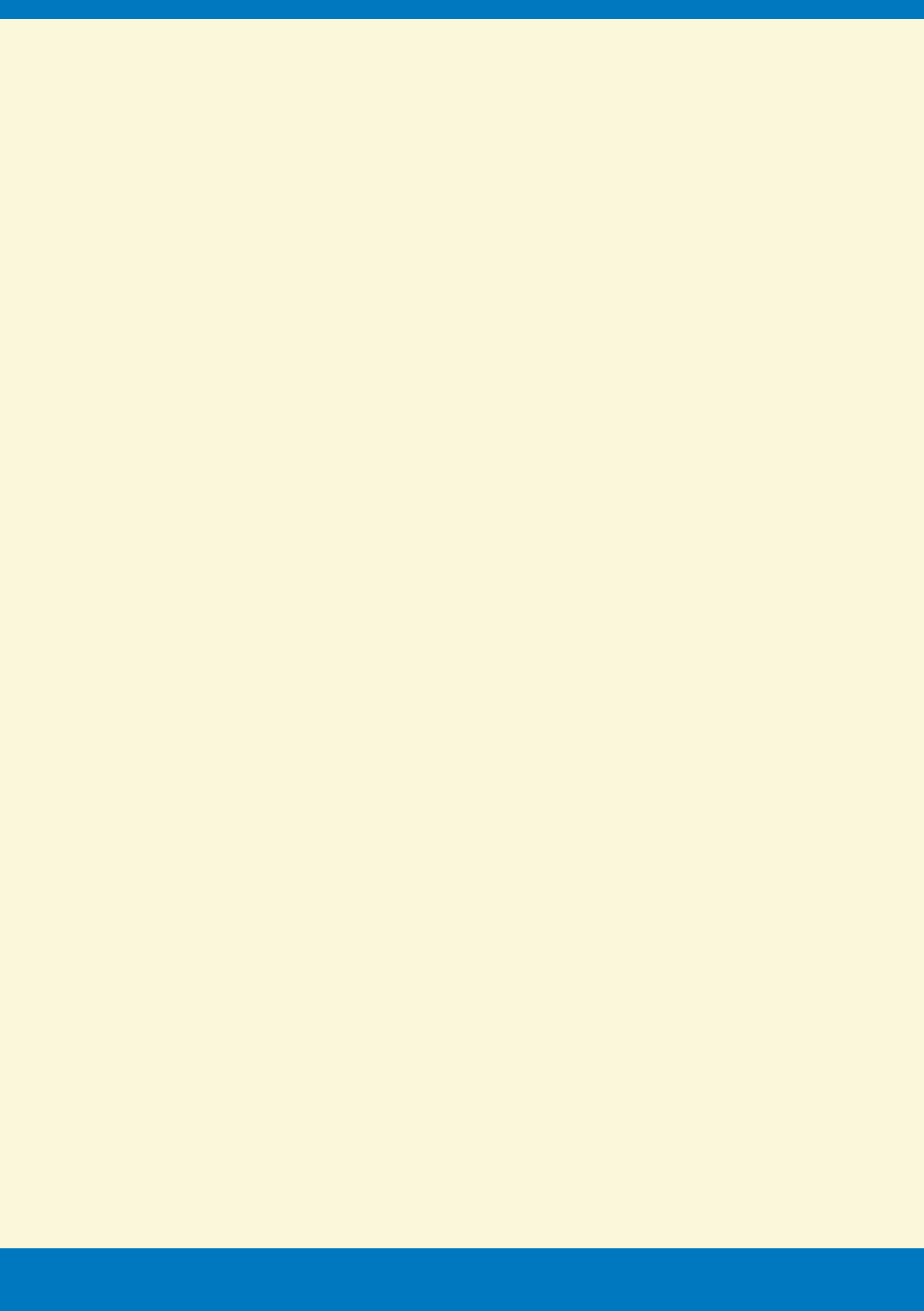

OCTOPUS

AIM VCT 2 PLC

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





FINANCIAL HEADLINES

- 89.3p Net asset value per share as at 31 May 2014 (2013: 74.3p)
- 2.0p Interim dividend declared for the half-year to 31 May 2014 (2013: 1.8p)
- 5% Annualised Yield on share price for the half-year to 31 May 2014 (2013: 5%)

CONTENTS

2	About Octopus AIMVCT 2 PLC
3	Financial Summary
7	Chairman's Statement
10	Investment Portfolio
13	Responsibility Statement of the Directors
14	Income Statement
15	Reconciliation of Movements in Shareholders' Funds
16	Balance Sheet
17	Cash Flow Statement
19	Notes to the Half-Yearly Report
IBC	Directors and Advisers

ABOUT OCTOPUS AIMVCT 2 PLC

Octopus AIMVCT 2 PLC (the “Company” or “Fund”) 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 AIMVCT PLC and raised £25 million in March 2006 through an offer for subscription.

On 12 August 2010 the Company acquired the assets and liabilities of Octopus Third AIMVCT plc (formerly Octopus Second AIMVCT plc) (“the merger”) and changed its name from Octopus IHT AIMVCT plc to Octopus Second AIMVCT plc. Shareholders of Octopus Third AIMVCT received 0.48356191 Ordinary shares in the Company for each Ordinary share they held prior to the merger. Prior to July 2009 Octopus Third AIM had two classes of shares, Ordinary and C shares. The C shares converted into Ordinary shares in July 2009 and C shareholders received 2.4313 Ordinary shares for each C share held. The prospectus also raised a total of £6.4 million for the Company.

A Top-up offer launched on 6 February 2012 and which closed on 5 April 2012 raised £1.3 million for the Company. A Top-up offer launched on 25 April 2012 and which closed on 31 July 2012 raised a further £0.5 million for the Company.

On 1 February 2013, the Board launched an offer for subscription with the target of raising £10.0 million for the Company. The offer closed on 17 January 2014, having raised £5.9 million.

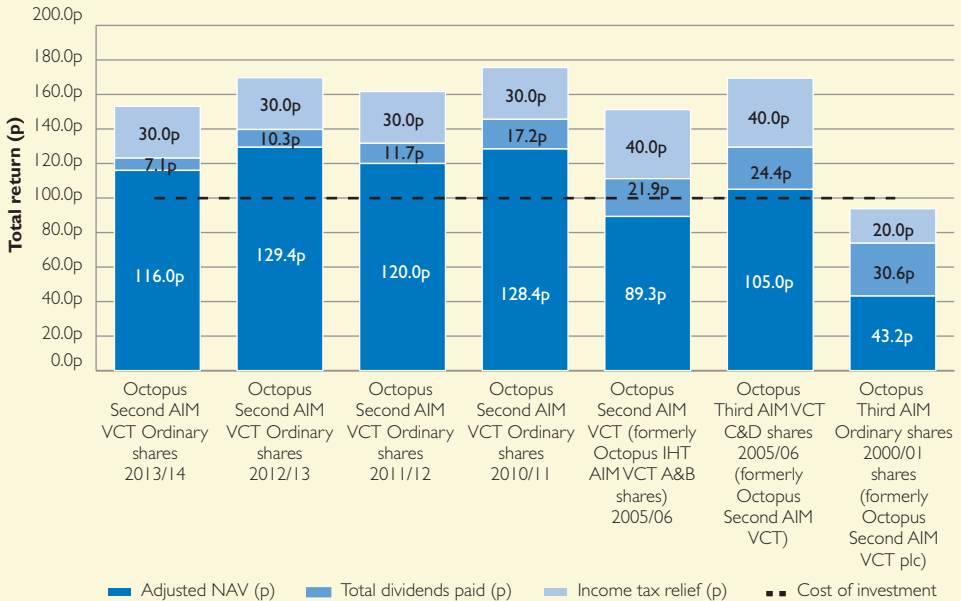
On 30 January 2014, the Company name changed to Octopus AIMVCT 2 plc.

A combined new share offer was launched on 3 February 2014 to raise up to £4.1 million. This closed on 28 March 2014, fully subscribed.

FINANCIAL SUMMARY

	Six months to 31 May 2014	Six months to 31 May 2013	Year to 30 November 2013
Net assets (£'000s)	46,454	33,431	39,818
Net profit after tax (£'000s)	3,126	4,244	9,713
Net asset value per share ('NAV')	89.3p	74.3p	84.4p

The tables below depict the Net Asset Value (NAV) per share and the dividends that have been paid since the launch of Octopus AIMVCT 2 plc for the different share classes. The figures represent the NAV, rebased to assume investment (including initial charge) at 100p, and adjusted in accordance with the relevant conversion factors. Investment has been assumed at the first allotment of each tax year:



FINANCIAL SUMMARY

(continued)

Dividends paid during financial year ending November	Octopus AIM VCT 2 Ordinary shares 2013/14	Octopus AIM VCT 2 Ordinary shares 2012/13	Octopus AIM VCT 2 Ordinary shares 2011/12	Octopus AIM VCT 2 Ordinary shares 2010/11	Octopus Second AIMVCT (formerly Octopus IHT AIM VCT A&B shares) 2005/06	Octopus Third AIM VCT C&D shares 2005/6 (formerly Octopus Second AIM VCT)	Octopus Third AIM Ordinary shares 2000/1 (formerly Octopus Second AIM VCT plc)
2003			–	–	–	–	1.6
2004			–	–	–	–	–
2005			–	–	–	–	–
2006			–	–	1.4	–	1.0
2007			–	–	2.0	0.8	7.0
2008			–	–	2.0	2.2	11.0
2009			–	–	2.0	2.0	2.0
2010			–	–	2.5	5.4	2.2
2011			–	4.7*	3.3	3.8*	1.6**
2012		2.3*	4.4*	4.6*	3.2	3.8*	1.6**
2013	4.5*	5.1*	4.6*	5.0*	3.5	4.1*	1.7**
2014	2.6*	2.9*	2.7*	2.9*	2.0	2.3*	0.9**
Cumulative dividends paid (p)	7.1*	10.3*	11.7*	17.2*	21.9	24.4*	30.6*
NAV as at 31 May 2014 (p)	116.0**	129.4**	120.0**	128.4**	89.3	105.0**	43.2**
NAV plus cumulative dividends paid (p)	123.1***	139.7***	131.7***	145.6***	111.2	129.4***	73.8***

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

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

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

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

FINANCIAL SUMMARY

(continued)

Notes

- Octopus Third AIMVCT 'D' shares converted into 'C' shares in May 2009, in accordance with a conversion factor of 1 'C' share for each 'D' share.
- Octopus Third AIMVCT 'C' shares converted into Octopus Third AIMVCT Ordinary shares in May 2009, in accordance with a conversion factor of 2.4313 Ordinary shares for each 'C' share.
- Octopus AIMVCT 2 plc (previously Octopus IHT AIMVCT) 'B' shares converted into 'A' shares in May 2009, in accordance with a conversion factor of 1 'A' share for each 'B' share.
- Octopus Third AIM Ordinary shares converted into Octopus Second AIM (post August 2010) Ordinary shares in August 2010, in accordance with a conversion factor of 0.48356191 Octopus Second AIM Ordinary shares (post August 2010), for each Octopus Third AIM Ordinary share.
- In August 2010, Octopus IHT AIMVCT was renamed Octopus Second AIMVCT, and subsequently changed its name to Octopus AIMVCT 2 plc on 30 January 2014.

Investment Policy

The Company's investment policy has been designed to enable it to comply with the VCT qualifying conditions. The Board intends that the long-term disposition of the Company's assets will be not less than 80 per cent in a portfolio of qualifying AIM, ISDX Growth Market traded investments or unquoted companies where the management view an initial public offering (IPO) on AIM or the ISDX Growth Market is a short to medium term objective. Now the qualifying target has been achieved, the Board intends that approximately 20 per cent 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 per cent could be invested in an authorised UK smaller company fund managed by Octopus or direct in equity investments and bonds. This 20 per cent could provide a reserve of liquidity which should maximise the Company's flexibility as to the

timing of investment acquisitions and disposals, dividend payments and share buybacks.

Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to the amount permitted pursuant to VCT legislation in a fiscal year and no more than 15 per cent of the Company's assets, at cost, will be invested in the same company. 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 borrowings.

FINANCIAL SUMMARY (continued)

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

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

CHAIRMAN'S STATEMENT

Overview

The six months under review can be divided into two quarters, with share prices continuing their upward trajectory in the first three months, followed by a much weaker period as investors became unsettled by comments from the various authorities around the world regarding the likely future course of quantitative easing. Although the market has remained fairly stable despite geopolitical worries around the situation in the Ukraine as well as a looming general election, it has been markedly less tolerant of poor trading news with the result that individual share prices have become more vulnerable to shocks.

The dynamic for new issues has been similar: After two strong months for new admissions to AIM in November and December, the market seemed to get carried away with its own success and a great many companies sought to float in the first quarter of 2014 at increasingly optimistic valuations. This appeared to present few problems in the first quarter of 2014, but more recently a feeling of sobriety has emerged with floats no longer succeeding indiscriminately. In some cases headier valuations have been cut to get issues away. Your VCT has been able to monitor these investment opportunities without having to get involved with 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 although there has been no slowing in the rate of companies looking to float. This is encouraging from the point of view of investing the funds that we are looking to raise in a linked offer with Octopus AIMVCT over the coming twelve months.

Performance

The Net Asset Value of the VCT moved ahead strongly in the first four months of the period, helped by a general rise in smaller company indices and some positive newsflow from the existing portfolio companies. More recently the NAV has given back some of its very strong gains of the past two years, but the NAV still rose by 8.2% in the six month period if the 2p dividend paid out on 22 May is added back. This compares with a 3% rise in the Smaller Companies Index (ex Investment Trusts) and a 1.5% fall in AIM. The latter figure was affected by a few large constituents of the AIM Index which fell in the period and that are not part of the VCT qualifying universe.

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 recent 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 have pioneering technologies with the potential for mass market application.

Among the larger, more established holdings, Advanced Computer Software and Breedon Aggregates were once again strong positive contributors to performance. We have taken some profits in Breedon Aggregates in the period, although it remains one of the Fund's larger positions. Other established holdings which have done well for the Fund include Netcall, Quixant (where we have also taken profits) and GB Group. IDOX has also seen its shares recover after a setback in profits growth in 2013 and it now seems to be back on track. In the

CHAIRMAN'S STATEMENT (continued)

non-qualifying part of the portfolio Staffline has once again performed particularly well.

There have, inevitably, been some holdings which have had setbacks in the period.

In the period, the Company made three new qualifying investments totalling £1 million and three further qualifying investments into existing holdings, which amounted to £0.4 million. The new investments were Proxima, which is developing mobile telephone wallets and other contactless payments systems; Nasstar, which has a desktop operating system creating greater efficiency and productivity and Rated People, which is currently unlisted and operates a website for customers to find a building contractor for a specific job. The follow-on investments were Corac, which is growing its engineering operations and continuing to develop its frictionless compressor technology in field trials; Nektan, which is developing third party mobile games, and Learning Technology Group, which has now acquired its main competitor in the online learning industry.

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 holding in GB Group was also added to, so that non-qualifying investments totalled £0.6 million.

There were a number of disposals in the six months realising approximately £1.6 million. Although the entire holding in Snacktime was sold at a loss, the disposals were, in aggregate,

profitable. In particular profits were taken in Matchtech, Advanced Computer Software, Animalcare, Omega Diagnostics, Proxima, Breedon Aggregates, EKF and Sinclair IS Pharma, which was reduced after it increased its debt levels.

Share Buybacks

In the six months to May 2014, the Company bought back 813,743 Ordinary shares. It is evident from conversations which your managers have that this facility remains an important consideration to investors. Your Board remains committed to maintaining its buyback policy and welcomes the recent HMRC clarification that this will not be caught by other changes to VCT regulations.

Dividend

The object of the Board's dividend policy, when it was set at the time of the merger in 2010, was that shareholders should benefit as the NAV rose. With the rise in the NAV over the last year, the Board has declared progressively higher dividends. I am delighted to say that this trend continues. The Board, in line with its annualised 5% yield target, has declared an interim dividend of 2.0p. This will be paid on 17 October 2014 to shareholders on the register on 19 September 2014.

It remains the Board's intention to maintain a minimum annual dividend payment of 3.6p per share, which we would expect to pay in two instalments each year.

Fundraising

In June the Company announced its intention to raise new capital, by the issue of a new prospectus. I would hope that this will be

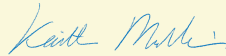
CHAIRMAN'S STATEMENT (continued)

published in August. The intention is to have a combined offer with the other AIMVCT managed by Octopus and to seek to raise up to £8 million. Should there be exceptional demand, your Board may consider increasing this total to £12 million. As you will have seen from my remarks above, there appear to be no shortage of interesting opportunities where new capital can potentially be deployed, although it is fair to say that in recent months your managers have declined most such opportunities, largely on grounds of valuation. It seems that this situation is changing as advisors set more realistic value expectations amongst founders and vendors. The pipeline of opportunities remains substantial and we have just made an investment of £800,000 into Ergomed, a profitable company providing services to the pharmaceutical sector.

Outlook

In the last report and accounts I remarked that, despite many intractable global problems, the UK is slowly recovering economically. Both points have found further empirical evidence in the six months to May. While there are some adverse financial consequences, not least in the strength of Sterling, which impacts a few holdings, the vast majority of the portfolio stands to benefit from the UK's continuing recovery. From your Manager's contact with the managements of these companies, it is clear that conditions remain generally helpful, that those managements remain as determined as ever to grow their companies, that product innovations remain as high a priority as ever and that their assessment of their individual prospects remains encouraging for investors. There will be hiccups, but order levels are high, margins generally expanding and customers are paying. That seems a sound basis

for expecting a revival of the rising trend in NAV apparent earlier in this year; which seems to have been upset, to some extent at least, by a greater emphasis on the global concerns amongst investors at large recently.



Keith Mullins
Chairman
24 July 2014

INVESTMENT PORTFOLIO

Investee Company	Sector	Book cost as at 31 May 2014 (£'000)	Cumulative change in fair value (£'000)	Fair value as at 31 May 2014 (£'000)	% equity held by Octopus AIM VCT 2	% equity held by all Funds managed by Octopus
Advanced Computer Software plc	Software & Computer Services	645	1,915	2,560	0.4%	3.5%
Breedon Aggregates Limited	Construction & Materials	597	1,467	2,064	0.5%	1.2%
Quixant plc	Technology Hardware	465	1,130	1,595	1.6%	6.5%
Ibox plc	Software & Computer Services	356	1,218	1,574	1.1%	3.9%
Netcall plc	Software & Computer Services	421	1,102	1,523	2.1%	5.0%
Escher Group Holdings plc	Software & Computer Services	753	684	1,437	2.4%	5.5%
Animalcare Group plc	Pharmaceuticals & Biotech	823	515	1,338	4.2%	6.8%
MyCelx Technologies plc	Oil Equipment	580	746	1,326	2.1%	6.9%
Brooks MacDonald Group plc	General Financial	609	566	1,175	0.6%	4.2%
GB Group plc	Software & Computer Services	476	662	1,138	0.7%	3.9%
Staffline Recruitment Group plc	Support Services	225	903	1,128	0.4%	10.3%
Tasty plc	Travel & Leisure	336	780	1,116	2.0%	5.1%
EKF Diagnostics plc	Healthcare Equipment	864	232	1,096	1.1%	4.0%
Vertu Motors plc	General Retailers	777	319	1,096	0.6%	6.9%
TLA Worldwide plc	Media	538	484	1,022	2.7%	10.0%
Matchtech Group plc	Support Services	328	682	1,010	0.7%	12.1%
Plastics Capital plc	Chemicals	485	498	983	2.4%	14.8%
Craneware plc	Software & Computer Services	479	357	836	0.6%	1.8%
Chime Communications plc	Media	458	304	762	0.2%	0.3%
Omega Diagnostics Group plc	Healthcare Equipment	317	439	756	2.6%	6.1%
RWS Holdings plc	Support Services	249	479	728	0.2%	4.4%
Judges Scientific plc	Electronic & Electrical	209	483	692	0.6%	1.4%
Proxama plc	Software & Computer Services	359	287	646	1.8%	7.8%
Brady plc	Software & Computer Services	492	137	629	1.0%	2.5%
Bond International Software plc	Software & Computer Services	303	295	598	1.1%	3.4%
Fusionex International plc	Software & Computer Services	188	402	590	0.3%	1.5%
Nektan Limited	Software & Computer Services	483	80	563	2.1%	11.0%
Skyepharma plc	Pharmaceuticals & Biotech	488	48	536	0.2%	0.8%
Vianet Group plc	Support Services	867	(343)	524	2.6%	4.6%
SQS Software plc	Software & Computer Services	207	309	516	0.3%	8.8%
Nasstar plc	Software & Computer Services	320	192	512	1.8%	7.9%
Gooch & Housego plc	Electronic & Electrical	326	161	487	0.3%	5.6%
Plus 500 Limited	General Financial	98	382	480	0.1%	0.3%
Sinclair Pharma plc	Pharmaceuticals & Biotech	395	59	454	0.4%	0.7%
WANDisco plc	Software & Computer Services	160	269	429	0.4%	2.1%
Futura Medical plc	Pharmaceuticals & Biotech	408	21	429	0.9%	6.6%
Adept Telecom plc	Telecommunications	501	(75)	426	1.6%	3.9%
Restore plc	Support Services	311	99	410	0.3%	6.2%
Access Intelligence plc	Software & Computer Services	544	(163)	381	4.6%	9.6%
Cello Group plc	Media	205	173	378	0.5%	6.8%
Tangent Communications plc	Support Services	385	(10)	375	1.4%	5.4%
Cambridge Cognition Holdings plc	Healthcare Equipment	400	(57)	343	3.4%	18.1%
Goals Soccer Centres plc	Travel & Leisure	148	153	301	0.3%	2.8%
Corac plc	Industrial Engineering	452	(194)	258	0.9%	5.7%
Immunodiagnostic Systems plc	Healthcare Equipment	454	(201)	253	0.2%	4.2%
Learning Technologies Group plc	General Retailers	341	(90)	251	0.4%	1.0%
Emis Group plc	Software & Computer Services	213	30	243	0.1%	1.8%
DP Poland plc	Travel & Leisure	364	(127)	237	2.5%	6.4%
Rated People Limited	Support Services	236	-	236	0.9%	4.1%
Lombard Medical Technologies plc	Healthcare Equipment	589	(368)	221	0.0%	0.0%
Enteq Upstream plc	Oil Equipment	687	(468)	219	1.2%	3.8%

INVESTMENT PORTFOLIO

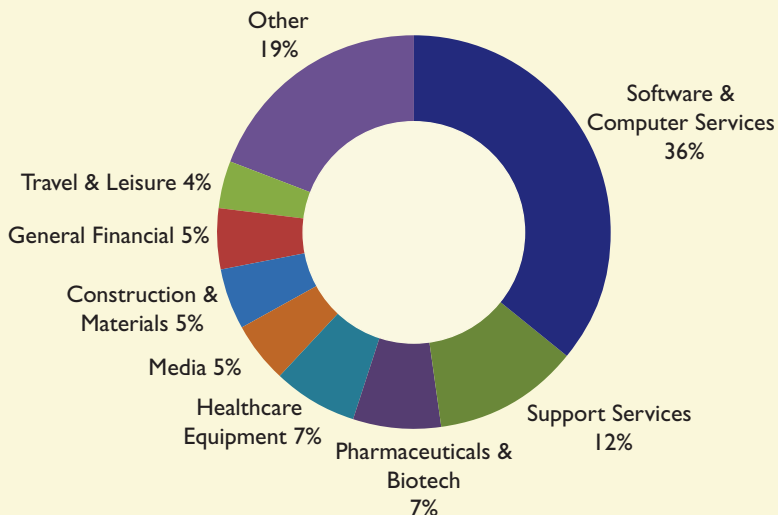
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Investee Company	Sector	Book cost as at 31 May 2014 (£'000)	Cumulative change in fair value (£'000)	Fair value as at 31 May 2014 (£'000)	% equity held by Octopus AIM VCT 2	% equity held by all Funds managed by Octopus
Clean Air Power Limited	Industrial Engineering	323	(113)	210	1.5%	11.6%
Mattioli Woods plc	General Financial	98	110	208	0.2%	3.1%
Enables IT Group plc	Software & Computer Services	200	(56)	144	2.1%	11.7%
Mears Group plc	Support Services	51	36	87	0.0%	0.1%
Woodspeen plc	Support Services	250	(167)	83	3.9%	11.3%
Hasgrove plc	Media	153	(77)	76	2.1%	13.0%
Work Group plc	Support Services	473	(429)	44	2.1%	6.3%
Altitude Group plc	Support Services	24	14	38	0.6%	4.6%
Total fixed asset investments		23,486	16,284	39,770		
Money market funds				587		
Total investments and money market funds				40,357		
Cash at bank				6,178		
Debtors less creditors				(81)		
Total net assets				46,454		

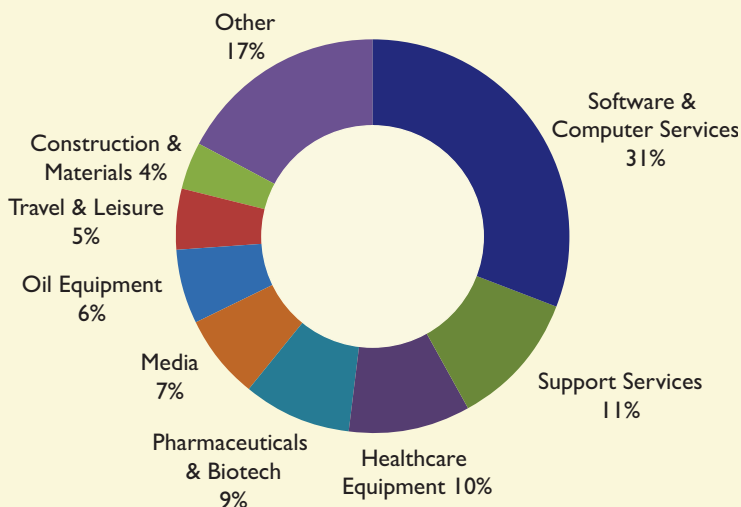
INVESTMENT PORTFOLIO (continued)

Sector Analysis

The graph below shows the sectors the Fund is invested in by value as at 31 May 2014:



The graph below shows the sectors the Fund is invested in by value as at 31 May 2013:

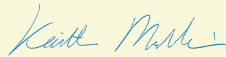


RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY REPORT

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 Conduct Authority's 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



Keith Mullins
Chairman
24 July 2014

INCOME STATEMENT

	Six months to 31 May 2014			Six months to 31 May 2013			Year to 30 November 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of fixed asset investments	–	214	214	–	217	217	–	582	582
Gain on valuation of fixed asset investments	–	3,279	3,279	–	4,292	4,292	–	9,574	9,574
Income	186	–	186	154	–	154	414	–	414
Investment management fees	(106)	(319)	(425)	(74)	(222)	(296)	(160)	(479)	(639)
Other expenses	(128)	–	(128)	(123)	–	(123)	(218)	–	(218)
Profit/(loss) on ordinary activities before tax	(48)	3,174	3,126	(43)	4,287	4,244	36	9,677	9,713
Taxation on profit/(loss) on ordinary activities	–	–	–	–	–	–	–	–	–
Profit/(loss) on ordinary activities after tax	(48)	3,174	3,126	(43)	4,287	4,244	36	9,677	9,713
Return per share – basic and diluted	(0.1)p	6.4p	6.3p	(0.1)p	9.9p	9.8p	0.1p	21.7p	21.8p

- 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 to 31 May 2014 £'000	Six months to 31 May 2013 £'000	Year ended 30 November 2013 £'000
Shareholders' funds at start of period	39,818	28,712	28,712
Profit on ordinary activities after tax	3,126	4,244	9,713
Purchase of own shares	(682)	(7,935)	(8,280)
Issue of shares	5,235	9,174	11,154
Shares to be issued	–	–	122
Dividends paid	(1,043)	(764)	(1,603)
Shareholders' funds at end of period	46,454	33,431	39,818

BALANCE SHEET

	As at 31 May 2014		As at 31 May 2013		As at 30 November 2013	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments*		39,770		30,290		35,862
Current assets:						
Investments*	587		1,833		586	
Debtors	26		142		56	
Cash at bank	6,178		1,224		3,363	
	6,791		3,199		4,005	
Creditors: amounts falling due within one year	(107)		(58)		(49)	
Net current assets	6,684		3,141		3,956	
Net assets	46,454		33,431		39,818	
Called up equity share capital	5		4		5	
Share premium	5,362		10,929		5	
Shares to be issued	–		–		122	
Special distributable reserve	34,549		22,672		35,231	
Capital redemption reserve	1		1		–	
Capital reserve – realised	(9,566)		(6,772)		(8,550)	
– unrealised	16,284		6,808		13,137	
Revenue reserve	(180)		(211)		(132)	
Total equity shareholders' funds	46,454		33,431		39,818	
Net asset value per share	89.3p		74.3p		84.4p	

*Held at fair value through profit and loss

The statements were approved by the Directors and authorised for issue on 24 July 2014 and are signed on their behalf by:



Keith Mullins

Chairman

Company Number: 05528235

CASH FLOW STATEMENT

	Six months to 31 May 2014 £'000	Six months to 31 May 2013 £'000	Year to 30 November 2013 £'000
Net cash outflow from operating activities	(279)	(274)	(375)
Taxation: UK Corporation tax paid	–	–	–
Financial investment			
Purchase of fixed asset investments	(2,074)	(1,366)	(3,104)
Disposal of fixed asset investments	1,658	1,238	3,050
Management of liquid resources			
Purchase of current asset investments	–	(2,201)	(3,953)
Disposal of current asset investments	–	3,217	6,217
Equity dividends paid			
Dividends paid	(1,043)	(764)	(1,603)
Financing			
Proceeds from issue of shares	5,235	9,174	3,720
Shares to be issued	–	–	122
Purchase of own shares	(682)	(7,935)	(846)
Increase in cash at bank	2,815	1,089	3,228

CASH FLOW STATEMENT

(continued)

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

	Six months to 31 May 2014 £'000	Six months to 31 May 2013 £'000	Year to 30 November 2013 £'000
Gain on ordinary activities before tax	3,126	4,244	9,713
Gain on disposal of fixed asset investments	(214)	(217)	(582)
Gain on valuation of fixed asset investments	(3,279)	(4,292)	(9,574)
Decrease in debtors	30	132	218
Increase/(decrease) in creditors	58	(141)	(150)
Net cash outflow from operating activities	(279)	(274)	(375)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH RESOURCES

	Six months to 31 May 2014 £'000	Six months to 31 May 2013 £'000	Year to 30 November 2013 £'000
Increase in cash at bank	2,815	1,089	3,228
Movement in cash equivalents	1	(1,017)	(2,264)
Opening net cash resources	3,949	2,985	2,985
Net cash resources at end of period	6,765	3,057	3,949

NOTES TO THE HALF-YEARLY REPORT

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 May 2014 have been prepared in accordance with the Accounting Standard Board's (ASB) statement on half-yearly financial reports (July 2007) and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 30 November 2013, which were prepared under UK GAAP and in accordance with the Statement of Recommended Practice for Investment Companies issued by the Association of Investment Companies in January 2009.

2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 May 2014 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The comparative figures for the year ended 30 November 2013 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 under Section 235 of the Companies Act 1985 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 May 2014 are calculated on the basis of 49,236,754 (31 May 2013: 43,522,952 and 30 November 2013: 44,662,072) shares, being the weighted average number of Ordinary shares in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted returns per share figures are relevant.

4. Net asset value per share

The net asset value per share is based on net assets as at 31 May 2014 divided by 52,028,080 (31 May 2013: 45,000,517 and 30 November 2013: 47,063,665) Ordinary shares in issue at that date.

5. Dividends

The Directors have declared a dividend of 2.0 pence per Ordinary share, payable from capital reserves. This dividend will be paid on 17 October 2014 to those shareholders on the register at 19 September 2014.

A final dividend for the year ended 30 November 2013 of 2.0 pence per Ordinary share was paid from capital reserves on 22 May 2014 to shareholders who were on the register on 25 April 2014.

NOTES TO THE HALF-YEARLY REPORT (continued)

6. Buybacks/shares issued

During the six months ended 31 May 2014 the Company repurchased the following shares:

Date	No. of shares	Price (p)
20 December 2013	320,378	80.5
3 February 2014	235,785	84.0
28 February 2014	149,075	89.75
15 May 2014	48,000	85.25
19 May 2014	60,505	85.25

The weighted average price of all buybacks during the period was 83.8 pence per share.

During the six months ended 31 May 2014 the Company issued the following shares:

Date	No. of shares	Price (p)
17 January 2014	1,719,960	93.8
28 March 2014	4,058,198	99.9

The weighted allotment price of all shares issued during the period was 98.1 pence per share.

7. Principal risks and uncertainties

The Company's assets consist of equity, 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 30 November 2013. The Company's principal risks and uncertainties have not changed materially since the date of that report.

8. 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 £425,000 (31 May 2013: £296,000 and 30 November 2013: £639,000).

9. Post balance sheet events

Since 31 May 2014 the Company has issued the following shares:

Date	No. of shares	Price (p)
17 April 2014	104,453	93.9

10. Other information

Copies of this statement are being 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 Investment Manager's website at www.octopusinvestments.com.

DIRECTORS AND ADVISERS

Board of Directors

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

Company Number

Registered in England & Wales
No: 05528235

Secretary and Registered Office

Patricia Standaloft ACIS
20 Old Bailey
London
EC4M 7AN

Investment Manager

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN
Tel: 0800 316 2295
www.octopusinvestments.com

Custodians

Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN

Bankers

HSBC Bank plc
31 Holborn
London
EC1N 2HR

Independent Auditor

BDO LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

Taxation Advisor

PricewaterhouseCoopers UK
1 Embankment Place
London
WC2N 6RH

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrar

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

