OCTOPUS
ECLIPSE VCT 2 PLC

OCTOPUS
INVESTMENTS

UNAUDITED
HALF-YEARLY REPORT
FOR THE SIX MONTHS ENDED 31 JULY 2011

FINANCIAL HEADLINES

(3.6)% Total return (NAV plus cumulative dividends) for the half-year to 31 July 2011

67.2p Net asset value (NAV) at 31 July 2011

1.5p Interim dividend declared for the half-year to 31 July 2011

28.5p Cumulative dividends paid and declared since launch

CONTENTS

SHAREHOLDER INFORMATION AND CONTACT DETAILS

Financial Calendar

The Company's financial calendar is as follows:

18 November 2011	– 2011 half-year dividend paid
May 2012	– Annual results for the year to 31 January 2012 announced; Annual Report and financial statements published
July 2012	– 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), or by writing to them at:

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

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

Period Ended	NAV	Dividends paid in period	NAV + cumulative dividends (total return)
31 July 2005	94.9p	–	94.90p
31 January 2006	95.0p	–	95.00p
31 July 2006	95.2p	1.25p	96.45p
31 January 2007	115.9p	–	117.15p
31 July 2007	121.9p	1.00p	124.15p
31 January 2008	110.7p	3.00p	115.95p
31 July 2008	92.2p	5.00p	102.45p
31 January 2009	72.9p	3.00p	86.15p
31 July 2009	71.5p	2.00p	86.75p
31 January 2010	82.0p	1.25p	98.50p
31 July 2010	76.8p	7.00p	100.30p
31 January 2011	72.2p	2.00p	97.70p
31 July 2011	67.2p	1.50p	94.20p

The interim dividend of 1.5p will be paid on 18 November 2011 to shareholders on the register on 21 October 2011.

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	OEC2
Latest share price (29 September 2011)	63.25p 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 on page 20.

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 Eclipse VCT 2. 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 Octopus Investments 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 ECLIPSE VCT 2 PLC

Octopus Eclipse VCT 2 plc ('Eclipse 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 unquoted and AIM-quoted companies. The Company is managed by Octopus Investments Limited ('Octopus' or 'Investment Manager').

Eclipse 2 was launched in January 2005 and raised over £18.4 million (£17.7 million net of expenses) through an Offer for Subscription. The VCT has raised a further £2.3 million (£2.2 million net of expenses) by way of 'top-ups' and bought back a total of 1.97 million shares (consideration of £1.5 million) since the VCT was launched. Eclipse 2 co-invests with other funds managed by Octopus which allows the VCT to invest in a wider range of opportunities and in larger and more developed companies than are typically available to a single VCT.

Further details of the VCT's progress are discussed in the Chairman's Statement on pages 6 to 8.

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 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.

Eclipse 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 £1 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 £7 million 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 31 July 2011	Six months to 31 July 2010	Year to 31 January 2011
Net assets (£'000s)	**12,661**	14,861	13,779
Net return after tax (£'000s)	**(673)**	332	(196)
Net asset value per share (NAV)	**67.2p**	76.8p	72.2p
Cumulative dividends since launch – paid and proposed	**28.5p**	25.5p	27.0p

CHAIRMAN'S STATEMENT

Please find below the half-year results for the six month period ended 31 July 2011 for Octopus Eclipse VCT 2 plc.

This has proven to be an even more challenging period than had been expected at the time of the year end accounts. The green shoots seen in 2010 have withered as economic growth rates have disappointed and high debt levels across the globe weigh heavily on governments, companies, the banking market and individuals alike. Against this backdrop, the Investment Manager's time has continued to be spent protecting and nurturing the portfolio and it has not yet proved to be an attractive time to make new investments.

Results

Given the backdrop sketched above and the relative vulnerability of small companies, it may not come as a surprise that the portfolio has not developed as strongly as had previously been hoped for. In the six months to 31 July 2011, Eclipse 2 reported a negative total return (being the change in NAV plus cumulative dividends paid) of 3.6%. By comparison, the FTSE Small Cap total return was 1.5%. After accounting for the dividend paid of 1.5p, the NAV decreased by 3.5p which was largely attributable to a decrease in the value of the unquoted portfolio, as detailed below.

Portfolio

Eclipse 2 is currently invested in 16 unquoted and 12 AIM-quoted companies. By value, 67.9% of the VCT's net assets are in unquoted investments, 12.4% in AIM-quoted investments and 19.7% are in cash or cash equivalents.

Your Board continues to maintain an appropriate level of liquidity in the balance sheet to achieve four aims:

- to support further investment in existing portfolio companies if required;
- to support a regular dividend flow;
- to assist liquidity in the shares through the buy-back facility; and
- to take advantage of new investment opportunities as they arise.

Liquidity in the VCT is primarily driven by capital realisations. There have been no significant realisations since the exit of James Harvard, which is a reflection of the current uncertainty in the economic climate and, after balancing the objectives above, it is envisaged that there will only be limited new additions to the portfolio in the near future.

Unquoted

The most significant uplift in fair value during the period related to Tristar which is trading ahead of budget and operational improvements within the company have allowed it to achieve and surpass its targets. Smaller uplifts have also been seen at AVM, Convivial and Hydrobolt; each continues to progress satisfactorily. Unfortunately, this uplift has been offset by downward valuations in a number of portfolio companies resulting in an overall decrease of £838,000 in the value of the unquoted portfolio. Perfect Pizza continued to experience a very challenging market and, despite a number of changes put in place by the Investment Manager, competition and pricing pressures in the sector at large meant the business continued to struggle. It has now been sold through an administration process, resulting in a full provision for the VCT. Further provisions of note have also been taken against T4, Brandspace and First Sports and these movements have predominately been based on calculations by reference to reported earnings and discounted market multiples in accordance with the valuation guidelines, as detailed in the report.

T4 had a difficult first half of 2011 due to cut backs in public sector spending on advertising, and Brandspace continued to be impacted by weak results in the poster media business. First Sports, like other retail companies, has experienced falling sales due to the tough economic backdrop. However, the management team has performed a full review of the business which has resulted in a number of changes to the organisation and the strategy and these changes have allowed management to start exploring new revenue streams. Therefore, we remain optimistic that progress will be made in the coming period.

On a more positive note, as mentioned in the last annual report, CSL Dualcom redeemed 50% of the Eclipse 2 loan notes in the period and paid a redemption premium and accrued interest, which realised an overall gain of £239,000.

Whilst conditions are still tough across most business sectors a number of the portfolio companies are showing strength in their markets and we remain cautiously optimistic that these companies will take advantage of the economic environment and provide the VCT with exit and future investment opportunities.

AIM-quoted

The AIM-quoted element of the portfolio has seen an overall increase in valuation of £297,000 in the six months to 31 July 2011. This uplift is primarily due to the holding in Plastics Capital which has continued to trade well. The remaining companies in Eclipse 2's portfolio have performed consistently during the reporting period with slight uplifts to fair value in the holdings in Cohort, CBG Group and Tanfield. There were no investments or disposals in the reporting period although the Investment Manager is regularly reviewing the position of the investee companies to ensure that further investments and exits are made at the appropriate time.

As discussed in the last annual report, we remain confident that the AIM companies in the portfolio are valued at low ratings so expect there to be further appreciation over time and intend to retain the majority of the holdings in order to see additional value returning to the companies. Since the period end the holding in CBG has been realised, following a takeover of the company, recovering a small premium to book value for this stock.

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 19.

Dividend and Dividend Policy

As noted above, it is your Board's policy to strive to maintain a regular dividend flow whilst maintaining an appropriate level of liquidity in the VCT. Taking this into account, for the six months ended 31 July 2011, the Board is pleased to announce an interim dividend of 1.5p per share. This dividend will be paid on 18 November 2011 to those shareholders on the register on 21 October 2011.

Outlook

The economic climate remains uncertain and this continues to challenge our portfolio of investee companies. However, the Investment

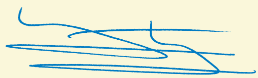
CHAIRMAN'S STATEMENT (continued)

Manager is working hard to support the portfolio, working closely with the individuals managing the businesses and making changes where necessary. The Board has also asked the Investment Manager to redouble its efforts to look out for realisations in order to allow the VCT to maintain its dividend policy.

In the short term there remains a risk of further setbacks from some of the more vulnerable portfolio companies, although the Investment Manager has done much to strengthen the teams and support the businesses which are believed to have positive long term potential. The timing of any kind of meaningful recovery in the UK and wider economy remains rather uncertain and we are all having to exercise much patience whilst the global financial markets continue to try and find the kind of equilibrium which will hopefully lead to calmer waters in due course.

As I write it appears as if, for the first time, there might be the beginnings of an international political will to meet the challenges ahead even though I am equally sure that you will share with the Board a sense of déjà vu about the resolve of the politicians to lead the way out of the current mess.

If you have any questions on any aspect of your investment, please call one of the team on 0800 316 2295.



Marc Vlessing
Chairman
29 September 2011

INVESTMENT PORTFOLIO

Unquoted investments	Sector	Investment cost at 31 July 2011 £'000	Holding gain/ (loss) £'000	Carrying value at 31 July 2011 £'000	Change in valuation in the period £'000	% equity held by Eclipse 2	% equity held by all funds managed by Octopus
CSL DualCom Limited	Technology & Telecommunications	399	1,214	1,613	(42)	7.3%	45.8%
The History Press Limited	Publishing	1,480	(71)	1,409	(73)	9.7%	60.0%
Luther Pendragon Limited	Media & Marketing Services	1,000	150	1,150	–	20.9%	41.7%
The Kendal Group Limited	Consumer Products	414	377	791	–	5.7%	16.0%
Brandspace Limited	Media & Marketing Services	825	(93)	732	(101)	5.1%	40.5%
Audio Visual Machines Limited	Technology & Telecommunications	454	277	731	30	6.4%	40.4%
Tristar Worldwide Limited	Transport Services	446	200	646	200	4.5%	30.0%
First Sports Group Limited	General Retail	1,350	(950)	400	(275)	17.6%	38.0%
Hydrobolt Limited	Engineering & Machinery	258	124	382	37	3.0%	43.5%
Convivial London Pubs plc	Leisure & Hotels	350	(85)	265	5	2.0%	7.8%
T4 Holdings Limited	Media & Marketing Services	752	(587)	165	(273)	9.4%	53.3%
Bruce Dunlop & Associates Limited	Media & Marketing Services	211	(83)	128	–	1.7%	31.9%
Lilestone Holdings Limited	General Retail	977	(855)	122	–	5.6%	18.8%
Blanc Brasseries Holdings plc	Leisure & Hotels	61	–	61	–	0.58%	2.90%
Perfect Pizza Limited *	Leisure & Hotels	1,185	(1,185)	–	(346)	19.7%	65.0%
Sweet Cred Holdings Limited *	Consumer Products	935	(935)	–	–	n/a	n/a
Total unquoted investments		**11,097**	**(2,502)**	**8,595**	**(838)**		
AIM-quoted investments							
PPlastics Capital plc	Engineering & Machinery	1,068	(138)	930	235	3.9%	16.5%
Interquest plc	Recruitment	138	25	163	5	0.8%	5.2%
Hasgrove plc	Media & Marketing Services	200	(103)	97	5	0.7%	13.3%
Vertu Motors plc	General Retail	150	(80)	70	(4)	0.1%	5.0%
Autoclenz Holdings plc	Support Services	206	(142)	64	2	1.6%	11.6%
Cohort plc	Engineering & Machinery	86	(24)	62	19	0.2%	4.3%
CBG Group plc	Financial Services	312	(252)	60	15	1.4%	17.2%
Tanfield Group plc	Engineering & Machinery	132	(79)	53	19	0.1%	1.9%
Brulines Group plc	Support Services	59	(12)	47	(1)	0.2%	4.6%
Northern Bear plc	Construction & Materials	200	(179)	21	2	0.8%	6.0%
Cantono plc *	Technology & Telecommunications	300	(300)	–	–	n/a	n/a
Hexagon Human Capital plc *	Support Services	431	(431)	–	–	n/a	n/a
Total AIM-quoted investments		**3,282**	**(1,715)**	**1,567**	**297**		
Total investments		**14,379**	**(4,217)**	**10,162**	**(541)**		
Money market securities		2,381	–	2,381			
Cash at bank		201	–	201			
Total investments and cash at bank		**16,961**	**(4,217)**	**12,744**			
Net current assets				(83)			
Total net assets				**12,661**			

*in administration

INVESTMENT PORTFOLIO (continued)

Valuation Methodology

Initial measurement
Financial assets are measured at fair value. The initial best estimate of fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

Subsequent measurement
Subsequent adjustment to the fair value of unquoted investments has been made using sector multiples based on information as at 31 July 2011, where applicable. In some cases the multiples have been compared to equivalent companies, particularly where a sector multiple does not appear appropriate. It is currently industry norm to discount the quoted earnings multiple applied to private companies to reflect the lack of liquidity in the investment, with there being no ready market for our holdings. Typically the discount is 30% but in some cases we have increased the discount, where the relevant multiple appears too high. A lower discount would also be possible if an investment was close to an exit event.

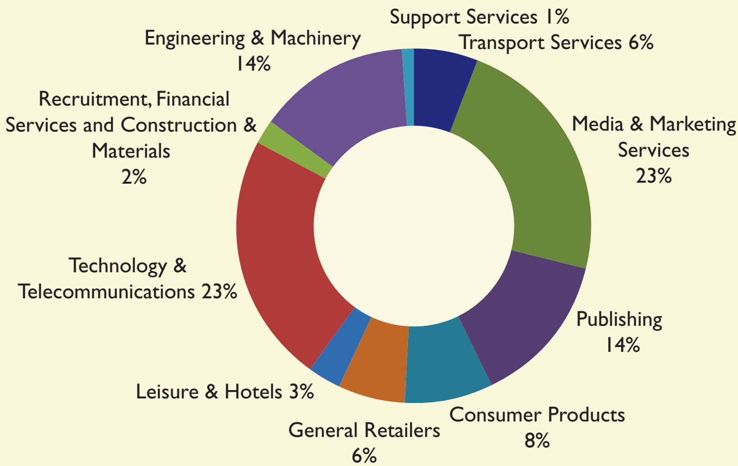
In accordance with the International Private Equity and Venture Capital (IPEVC) valuation guidelines, investments made within 12 months are usually kept at cost unless performance indicates that fair value has changed.

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

If you would like to find out more regarding the IPEVC valuation guidelines, please visit their website at: www.privateequityvaluation.com.

SECTOR ANALYSIS

The graph below shows the sectors that Eclipse 2 is invested in and their respective proportions on a valuation basis:



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

Marc Vlessing
Chairman
29 September 2011

INCOME STATEMENT

	Six months to 31 July 2011		
	Revenue £'000	Capital £'000	Total £'000
Realised gain on disposal of fixed asset investments	–	67	67
Realised gain on disposal of current asset investments	–	–	–
Fixed asset investment holding losses	–	(541)	(541)
Current asset investment holding gains	–	–	–
Other income	74	–	74
Investment management fees	(34)	(103)	(137)
Other expenses	(136)	–	(136)
Return on ordinary activities before tax	(96)	(577)	(673)
Taxation on return on ordinary activities	–	–	–
Return on ordinary activities after tax	(96)	(577)	(673)
Earnings per share – basic and diluted	(0.5)p	(3.0)p	(3.5)p

	Six months to 31 July 2010			Year to 31 January 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised loss on disposal of fixed asset investments	–	(169)	(169)	–	(199)	(199)
Realised gain on disposal of current asset investments	–	–	–	–	5	5
Fixed asset investment holding gains	–	687	687	–	235	235
Current asset investment holding gains	–	4	4	–	–	–
Other income	137	–	137	383	–	383
Investment management fees	(43)	(129)	(172)	(81)	(245)	(326)
Other expenses	(155)		(155)	(294)	–	(294)
Return on ordinary activities before tax	(61)	393	332	8	(204)	(196)
Taxation on return on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after tax	(61)	393	332	8	(204)	(196)
Earnings per share – basic and diluted	(0.3)p	2.1p	1.8p	0.0p	(1.0)p	(1.0)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 31 July 2011 £'000	Six months to 31 July 2010 £'000	Year to 31 January 2011 £'000
Shareholders' funds at start of period	**13,779**	15,476	15,476
Return on ordinary activities after tax	**(673)**	332	(196)
Issue of equity (net of expenses)	–	619	619
Purchase of own shares	**(161)**	(192)	(374)
Dividends paid	**(284)**	(1,374)	(1,746)
Shareholders' funds at end of period	**12,661**	14,861	13,779

BALANCE SHEET

	As at 31 July 2011 £'000	As at 31 July 2011 £'000	As at 31 July 2010 £'000	As at 31 July 2010 £'000	As at 31 January 2011 £'000	As at 31 January 2011 £'000
Fixed asset investments*		**10,162**		11,408		10,931
Current assets:						
Money market securities and other deposits*	**2,381**		2,977		2,783	
Debtors	**23**		18		40	
Cash at bank	**201**		534		194	
	2,605		3,529		3,017	
Creditors: amounts falling due within one year	**(106)**		(76)		(169)	
Net current assets		**2,499**		3,453		2,848
Net assets		**12,661**		14,861		13,779
Called up equity share capital	**1,884**		1,936		1,909	
Share premium	**1,941**		1,940		1,941	
Special distributable reserve	**12,245**		12,589		12,406	
Capital redemption reserve	**223**		171		198	
Capital reserve						
– gains on disposal	**660**		1,593		808	
– holding losses	**(4,218)**		(3,321)		(3,505)	
Revenue reserve	**(74)**		(47)		22	
Total equity shareholders' funds		**12,661**		14,861		13,779
Net asset value per share		**67.2p**		76.8p		72.2p

*Held at fair value through profit and loss

The statements were approved by the Directors and authorised for issue on 29 September 2011 and are signed on their behalf by:

Marc Vlessing
Chairman

Company Number: 5260491

CASH FLOW STATEMENT

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Year to 31 January 2011 £'000
Net cash (outflow)/inflow from operating activities	**(245)**	1,849	249
Return on investment and servicing of finance	**–**	–	1,624
Financial investment:			
Purchase of fixed asset investments	**(134)**	(28)	(250)
Sale of fixed asset investments	**430**	394	612
Management of liquid resources:			
Purchase of current asset investments	**(146)**	(3,459)	(5,886)
Sale of current asset investments	**547**	2,618	5,239
Taxation	**–**	–	–
Dividends	**(284)**	(1,374)	(1,746)
Financing:			
Issue of shares	**–**	655	655
Share issue expenses	**–**	(36)	(36)
Purchase of own shares	**(161)**	(192)	(374)
Increase in cash resources at bank	**7**	427	87

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Year to 31 January 2011 £'000
Increase in cash at bank	**7**	427	87
Movement in money market funds	**(402)**	845	652
Opening net funds	**2,977**	2,238	2,238
Net funds at 31 July	**2,582**	3,510	2,977

RECONCILIATION OF RETURN BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 31 July 2011 £'000	Six months to 31 July 2010 £'000	Year to 31 January 2011 £'000
Return on ordinary activities before tax	**(673)**	332	(196)
(Gain)/loss on disposal of fixed asset investments	**(67)**	169	199
Gain on disposal of current asset investments	**–**	–	(5)
Loss/(gain) on valuation of fixed asset investments	**541**	(687)	(235)
Gain on valuation of current asset investment	**–**	(4)	–
Decrease in debtors	**17**	2,024	378*
(Decrease)/increase in creditors	**(63)**	15	108
(Outflow)/inflow from operating activities	**(245)**	1,849	249

*Excluding James Harvard earn out debtor

NOTES TO THE HALF-YEARLY REPORT

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 July 2011 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 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 to 31 July 2011 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the year ended 31 January 2011 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 July 2011 is based on 19,020,809 (31 January 2011: 19,281,552 and 31 July 2010: 18,939,413) ordinary 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 return 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 31 July 2011 is based on 18,836,626 (31 January 2011: 19,085,994 and 31 July 2010: 19,362,805) ordinary shares in issue at that date.

5. Dividends

The interim dividend declared for the six months to 31 July 2011 of 1.5 pence per share will be paid on 18 November 2011, to those shareholders on the register on 21 October 2011. This will be paid from capital reserves.

The final dividend for the year ending 31 January 2011 of 1.5 pence per share was paid on 8 July 2011 to shareholders on the register on 10 June 2011. This was paid wholly from capital 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 2011. The Company's principal risks and uncertainties have not changed materially since the date of that report.

7. Buy Backs

During the six months ended 31 July 2011 the Company bought back 249,368 ordinary shares at a weighted average price of 64.6 pence per share (year ended 31 January 2011: 548,674 ordinary shares at a weighted average price of 68.2 pence per share and six months ended 31 July 2010: 271,863 ordinary shares at a weighted average price of 70.5 pence per share). No shares were issued during the period.

8. 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 £137,000 payable to Octopus (31 January 2011: £326,000 and 31 July 2010: £172,000). At the period end there was £nil outstanding to Octopus (31 January 2011: £nil and 31 July 2010: £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 £10,000 per annum for company secretarial services.

9. 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
Marc Vlessing (Chairman)
David Lambert
Matt Cooper

Company Number
Registered in England & Wales
No. 5260491

Secretary and Registered Office
Celia L Whitten FCIS
Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN

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

Independent Auditor and Taxation Adviser
Grant Thornton UK LLP
3140 Rowan Place
John Smith Drive
Oxford Business Park South
Oxford
OX4 2WB

VCT Status Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

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

Bankers
HSBC Bank plc
31 Holborn
London
EC1N 2HR

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

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