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# OCTOPUS

AIM VCT 2 PLC

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Unaudited Half-Yearly  
Report for the Six Months  
Ended 31 May 2015

Company Number: 05528235

FOR UK INVESTORS ONLY

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[octopusinvestments.com](http://octopusinvestments.com)

The logo for Octopus Investments, featuring a stylized octopus tail composed of various shades of teal circles and ovals, curving upwards from the bottom right towards the top right of the page.

**OCTOPUS**  
INVESTMENTS

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## Financial Headlines

- 80.0p** Net asset value per share as at 31 May 2015 (2014: 89.3p)
- 2.0p** Interim dividend declared for the half-year to 31 May 2015 (2014: 2.0p)
- 5.2%** Annualised Dividend Yield on share price as at 31 May 2015 (2014: 5.0%)

# About AIM VCT 2 PLC

Octopus AIM VCT 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 AIM VCT 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 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 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 AIM VCT 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.

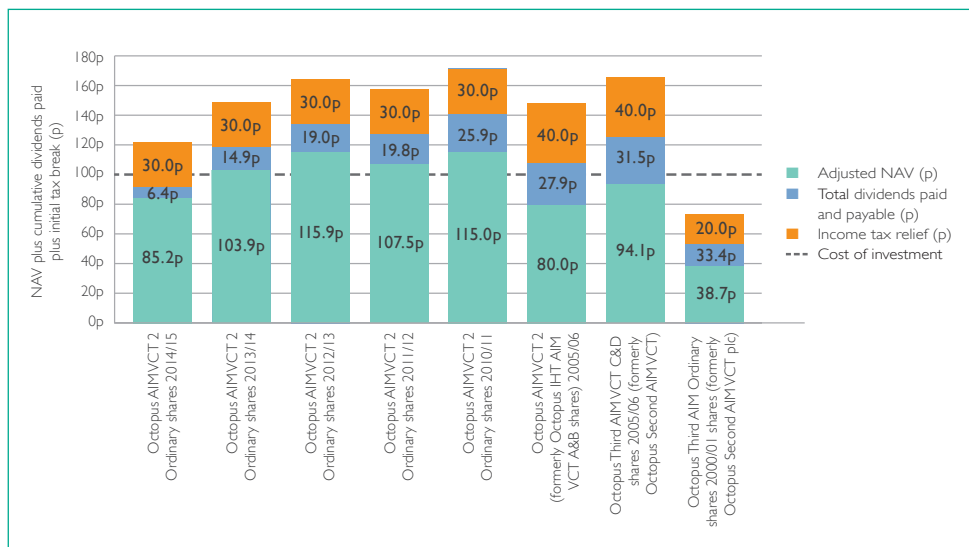
A combined fund-raise with Octopus AIM VCT plc was launched on 29 August 2014 to raise up to £8 million with an over-allotment facility of £4 million. As at 27 July 2015, the Company had raised £11.2 million under this fund-raise.

# Financial Summary

	Six months to 31 May 2015	Six months to 31 May 2014	Year to 30 November 2014
Net assets (£'000s)	<b>49,478</b>	46,454	45,016
Net profit/(loss) after tax (£'000s)	<b>2,353</b>	3,126	(528)
Net asset value per share ('NAV')	<b>80.0p</b>	89.3p	80.3p
Dividends paid – Ordinary	<b>2.0p</b>	2.0p	4.0p
Dividends paid – Special	<b>2.0p</b>	N/A	N/A
Proposed dividend	<b>2.0p</b>	2.5p	2.5p

In addition, the Board has declared an interim dividend of 2.0p. This will be paid on 16 October 2015 to shareholders on the register on 18 September 2015.

The tables below depict the Net asset value (NAV) per share and the dividends that have been paid since the launch of Octopus AIM VCT 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:



Dividends paid during financial year ending November	Octopus AIM VCT 2 Ordinary shares 2014/15	Octopus AIM VCT 2 Ordinary shares 2013/14	Octopus AIM VCT 2 Ordinary shares 2012/13	Octopus AIM VCT 2 Ordinary shares 2011/12	Octopus AIM VCT 2 Ordinary shares 2010/11	Octopus Second AIM VCT (formerly Octopus IHT AIM VCT A&B shares 2005/06)	Octopus Third AIM VCT C&D shares 2005/6 (formerly Octopus Second AIM VCT)	Octopus Third AIM Ordinary shares 2000/1 shares (formerly Octopus Second AIM VCT plc)
2003	-	-	-	-	-	-	-	1.6
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	1.4	-	1.0
2007	-	-	-	-	-	2.0	0.8	7.0
2008	-	-	-	-	-	2.0	2.2	11.0
2009	-	-	-	-	-	2.0	2.0	2.0
2010	-	-	-	-	-	2.5	5.4	2.2
2011	-	-	-	-	4.7*	3.3	3.8*	1.6*
2012	-	-	2.3*	4.3*	4.6*	3.2	3.8*	1.5*
2013	-	4.5*	5.1*	4.7*	5.0*	3.5	4.1*	1.7*
2014	2.1*	5.2*	5.8*	5.4*	5.8*	4.0	4.7*	1.9*
2015	4.3*	5.2*	5.8*	5.4*	5.8*	4.0	4.7*	1.9*
Cumulative dividends paid (p)	6.4*	14.9*	19.0*	19.8*	25.9*	27.9	31.5*	33.4*
NAV as at 31 May 2015 (p)	85.2**	103.9**	115.9**	107.5**	115.0**	80.0	94.1**	38.7**
NAV plus cumulative dividends paid (p)	91.6**	118.8***	134.9***	127.3***	140.9***	107.9	125.6***	72.1***

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.

#### Notes

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

## 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 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. With the qualifying target 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 provides 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.

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 was a more stable period for stockmarkets despite the continuing concerns about Greek debt and the Euro, Russia and the uncertainty caused by the May General Election. Despite fears to the contrary, AIM remained open for fundraisings and the smaller company discount that had opened up again in the previous six months narrowed slightly as larger companies reacted more to events on the international stage. For smaller companies, the focus has continued to be on trading results and a generally positive outcome to the results season from the more established companies offset some weaker share prices among earlier stage companies still requiring cash to reach profitability.

In contrast to the overexuberance which fed the high valuations of new issues a year ago, the current stockmarket mood is more measured with the result that new flotations have come at more sensible prices. Helped by the General Election result in May, corporate confidence has been rising and existing companies have been able to raise finance for corporate activity which has been on the increase.

## PERFORMANCE

Adding back the 4p paid out in dividends in the period, the NAV rose by 4.6% in the six months. This compares with a 15% rise in the Smaller Companies Index (ex Investment Trusts) and a 7.2% rise in AIM, all on a total return basis. The Smaller Companies Index performed better than AIM or the portfolio reflecting the two speed nature of the market in the period which favoured larger and profitable companies.

The larger and more established holdings contributed the most to performance in the six months although Breedon Aggregates paused for breath after a strong rise in the previous period and Advanced Computer Software marked time at the price of the bid prior to being turned into cash at the end of March. A proportion of the profit on this holding has been returned to shareholders in the special dividend of 2p that was paid at the beginning of June, and the cash proportion in the portfolio has now fallen to around 22%. Staffline, Animalcare, GB Group and Brooks Macdonald all performed well in the six month period. Lossmaking companies and holdings with currency or oil price exposure have fared less well including WANdisco, Plastics Capital, RWS and Mycelx.

In the period, the Company made four new qualifying investments totalling £1.4 million as well as three further qualifying investments into existing holdings, which amounted to £0.45 million. The new investments were Midatech Pharma, a pharmaceutical company with a novel drug delivery

mechanism; Ideagen, a software company specialising in the compliance sector; Sphere Medical, a medical device company with a technology to measure blood gas composition at the bedside and Gear4Music, an on-line musical instrument retailer. The follow-on investments were Proxama, Access Intelligence and Nektan.

Your managers have continued to use non-qualifying investments with the objective of enhancing performance. In the period they added new holdings in Cityfibre, Iomart and Clinigen as well as taking a further non-qualifying holding in Mycelx, adding to the existing qualifying holding in support of its December fund-raise. Mycelx has seen its customers badly affected by the fall in the oil price but they have a technology to clean water to very high environmental standards and an impressive list of prospects that they expect to turn into orders once the market stabilises again.

There were a number of disposals in the six months realising approximately £4.4 million and at an aggregate profit of £2.6 million. The largest of these was Advanced Computer Software, but the entire holdings of Matchtech, Plus 500 and Immunodiagnostics were also sold. Some further profits were also taken in Sinclair IS Pharma and Skyepharma.

## SHARE BUY-BACKS

In the six months to May 2015, the Company bought back 684,042 Ordinary shares. It is evident from the conversations which your managers have that this facility remains an important consideration to investors. Your Board remains committed to maintaining its buy-back policy and welcomes the recent HMRC clarification that this will not be caught by other changes to VCT regulations.

## DIVIDEND

The Board, in line with its annualised 5% yield target, has declared an interim dividend of 2.0p. This will be paid on 16 October 2015 to shareholders on the register on 18 September 2015.

On 5 June 2015, the Company paid 4.0p of dividends made up of a 2.0p final dividend for the year ended 30 November 2014, in line with the dividend policy of providing shareholders with a 5% yield, and a 2.0p special dividend in light of the successful exit from Advanced Computer Software.

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.

## THE SUMMER BUDGET

Shareholders may be aware that the recent Budget incorporated a number of changes to VCT regulations, which will become effective when Royal Assent is given to the finance Bill. To the

extent that these proposals affect this VCT, your board is discussing the potential consequences with your Manager. Given the established nature of the portfolio, any changes are likely to be subtle and will only become apparent over future years.

## FUNDRAISING

The current prospectus offer to raise up to £12 million, launched as part of a combined fundraise with the Octopus AIM VCT in August 2014 remains open, with £0.8 million of capacity remaining at the time of writing.

## OUTLOOK

The current headlines are dominated by a number of well-documented international concerns which do not really impact directly on smaller UK companies although they do affect market sentiment and therefore share prices. The most important factors for companies in your portfolio are the growth in the UK and the prospects for its continuation. Certainly in the wake of the General Election result, there appears to be a more positive mood amongst many managements and a belief that the economic background will remain favourable for some time to come.

To counter that rosy view of the future is the possibility of a rise in base rate. However, the managers regard such a rise as potentially good news since it will mean that the authorities, having been so concerned with the fragile state of the UK recovery, now take the view that the recovery is sufficiently robust enough to withstand a small interest rate rise. From the perspective of individual smaller companies the majority of portfolio companies have cash in their balance sheets so a rate rise is beneficial.

Recent statements from companies suggests that trading in many portfolio companies is reasonable despite those relying on a good level of exports finding life more difficult than those selling predominantly just to the UK. It seems that these conditions are set to persist for the immediate months ahead. That should provide an encouraging backdrop for continued fundraising and flotations as the manager seeks to invest the present cash balance in more qualifying holdings. Meanwhile, with relatively high cash balances, they will look for opportunities to add to the non-qualifying element of the portfolio on any market weakness.

Keith Mullins  
Chairman  
27 July 2015

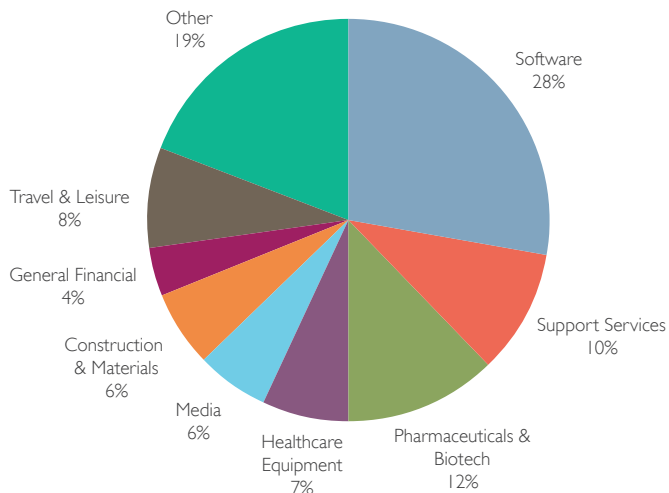
# Investment Portfolio

Investee Company	Sector	Book cost as at 31 May 2015 (£'000)	Cumulative change in fair value (£'000)	Fair value as at 31 May 2015 (£'000)	% equity held by Octopus AIM VCT 2	% equity held by all Funds managed by Octopus
Breedon Aggregates	Construction & Materials	573	1,575	2,148	0.5%	1.2%
Animalcare Group	Pharmaceuticals & Biotech	824	943	1,767	4.2%	6.8%
Quixant	Technology Hardware	465	1,170	1,635	1.6%	6.5%
Staffline Recruitment Group	Support Services	225	1,329	1,554	0.4%	11.2%
GB Group	Software	476	1,078	1,554	0.6%	8.0%
Tasty	Travel & Leisure	336	1,148	1,484	2.1%	5.2%
Idox	Software	356	1,030	1,386	1.1%	3.7%
Netcall	Software	421	884	1,305	1.9%	4.5%
Brooks MacDonald Group	General Financial	609	687	1,296	0.5%	7.0%
TLA Worldwide	Media	538	699	1,237	2.1%	6.9%
Vertu Motors	General Retailers	777	422	1,199	0.5%	6.0%
Craneware	Software	479	544	1,023	0.6%	1.9%
EKF Diagnostics	Healthcare Equipment	864	110	974	1.0%	2.4%
Brady	Software	647	320	967	1.2%	3.1%
Nektan	Travel & Leisure	763	102	865	1.9%	16.5%
Escher Group Holdings	Software	753	88	841	2.4%	5.5%
Ergomed	Pharmaceuticals & Biotech	800	–	800	1.7%	9.4%
Vianet Group	Support Services	867	(149)	718	2.6%	4.7%
MyCelx Technologies	Oil Equipment Services	980	(302)	678	1.5%	4.9%
Plastics Capital	Chemicals	485	187	672	2.0%	11.8%
Restore	Support Services	311	330	641	0.3%	10.0%
Adept Telecom	Telecommunications	501	125	626	1.6%	3.8%
Judges Scientific	Electronic & Electrical	209	404	613	0.6%	1.4%
Gooch & Housego	Electronic & Electrical	326	286	612	0.3%	10.3%
Omega Diagnostics Group	Healthcare Equipment	317	282	599	2.6%	6.1%
Chime Communications	Media	458	136	594	0.2%	0.3%
SQS Software	Software	207	380	587	0.3%	12.0%
RWS Holdings	Support Services	249	337	586	0.2%	6.0%
Bond International Software	Software	303	270	573	1.1%	3.3%
Nasstar	Software	320	208	528	1.7%	7.4%
Skyepharma	Pharmaceuticals & Biotech	382	100	482	0.2%	0.6%
Fusionex International	Software	188	284	472	0.3%	1.5%
CityFibre Infrastructure Holdings	Fixed Line Telecoms	506	(56)	450	0.7%	2.6%
Clinigen	Pharmaceuticals & Biotech	413	31	444	0.1%	2.9%

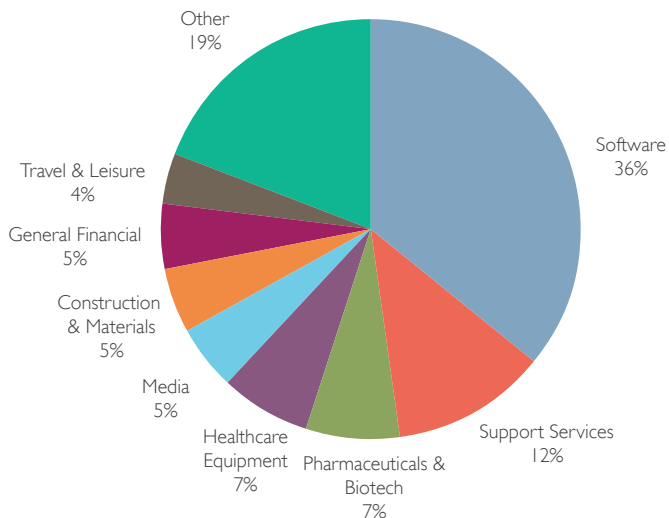
Cambridge Cognition Holdings	Healthcare Equipment	400	40	440	3.4%	18.0%
Sinclair IS Pharma	Pharmaceuticals & Biotech	274	157	431	0.3%	0.6%
Midatech	Pharmaceuticals & Biotech	400	27	427	0.5%	3.6%
Cello Group	Media	205	208	413	0.5%	6.2%
DP Poland	Travel & Leisure	364	49	413	2.5%	6.4%
Sphere Medical	Healthcare Equipment	400	13	413	1.8%	4.4%
Proxama	Software	509	(122)	387	2.0%	12.1%
Access Intelligence	Software	624	(245)	379	4.6%	9.6%
Gear4Music	Leisure Goods	372	–	372	1.3%	5.1%
Goals Soccer Centres	Travel & Leisure	148	153	301	0.2%	2.4%
Futura Medical	Pharmaceuticals & Biotech	409	(119)	290	0.7%	5.6%
Learning Technologies Group	Support Services	321	(31)	290	0.3%	0.9%
Ideagen	Software	240	35	275	0.4%	6.0%
Mattioli Woods	General Financial	101	145	246	0.2%	2.9%
Microsaic	Electronic & Electrical	217	28	245	0.8%	7.7%
Iomart Group	Software	178	60	238	0.1%	6.9%
WANdisco	Software	160	66	226	0.3%	1.6%
TP Group	Industrial Engineering	452	(231)	221	0.9%	6.4%
Lombard Medical Technologies	Healthcare Equipment	589	(435)	154	0.3%	0.7%
Tangent Communications	Media	385	(260)	125	1.4%	4.7%
Enteq Upstream	Oil Equipment Services	687	(564)	123	1.2%	3.8%
Mears Group	Support Services	51	28	79	0.0%	0.1%
Hasgrove	Media	153	(77)	76	2.1%	13.0%
Clean Air Power Limited	Industrial Engineering	323	(253)	70	1.3%	8.8%
Woodspeen	Support Services	250	(208)	42	3.9%	11.2%
Enables IT Group	Software	200	(167)	33	2.0%	10.1%
Altitude Group	Support Services	24	1	25	0.6%	4.5%
Rated People Limited	Support Services	236	(215)	21	0.3%	1.5%
Work Group	Support Services	473	(455)	18	2.1%	6.2%
<b>Total fixed asset investments</b>		<b>26,073</b>	<b>12,610</b>	<b>38,683</b>		
Money market funds				589		
<b>Total investments and money market funds</b>				<b>39,272</b>		
Cash at bank				12,889		
Debtors less creditors				(2,683)		
<b>Total net assets</b>				<b>49,478</b>		

## SECTOR ANALYSIS

The graph below shows the sectors the Fund is invested in by value as at 31 May 2015:



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



# 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.

Keith Mullins  
Chairman  
27 July 2015

# Income Statement

	Six months to 31 May 2015			Six months to 31 May 2014			Year to 30 November 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on disposal of fixed asset investments	–	(11)	(11)	–	214	214	–	455	455
Gain/(loss) on valuation of fixed asset investments	–	2,768	2,768	–	3,279	3,279	–	(359)	(359)
Income	198	–	198	186	–	186	478	–	478
Investment management fees	(115)	(346)	(461)	(106)	(319)	(425)	(203)	(609)	(812)
Other expenses	(141)	–	(141)	(128)	–	(128)	(290)	–	(290)
<b>Profit/(loss) on ordinary activities before tax</b>	<b>(58)</b>	<b>2,411</b>	<b>2,353</b>	<b>(48)</b>	<b>3,174</b>	<b>3,126</b>	<b>(15)</b>	<b>(513)</b>	<b>(528)</b>
Taxation on profit/(loss) on ordinary activities	–	–	–	–	–	–	–	–	–
<b>Profit/(loss) on ordinary activities after tax</b>	<b>(58)</b>	<b>2,411</b>	<b>2,353</b>	<b>(48)</b>	<b>3,174</b>	<b>3,126</b>	<b>(15)</b>	<b>(513)</b>	<b>(528)</b>
<b>Return per share – basic and diluted</b>	<b>(0.1)p</b>	<b>4.1p</b>	<b>4.0p</b>	<b>(0.1)p</b>	<b>6.4p</b>	<b>6.3p</b>	<b>–</b>	<b>(1.1)p</b>	<b>(1.1)p</b>

- 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.



# Statement of Changes in Equity

	Six months to 31 May 2015 £'000	Six months to 31 May 2014 £'000	Year to 30 November 2014 £'000
Shareholders' funds at start of period	45,016	39,818	39,818
Profit/(loss) on ordinary activities after tax	2,353	3,126	(528)
Purchase of own shares	(525)	(682)	(1,048)
Issue of shares	5,111	5,235	8,853
Dividends paid	(2,477)	(1,043)	(2,079)
<b>Shareholders' Funds at end of period</b>	<b>49,478</b>	<b>46,454</b>	<b>45,016</b>

# Balance Sheet

	As at 31 May 2015		As at 31 May 2014		As at 30 November 2014	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments*		<b>38,683</b>		39,770		36,745
Current assets:						
Investments*	<b>589</b>		587		588	
Debtors	<b>12</b>		26		397	
Cash at bank	<b>12,889</b>		6,178		7,393	
	<b>13,490</b>		6,791		8,378	
Creditors: amounts falling due within one year**	<b>(2,695)</b>		(107)		(107)	
Net current assets		<b>10,795</b>		6,684		8,271
<b>Net assets</b>		<b>49,478</b>		46,454		45,016
Called up equity share capital		<b>6</b>		4		6
Share premium		<b>14,090</b>		5,362		8,979
Special distributable reserve		<b>31,181</b>		34,549		34,183
Capital redemption reserve		<b>–</b>		1		–
Capital reserve		<b>(8,206)</b>		(9,566)		(10,457)
– realised						
– unrealised		<b>12,612</b>		16,284		12,452
Revenue reserve		<b>(205)</b>		(180)		(147)
<b>Total equity shareholders' Funds</b>		<b>49,478</b>		46,454		45,016
<b>Net asset value per share</b>		<b>80.0p</b>		89.3p		80.3p

\*Held at fair value through profit and loss.

\*\*Included within creditors is £2.5 million relating to an accrual for the final and special dividends. The Company's NAV went ex-dividend on 7 May 2015 and the dividends were paid on 5 June 2015.

The statements were approved by the Directors and authorised for issue on 27 July 2015 and are signed on their behalf by:

Keith Mullins

Chairman

Company Number: 05528235

# Cash Flow Statement

	Six months to 31 May 2015 £'000	Six months to 31 May 2014 £'000	Year to 30 November 2014 £'000
Net Cash inflow/(outflow) from operating activities	2,569	(279)	(907)
Taxation: UK Corporation tax paid	–	–	–
<b>Financial investment:</b>			
Purchase of fixed asset investments	(3,359)	(2,074)	(3,358)
Disposal of fixed asset investments	4,177	1,658	2,571
<b>Management of liquid resources:</b>			
Purchase of current asset investments	–	–	(2)
Disposal of current asset investments	–	–	–
<b>Equity dividends paid:</b>			
Dividends paid	(2,477)	(1,043)	(2,079)
<b>Financing:</b>			
Proceeds from issue of shares	5,111	5,235	8,853
Purchase of own shares	(525)	(682)	(1,048)
<b>Increase in cash at bank</b>	<b>5,496</b>	<b>2,815</b>	<b>4,030</b>

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

	Six months to 31 May 2015 £'000	Six months to 31 May 2014 £'000	Year to 30 November 2014 £'000
Gain/(loss) on ordinary activities before tax	2,353	3,126	(528)
Loss/(gain) on disposal of fixed asset investments	11	(214)	(455)
(Gain)/loss on valuation of fixed asset investments	(2,768)	(3,279)	359
Decrease/(increase) in debtors	385	30	(341)
Increase in creditors	2,588	58	58
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,569</b>	<b>(279)</b>	<b>(907)</b>

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

	Six months to 31 May 2015 £'000	Six months to 31 May 2014 £'000	Year to 30 November 2014 £'000
Increase in cash at bank	5,496	2,815	4,030
Movement in cash equivalents	1	1	2
Opening net cash resources	7,981	3,949	3,949
<b>Net cash resources at end of period</b>	<b>13,478</b>	<b>6,765</b>	<b>7,981</b>

# Notes to the Half-Yearly Report

## 1. BASIS OF PREPARATION

The unaudited half-yearly results which cover the six months to 30 April 2015 have been prepared in accordance with the Financial Reporting Council's (FRC) Financial Reporting Standard 104 Interim Financial Reporting (March 2015) and the Statement of Recommended Practice (SORP) for Investment Companies re-issued by the Association of Investment Companies in November 2014.

## 2. PUBLICATION OF NON-STATUTORY ACCOUNTS

The unaudited half-yearly results for the six months ended 31 May 2015 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 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, 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 May 2015 are calculated on the basis of 58,460,955 (31 May 2014: 49,236,754 and 30 November 2014: 50,754,470) 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 2015 divided by 61,885,583 (31 May 2014: 52,028,080 and 30 November 2014: 56,085,336) Ordinary shares in issue at that date.

## 5. DIVIDENDS

The Directors have declared a dividend of 2.0 pence per Ordinary share, payable from the special distributable reserve. This dividend will be paid on 16 October 2015 to those shareholders on the register at 18 September 2015.

Both the final and special dividend for the year ended 30 November 2014 of 2.0 pence per Ordinary share each were paid from the special distributable reserve on 5 June 2015 to shareholders who were on the register on 8 May 2015.

## 6. BUYBACKS/SHARES ISSUED

During the six months ended 31 May 2015 the Company repurchased the following shares:

Date	No. of shares	Price (p)
18 December 2014	69,071	74.75
23 January 2015	256,080	75.75
27 February 2015	309,026	78.00
23 April 2015	49,865	77.25

The weighted average price of all buybacks during the period was 76.8 pence per share.

During the six months ended 31 May 2015 the Company issued the following shares:

Date	No. of shares	Price (p)
22 December 2014	814,691	83.4
26 February 2015	1,187,202	87.0
26 March 2015	2,139,247	86.9
4 April 2015	1,863,424	86.2
28 April 2015	476,793	86.2

The weighted allotment price of all shares issued during the period was 86.2 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 2014. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## 8. RELATED PARTY TRANSACTIONS

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

£461,000 (31 May 2014: £425,000 and 30 November 2014: £812,000) in the period as a management fee. The management fee is payable quarterly in advance and is based on 2.0% of net assets at quarterly intervals.

## 9. POST BALANCE SHEET EVENTS

Since 31 May 2015 the Company has made the following investments:

Company	Date	No. of shares	Cost (£)
Oxford Pharmascience Group plc	23 June 2015	9,000,000	900,000

Since 31 May 2015 the Company has bought back the following shares:

Date	No. of shares	Price (p)
1 July 2015	156,513	76.5

Since 31 May 2015 the Company has issued the following shares:

Date	No. of shares	Price (p)
5 June 2015	179,312	80.2
1 July 2015	1,348,847	85.2

## 10. ADDITIONAL INFORMATION

Copies of this report are available from the registered office of the Company at 33 Holborn, London EC1N 2HT.

# Details of Advisers

## BOARD OF DIRECTORS

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

## SECRETARY AND REGISTERED OFFICE

Nicola Board ACIS  
Octopus Investments Limited  
33 Holborn  
London  
EC1N 2HT

## INVESTMENT AND ADMINISTRATION MANAGER

Octopus Investments Limited  
33 Holborn  
London  
EC1N 2HT  
Tel: 0800 316 2349  
[www.octopusinvestments.com](http://www.octopusinvestments.com)

## CUSTODIANS

Octopus Investments Limited  
33 Holborn  
London  
EC1N 2HT

## 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 Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
Tel: 0871 664 0300  
(calls cost 10p per minute plus network extras)  
[www.capitaregistrars.com](http://www.capitaregistrars.com)



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