

OCTOPUS TITAN VCT 2 PLC



UNAUDITED HALF-YEARLY REPORT
FOR THE SIX MONTHS ENDED 30 APRIL 2010
COMPANY NO: 06397765


OCTOPUS
INVESTMENTS

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FINANCIAL HEADLINES

- 93.5p** Net asset value per share plus cumulative dividends paid to 30 April 2010
- 0.5p** Interim dividend declared for the half-year to 30 April 2010, payable 23 July 2010
- 2.0p** Cumulative dividends paid and declared since launch

SHAREHOLDER INFORMATION AND CONTACT DETAILS

Financial Calendar

The Company's financial calendar is as follows:

23 July 2010	-	2010 interim dividend paid
February 2011	-	Annual results for the year to 31 October 2010 announced; Annual Report and financial statements published
April 2011	-	2010 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 Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 OGA

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
30 April 2008	95.0p	-	95.0p
31 October 2008	89.9p	-	89.9p
30 April 2009	91.5p	0.5p	92.0p
31 October 2009	96.1p	0.5p	97.1p
30 April 2010	92.0p	0.5p	93.5p

Share Price

The Company's share 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 (18 June 2010)	85.0p 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 bought 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, under the signature of the registered holder. Their contact details are provided on pages 1 or 16 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 by navigating to Services, Investor Services, Venture Capital Trusts, Octopus Titan VCT 2. All other statutory information will also be found there.

ABOUT OCTOPUS TITAN VCT 2 PLC

Octopus Titan VCT 2 plc (“Titan 2”, “Company” or “Fund”) 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 “Manager”).

Titan 2 was incorporated on 12 October 2007 with the first allotment of equity being 19 December 2007. In collaboration with Octopus Titan VCT 1 plc (“Titan 1”), the funds raised over £30.8 million in aggregate (£29.5 million net of expenses) through an offer for subscription which closed on 16 May 2008. Titan 2 will invest 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 unlisted 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-front income tax relief of 30%
- exemption from income tax on dividends paid
- exemption from capital gains tax on disposals of shares in VCTs

The Company 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 £1 million invested in any one year in new shares or securities in an unquoted company (including companies listed on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £7 million at the time of investment, and whose total number of employees is less than 50, also at the time of investment. The Company will continue to ensure its compliance with these qualification requirements.

FINANCIAL SUMMARY

	Six months to 30 April 2010	Six months to 30 April 2009	Year to 31 October 2009
Net assets (£'000s)	14,368	14,292	15,014
Return on ordinary activities before tax (£'000s)	(568)	334	1,133
Net asset value per share (NAV)	92.0p	91.5p	96.1p
Cumulative dividends since launch - paid and declared	2.0p	1.0p	1.5p

CHAIRMAN'S STATEMENT

I am pleased to present the half-yearly results for the six month period ended 30 April 2010.

Results and Dividend

During the six month period to 30 April 2010, the total return (being the change in net asset value per share (NAV) plus cumulative dividends paid) was -3.7% (30 April 2009 +2.3%), comprising a NAV decline of 4.1 pence to 92.0 pence plus dividends paid of 0.5 pence.

The unquoted portfolio has performed satisfactorily during the period. However our investments in two Open Ended Investment Company Funds have shown a fall in value of 6.7% during the period but their combined value remains well above the original cost of investment.

The revenue return for the period amounted to -0.1p per share. However, your Board has declared an interim dividend of 0.5p per share payable from capital reserves on 23 July 2010 to shareholders on the register on 9 July 2010. Your Board places 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 has increased to 50%. There are significant cash or near cash reserves to make such dividends, but given the low levels of interest available for cash deposits, the levels of dividends need to remain modest. Our objective is to increase our dividend distributions once we achieve realisations of our qualifying investment portfolio but, given the early stage nature of our investments and the current market conditions, it is unlikely that we will see any disposals in the immediate future.

Investment Portfolio Review

During the six month period our Investment Manager has made four new investments on behalf of the Company. We invested £421,000 into AQS, which operates in the environmental sector, £268,000 into Metrasens, a technology business specialising in ferro magnetic detection equipment for use in hospitals and in secure environments such as prisons, £312,000 into Money Workout, an online business helping customers with mortgage applications and £429,000 into Mi-Pay, which provides payment services within the mobile money sector.

In addition we have made a follow-on investment of £500,000 into Calastone, the cross-border transaction network for the mutual fund industry. Calastone has used the new investment to expand into Europe following the achievement of a milestone of sending its 2 millionth message.

Finally, we have decided to reduce the value of two of our investments, Phase Vision and Phasor Solutions, by £50,000 each given their current trading outlook in these challenging economic times.

CHAIRMAN'S STATEMENT (continued)

Cash and Liquid Resources

From the outset of the Fund's life we have invested a significant part of the capital raised in a portfolio of bonds, floating rate notes, cash and cash-plus funds. These have provided a yield well above current market rates but are now maturing. This has been designed to provide the liquidity to achieve the required 70% level of qualifying investments before the deadline of October 2010.

As these bonds have matured, your Board has ensured the cash held remains liquid and is exposed to minimal capital risk, prior to using the funds for investment into the unquoted company portfolio. Income yields on cash funds have reduced significantly in the past 18 months, but your Board believes the policy of capital preservation of un-invested cash is the right approach.

Open Ended Investment Companies (OEICs)

The CF Octopus UK Micro Cap Growth Fund has fallen by 4.6% over the six months to 30 April 2010, during what has been a turbulent period for smaller quoted companies. Following the strong performance of smaller companies during 2009, there has been some profit taking and in view of political uncertainties, investors have sought refuge in larger companies where there is generally a higher exposure to overseas earnings.

The CF Octopus Absolute UK Equity Fund has fallen by 7.8% over the six months to 30 April 2010, following considerable outperformance in previous periods. Although there was a strong start to 2010 the fund lost some value during the market volatility at the end of the period.

Your Board continues to keep the investments in these OEICs under review.

Top-up

I am delighted to report that Titan 2, along with its sister VCT, Titan 1, is raising further money through a top-up. This will be open to existing investors as well as prospective new investors. However, given a limit to the amount which may be raised (approximately £1.5 million per VCT), priority will be given to applications received by 31 July, where the investor is already a shareholder in the fund.

As with your initial investment when Titan 2 launched, your investment will be split equally between both Titan 2 and Titan 1. A letter announcing the top-up was recently sent to all financial advisers who have investors in the VCTs, and in the case of direct investors (i.e. those who invested without a financial adviser), an application form will be enclosed with this half-yearly report.

VCT Qualifying Status

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

A key requirement now is to achieve the 70% qualifying investment level prior to 31 October 2010. As at 30 April 2010, over 50% of the portfolio, as measured by HMRC

rules, was invested in VCT qualifying investments. In view of the current investment activity, the Board continues to be confident that the 70% target will be met by the required date.

Share price information

At present Titan 2's share price is published daily in the Financial Times at a significant cost. Since we are still within the initial five year holding period, the number of shareholders wishing to sell is minimal and so we have decided not to renew our subscription when it expires in September. The Company's share price is available from a number of financial websites including www.londonstockexchange.com. The Company's share price may be found using the TIDM/EPIC code OTV2.

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 ways in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 31 October 2009. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Outlook

Recently, several refinements have been made to fulfil European requirements but the Titan family of VCTs will conform to all currently proposed changes and we do not expect future alterations to legislation to be retrospective. We are members of the Association of Investment Companies, who are an effective voice for the sector, and we are active in their deliberations.

It is also important to recognise that small companies find the recovery period from a recession a time of continuing pressure and no more so than in the current climate where our investee companies continue to experience difficulties in raising working capital from banks. We will continue to support those companies in our portfolio which are performing in line with or ahead of plan and have good prospects.

Our Investment Manager continues to closely monitor our portfolio companies. Overall, most of our portfolio companies are progressing according to plan or ahead of it. With a little more stability returning to the economic environment, we look forward to continuing to work with these businesses in order to deliver value for investors in Titan 2.

Your Board remains confident that the Fund will be able to meet its investment objectives and produce good returns for shareholders. The imperative is to provide early stage, development and expansion funding to those companies in our portfolio who have the potential to create a large business by achieving a relatively modest share in a fast growing market.



John Hustler
Chairman

22 June 2010

INVESTMENT PORTFOLIO REVIEW

Unquoted Investments	Sector	Investment at cost 30 April 2010 (£'000)	Unrealised profit/(loss) (£'000)	Carrying value at 30 April 2010 (£'000)	Change in valuation in the period (£'000)	% equity held by Titan 2	% equity managed by Octopus
Calastone Limited	Technology	1,135	-	1,135	-	9.8%	31.0%
Zoopla Limited	Media	764	277	1,041	-	3.2%	11.3%
True Knowledge Limited	Technology	1,032	-	1,032	-	4.3%	36.4%
e-Therapeutics plc	Consumer lifestyle & wellbeing	450	27	477	-	0.3%	8.8%
Mi-Pay Limited	Telecommunications	429	-	429	-	4.9%	21.2%
AQS Group Limited	Environmental	421	-	421	-	5.5%	26.0%
Surrey Nanosystems Limited	Technology	320	-	320	-	5.4%	29.3%
Money Workout Limited	Technology	312	-	312	-	6.7%	32.6%
GetOptics Limited	Consumer lifestyle & wellbeing	285	-	285	-	3.6%	32.8%
Nature Delivered Limited	Consumer lifestyle & wellbeing	275	-	275	-	4.3%	17.9%
Metrasens Limited	Technology	268	-	268	-	4.3%	24.0%
Phase Vision Limited	Technology	200	(50)	150	(50)	7.4%	40.6%
The Skills Market Limited	Technology	100	(50)	50	-	4.6%	18.8%
Phasor Solutions Limited	Technology	100	(75)	25	(50)	1.7%	30.1%
The Key Revolution Limited	Telecommunications	641	(641)	-	-	11.4%	33.2%
Total qualifying investments		6,732	(512)	6,220	(100)		
Money market securities		3,624	(70)	3,554			
OEICs		3,542	992	4,534			
Cash at bank		68	-	68			
Total investments		13,966	410	14,376			
Net current assets				(8)			
Total net assets				14,368			

Valuation Methodology

The qualifying investments held by Titan 2 are generally early stage businesses with growth opportunities. As a result the methodology used in fair valuing the investments is the transaction price of the recent investment round. Subsequent adjustments to the fair value have then been made to reflect significant under or over performance of each company since the time of investment.

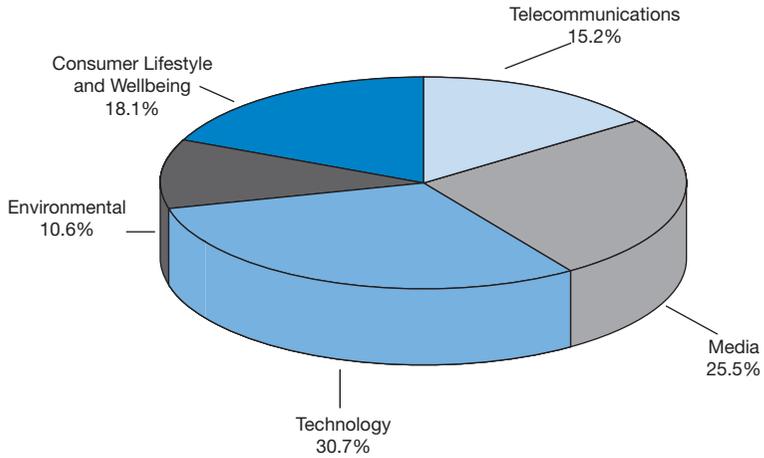
Quoted investments are valued at market bid price. No discounts are applied.

If you would like to find out more regarding The International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines, please visit their website at:

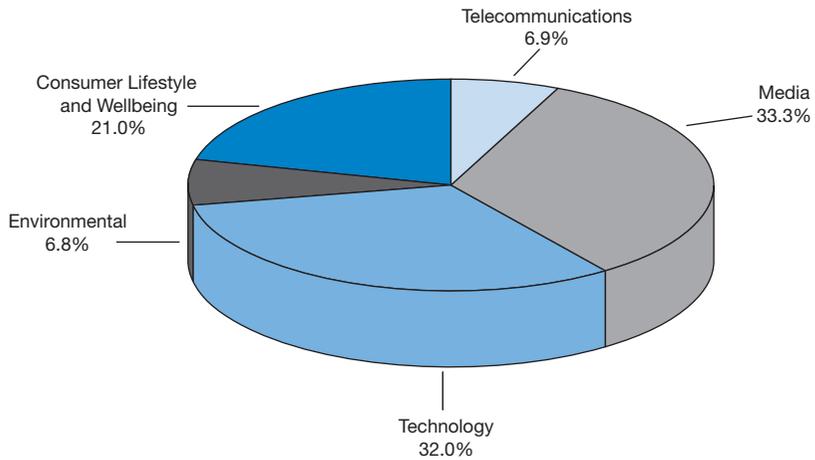
www.privateequityvaluation.com.

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

22 June 2010

INCOME STATEMENT

	Six months to 30 April 2010			Six months to 30 April 2009			Year to 31 October 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on disposal of fixed asset investments	-	-	-	-	-	-	-	(315)	(315)
(Loss)/gain on disposal of current asset investments	-	(15)	(15)	-	73	73	-	45	45
Loss on valuation of fixed asset investments	-	(100)	(100)	-	(372)	(372)	-	(206)	(206)
(Loss)/gain on valuation of current asset investments	-	(331)	(331)	-	527	527	-	1,676	1,676
Investment income	111	-	111	339	-	339	437	-	437
Investment management fees	(38)	(113)	(151)	(34)	(104)	(138)	(73)	(208)	(281)
Other expenses	(82)	-	(82)	(95)	-	(95)	(223)	-	(223)
Return on ordinary activities before tax	(9)	(559)	(568)	210	124	334	141	992	1,133
Taxation on profit/(loss) on ordinary activities	-	-	-	-	-	-	-	-	-
Return on ordinary activities after tax	(9)	(559)	(568)	210	124	334	141	992	1,133
Earnings per share - basic and diluted	(0.1)p	(3.5)p	(3.6)p	1.4p	0.8p	2.2p	0.9p	6.4p	7.3p

- 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 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 those disclosed in the income statement.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months to 30 April 2010 £'000	Six months to 30 April 2009 £'000	Year to 31 October 2009 £'000
Shareholders' funds at start of period	15,014	14,036	14,036
Return on ordinary activities after tax	(568)	334	1,133
Dividends paid	(78)	(78)	(155)
Shareholders' funds at end of period	14,368	14,292	15,014

BALANCE SHEET

	As at 30 April 2010		As at 30 April 2009		As at 31 October 2009	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments*		6,220		2,729		4,370
Current assets:						
Investments - money market securities*	8,088		11,517		10,069	
Debtors	36		50		96	
Cash at bank	68		97		573	
	8,192		11,664		10,738	
Creditors: amounts falling due within one year	(44)		(101)		(94)	
Net current assets		8,148		11,563		10,644
Net assets		14,368		14,292		15,014
Called up equity share capital	1,562		1,562		1,562	
Share premium	-		13,196		-	
Special distributable reserve	13,196		-		13,196	
Capital redemption reserve	-		-		-	
Capital reserve - gains/(losses) on disposal	(832)		(115)		(708)	
- holding gains/(losses)	410		(578)		884	
Revenue reserve	32		227		80	
Total equity shareholders' funds		14,368		14,292		15,014
Net asset value per share		92.0p		91.5p		96.1p

*At fair value through profit and loss

Company Number: 06397765

CASH FLOW STATEMENT

	Six months to 30 April 2010 £'000	Six months to 30 April 2009 £'000	Year to 31 October 2009 £'000
Net cash (outflow)/inflow from operating activities	(111)	233	6
Financial investment:			
Purchase of investments	(1,950)	(1,264)	(3,054)
Management of liquid resources:			
Purchase of cash equivalent investments	(3,097)	(1,551)	(2,146)
Sale of cash equivalent investments	4,732	2,296	5,461
Dividends paid:	(78)	(78)	(155)
(Decrease)/increase in cash resources at bank	(504)	(364)	112

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Six months to 30 April 2010 £'000	Six months to 30 April 2009 £'000	Year to 31 October 2009 £'000
Decrease in cash resources at bank	(504)	(364)	112
Decrease in cash equivalents	(1,982)	(146)	(1,594)
Opening net liquid resources	10,642	12,124	12,124
Net funds at period end	8,156	11,614	10,642

RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 30 April 2010 £'000	Six months to 30 April 2009 £'000	Year to 31 October 2009 £'000
Return on ordinary activities before tax	(568)	334	1,133
Loss on disposal of fixed asset investments	-	-	315
Loss/(gain) on disposal of current asset investments	15	(73)	(45)
Loss/(gain) on valuation of fixed asset investments	100	372	206
Loss/(gain) on valuation of current asset investments	331	(527)	(1,676)
Decrease in debtors	61	112	66
(Decrease)/increase in creditors	(50)	15	7
Net cash (outflow)/inflow from operating activities	(111)	233	6

NOTES TO THE HALF-YEARLY REPORT

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 30 April 2010 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 period ended 31 October 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 30 April 2010 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 October 2009 have been extracted from the audited financial statements for that period, 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 is based on 15,616,879 (30 April 2009: 15,616,879 and 31 October 2009: 15,616,879) shares, being the weighted average number of shares in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted 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 2010 is based on 15,616,879 (30 April 2009: 15,616,879 and 31 October 2009: 15,616,879) Ordinary shares in issue at that date.

5. Dividends

The interim dividend declared of 0.5 pence per share for the six months ending 30 April 2010 will be paid on 23 July 2010, to those shareholders on the register on 9 July 2010.

A final dividend of 0.5 pence per share for the year ending 31 October 2009 was paid on 23 April 2010 to those shareholders on the register on 5 March 2010.

6. 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 £151,000 payable to Octopus. At the period end there was £nil outstanding to Octopus.

DIRECTORS AND ADVISERS

Board of Directors

John Hustler (Chairman)
Mark Faulkner
Matt Cooper

Secretary and Registered office

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP

Registered in England No. 06397765

Investment and Administration Manager

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Tel: 0800 316 2349
www.octopusinvestments.com

Solicitors

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EC1A 7HD

Independent Auditor and Taxation Adviser

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Oxford
OX2 0PZ

VCT Status Adviser

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Registrars

Capita Registrars Limited
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Huddersfield
HD8 0GA

Corporate Broker

Matrix Corporate Capital LLP
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W1J 0AH
Tel: 0203 206 7176

