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### Blackline levels

In order for us to receive correct information regarding blackline levels and avoid confusion, particularly when requesting retrospective cumulative blacklined proofs, it is important that you understand our procedures and are aware of the real time status of a proof at any one time. The table below shows the history and status of this transaction and its blackline levels.

### Notes

1. Unless instructed otherwise, we will automatically produce a new level of blacklining and sequentially change the proof number at each stage.
2. If a proof is submitted and further corrections are then received on the same day, it is important that you clearly define your blacklining requirements whether you want us to add to the latest level or produce a new level.
3. It is not possible to make corrections to a proof with a new level of blacklining but keep the proof number the same.

Blackline level	Proof No.	Date
0	1	15/09/2009
1	2	17/09/2009
2	3	17/09/2009
3	4	18/09/2009
4	5	01/10/2009

Blackline level	Proof No.	Date

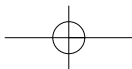
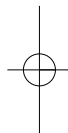
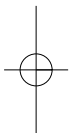
## Clean Proof

Job No.	215885
Proof No.	5
Date	01/10/2009



# Octopus Protected VCT plc

Unaudited Half-Yearly Report  
For the six months ended 31 July 2009



OCTOPUS PROTECTED VCT PLC HALF-YEARLY REPORT 2009

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## OCTOPUS PROTECTED VCT PLC HALF-YEARLY REPORT 2009

## Financial Summary

	Six months to 31 July 2009	Six months to 31 July 2008	Year to 31 January 2009
Net assets (£'000s)	24,592	25,754	25,139
Net (loss)/profit after tax (£'000s)	(124)	50	(101)
Net asset value per share ("NAV")	90.2p	94.2p	92.2p
Cumulative dividends since launch - paid and proposed	6.0p	3.0p	4.5p

Octopus Protected VCT plc ("Protected," "Company" or "Fund") is a venture capital trust ("VCT") and is managed by Octopus Investments Limited ("Octopus").

The Fund was launched in July 2006 and raised over £27.1 million (£25.9 million net of expenses) through an offer for subscription by the time it closed on 5 April 2008. The objective of the Fund is to invest in a diversified portfolio of UK smaller companies in order to generate income and capital growth over the long-term.

The table below shows the movement in NAV per share and lists the dividends that have been paid since the launch of Protected:

Period Ended	NAV	Dividend paid in period	NAV + cumulative dividends
31 January 2007	93.70p	–	93.70p
31 July 2007	94.90p	–	94.90p
31 January 2008	95.50p	–	95.50p
31 July 2008	94.20p	1.50p	95.70p
31 January 2009	92.20p	1.50p	95.20p
31 July 2009	90.20p	1.50p	94.70p

## Chairman's Statement

### Introduction

I am pleased to present the half-yearly report of Octopus Protected VCT plc for the period ended 31 July 2009.

### Performance

At 31 July 2009 the total return (being NAV plus cumulative dividends paid) of the Fund was 94.7p, which compares to 95.2p at 31 January 2009. The performance of the Fund has been relatively stable because a large proportion of its assets are held in cash and cash equivalent securities. Investments have been made as discussed below but these are unchanged in value at the period end.

### Investment Portfolio

As mentioned in the Annual Report, since 31 January 2009 six investments have been made. The Fund invested £1 million into CSL Dualcom Limited and £1 million in to Diagnos Limited. Furthermore, a total of £4 million was invested into four companies that have been established to seek suitable qualifying investments across a range of sectors.

Over the period, we have focused on providing support to existing portfolio companies. We contributed a small investment into portfolio company Bruce Dunlop as part of a rights issue and continue to work with all companies to help steer them through the downturn.

In the context of the tough economic environment, most portfolio companies are making progress or holding steady. Furthermore, since the end of the period, the Board is pleased to announce the successful sale of Funeral Services Partnerships. In total, the investment returned circa 1.4 times the initial investment of £1 million. Further details of this exit will be provided in the Annual Report for the year ended 31 January 2010.



#### CSL DualCom Limited

CSL DualCom ([www.csldual.com](http://www.csldual.com)) is the UK's leading supplier of dual path signalling devices, which link burglar alarms to the police or a private security firm. The devices communicate using a telephone line or broadband connection and a wireless link from Vodafone, which has been a partner since 2000.



#### Diagnos Limited

Diagnos ([www.autologic-diagnos.co.uk](http://www.autologic-diagnos.co.uk)) develops and sells sophisticated automotive diagnostic software and hardware that enables independent mechanics, dealerships and garages to service and repair vehicles. Mechanics require a diagnostic tool to communicate with the in-car computer in order to measure, monitor and, where necessary, fix the electronic process or system.

## Chairman's Statement (continued)

In terms of new investments, we are seeing reasonable deal flow and are at offer stage for a number of new deals.

### Investment Strategy

The Fund is being invested on the basis of taking less risk than a typical VCT. Typically the Fund will receive its return from interest paid on secured loan notes as well as an exposure to the value of the shares of a company. The investment strategy is to derive sufficient return from the secured loan notes to achieve the Fund's investment aims and to use the equity exposure to boost returns. As portfolio companies are unquoted the Fund will receive a return from an equity holding when a company is sold.

The Manager of the Fund aims to reduce risk by investing in well managed and profitable businesses with strong recurring cash-flows. Furthermore with the majority of the investment being made in the form of a secured loan, in the event of the business failing, the Fund will rank ahead of unsecured creditors and equity investors.

### Dividend and Dividend Policy

It is your Board's policy to strive to maintain a regular dividend flow where possible and this primarily relies on the level of profitable realisations and available cash reserves. However, given the prevailing economic climate this cannot be guaranteed. That said, for the period ended 31 July 2009, the Board has declared an interim dividend of 1.5 pence per share, payable from capital reserves. This dividend will be paid to shareholders, on 30 October 2009, who are on the register on 9 October 2009.

### VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice on the ongoing compliance with HM Revenue & Customs ("HMRC") rules and regulations concerning VCTs. As at 31 July 2009, over 43.2% of the portfolio (as measured by HMRC rules) was invested in VCT qualifying investments. The Manager does not foresee any issues with reaching the required investment hurdle of 70% before the third anniversary of the end of the financial year in which investors subscribed to the Fund.

### Principal Risks and Uncertainties

The principal risks and uncertainties are set out in note 6 of the Notes to the Half-Yearly Report on page 13.

### Outlook

While the Fund is insulated from the stock market, all companies face challenging trading conditions. In this environment, it is the good companies with strong management teams and sound business models, such as those in your portfolio, that have the best chance of succeeding.

## Chairman's Statement (continued)

The Investment Manager is in a strong position to provide the support that companies need, which is especially crucial while banks refuse to lend or impose high lending terms. Our strategy is focused on strengthening businesses for the future through guidance and funding. In these ways, we are working to ensure ongoing value from your VCT investment.

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



Tony Morgan  
Chairman

25 September 2009



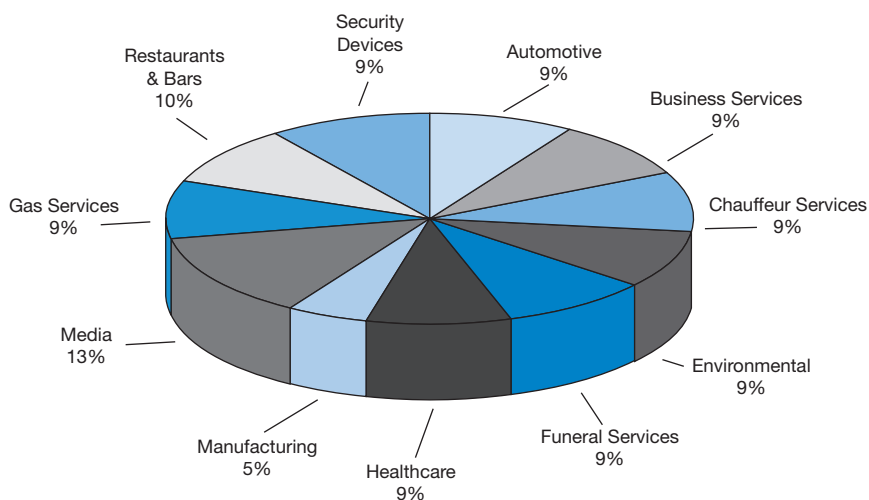
## OCTOPUS PROTECTED VCT PLC HALF-YEARLY REPORT 2009

## Investment Portfolio

Unquoted qualifying investments	Sector	Investment at cost £'000	Unrealised profit/(loss) £'000	Carrying value at 31 July 2009 £'000	% equity held by Protected	% equity held by all funds managed by Octopus
Bruce Dunlop & Associates Limited	Media	1,500	-	1,500	1.7%	33.3%
Vulcan Services II Limited	Oil & Gas Services	1,000	-	1,000	24.5%	49.0%
Diagnos Limited	Automotive	1,000	-	1,000	NA%	NA%
CSL Dualcom Limited	Security devices	1,000	-	1,000	NA%	NA%
Tristar Limited	Chauffeur Services	1,000	-	1,000	2.5%	35.0%
Funeral Services Partnerships Limited	Funeral Services	1,000	-	1,000	2.5%	6.8%
Salus Services I Limited	Healthcare	1,000	-	1,000	24.5%	49%
PubCo Services Limited	Restaurants & Bars	1,000	-	1,000	24.5%	49%
GreenCo Services Limited	Environmental	1,000	-	1,000	24.5%	49%
BusinessCo Services Limited	Business Services	1,000	-	1,000	24.5%	49%
Hydrobolt Limited	Manufacturing	606	-	606	2.7%	48.1%
British Country Inns plc	Restaurants & Bars	100	(16)	84	1.3%	1.3%
<b>Total qualifying investments</b>		<b>11,206</b>	<b>(16)</b>	<b>11,190</b>		
Bonds		1,273	65	1,338		
Floating rate notes		1,983	(141)	1,842		
Money market funds		10,598	(399)	10,199		
Cash at bank		114	-	114		
<b>Total money market securities and cash at bank</b>		<b>13,968</b>	<b>(475)</b>	<b>13,493</b>		
<b>Total investments</b>		<b>25,174</b>	<b>(491)</b>	<b>24,683</b>		
Net current assets				(91)		
<b>Total net assets</b>				<b>24,592</b>		

## Sector Analysis

Total qualifying investments by market value



## 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



Tony Morgan  
Chairman

25 September 2009

## OCTOPUS PROTECTED VCT PLC HALF-YEARLY REPORT 2009

## Income Statement

	Six months to 31 July 2009			Six months to 31 July 2008			Year to 31 January 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gain on disposal of current asset investments	-	(49)	(49)	-	1	1	-	58	58
Loss on valuation of fixed asset investments	-	-	-	-	-	-	-	(16)	(16)
Gain/(loss) on valuation of current asset investments	-	60	60	-	(115)	(115)	-	(595)	(595)
Income	269	-	269	600	-	600	1,453	-	1,453
Investment management fees	(62)	(186)	(248)	(77)	(229)	(306)	(147)	(444)	(591)
VAT management fee rebate	-	-	-	-	-	-	27	83	110
Other expenses	(156)	-	(156)	(130)	-	(130)	(338)	-	(338)
<b>Profit/(loss) on ordinary activities before tax</b>	<b>51</b>	<b>(175)</b>	<b>(124)</b>	<b>393</b>	<b>(343)</b>	<b>50</b>	<b>995</b>	<b>(914)</b>	<b>81</b>
Taxation on profit/(loss) on ordinary activities	-	-	-	-	-	-	(413)	231	(182)
<b>Profit/(loss) on ordinary activities after tax</b>	<b>51</b>	<b>(175)</b>	<b>(124)</b>	<b>393</b>	<b>(343)</b>	<b>50</b>	<b>582</b>	<b>(683)</b>	<b>(101)</b>
<b>Earnings per share – basic and diluted</b>	<b>0.2p</b>	<b>(0.6)p</b>	<b>(0.4)p</b>	<b>1.4p</b>	<b>(1.2)p</b>	<b>0.2p</b>	<b>2.1p</b>	<b>(2.5)p</b>	<b>(0.4)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.

## Reconciliation of Movements in Shareholders' Funds

	Six months ended 31 July 2009 £'000	Six months ended 31 July 2008 £'000	Year to 31 January 2009 £'000
<b>Shareholders' funds at start of period</b>	<b>25,139</b>	26,114	26,114
(Loss)/profit on ordinary activities after tax	(124)	50	(101)
Cancellation of own shares	(14)	-	(54)
Dividends paid	(409)	(410)	(820)
<b>Shareholders' funds at end of period</b>	<b>24,592</b>	25,754	25,139

## OCTOPUS PROTECTED VCT PLC HALF-YEARLY REPORT 2009

**Balance Sheet**

	As at 31 July 2009		As at 31 July 2008		As at 31 January 2009	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments		11,190		3,706		4,690
Current assets:						
Money market securities	13,379		21,692		16,847	
Debtors	153		280		212	
Cash at bank	114		112		3,685	
	13,646		22,084		20,744	
Creditors: amounts falling due within one year	(244)		(36)		(295)	
Net current assets		13,402		22,048		20,449
<b>Net assets</b>		<b>24,592</b>		<b>25,754</b>		<b>25,139</b>
Called up equity share capital	2,726		2,734		2,727	
Capital redemption reserve	13		5		11	
Special distributable reserve	23,025		23,092		23,039	
Capital reserve – Realised	(570)		(556)		(868)	
– Unrealised	(490)		12		(16)	
Revenue reserve	(112)		467		246	
<b>Total equity shareholders' funds</b>		<b>24,592</b>		<b>24,754</b>		<b>25,139</b>
<b>Net asset value per share</b>		<b>90.2p</b>		<b>94.2p</b>		<b>92.2p</b>

## OCTOPUS PROTECTED VCT PLC HALF-YEARLY REPORT 2009

## Cash Flow Statement

	Six months to 31 July 2009 £'000	Six months to 31 July 2008 £'000	Year to 31 January 2009 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(127)</b>	14	647
<b>Taxation</b>	-	-	(18)
<b>Financial investment:</b>			
Purchase of fixed asset investments	(6,500)	(606)	(1,606)
<b>Management of liquid resources:</b>			
Purchase of current asset investments	(6,457)	-	(13,249)
Sale of current asset investments	9,936	1,098	18,769
<b>Dividends paid</b>	<b>(409)</b>	(410)	(820)
<b>Financing:</b>			
Cancellation of own shares	(14)	-	(54)
<b>(Decrease)/increase in cash at bank</b>	<b>(3,571)</b>	96	3,669

## Reconciliation of Net Cash Flow to Movement in Net Funds

	Six months to 31 July 2009 £'000	Six months to 31 July 2008 £'000	Year to 31 January 2009 £'000
(Decrease)/increase in cash at bank	(3,571)	96	3,669
Decrease in cash equivalents	(3,468)	(1,212)	(6,057)
Opening net cash resources	20,532	22,920	22,920
<b>Net cash resources at end of period</b>	<b>13,493</b>	21,804	20,532

## OCTOPUS PROTECTED VCT PLC HALF-YEARLY REPORT 2009

## Reconciliation of Profit before Taxation to Cash Flow from Operating Activities

	Six months to 31 July 2009 £'000	Six months to 31 July 2008 £'000	Year to 31 January 2009 £'000
(Loss)/profit on ordinary activities before tax	(124)	50	81
Gain on disposal of fixed asset investments	-	-	(58)
Loss/(gain) on disposal of current asset investments	49	(1)	-
Loss on valuation of fixed asset investments	-	-	16
(Gain)/loss on valuation of current asset investments	(60)	115	595
Decrease/(increase) in debtors	59	(28)	40
Decrease in creditors	(51)	(122)	(27)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(127)</b>	<b>14</b>	<b>647</b>

## Notes to the Half-Yearly Report

### 1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 July 2009 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 31 January 2009, 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 July 2009 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The comparative figures for the year ended 31 January 2009 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 July 2009 are calculated on the basis of 27,268,387 (31 January 2009: 27,324,977 and 31 July 2008: 27,336,344) shares, being the weighted average number of shares in issue during the year.

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 net asset value per share is based on net assets as at 31 July 2009 divided by 27,256,003 (31 January 2009: 27,272,119 and 31 July 2008: 27,336,344) shares in issue at that date.

### 5. Dividends

The interim dividend of 1.5 pence per share for the six months ending 31 July 2009 will be paid on 30 October 2009, to those shareholders on the register on 9 October 2009. This will be paid from capital reserves.

A final dividend, for the year ending 31 January 2009, of 1.5 pence per share was paid on 25 June 2009 to shareholders on the register on 29 May 2009. This was paid wholly from revenue reserves.

## 6. Principal 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 31 January 2009. 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 cent per annum of the net assets of the Company for the investment management services. During the period, the Company incurred management fees of £248,000 (31 January 2009: £591,000 and 31 July 2008: £306,000) payable to Octopus. At the period end there was £Nil (31 January 2008: Nil and 31 July 2008: Nil) outstanding to Octopus. Furthermore, Octopus Investments Limited provides administration and company secretarial services to the Company. Octopus Investments Limited receives a fee of 0.3 per cent per annum of net assets of the Company for administration services and £10,000 per annum for company secretarial services.

8. Copies of this statement are being sent to all shareholders. Copies are also available from the registered office of the Company at 8 Angel Court, London, EC2R 7HP, and will also be available to view on the Investment Manager's website at [www.octopusinvestments.com](http://www.octopusinvestments.com).



## Details of Board and Advisers

### Board of Directors

Tony Morgan (Chairman)  
Neil Wilson  
Matt Cooper

### Secretary and Registered office

Celia L Whitten FCIS  
8 Angel Court  
London  
EC2R 7HP  
Registered in England No 05840377

### Investment Manager

Octopus Investments Limited  
8 Angel Court  
London  
EC2R 7HP

### Cash Managers

Goldman Sachs International  
Christchurch Court  
10-15 Newgate Street  
London  
EC1A 7HD

### Solicitors

Howard Kennedy  
19 Cavendish Square  
London  
W1A 2AW

### Independent Auditor and Taxation Adviser

Grant Thornton UK LLP  
1 Westminster Way  
Oxford  
OX2 0PZ

### VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

### Stockbroker

Brewin Dolphin Limited  
34 Lisbon Street  
Leeds  
LS1 4LX

### Bankers

HSBC Bank plc  
31 Holborn  
London  
EC1N 2HR

### Registrars

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

