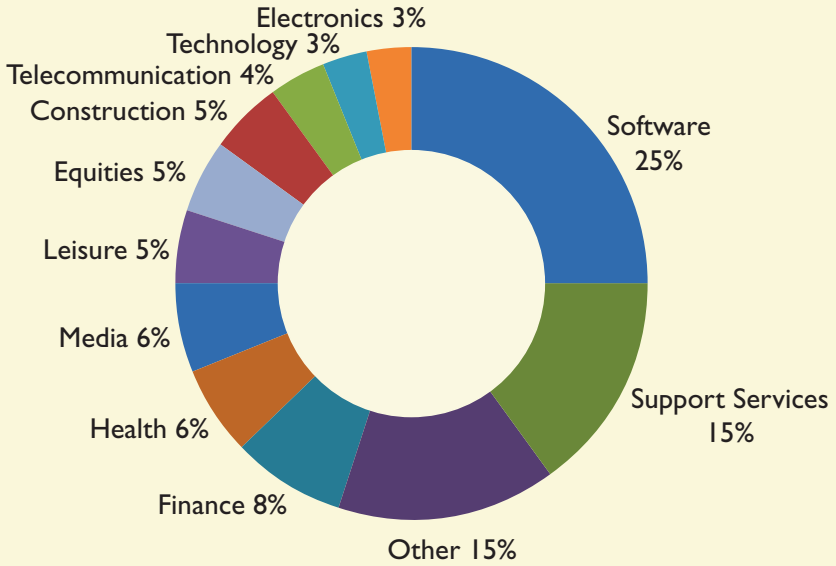
Investment portfolio as at 31 August 2014:



# INVESTMENT PORTFOLIO (continued)

## SECTOR ANALYSIS

Investment portfolio as at 31 August 2013:

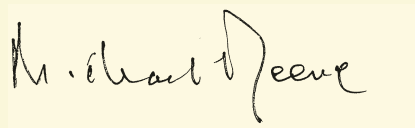


# RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY REPORT

We confirm that to the best of our knowledge:

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

On behalf of the Board



**Michael Reeve**

Chairman

13 October 2014

# INCOME STATEMENT

	Six months to 31 August 2014			Six months to 31 August 2013			Year to 28 February 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised (loss)/gain on disposal of fixed asset investments	–	(120)	(120)	–	181	181	–	882	882
Unrealised (loss) gain on valuation of fixed asset investment	–	(4,940)	(4,940)	–	6,718	6,718	–	18,919	18,919
Income	363	–	363	300	–	300	584	–	584
Investment management fees	(149)	(447)	(596)	(109)	(328)	(437)	(243)	(730)	(973)
Other expenses	(222)	–	(222)	(132)	–	(132)	(264)	–	(264)
(Loss)/profit on ordinary activities before tax	(8)	(5,507)	(5,515)	59	6,571	6,630	77	19,071	19,148
Taxation on (loss)/ profit on ordinary activities	–	–	–	–	–	–	–	–	–
(Loss)/profit on ordinary activities after tax	(8)	(5,507)	(5,515)	59	6,571	6,630	77	19,071	19,148
Earnings per share – basic and diluted	–	(9.6p)	(9.6p)	0.1p	13.2p	13.3p	0.1p	36.8p	36.9p

- The 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.
- All revenue and capital items in the above statement derive from continuing operations.
- The accompanying notes are an integral part of the half-yearly report.
- The Company has no recognised gains or losses other than those disclosed in the income statement.

# RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months ended 31 August 2014 £'000	Six months ended 31 August 2013 £'000	Year to 28 February 2014 £'000
Shareholders' funds at start of period	69,730	44,123	44,123
(Loss)/profit on ordinary activities after tax	(5,515)	6,630	19,148
Shares purchased and cancelled	(332)	(799)	(1,203)
Issue of equity	2,573	4,898	9,371
Increase/(decrease) in shares to be issued	–	–	925
Shares to be issued	–	–	–
Dividends paid	(1,730)	(1,262)	(2,634)
Shareholders' funds at end of period	64,726	53,590	69,730



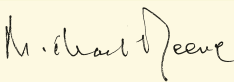
# BALANCE SHEET

	As at 31 August 2014		As at 31 August 2013		As at 28 February 2014	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments*		<b>56,925</b>		45,203		60,568
Current assets:						
Money market securities	<b>453</b>		451		453	
Debtors	<b>64</b>		47		254	
Cash at bank	<b>7,466</b>		9,357		8,629	
	<b>7,983</b>		9,855		9,336	
Creditors: amounts falling due within one year	<b>(182)</b>		(1,468)		(174)	
Net current assets		<b>7,801</b>		8,387		9,162
Net assets		<b>64,726</b>		53,590		69,730
Called up equity share capital		<b>575</b>		513		547
Shares to be issued		–		–		1,327
Share premium account		<b>4,742</b>		17,184		873
Capital redemption reserve		<b>5</b>		130		2
Special distributable reserve		<b>64,123</b>		44,383		64,455
Capital reserve realised		<b>(29,082)</b>		(25,728)		(27,338)
Capital reserve unrealised		<b>24,019</b>		16,774		29,512
Revenue reserve		<b>344</b>		334		352
Total equity shareholders' funds		<b>64,726</b>		53,590		69,730
Net asset value per share		<b>112.5p</b>		104.4p		125.2p

\*Held at fair value through profit & loss

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

The statements were approved by the Directors and authorised for issue on 13 October 2014 and are signed on their behalf by:



Michael Reeve

Chairman

Company No: 03477519

# CASH FLOW STATEMENT

	Six months to 31 August 2014 £'000	Six months to 31 August 2013 £'000	Year to 28 February 2014 £'000
<b>Net cash outflow/inflow from operating activities</b>	(257)	1,144	(844)
<b>Financial investment:</b>			
Purchase of fixed asset investments	(2,363)	(2,904)	(6,728)
Disposal of fixed asset investments	946	2,090	3,474
<b>Management of cash equivalent resources:</b>			
Purchase of current asset investment	–	(5,911)	(5,914)
Disposal of current asset investment	–	11,260	11,260
<b>Net cash (outflow)/inflow from investing activities</b>	(1,674)	5,679	1,248
<b>Dividends paid</b>	(1,730)	(1,262)	(2,359)
<b>Financing:</b>			
Shares to be issued	–	–	925
Issue of equity	2,573	4,898	9,371
Shares re-purchased	(332)	(799)	(1,122)
	511	2,837	6,815
<b>(Decrease)/increase in cash at bank</b>	(1,163)	8,516	8,063

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Six months to 31 August 2014 £'000	Six months to 31 August 2013 £'000	Year to 28 February 2014 £'000
(Decrease)/increase in cash at bank	(1,163)	8,516	7,788
(Decrease)/increase in cash equivalents	–	(5,348)	(5,346)
Opening net liquid resources	9,082	6,640	6,640
Net cash resources at end of period	7,919	9,808	9,082

## RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 31 August 2014 £'000	Six months to 31 August 2013 £'000	Year to 28 February 2014 £'000
(Loss)/profit on ordinary activities before tax	(5,515)	6,630	19,148
Loss/(gain) on realisation of investments	120	(181)	(882)
Loss/(gain) on valuation of investments	4,940	(6,718)	(18,919)
Decrease/(increase) in debtors	190	24	(183)
Increase/(decrease) in creditors	8	1,389	(8)
Net cash outflow from operating activities	(257)	1,144	(844)

# NOTES TO THE HALF-YEARLY REPORT

## 1. Basis of preparation

The unaudited interim results which cover the six months to 31 August 2014 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 28 February 2014.

## 2. Publication of non-statutory accounts

The unaudited interim results for the six months ended 31 August 2014 do not constitute statutory accounts within the meaning of s.415 of the Companies Act 2006 and have not been delivered to the Registrar of Companies. The comparative figures for the year ended 28 February 2014 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements, in accordance with chapter 3 of part 16 of the Companies Act 2006, was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

## 3. Earnings per share

The earnings per share at 31 August 2014 is calculated on the basis of 57,199,373 (28 February 2014: 51,839,668 and 31 August 2013: 49,940,509) shares, being the weighted average number of shares in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted return per share figures are relevant. The basic and diluted earnings per share are therefore identical.

## 4. Net asset value per share

The calculation of net asset value per share is based on the net assets at 31 August 2014 and on 57,544,424 (28 February 2014: 55,697,499 (shares in issue plus shares to be issued) and 31 August 2013: 51,324,649) shares being the number of shares in issue, excluding shares held in Treasury, at the same date.

## 5. Dividends

The interim dividend declared of 2.5 pence per Ordinary share will be paid on 15 January 2015 to those shareholders on the register on 19 December 2014.

## 6. Risks and uncertainties

The Company's assets consist of equity and fixed-rate interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a VCT, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 28 February 2014. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## 7. Related Party Transactions

Octopus acts as the investment manager of the Company. Under the management agreement, Octopus receives a fee of 2.0% per annum of the net assets of the Company for the investment management services. During the period, the Company incurred management fees of £596,000 (28 February 2014: £973,000 and 31 August 2013: £437,000) payable to Octopus. At the period end there was £Nil (28 February 2014: £Nil and 31 August 2013: £Nil) outstanding to Octopus.

8. This statement will be made available to all shareholders. Copies are also available from the registered office of the Company at 20 Old Bailey, London, EC4M 7AN, and will also be available to view on the Octopus website at [www.octopusinvestments.com](http://www.octopusinvestments.com).

# DIRECTORS AND ADVISERS

## Board of Directors

Michael Reeve MBE, FCA – Chairman  
Stephen Hazell-Smith  
Roger Smith  
Marion Sears

## Secretary and Registered Office

Patricia Standaloft ACIS  
20 Old Bailey  
London  
EC4M 7AN

Registered in England No: 03477519

## Investment & Administration Manager

Octopus Investments Limited  
20 Old Bailey  
London  
EC4M 7AN  
Tel: 0800 316 2349  
[www.octopusinvestments.com](http://www.octopusinvestments.com)

## Registrar

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

## Independent Auditor

BDO LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

## Taxation Advisor

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## VCT Status Adviser

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