
OCTOPUS

TITAN VCT 2 PLC

FINANCIAL HEADLINES

- 92.8p Net Asset Value (NAV) at 30 April 2012
- 4.5p Cumulative dividends paid since launch
- 97.3p Total return (NAV plus cumulative dividends) at 30 April 2012
- 1.5p Interim dividend declared for the half-year to 30 April 2012

CONTENTS

1	Shareholder Information and Contact Details
3	About Octopus Titan VCT 2 plc
4	Financial Summary
5	Chairman's Statement
7	Investment Portfolio
9	Responsibility Statement of the Directors
10	Income Statement
11	Reconciliation of Movements in Shareholders' Funds
12	Balance Sheet
13	Cash Flow Statement
15	Notes to the Half-Yearly Report
17	Directors and Advisers

SHAREHOLDER INFORMATION AND CONTACT DETAILS

Financial Calendar

The Company's financial calendar is as follows:

27 July 2012	– 2012 interim dividend paid
February 2013	– Annual results for the year to 31 October 2012 announced; Annual Report and financial statements published
April 2013	– 2012 final 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 Registrars, by calling 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open Monday–Friday 8.30am–5.30pm), or by writing to them at:

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

The table below shows the net asset value per share (NAV) and lists the dividends that have been paid since the launch of Octopus Titan VCT 2 plc:

Period Ended	NAV	Dividends paid in period	NAV + cumulative dividends (total return)
30 April 2008	95.0p	–	95.00p
31 October 2008	89.9p	–	89.90p
30 April 2009	91.5p	0.50p	92.00p
31 October 2009	96.1p	0.50p	97.10p
30 April 2010	92.0p	0.50p	93.50p
31 October 2010	94.9p	0.50p	96.90p
30 April 2011	92.1p	0.75p	94.85p
31 October 2011	91.5p	0.75p	95.00p
30 April 2012	92.8p	1.00p	97.30p

The interim dividend of 1.5p per share for the six months ending 30 April 2012 will be paid on 27 July 2012, to those shareholders on the register on 29 June 2012.

Share Price

The Company's share price can be found on various financial websites including www.londonstockexchange.com, with the following TIDM/EPIC code:

	Ordinary shares
TIDM/EPIC code	OTV2
Latest share price (20 June 2012)	82.5p per share

Buying and Selling Shares

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

The Company operates a policy of buying its own shares for cancellation as they become available. The Company is, however, unable to buy back shares directly from shareholders. If you are considering selling your shares or trading in the secondary market, please contact the Company's corporate broker, Matrix Corporate Capital LLP ('Matrix').

Matrix 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 brought in shares. Matrix can be contacted as follows:

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

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

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Capita Registrars, as well as Octopus Investments under the signature of the registered holder. Their contact details are provided at the end of this report.

Other Information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com/vctarchive/titan2.html 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 the Company or the Company's registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call either Octopus Investments, or the Registrar, at the numbers provided at the back of this report.

ABOUT OCTOPUS TITAN VCT 2 PLC

Octopus Titan VCT 2 plc ('Titan 2', 'Company' or 'VCT') is a venture capital trust ('VCT') which aims to provide shareholders with attractive tax-free dividends and long-term capital growth, by investing in a diverse portfolio of predominately unquoted companies. The Company is managed by Octopus Investments Limited ('Octopus' or 'Investment Manager').

Titan 2 was incorporated on 12 October 2007. In collaboration with Octopus Titan VCT 1 plc ('Titan 1'), the VCTs raised over £30.8 million in aggregate (£29.5 million net of expenses) through an Offer for Subscription. A further £2.71 million in aggregate (£2.56 million net of expenses) has been raised through top-ups in 2010 and 2012. Titan 2 invests primarily in unquoted UK smaller companies and aims to deliver absolute returns on its investments.

Venture Capital Trusts (VCTs)

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

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

Titan 2 has been approved as a VCT by HM Revenue & Customs (HMRC). In order to maintain its approval the Company must comply with certain requirements on a continuing basis. By the end of the Company's third accounting period at least 70% of the Company's investments must comprise 'qualifying holdings' of which at least 30% must be in eligible ordinary shares. A 'qualifying holding' consists of up to £5 million invested in any one year in new shares or securities in an unquoted company (or companies quoted on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed a prescribed limit at the time of investment. The definition of a 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing. The Company will continue to ensure its compliance with these qualification requirements.

FINANCIAL SUMMARY

	Six months to 30 April 2012	Six months to 30 April 2011	Year to 31 October 2011
Net assets (£'000s)	16,304	14,953	14,833
Return on ordinary activities after tax (£'000s)	384	(341)	(327)
Net asset value per share (NAV)	92.8p	92.1p	91.5p
Cumulative dividends since launch – paid and proposed	6.0p	3.5p	4.5p

CHAIRMAN'S STATEMENT

I am pleased to present the half-yearly results for the six month period ended 30 April 2012.

Results and Dividend

During the six month period to 30 April 2012, the total return has increased 2.4% from 95.0p to 97.3 pence (being the net asset value per share (NAV) of 92.8p (October 2011: 91.5p) plus cumulative dividends paid of 4.5p). This is largely due to a net increase in the value of the investment portfolio exceeding the running costs of the Company. This is encouraging progress given the long term nature of the investments made.

We continue to believe that our shareholders place considerable importance on the maintenance of regular dividends, particularly given their tax-free status in a period when the top rate of tax for individuals is 50%. As shareholders will remember, we increased our final dividend for 2011 to 1.0p per share and we have decided, based on the successful part realisation of Zoopla as detailed below, to increase this level of dividend for the half year. The interim dividend of 1.5p per share will be payable on 27 July 2012 to shareholders on the register on 29 June 2012.

Investment Portfolio Review

During the six month period to 30 April 2012, we made nine follow-on investments totalling £742,000 to the portfolio. These included: Mi-Pay, Semafone, Surrey Nanosystems, Bowman Power, GetOptics, Phase Vision, PrismaStar, Soil Exchange and Diverse Energy. It is the Board's intention to continue to use our cash resources to support the existing portfolio.

The portfolio saw an encouraging overall increase in fair value of £318,000 during the

period despite write downs in AQS, Bowman, Elonics and PrismaStar. This increase in fair value is largely attributable to the significant uplifts in fair value in both Zoopla and e-therapeutics, which is quoted on AIM. Zoopla alone increased in fair value by £419,000.

Notwithstanding the disappointing performance by those companies where we have made provisions against cost, which is not unexpected in the current economic climate, your Board believes that the diversified portfolio of 22 investments has good potential that will continue to provide a net uplift in fair value.

Open Ended Investment Companies (OEICs)

Titan 2 continues to hold investments in two OEICs which have seen an encouraging uplift in fair value in the six months to 30 April 2012 of £63,000. The best performance continued to be in the CF Octopus UK Micro Cap Growth Fund which increased in value by 8.5%.

Top-up

The Company, together with the other Titan funds, offered the opportunity to invest into the VCTs through a Top-up fund raising. It is pleasing to report that this offer was fully subscribed ahead of the closing date, raising £1,322,000 net of issue costs.

The majority of funds raised will be used to support existing portfolio companies where the Investment Manager sees the opportunity for potential gains.

The Budget

The 2012 budget provided, with effect from 6 April 2012, for the increase in the gross asset limit for investee companies from £7 million to

£15 million and for the number of employees to be raised from 50 to 250, as well as raising the overall annual investment limit into qualifying companies from £2 million to £5 million. We are pleased to see that these measures have now received State Aid approval from the EU and welcome the changes and the continued support which the Government is giving to the VCT sector.

VCT Qualifying Status

PricewaterhouseCoopers LLP provides both the Board and Octopus with advice concerning ongoing compliance with HMRC rules and regulations concerning VCTs. The Board has been advised that Titan 2 continues to be in compliance with the conditions laid down by HMRC for maintaining approval as a VCT.

As at 30 April 2012, over 95.5% of the portfolio (as measured by HMRC rules) was invested in VCT qualifying investments.

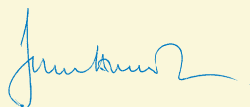
Principal Risks and Uncertainties

The Board continues to regularly review the risk environment in which Titan 2 operates. There has been no significant change to the key risks which were set out on page 23 of the annual report for the year ended 31 October 2011.

Outlook

It is encouraging to have seen a positive uplift in Titan 2's portfolio with significant growth in a few companies. Your Board is also pleased to have commenced making successful realisations. With such a diverse portfolio, however, it is expected at this stage of maturity that there will be challenges for a number of other companies. Octopus has continued to work hard alongside these companies in order to develop capital growth and to enable further future realisations for the Fund. Titan 2 will continue to support our existing portfolio where we believe that the companies offer good potential.

Overall, your Board believes that the portfolio is continuing to show positive signs of significant potential over the medium term to realise an above average return for our shareholders. Combining this with the successful part realisation of Zoopla, your Board is pleased to continue our strategy of paying an increasing level of dividends.



John Hustler

Chairman
20 June 2012

INVESTMENT PORTFOLIO

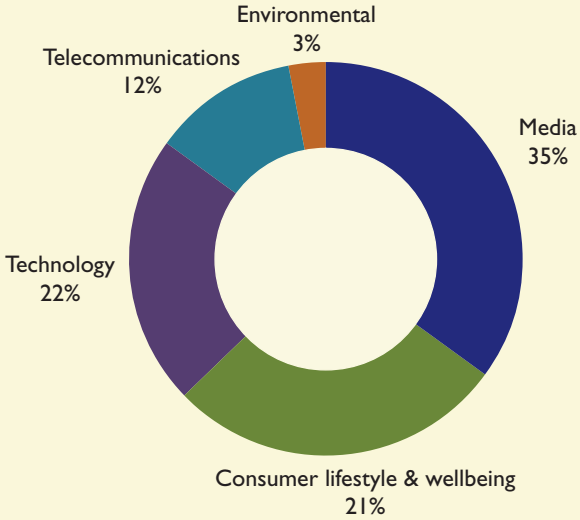
Qualifying investments	Sector	Investment cost at 30 April 2012 £'000	Unrealised profit/(loss) £'000	Carrying value at 30 April 2012 £'000	Change in valuation in the period £'000	% equity held by Titan 2	% equity managed by Octopus
Zoopla Limited	Media	741	1,771	2,512	419	5.68%	19.12%
Nature Delivered Limited	Consumer lifestyle & wellbeing	798	907	1,705	–	7.63%	29.98%
Calastone Limited	Technology	1,135	567	1,702	–	10.81%	34.10%
True Knowledge Limited	Media	1,420	(7)	1,413	–	9.70%	54.01%
e-Therapeutics plc	Consumer lifestyle & wellbeing	632	338	970	323	1.73%	8.24%
Executive Channel Europe Limited	Media	529	76	605	–	6.40%	36.76%
Mi-Pay Limited	Telecommunications	849	(260)	589	–	9.64%	32.12%
TouchType Limited	Telecommunications	385	164	549	–	4.20%	20.07%
Semafone Limited	Telecommunications	422	72	494	72	7.34%	51.03%
Surrey Nanosystems Limited	Technology	485	–	485	–	4.91%	24.55%
Michelson Diagnostics Limited	Consumer lifestyle & wellbeing	442	–	442	–	4.87%	37.53%
Metrasens Limited	Consumer lifestyle & wellbeing	338	43	381	–	5.00%	28.01%
UltraSoc Technologies Limited	Technology	361	–	361	–	10.04%	55.55%
Bowman Power Limited	Environmental	312	27	339	–	2.43%	15.56%
GetOptics Limited	Consumer lifestyle & wellbeing	422	(90)	332	–	7.52%	34.79%
Phase Vision Limited	Technology	474	(165)	309	–	10.10%	42.96%
PrismaStar Inc.	Media	424	(300)	124	(150)	4.00%	26.65%
AQS Holdings Limited	Environmental	655	(565)	90	(269)	11.68%	43.63%
Phasor Solutions Limited	Technology	100	(50)	50	–	1.74%	32.14%
Diverse Energy Limited	Environmental	382	(367)	15	–	5.47%	29.76%
Elonics Limited	Technology	305	(305)	–	(76)	3.11%	19.54%
The Key Revolution Limited*	Technology	641	(641)	–	–	12.36%	35.88%
Total qualifying investments		12,252	1,215	13,467	318		
Money market securities		1,050		1,050			
OEICs		807	149	956			
Cash at bank		834		834			
Total investments		14,943	1,364	16,307			
Net current assets				(3)			
Total net assets				16,304			

* in administration at 30 April 2012

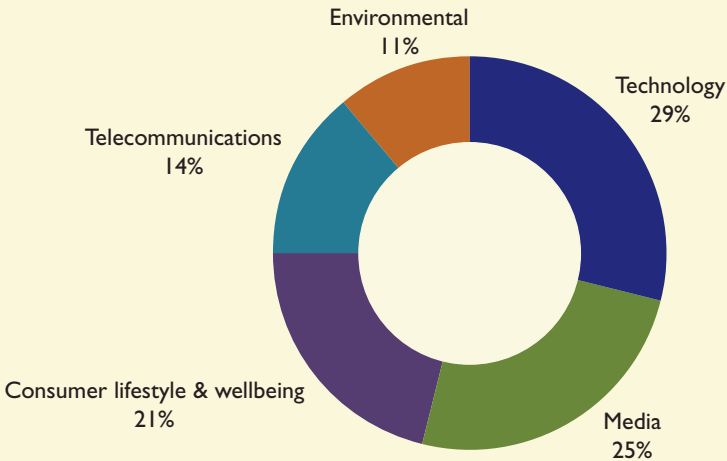
INVESTMENT PORTFOLIO (continued)

SECTOR ANALYSIS

Total investments by book cost



Total investments by 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



John Hustler
Chairman
20 June 2012

INCOME STATEMENT

	Six months to 30 April 2012			Six months to 30 April 2011			Year to 31 October 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gain/(loss) on disposal of fixed asset investments	–	271	271	–	24	24	–	156	156
Realised (loss)/gain on disposal of current asset investments	–	(15)	(15)	–	–	–	–	–	–
Fixed asset investment holding gains/(losses)	–	318	318	–	(395)	(395)	–	â(98)	(98)
Current asset investment holding gains/(losses)	–	63	63	–	254	254	–	89	89
Other income	2	–	2	40	–	40	65	–	65
Investment management fees	(36)	(109)	(145)	(39)	(116)	(155)	(78)	(233)	(311)
Other expenses	(110)	–	(110)	(109)	–	(109)	(228)	–	(228)
Return on ordinary activities before tax	(144)	528	384	(108)	(233)	(341)	(241)	(86)	(327)
Taxation on return on ordinary activities	–	–	–	–	–	–	–	–	–
Return on ordinary activities after tax	(144)	528	384	(108)	(233)	(341)	(241)	(86)	(327)
Earnings per share – basic and diluted	(0.9)p	3.2p	2.3p	(0.7)p	(1.4)p	(2.1)p	(1.5)p	(0.5)p	(2.0)p

- 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 Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.
- The Company has no recognised gains or losses other than the results for the period as set out above.
- The accompanying notes are an integral part of the half-yearly report.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months to 30 April 2012 £'000	Six months to 30 April 2011 £'000	Year to 31 October 2011 £'000
Shareholders' funds at start of period	14,833	15,518	15,518
Return on ordinary activities after tax	384	(341)	(327)
Issue of equity (net of expenses)	1,322	–	–
Purchase of own shares	(73)	(102)	(115)
Dividends paid	(162)	(122)	(243)
Shareholders' funds at end of period	16,304	14,953	14,833

BALANCE SHEET

	As at 30 April 2012		As at 30 April 2011		As at 31 October 2011	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments*		13,467		11,401		12,803
Current assets:						
Money market securities and other deposits*	2,006		2,946		1,976	
Debtors	54		1		16	
Cash at bank	834		655		91	
	2,894		3,602		2,083	
Creditors: amounts falling due within one year	(57)		(50)		(53)	
Net current assets	2,837		3,552		2,030	
	16,304					
Net assets			14,953		14,833	
Called up equity share capital	1,756		1,623		1,622	
Share premium	1,753		574		574	
Special distributable reserve	12,609		12,938		12,682	
Capital redemption reserve	22		12		13	
Capital reserve						
– losses on disposal	(802)		(589)		(210)	
– holding gains	1,363		511		401	
Revenue reserve	(397)		(116)		(249)	
Total equity shareholders' funds	16,304		14,953		14,833	
Net asset value per share	92.8p		92.1p		91.5p	

*Held at fair value through profit and loss

The statements were approved by the Directors and authorised for issue on 20 June 2012 and are signed on their behalf by:



John Hustler

Chairman

Company Number: 06397765

CASH FLOW STATEMENT

	Six months to 30 April 2012 £'000	Six months to 30 April 2011 £'000	Year to 31 October 2011 £'000
Net cash inflow/(outflow) from operating activities	(287)	360	98
Financial investment:			
Purchase of fixed asset investments	(742)	(1,714)	(2,818)
Disposal of fixed asset investments	665	383	382
Management of liquid resources:			
Purchase of current asset investments	(1,050)	(2,742)	(2,192)
Disposal of current asset investments	1,070	4,531	4,918
Taxation	–	–	–
Dividends paid	(162)	(122)	(243)
Financing:			
Issue of equity	1,322	–	–
Purchase of own shares	(73)	(102)	(115)
Increase/(decrease) in cash resources at bank	743	594	30

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Six months to 30 April 2012 £'000	Six months to 30 April 2011 £'000	Year to 31 October 2011 £'000
Increase/(decrease) in cash resources at bank	743	594	30
Movement in cash equivalents	30	(1,511)	(2,481)
Opening net cash resources	2,067	4,518	4,518
Net funds at period end	2,840	3,601	2,067

RECONCILIATION OF RETURN BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 30 April 2012 £'000	Six months to 30 April 2011 £'000	Year to 31 October 2011 £'000
Return on ordinary activities before tax	384	(341)	(327)
Loss/(gain) on disposal of current asset investments	15	(24)	(156)
Gain on disposal of fixed asset investments	(271)	-	-
(Gain)/loss on valuation of fixed asset investments	(318)	395	98
(Gain)/loss on valuation of current asset investments	(63)	(254)	(89)
(Increase)/decrease in debtors	(38)	587	572
Increase/(decrease) in creditors	4	(3)	-
(Outflow)/inflow from operating activities	(287)	360	98

NOTES TO THE HALF-YEARLY REPORT

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 30 April 2012 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 October 2011, 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 30 April 2012 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 31 October 2010 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 is based on 16,402,218 (30 April 2011: 16,310,429 and 31 October 2011: 16,267,138) ordinary 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. The basic and diluted earnings per share are therefore identical.

4. Net asset value per share

The calculation of NAV per share as at 30 April 2012 is based on 17,560,971 (30 April 2011: 16,236,217 and 31 October 2011: 16,220,459) ordinary shares in issue at that date.

5. Dividends

The interim dividend declared of 1.5 pence per share for the six months ending 30 April 2012 will be paid on 27 July 2012, to those shareholders on the register on 27 June 2012.

The final dividend of 1.0 pence per share for the year ending 31 October 2011 was paid on 13 April 2012 to those shareholders on the register on 9 March 2012.

6. Buy Backs

During the six months ended 30 April 2012 the Company bought back 88,083 ordinary shares at a weighted average price of 82.5 pence per share (six months ended 30 April 2010: 118,285 ordinary shares at a weighted average price of 86.2 pence per share and year ended 31 October 2011: 134,043 ordinary shares at a weighted average price of 85.88 pence per share). During the six months to 30 April 2012, 1,428,595 shares were issued at a price of 97.8 pence per share.

7. Related Party Transactions

Octopus Investments Limited 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 £145,000 payable to Octopus (30 April 2011: £155,000 and 31 October 2011: £282,000). At the period end there was £nil outstanding to Octopus (30 April 2011: £nil and 31 October 2011: £nil). Furthermore, Octopus provides administration and company secretarial services to the Company. Octopus receives a fee of 0.3 per cent per annum of net assets of the Company for administration services and £7,500 per annum for company secretarial services.

8. Copies of this report are available from the registered office of the Company at 20 Old Bailey, London, EC4M 7AN.

DIRECTORS AND ADVISERS

Board of Directors

John Hustler (Chairman)
Mark Faulkner
Matt Cooper

Company Number

Registered in England & Wales
No. 06397765

Secretary and Registered Office

Tracey Spevack (ACIS)
Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN

Investment and Administration Manager

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EC4M 7AN
Tel: 0800 316 2295
www.octopusinvestments.com

Independent Auditor and Taxation Adviser

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John Smith Drive
Oxford Business Park South
Oxford
OX4 2WB

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank plc
31 Holborn
London
EC1N 2HR

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

Corporate Broker

Matrix Corporate Capital LLP
1 Vine Street
London
W1J 0AH
Tel: 0203 206 7176

