

---

# OCTOPUS

## TITAN VCT 4 PLC

---

# FINANCIAL HEADLINES

92.4p Net asset value (NAV) at 30 April 2011

6 New qualifying investments in the period

## CONTENTS

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

# SHAREHOLDER INFORMATION AND CONTACT DETAILS

## Financial Calendar

The Company's financial calendar is as follows:

February 2012 – Annual results for the year to 31 October 2011 announced; Annual Report and financial statements published

## Share Price

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

	Ordinary shares
TIDM/EPIC code	OTV4
Latest share price (15 June 2011)	92.5p 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](mailto:chris.lloyd@matrixgroup.co.uk)  
Paul Nolan 0203 206 7177  
[paul.nolan@matrixgroup.co.uk](mailto: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](http://www.octopusinvestments.com) by navigating to Services, Investor Services, Venture Capital Trusts, Octopus Titan VCT 4. 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 4 PLC

Octopus Titan VCT 4 plc ('Titan 4', '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 4 was incorporated on 30 September 2009 and raised a total of £22.5 million (£21.4 million net of expenses) through an Offer for Subscription. Titan 4 invests primarily in unquoted UK smaller companies and aims to deliver a substantial level of returns on its investments over the medium to long term.

## 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 4 has been provisionally 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 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 2011	Six months to 30 April 2010	Year to 31 October 2010
Net assets (£'000s)	<b>20,870</b>	18,147	21,171
Return on ordinary activities after tax (£'000s)	<b>(301)</b>	(109)	(187)
Net asset value per share (NAV)	<b>92.4p</b>	94.0p	93.8p

# CHAIRMAN'S STATEMENT

I am pleased to present the results for the six month period ended 30 April 2011.

## Performance

During the six month period to 30 April 2011, the net asset value per share (NAV) has declined from 93.8p to 92.4p representing a decrease of 1.5%. This fall in NAV is due to a reduction in value of the investment portfolio and to the standard running costs of the VCT continuing to exceed the yield on the portfolio from loan interest received. The decline in NAV was partially offset by an uplift in the Open Ended Investment Companies over the period of £189,000.

Titan 4 is still in the early stages of investment, 17% of the portfolio being in qualifying investments as at 30 April 2011. As mentioned in the first Annual Report, the NAV will be linked increasingly to the value of the investments in the portfolio companies as the VCT becomes fully invested.

## Investment Portfolio Review

During the period to 30 April 2011, Titan 4 invested in six new companies and increased its investment in Michelson Diagnostics by £75,000. This took the number of companies in the portfolio to thirteen and there are a number of further new investments in the pipeline which we expect to complete in the coming months as we move towards the 70% qualifying investment level prior to 31 October 2012.

As disclosed in the Annual Report for the period ended 31 October 2010, three of the six new investments were made between the period end and the date that the accounts were signed: Diverse Energy, which builds an emission-free, low-cost power solution for mobile phone

communication towers in rural areas of developing countries; 10CMS (Curlet (UK) Limited), which provides online retailers with tool to quickly add interactive content modules to their websites; and Vega-Chi, an electronic multilateral trading facility.

Titan 4 also invested £255,000 into True Knowledge, a company already in the portfolio of the earlier Titan VCTs, which has developed internet search technology providing answers to questions posed as if you were addressing a human being. The final two companies added to the portfolio during the period were Certivox, a company providing a service that secures all a company's documents, media and emails to ensure that the information can only be read by the intended recipients so preventing information falling into the wrong hands; and Secret Escapes, a company providing luxury travel offers exclusively to its members to venues ranging from a quaint spa hotel in rural England to the more exotic shores of Thailand.

These additions in the period ensure we continue to create a balanced investment portfolio spanning multiple industries and business sectors.

The majority of our investments reported good trading results in the six months to 30 April 2011, along with other good news such as the 'mobile app of the year' being awarded to TouchType at the Mobile World Congress in March and 10CMS launching on key customers' websites such as Waitrose.

On the other hand, Diverse Energy is trading behind expectations and we have therefore made a reduction in the value of our holding in this company pending further examination of its prospects.

Your Investment Manager, Octopus, and your Board expect further challenges in the portfolio prior to seeing the successful businesses come through. This is typical of the venture capital industry where the businesses in which we invest are at an early stage and valuations are calculated on a prudent basis as the shares are illiquid. However, in the medium to long term, we expect to deliver a good level of return on your investment.

Octopus continues to focus on building the portfolio to ensure that Titan 4 has exposure to a diversified range of companies in order to limit risk. As at 30 April 2011, approximately £10.8 million remained to be invested in qualifying companies to reach the 70% threshold set by HMRC. Octopus has a number of investment propositions under review and the flow of new business opportunities continues to be reasonably strong.

## Open Ended Investment Companies (OEICs)

Titan 4 continues to hold investments in four OEICs which continued to see an overall uplift in fair value in the six months to 30 April 2011. Having increased by £239,000 in the period ended 31 October 2010, there was a further £189,000 uplift in value in this reporting period. The best performance continued to be in the CF Octopus UK Micro Cap Growth Fund which increased in value by 14.7%.

Your Board continues to keep the investments in the OEICs under review and believes it is important to reduce the risk profile of our non-qualifying investments to protect the capital. Therefore, we have decided to realise our holding in the Octopus Absolute European Fund

and place the proceeds in a money market fund where it will be readily available for qualifying investments. As the VCT builds its investment portfolio, there will be further cash requirements beyond the funds held on deposit and in money market accounts and we will continue to realise these investments to maintain the necessary degree of liquidity.

## VCT Qualifying Status

PricewaterhouseCoopers LLP provides both the Board and Investment Manager with advice on the ongoing compliance with HMRC rules and regulations concerning VCTs. The Board has been advised that Titan 4 is in compliance with the conditions laid down by HMRC for maintaining provisional approval as a VCT.

A key requirement is to achieve the 70% qualifying investment level prior to 31 October 2012. As at 30 April 2011, over 17% 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.

## The Budget

It is encouraging that, subject to EU approval, the gross asset limit for investee companies for VCTs is to be raised from £7m to £15m and the number of employees is to be raised from 50 to 250, with effect from 6 April 2012. Should approval be obtained, this will widen our range of investment opportunities.

## 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

# CHAIRMAN'S STATEMENT (continued)

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 period ended 31 October 2010. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Octopus Titan VCT 5 plc

In the Annual Report to 31 October 2010, I reported that Octopus launched a further VCT called Octopus Titan VCT 5 plc with the aim of investing alongside the existing Titan VCTs. This gives the Titan VCT family additional investment capacity which we believe will be an advantage to our existing VCT funds. This VCT has so far raised £10.4 million (net of expenses) and will remain open until the end of the summer.

## Outlook

As anticipated in the Annual Report to 31 October 2010, economic growth in the first few months of 2011 has been weak. There continue to be concerns about the macro-economic climate in the form of the sustainability of the economic recovery, inflationary pressures and the fragile condition of public finances within the UK. These factors, combined with the recent increases in oil prices, provide an uncertain environment for many businesses. Our portfolio continues to make progress, despite the tough trading conditions, and we look forward to the coming few years as Titan 4 becomes fully invested and our portfolio starts to mature.



**Gregor Michie**

Chairman

15 June 2011

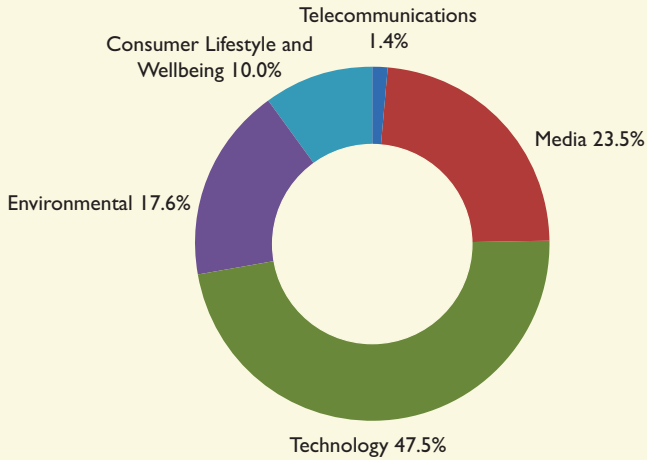
# INVESTMENT PORTFOLIO

Qualifying investments	Sector	Investment	Unrealised	Carrying	Change in	% equity held by Titan 4	% equity managed by Octopus
		cost at 30 April 2011 £'000	profit/(loss) £'000	value at 30 April 2011 £'000	in the period £'000		
Vega-Chi Limited	Technology	500	–	500	–	4.4%	14.2%
Curlet (UK) Limited	Technology	450	–	450	–	9.0%	32.7%
UltraSoc Technologies Limited	Technology	361	–	361	–	8.0%	44.4%
Michelson Diagnostics Limited	Consumer lifestyle & wellbeing	323	–	323	–	4.0%	25.6%
Elonics Limited	Technology	305	–	305	–	2.7%	16.7%
Executive Channel Limited	Media	300	–	300	–	4.6%	30.5%
PrismaStar Inc.	Media	300	–	300	–	4.5%	30.0%
Bowman Power Limited	Environmental	275	–	275	–	2.4%	16.1%
True Knowledge Limited	Media	255	–	255	–	1.2%	46.0%
Diverse Energy Limited	Environmental	367	(184)	183	(184)	5.1%	27.8%
Certivox Limited	Technology	113	–	113	–	4.8%	10.6%
TouchType Limited	Telecommunications	53	–	53	–	1.4%	7.2%
Secret Escapes Limited	Consumer lifestyle & wellbeing	43	–	43	–	2.1%	5.4%
<b>Total qualifying investments</b>		<b>3,645</b>	<b>(184)</b>	<b>3,461</b>	<b>(184)</b>		
Money market securities		11,392	–	11,392			
OEICs		5,580	427	6,007			
Cash at bank		133	–	133			
<b>Total investments</b>		<b>20,750</b>	<b>243</b>	<b>20,993</b>			
Net current assets				(123)			
<b>Total net assets</b>				<b>20,870</b>			

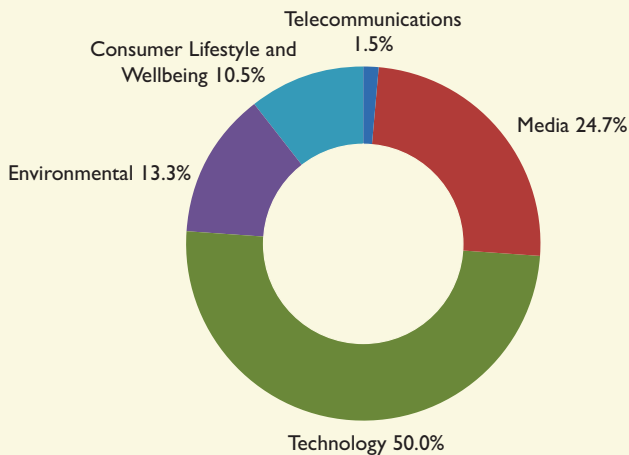
# INVESTMENT PORTFOLIO (continued)

## 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



**Gregor Michie**  
Chairman  
15 June 2011

# INCOME STATEMENT

	Six months to 30 April 2011		
	Revenue £'000	Capital £'000	Total £'000
Fixed asset investment holding losses	–	(184)	(184)
Current asset investment holding gains	–	189	189
Other income	31	–	31
Investment management fees	(53)	(159)	(212)
Other expenses	(125)	–	(125)
Return on ordinary activities before tax	(147)	(154)	(301)
Taxation on return on ordinary activities	–	–	–
Return on ordinary activities after tax	(147)	(154)	(301)
Earnings per share – basic and diluted	(0.7)p	(0.7)p	(1.4)p

	Six months to 30 April 2010			Year to 31 October 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Fixed asset investment holding losses	–	–	–	–	–	–
Current asset investment holding gains	–	–	–	–	239	239
Other income	–	–	–	34	–	34
Investment management fees	(9)	(28)	(37)	(59)	(176)	(235)
Other expenses	(72)	–	(72)	(225)	–	(225)
Return on ordinary activities before tax	(81)	(28)	(109)	(250)	63	(187)
Taxation on return on ordinary activities	–	–	–	–	–	–
Return on ordinary activities after tax	(81)	(28)	(109)	(250)	63	(187)
Earnings per share – basic and diluted	(1.0)p	(0.4)p	(1.4)p	(2.2)p	0.5p	(1.7)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 2011 £'000	Six months to 30 April 2010 £'000	Year to 31 October 2010 £'000
Shareholders' funds at start of period	21,171	–	–
Return on ordinary activities after tax	(301)	(109)	(187)
Issue of equity (net of expense)	–	18,313	21,447
Redemption of shares	–	(57)	(89)
Shareholders' funds at end of period	20,870	18,147	21,171

# BALANCE SHEET

	As at 30 April 2011		As at 30 April 2010		As at 31 October 2010	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments*		3,461		–		1,842
Current assets:						
Money market securities and other deposits*	17,399		–		19,297	
Debtors	8		127		15	
Cash at bank	133		18,097		112	
	17,540		18,224		19,424	
Creditors: amounts falling due within one year	(131)		(77)		(95)	
Net current assets	17,409		18,147		19,329	
Net assets	20,870		18,147		21,171	
Called up equity share capital	2,258		1,930		2,258	
Share premium	–		16,320		–	
Special distributable reserve	19,092		–		19,092	
Capital redemption reserve	8		6		8	
Capital reserve						
– losses on disposal	(335)		(28)		(176)	
– holding gains	244		–		239	
Revenue reserve	(397)		(81)		(250)	
Total equity shareholders' funds	20,870		18,147		21,171	
Net asset value per share	92.4p		94.0p		93.8p	

\*At fair value through profit and loss

The statements were approved by the Directors and authorised for issue on 15 June 2011 and are signed on their behalf by:



Gregor Michie  
Chairman

Company Number: 07035434

# CASH FLOW STATEMENT

	Six months to 30 April 2011 £'000	Six months to 30 April 2010 £'000	Year to 31 October 2010 £'000
Net cash outflow from operating activities	(263)	(159)	(346)
Financial investment:			
Purchase of fixed asset investments	(1,802)	–	(1,842)
Management of liquid resources:			
Purchase of current asset investments	(9,034)	–	(27,008)
Disposal of current asset investments	11,120	–	7,950
Taxation	–	–	–
Dividends paid	–	–	–
Financing:			
Issue of equity	–	18,313	21,447
Redemption of shares	–	(57)	(89)
Increase in cash resources at bank	21	18,097	112

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

	Six months to 30 April 2011 £'000	Six months to 30 April 2010 £'000	Year to 31 October 2010 £'000
Increase in cash resources at bank	21	18,097	112
Movement in cash equivalents	(1,898)	–	19,297
Opening net cash resources	19,409	–	–
Net funds at period end	17,532	18,097	19,409

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

	Six months to 30 April 2011 £'000	Six months to 30 April 2010 £'000	Year to 31 October 2010 £'000
Return on ordinary activities before tax	(301)	(109)	(187)
Loss on valuation of fixed asset investments	184	–	–
Gain on valuation of current asset investments	(189)	–	(239)
Decrease/(increase) in debtors	7	(127)	(15)
Increase in creditors	36	77	95
Outflow from operating activities	(263)	(159)	(346)

# NOTES TO THE HALF-YEARLY REPORT

## 1. Basis of preparation

The unaudited half-yearly results which cover the six months to 30 April 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 period ended 31 October 2010, 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 2011 do not constitute statutory accounts within the meaning of Section 415 of the Companies Act 2006. The comparative figures for the period 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 22,587,706 (30 April 2010: 7,824,319 and 31 October 2010: 11,541,206) 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 2011 is based on 22,578,706 (30 April 2010: 19,297,301 and 31 October 2010: 22,578,706) ordinary shares in issue at that date.

## 5. 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 £212,000 payable to Octopus (30 April 2010: £37,000 and 31 October 2010: £235,000). At the period end there was £nil outstanding to Octopus (30 April 2010: £nil and 31 October 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 £15,000 per annum for company secretarial services.

6. 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

Gregor Michie (Chairman)  
Lars McBride  
Chris Hulatt

## Company Number

Registered in England & Wales  
No. 07035434

## 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](http://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

## 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](http://www.capitaregistrars.com)

## Corporate Broker

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

