

PHOENIX VCT PLC
UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 APRIL 2005

<u>Financial highlights:</u>	Ordinary Shares		C Class Shares
	30 April 2005	30 April 2004	30 April 2005
• Net assets	£13,059,000	£12,518,000	£2,691,000
• Net asset value per share	*117.1p	111.7p	94.9p
• Profit/(loss) before tax	£62,000	£82,000	£(2,000)
• Earnings per share	0.5p	0.8p	(1.0)p
• Share price	117p	100p	100p
• Dividend	4.0p	0.0p	0.0p
• Cumulative Dividend	6.65p	0.15p	0.0p

*The net asset value per share is shown net of declared dividend for 6 months to 30 April 2005. The interim dividend of 4.0p per ordinary share will be paid on 25 August 2005 to shareholders on the register as at 5 August 2005.

Owing to the strong performance of the fund and the number of high quality investment opportunities we were seeing, we raised more money for Phoenix in the last tax year. This fund raising took the form of a C Share issue (i.e. the issue of a new class of share) and reached £5.1 million by the closing date of 30 June 2005. By structuring the offer this way, we were able to reduce the running costs of the fund for all investors.

In these results, and in the future, we will be splitting out the performance of the different classes of shares. However, as none of the funds raised in the C Share issue had been invested over the period, the following Chairman's statement and Investment Manager's review focus entirely on the performance of the Ordinary Shares (i.e. those investors who invested in the original offer in 2002 to 2004).

For further information, please contact:

Simon Rogerson
 Chief Executive
Octopus Asset Management

020 7710 2800

Chairman's Statement

I am pleased to present this interim report to shareholders. The following pages show the financial performance of the VCT for the six months to 30 April 2005. I have included below a brief summary of these results and what it means for shareholders. If you do have any questions, or if it would help to speak to one of the fund managers, please call one of the team on 020 7710 2800.

As a team, we are very pleased with the positive feedback we receive from our investors, both in relation to the investment performance and the regular communication. I would like to thank all of our shareholders for this continued support.

Summary of Investment Performance

Our investment strategy is designed to deliver absolute returns on investments rather than a performance measured against market indices. This means that we only invest your money when we are confident that we have found the right investment opportunities and believe that we will make a significantly better return than we would if we left your money in cash.

The fund has continued to perform well over the period and, in line with our policy of locking-in profits (to enable us to pay out tax-free dividends to shareholders), we continued to sell down those holdings which had performed particularly strongly. In the period, investments with a value of £1,636,000 were sold, generating a profit of £839,000 (equivalent to a total return of 105.4%).

In line with our patient and risk averse approach the uninvested money within the fund, totalling £3,142,000 at 30 April 2005, has been held in interest bearing funds until the team is confident that they have found the right investment opportunities. This generated a further £92,000 of interest income, during the six months to April 2005. A further income of £13,000 was received in the form of dividends from our existing investments.

Further information regarding the investment performance is available within the Investment Manager's Review.

Net Asset Value per share ("NAV")

As at the 30 April 2005, Phoenix had 29 investments which increased in value by an average of 23.8%. As a result of this strong performance, the Net Asset Value ("NAV") has risen from 110.9p at 31 October 2004 to 117.1p (excluding distribution of tax-free dividend payments) at 30 April 2005.

This means that the return on an initial investment of £10,000 (effective cost of £8,000 after taking into account 20% income tax relief) had increased to £12,375 including the payment of £665 of tax-free dividends.

Current Position

As you may be aware, Phoenix must be 70% invested in qualifying companies by 31 October 2005 in order to comply with VCT regulations. As at 30 April 2005, the fund had made 28 qualifying investments (net of disposals), representing 74% of the fund, by original cost. This means that the VCT reached the 70% requirement six months ahead of the three year deadline.

Dividend

In line with our stated policy of maximising tax-free dividends to shareholders, the Directors propose an interim dividend of 4.0p per ordinary share to be paid on 25 August 2005 to shareholders on the register on 5 August 2005. This takes the total tax-free dividends paid out by Phoenix to 6.65p per ordinary share since launch.

We aim to make these tax-free dividend payments consistent year-on-year and expect to pay a further tax-free dividend at the year end in October 2005.

Share Price and Buy-Back Facility

The Company's share price currently stands at 117.5p. Phoenix has a share buy-back facility, committing to buy-back shares at no more than a 10% discount to the prevailing NAV, which is designed to prevent the shares from trading at a wide discount to NAV. Shareholders should note that if they sell their shares within three years of the original purchase, they will lose any tax advantages that had been obtained.

In the period under review, the Company repurchased 35,285 shares at an average price of 112.1p.

Outlook

In my last statement I mentioned that difficult times for the consumer and the high price of oil may lead to cautious stock markets. This is indeed happening and we expect little change during the second half of 2005. None of this has deterred the number of companies looking to float, which means that the managers at Octopus are not short of potential investments to evaluate. I expect we shall have further worthwhile additions to the portfolio to report on at the Final Results stage.

Stephen Hazell-Smith
Chairman

27 July 2005

Investment Manager's Review

As at 30 April 2005, the NAV had risen to 117.1p (excluding tax-free dividends of 6.65p) from the launch price of 95p. Over the six month period from 31 October 2004 to 30 April 2005, Phoenix completed new investments in a further 12 qualifying AIM listed companies. The total committed to these new investments was £4.1 million.

Personal Service

At Octopus, we pride ourselves not only on our team's strong track record but also on our personalised customer service. We believe in open communication and our regular investment updates are designed to keep you involved and informed.

If you have any questions about this review, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on 020 7710 2800.

The AIM Market

The AIM market has continued to attract a strong flow of investment opportunities. We met with 91 investment opportunities over the last six months and subsequently invested in 12 new opportunities.

The deal flow of potential VCT qualifying investments remains strong and we anticipate further investments over the remainder of the financial year. The managers will continue to take the opportunity to take profits where appropriate.

Existing Holdings

As at 30 April 2005, the fund had invested in a total of 33 companies. Four of these have subsequently been sold for a profit leaving a total of 29 investments

The managers will continue to monitor each of the existing portfolio companies, which will include regular meetings with management teams. If we believe that the investment case has changed, or if the company has become overvalued relative to its peers or other opportunities in the market, we will sell the holding.

Review of Portfolio

We are delighted to report that, operationally, the majority of the portfolio companies are performing ahead of, or in-line with, our expectations as at the time of the original investment.

In total, twelve new holdings were added to the portfolio over the first half of the year, one of which (Alternative Networks) has subsequently been sold in order to realise profits. Other new holdings of note include Tanfield Group, Concateno, Augean and Cello Group which are now amongst the larger holdings in the portfolio.

We have included below a review of the largest ten holdings within the portfolio. If you have any questions, please contact one of the team on 020 7710 2800.

Investment Manager's Review (continued)

AIM Listed Qualifying Investments	Book cost	Valuation at Mid Price	Performance %
	£'000	£'000	
Tanfield Group plc	300	638	112%
Augean plc	500	618	24%
Concateno plc	500	635	27%
Cello Group plc	500	613	23%
Media Square plc	304	600	97%
Real Good Food Company plc	500	528	6%
Public Recruitment Group plc	500	491	-2%
Disperse Group plc	500	493	-1%
BBI Holdings plc	248	436	76%
TRL Electronics plc	253	400	58%
SP Holdings plc	400	400	0%
Staffline Recruitment Group plc	300	392	31%
Bond International Software plc	170	366	115%
Armour Group plc	293	358	22%
Access Intelligence plc	500	363	-27%
Fountains plc	240	300	25%
Tissue Science Laboratories plc	246	245	0%
Zetar plc	158	245	55%
Deal Group Media plc	36	239	564%
Air Music & Media Group plc	200	233	17%
Inditherm plc	200	200	0%
Top Ten Holdings plc	200	200	0%
Screen FX plc	244	195	-20%
Brooks Macdonald Group plc	156	167	7%
Bright Futures Group plc	125	125	0%
Asfare Group plc	95	90	-5%
The 4Less Group plc	200	87	-57%
DawMed Systems plc	79	63	-20%
	=====	=====	=====
Total Qualifying Investments	7,947	9,719	22%
	=====	=====	=====

AIM Listed Non-Qualifying Investments	Book cost	Valuation at Mid Price	Performance %
	£'000	£'000	
Glisten plc	352	573	63%
Zetar plc	90	93	3%
	=====	=====	=====
Total Non-Qualifying Investments	442	666	51%
	=====	=====	=====

Investment Manager's Review (continued)

VCT Qualifying Investments Top Ten Holdings

Tanfield Group plc

Tanfield has two divisions; Tanfield Holdings which supplies assembly and technical engineering services and Smith Electric Vehicles (SEV), a manufacturer of zero emission vehicles. The company raised £3 million in December 2004 in order to strengthen its balance sheet and provide additional working capital.

Initial Investment	December 2004
Cost (£'000)	300
Valuation as at 30.04.05	638
Equity held	2.24%

Augean plc

Augean was incorporated in September 2004 in order to acquire assets in the waste sector. The company raised a further £100 million on AIM during November 2004 in order to complete the purchase of two hazardous waste landfill sites. Further acquisitions are anticipated.

Initial Investment	December 2004
Cost (£'000)	500
Valuation as at 30.04.05	618
Equity held	0.42%

Concateno plc

Concateno is a newly incorporated company, established to acquire and manage water businesses in both the UK and international markets. The company, which is yet to make its first acquisition, raised £5 million and floated on AIM during April 2005.

Initial Investment	April 2005
Cost (£'000)	500
Valuation as at 30.04.05	635
Equity held	10.00%

Cello Group plc

Cello Group was created as a vehicle to identify and acquire well-established media services companies operating in niche markets. In October 2004, the company raised £15 million to acquire three identified acquisitions, provide working capital for further growth and float on AIM. The shares began trading during November 2004, and we anticipate further acquisitions by the Group in due course.

Initial Investment	October 2004
Cost (£'000)	500
Valuation as at 30.04.05	613
Equity held	1.82%

Media Square plc

Media Square is an acquisitive marketing services and communications company. Phoenix first invested during September 2003 and the company has successfully completed a number of fund raisings since in order to complete further acquisitions.

Initial Investment	September 2003
Cost (£'000)	303
Valuation as at 30.04.05	600
Equity held	1.15%

Real Good Food Company plc

Real Good Food floated on AIM in September 2003 and raised additional funds during January 2004 in order to pursue further acquisitions in the food manufacturing sector. In April 2004, the company completed the purchase of Grimsby based Five Star Fish, their fourth acquisition to date.

Initial Investment	January 2004
Cost (£'000)	500
Valuation as at 30.04.05	528
Equity held	2.63%

Public Recruitment Group plc

Public Recruitment Group floated on AIM in April 2004, raising £9 million in order to pursue acquisition opportunities. The company provides qualified personnel to the education, healthcare and social care markets.

Initial Investment	April 2004
Cost (£'000)	500
Valuation as at 30.04.05	491
Equity held	1.50%

Investment Manager's Review (continued)

Disperse Group plc

Disperse Group has acquired two branded cosmetics companies; Elizabeth French and Woods of Windsor. Disperse also owns the patents to a dispersion technology that enables cosmetics and personal care products to be produced more efficiently and reduce the concentration of additives and preservatives. In July 2004, the company moved from OFEX to AIM raising £4.7 million.

Initial Investment	July 2004
Cost (£'000)	500
Valuation as at 30.04.05	493
Equity held	4.55%

BBI Holdings plc

British Biocell International develops and manufactures rapid result non-invasive diagnostic tests for the point of care market. The company derives income from the manufacture and supply of gold colloids, bespoke contract product development and the manufacture of rapid tests for industry partners. The company raised £5 million and floated on AIM during April 2004 in order to provide working capital and provide funds for further acquisitions.

Initial Investment	April 2004
Cost (£'000)	248
Valuation as at 30.04.05	436
Equity held	2.48%

TRL Electronics plc

TRL Electronics, a former division of Telemetry plc, floated on AIM in July 2004. The company is a specialist defence electronics group focused on the protection against terrorism and subversive threats, organised crime and drug trafficking. They design and develop a range of intercept, surveillance, electronic warfare and communications products, which are supplied directly and indirectly to military and government security organisations around the world.

Initial Investment	July 2004
Cost (£'000)	253
Valuation as at 30.04.05	400
Equity held	0.79%

INDEPENDENT REVIEW report to Phoenix VCT plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 April 2005 which comprises the profit and loss account, statement of total recognised gains and losses, note of historical cost profits and losses, balance sheet, cash flow statement and the related notes 1 to 20. We have read the other information contained in the interim report which comprises only the financial highlights, chairman's statement and investment manager's review and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company's members those matters we are required to state to it in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 April 2005.

GRANT THORNTON UK LLP
Chartered Accountants
OXFORD
Date 27 July 2005

The unaudited interim financial statements for the period from 1 November 2004 to 30 April 2005 are set out below.

Profit & Loss Account
for the period ended 30 April 2005

		Ordinary Shares 6 Months to 30-Apr-05 £'000	Ordinary Shares 6 Months to 30-Apr-04 £'000	Ordinary Shares Year To 31-Oct-04 £'000
	Notes			
Profit on realisation of investments	9	175	172	241
Investment income	2	105	129	265
Management fees	3	(145)	(126)	(259)
Other expenses	4	(73)	(93)	(176)
		=====	=====	=====
Operating profit		62	82	71
		=====	=====	=====
Taxation on ordinary activities		-	-	-
		=====	=====	=====
Profit on ordinary activities after taxation		62	82	71
		=====	=====	=====
Dividends	6	(446)	(1)	(281)
		=====	=====	=====
Transfer (from)/to reserves	14	(384)	81	(210)
		=====	=====	=====
Earnings per share	7	0.5p	0.8p	0.7p
		C Class Shares 6 Months to 30-Apr-05 £'000	C Class Shares 6 Months to 30-Apr-04 £'000	C Class Shares Year To 31-Oct-04 £'000
	Notes			
Profit on realisation of investments		-	-	-
Investment income	2	5	-	-
Management fees	3	(4)	-	-
Other expenses	4	(3)	-	-
		=====	=====	=====
Operating loss		(2)	-	-
		=====	=====	=====
Taxation on ordinary activities		-	-	-
		=====	=====	=====
Loss on ordinary activities after taxation		(2)	-	-
		=====	=====	=====
Dividends		-	-	-
		=====	=====	=====
Transfer from reserves	14	(2)	-	-
		=====	=====	=====
Earnings per share	7	(1.0)p	-	-
		Total 6 Months to 30-Apr-05 £'000	Total 6 Months to 30-Apr-04 £'000	Total Year To 31-Oct-04 £'000
	Notes			
Profit on realisation of investments	9	175	172	241
Investment income	2	110	129	265
Management fees	3	(149)	(126)	(259)
Other expenses	4	(76)	(93)	(176)
		=====	=====	=====
Operating profit		60	82	71
		=====	=====	=====
Taxation on ordinary activities		-	-	-
		=====	=====	=====
Profit on ordinary activities after taxation		60	82	71
		=====	=====	=====
Dividends	6	(446)	(1)	(281)
		=====	=====	=====
Transfer (from)/to reserves	14	(386)	81	(210)
		=====	=====	=====

**Statement of total recognised gains and losses
for the period ended 30 April 2005**

		Ordinary Shares	Ordinary Shares	Ordinary Shares
		6 Months to	6 Months to	Year To
		30-Apr-05	30-Apr-04	31-Oct-04
	Notes	£'000	£'000	£'000
Profit on ordinary activities after taxation		62	82	71
Unrealised gain on revaluation of investments	9	1,078	1,095	1,294
		=====	=====	=====
Total gains recognised during the period		1,140	1,177	1,365
		=====	=====	=====

		C Class Shares	C Class Shares	C Class Shares
		6 Months to	6 Months to	Year To
		30-Apr-05	30-Apr-04	31-Oct-04
		£'000	£'000	£'000
Loss on ordinary activities after taxation		(2)	-	-
Unrealised gain on revaluation of investments		-	-	-
		=====	=====	=====
Total loss recognised during the period		(2)	-	-
		=====	=====	=====

		Total	Total	Total
		6 Months to	6 Months to	Year To
		30-Apr-05	30-Apr-04	31-Oct-04
	Notes	£'000	£'000	£'000
Profit on ordinary activities after taxation		60	82	71
Unrealised gain on revaluation of investments	9	1,078	1,095	1,294
		=====	=====	=====
Total gains recognised during the period		1,138	1,177	1,365
		=====	=====	=====

Note of historical cost profits and losses
for the period ended 30 April 2005

		Ordinary Shares	Ordinary Shares	Ordinary Shares
		6 Months to	6 Months to	Year To
		30-Apr-05	30-Apr-04	31-Oct-04
	Notes	£'000	£'000	£'000
Profit on ordinary activities before taxation		62	82	71
Realisation of prior years' net unrealised gains on investment	14	664	214	363
		=====	=====	=====
Historical cost profit on ordinary activities before taxation		726	296	434
		=====	=====	=====
Historical cost profit on ordinary activities after dividends and taxation		280	295	153
		=====	=====	=====
		C Class Shares	C Class Shares	C Class Shares
		6 Months to	6 Months to	Year To
		30-Apr-05	30-Apr-04	31-Oct-04
		£'000	£'000	£'000
Loss on ordinary activities before taxation		(2)	-	-
Realisation of prior years' net unrealised gains on investment		-	-	-
		=====	=====	=====
Historical cost loss on ordinary activities before taxation		(2)	-	-
		=====	=====	=====
Historical cost loss on ordinary activities after dividends and taxation		(2)	-	-
		=====	=====	=====
		Total	Total	Total
		6 Months to	6 Months to	Year To
		30-Apr-05	30-Apr-04	31-Oct-04
	Notes	£'000	£'000	£'000
Profit on ordinary activities before taxation		60	82	71
Realisation of prior years' net unrealised gains on investment	14	664	214	363
		=====	=====	=====
Historical cost profit on ordinary activities before taxation		724	296	434
		=====	=====	=====
Historical cost profit on ordinary activities after dividends and taxation		278	295	153
		=====	=====	=====

Balance Sheet
As at 30 April 2005

	Notes	Ordinary Shares 30-Apr-05 £'000	Ordinary Shares 30-Apr-04 £'000	Ordinary Shares 31-Oct-04 £'000
Fixed asset investments	9	10,385	5,662	6,698
Current Assets:				
Investments	10	2,668	6,653	5,841
Debtors	11	9	44	106
Cash		474	167	62
		=====	=====	=====
		3,151	6,864	6,009
Creditors : amounts falling due within one year	12	(477)	(8)	(302)
		=====	=====	=====
Net current assets		2,675	6,856	5,707
		=====	=====	=====
Net assets		13,059	12,518	12,405
		=====	=====	=====
Capital and reserves:				
Share capital	13	1,115	1,121	1,119
Share premium	14	-	9,653	9,655
Special distributable reserve	14	9,615	-	-
Capital redemption reserve	14	6	-	2
Revaluation reserve	14	1,997	1,533	1,583
Profit and loss account	14	326	211	46
		=====	=====	=====
		13,059	12,518	12,405
		=====	=====	=====
Net asset value per share	8	117.1p	111.7p	110.9p

	Notes	C Class Shares 30-Apr-05 £'000	C Class Shares 30-Apr-04 £'000	C Class Shares 31-Oct-04 £'000
Fixed asset investments		-	-	-
Current Assets:				
Investments		-	-	-
Debtors		-	-	-
Cash		2,691	-	-
		=====	=====	=====
		2,691	-	-
Creditors : amounts falling due within one year		-	-	-
		=====	=====	=====
Net current assets		2,691	-	-
		=====	=====	=====
Net assets		2,691	-	-
		=====	=====	=====
Capital and Reserves:				
Share capital	13	260	-	-
Share premium	14	2,213	-	-
Shares to be issued	14	220	-	-
Profit and loss account	14	(2)	-	-
		=====	=====	=====
		2,691	-	-
		=====	=====	=====
Net asset value per share	8	94.9p	-	-

Balance Sheet
As at 30 April 2005

	Notes	Total 30-Apr-05 £'000	Total 30-Apr-04 £'000	Total 31-Oct-04 £'000
Fixed asset investments	9	10,385	5,662	6,698
Current Assets:				
Investments	10	2,668	6,653	5,841
Debtors	11	9	44	106
Cash		3,165	167	62
		=====	=====	=====
		5,842	6,864	6,009
Creditors : amounts falling due within one year	12	(477)	(8)	(302)
		=====	=====	=====
Net current assets		5,365	6,856	5,707
		=====	=====	=====
Net assets		15,750	12,518	12,405
		=====	=====	=====
Capital and reserves:				
Share capital	13	1,375	1,121	1,119
Share premium	14	2,213	9,653	9,655
Special distributable reserve	14	9,619	-	-
Shares to be issued	14	220	-	-
Capital redemption reserve	14	2	-	2
Revaluation reserve	14	1,997	1,533	1,583
Profit and loss account	14	324	211	46
		=====	=====	=====
		15,750	12,518	12,405
		=====	=====	=====

The interim accounts were approved by the Directors on 27 July 2005 and are signed on their behalf by:

Mr Stephen Hazell-Smith
Chairman

Cash flow statement
for the period ended 30 April 2005

		Ordinary Shares 6 Months to 30-Apr-05 £'000	Ordinary Shares 6 Months to 30-Apr-04 £'000	Ordinary Shares Year to 31-Oct-04 £'000
Net cash outflow from operating activities	Notes 16	(6)	(140)	(269)
Financial Investment:				
Purchase of listed securities		(4,070)	(2,757)	(3,940)
Sale of listed securities		1,636	836	1,251
		=====	=====	=====
Net cash outflow from financial investments		(2,434)	(1,921)	(2,689)
Equity dividends paid		(281)	(15)	(15)
Management of liquid resources: return of cash deposits		3,173	813	1,626
Financing:				
Issue of shares		-	1,323	1,323
Purchase of own shares		(40)	(43)	(64)
Share issue expenses		-	(53)	(53)
		=====	=====	=====
		(40)	1,227	1,206
		=====	=====	=====
Increase/(decrease) in cash resources	17	412	(36)	(141)
		=====	=====	=====

Cash flow statement
for the period ended 30 April 2005

		C Class Shares 6 Months to 30-Apr-05 £'000	C Class Shares 6 Months to 30-Apr-04 £'000	C Class Shares Year to 31-Oct-04 £'000
Net cash outflow from operating activities	Notes 16	(2)	-	-
Financial Investment:				
Purchase of listed securities		-	-	-
Sale of listed securities		-	-	-
		=====	=====	=====
Net cash outflow from financial investments		-	-	-
Equity dividends paid		-	-	-
Financing:				
Issue of shares		2,693	-	-
Purchase of own shares		-	-	-
Share issue expenses		-	-	-
		=====	=====	=====
		2,693	-	-
		=====	=====	=====
Increase in cash resources	17	2,691	-	-
		=====	=====	=====

Cash flow statement
for the period ended 30 April 2005

	Notes	Total 6 Months to 30-Apr-05 £'000	Total 6 Months to 30-Apr-04 £'000	Total Year to 31-Oct-04 £'000
Net cash outflow from operating activities	16	(8)	(140)	(269)
Financial Investment:				
Purchase of listed securities		(4,070)	(2,757)	(3,940)
Sale of listed securities		1,636	836	1,251
		=====	=====	=====
Net cash outflow from financial investments		(2,434)	(1,921)	(2,689)
Equity dividends paid		(281)	(15)	(15)
Management of liquid resources: return/(purchase) of cash deposits		3,173	813	1,626
Financing:				
Issue of shares		2,693	1,323	1,323
Purchase of own shares		(40)	(43)	(64)
Share issue expenses		-	(53)	(53)
		=====	=====	=====
		2,653	1,227	1,206
		=====	=====	=====
(Decrease)/increase in cash resources	17	3,103	(36)	(141)
		=====	=====	=====

Notes to the Interim Results

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards.

The principal accounting policies have remained unchanged from those set out in the Company's 2004 annual report and financial statements.

Investments

Investments in AIM-listed companies are stated at middle market prices. Current asset investments are held at the lower of cost and net realisable value.

Profits or losses on realisation of investments and permanent diminutions in the value of investments are reflected in the profit and loss account. Unrealised gains and losses on investments are reflected in the statement of total recognised gains and losses and included in the revaluation reserve.

Profits or losses on realisation of investments are calculated by reference to the carrying amount of such investments with previously unrealised gains or losses being transferred from the revaluation reserve to the profit and loss reserve on disposal.

Income

Investment income includes income tax withheld at source. Dividend income is shown net of any related tax credit.

Dividends receivable are brought into account on the ex-dividend date. Fixed returns on debt and money market securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the profit and loss account with the exception of expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate.

Taxation

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

2. Income

Ordinary Shares	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Interest receivable on bank balances and money market securities	92	129	262
Dividends received	13	-	3
	=====	=====	=====
	105	129	265
	=====	=====	=====
C Class Shares	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Interest receivable on bank balances and money market securities	5	-	-
Dividends received	-	-	-
	=====	=====	=====
	5	-	-
	=====	=====	=====
Total	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Interest receivable on bank balances and money market securities	97	129	262
Dividends received	13	-	3
	=====	=====	=====
	110	129	265
	=====	=====	=====

3. Management fees

Ordinary shares	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Investment management fee	123	107	220
Irrecoverable VAT thereon	22	19	39
	=====	=====	-----
	145	126	259
	=====	=====	=====
 C Class Shares	 30-Apr-05	 30-Apr-04	 31-Oct-04
	£'000	£'000	£'000
Investment management fee	3	-	-
Irrecoverable VAT thereon	1	-	-
	=====	=====	-----
	4	-	-
	=====	=====	=====
 Total	 30-Apr-05	 30-Apr-04	 31-Oct-04
	£'000	£'000	£'000
Investment management fee	126	107	220
Irrecoverable VAT thereon	23	19	39
	=====	=====	=====
	149	126	259
	=====	=====	=====

Octopus provides investment management and accounting and administration services to the Company under a management agreement which runs for a period of five years with effect from 24 March 2005 and may be terminated at any time thereafter by not less than twelve months' notice given by either party.

4. Other expenses

Ordinary Shares	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Accounting and administrative services	16	15	26
Directors' remuneration	12	18	35
Auditors' remuneration – audit services	5	5	10
– taxation compliance	1	2	3
Legal and professional services	20	31	43
Other expenses	19	22	59
	=====	=====	=====
	73	93	176
	=====	=====	=====
 C Class Shares	 30-Apr-05	 30-Apr-04	 31-Oct-04
	£'000	£'000	£'000
Accounting and administrative services	3	-	-
	=====	=====	=====
	3	-	-
	=====	=====	=====
 Ordinary Shares	 30-Apr-05	 30-Apr-04	 31-Oct-04
	£'000	£'000	£'000
Accounting and administrative services	19	15	26
Directors' remuneration	12	18	35
Auditors' remuneration – audit services	5	5	10
– taxation compliance	1	2	3
Legal and professional services	20	31	43
Other expenses	19	22	59
	=====	=====	=====
	76	93	176
	=====	=====	=====

5. Directors' Remuneration

	30-Apr-05 £'000	30-Apr-04 £'000	31-Oct-04 £'000
Directors' emoluments			
S Hazell-Smith (Chairman)	8	8	15
M Cooper	5	5	10
T Morgan	5	5	10
	-----	-----	-----
	18	18	35
	=====	=====	=====

6. Dividends

	30-Apr-05 £'000	30-Apr-04 £'000	31-Oct-04 £'000
Ordinary Shares			
Final proposed dividend 4.0p per share (2004 : 2.50p)	446	-	281
	=====	=====	=====

7. Earnings per share

Ordinary Shares:

The calculation of the earnings per share is based on the profit on ordinary activities after tax for the period and on 11,188,361 ordinary shares (31/10/2004 – 10,887,536 & 30/04/2004 - 10,570,044 ordinary shares), being the weighted average number of shares in issue during the period.

C Shares:

The calculation of the earnings per share is based on the profit on ordinary activities after tax for the period and on 193,521 C class shares being the weighted average number of shares in issue during the period.

8. Net asset value per share

Ordinary Shares:

The calculation of net asset value is based on the net assets of £13.059m and on the ordinary shares in issue of 11,151,597 at the balance sheet date. (31/10/2004 - £12.405m and 11,186,882 shares & 30/04/2004 £12.518m and 11,207,232 shares).

C Shares:

The calculation of net asset value is based on the net assets of £2.471m, after adjustments of £220,000 in respect of cash received for shares not yet issued, and on the C class shares in issue of 2,603,275 at the balance sheet date.

9. Summary of Investments: Ordinary Shares

	30-Apr-05 £'000
Cost at 1 November 2004	5,115
Unrealised gain at 1 November 2004	1,583
	=====
Value at 1 November 2004	6,698
Movements in period:	
Purchases at cost	4,070
Disposals: Proceeds	(1,636)
Profit on realisation of investments	175
Net unrealised gain on revaluation	1,078
	=====
Valuation at 30 April 2005	10,385
	=====
Book cost at 30 April 2005	8,388
Unrealised gain at 30 April 2005	1,997
	=====
	10,385
	=====

**9(a) Summary of Investment Portfolio:
AIM Listed Qualifying Investments**

	Book cost	Valuation at Mid Price
	£'000	£'000
Tanfield Group plc	300	638
Augean plc	500	618
Concateno plc	500	635
Cello Group plc	500	613
Media Square plc	304	600
Real Good Food Company plc	500	528
Public Recruitment Group plc	500	491
Disperse Group plc	500	493
BBI Holdings plc	248	436
TRL Electronics plc	253	400
Staffline Recruitment Group plc	300	392
SP Holdings plc	400	400
Bond International Software plc	170	366
Armour Group plc	293	358
Access Intelligence plc	500	363
Fountains plc	240	300
Tissue Science Laboratories plc	246	245
Zetar plc	158	245
Deal Group Media plc	36	239
Air Music & Media Group plc	200	233
Inditherm plc	200	200
Top Ten Holdings plc	200	200
Screen FX plc	244	195
Brooks Macdonald Group plc	156	167
Bright Futures Group plc	125	125
Asfare Group plc	95	90
The 4Less Group plc	200	87
DawMed Systems plc	79	63
AIM Listed Non-Qualifying Investments		
Glisten plc	352	573
Zetar plc	90	93
	=====	=====
Total Investments	8,389	10,385
	=====	=====

Further details of these investments are provided in the Investment Manager's Review.

10. Debtors

Current asset investments comprised money market securities.

11. Debtors

Ordinary Shares	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Prepayments and accrued income	9	44	106
	=====	=====	=====
C Shares	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Prepayments and accrued income	-	-	-
	=====	=====	=====

12. Creditors

Ordinary Shares	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Accruals	31	8	21
Proposed dividend	446	-	281
	=====	=====	=====
	477	8	302
	=====	=====	=====
C Shares	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Accruals	-	-	-
	=====	=====	=====

13. Called up share capital

	30-Apr-05	30-Apr-04	31-Oct-04
	£'000	£'000	£'000
Authorised:			
30,000,000 ordinary shares of 10p	3,000	3,000	3,000
10,000,000 C class shares of 10p	1,000	-	-
	=====	=====	=====
	4,000	3,000	3,000
	=====	=====	=====
Allotted and fully paid up:			
11,151,579 (2004-11,186,882) ordinary shares of 10p	1,115	1,121	1,119
2,603,275 (2004 - 0) C class shares of 10p	260	-	-
	=====	=====	=====
	1,375	1,121	1,119
	=====	=====	=====

During the period to 30 April 2005, 2,603,275 C class shares were issued at a price of 95p.

Both classes of share rank pari passu as to rights to attend and vote at any general meeting of the Company.

The rights of the members to receive dividends is derived from the net income attributable to the net assets of each class of share.

During the period ended 30 April 2005, the Company repurchased the following shares:

Date of repurchase	Price per share	Ordinary shares	Total (£)
04/02/2005	£1.050	(10,025)	10,526
09/03/2005	£1.100	(3,000)	3,300
21/03/2005	£1.160	(19,000)	22,040
06/04/2005	£1.130	(3,260)	3,684
		=====	=====
Total		(35,285)	39,550
		=====	=====

14. Reserves

Ordinary Shares	Share premium	Special distributable reserve	Capital redemption reserve	Revaluation reserve	Profit & loss reserve
Balance at 1 November 2004:	9,655	-	2	1,583	46
	=====	=====	=====	=====	=====
Cancellation of share premium account	(9,655)	9,655	-	-	-
Shares bought back	-	(40)	4	-	-
Realisation of prior years' net unrealised gain on investments	-	-	-	(664)	664
Net unrealised gain on revaluation of investment	-	-	-	1,078	-
Retained profit in period	-	-	-	-	62
Dividends	-	-	-	-	(446)
	=====	=====	=====	=====	=====
Balance at 30 April 2005:	-	9,615	6	1,997	326

14. Reserves (continued)

C Shares	Share premium	Profit & loss reserve	Shares waiting to be issued
Balance at 1 November 2004:	-	-	-
	=====	=====	=====
Issued share capital	2,213	-	-
Cash received awaiting allotment of shares	-	-	220
Retained profit in period	-	(2)	-
	=====	=====	=====
Balance at 30 April 2005:	2,213	(2)	220
	=====	=====	=====

15. Reconciliation of movements in shareholders funds

	Ordinary Shares 30/04/05 £'000	C Shares 30/04/05 £'000	Total 30/04/05 £'000
Shareholders' funds at 1 November 2004	12,405	-	12,405
Total gains and losses recognised in period	1,140	(2)	1,138
Net proceeds of share Issue	-	2,473	2,473
Shares awaiting issue	-	220	220
Repurchase of share capital	(40)	-	(40)
Dividends	(446)	-	(446)
	=====	=====	=====
Shareholders' funds at 30 April 2005	13,059	2,691	15,750
	=====	=====	=====

16. Reconciliation of operating profit to net cash inflow from operating activities

	Ordinary Shares 30/04/05 £'000	Ordinary Shares 30/04/04 £'000	Ordinary Shares 31/10/04 £'000
Profit/(loss) on ordinary activities before tax	62	82	71
Loss/(profit) on disposal of fixed assets	(175)	(172)	(241)
(Increase)/decrease in debtors	97	(26)	(88)
(Decrease)/increase in creditors	10	(24)	(11)
	=====	=====	=====
Net cash outflow from operating activities	(6)	(140)	(269)
	=====	=====	=====

	C Class Shares 30/04/05 £'000	C Class Shares 30/04/04 £'000	C Class Shares 31/10/04 £'000
Profit/(loss) on ordinary activities before tax	(2)	-	-
Loss/(profit) on disposal of fixed assets	-	-	-
(Increase)/decrease in debtors	-	-	-
(Decrease)/increase in creditors	-	-	-
	=====	=====	=====
Net cash outflow from operating activities	(2)	-	-
	=====	=====	=====

	Total 30/04/05 £'000	Total 30/04/04 £'000	Total 31/10/04 £'000
(Loss)/profit on ordinary activities before tax	60	82	71
Loss/(profit) on disposal of fixed assets	(175)	(172)	(241)
(Increase)/decrease in debtors	97	(26)	(88)
(Decrease)/increase in creditors	10	(24)	(11)
	=====	=====	=====
Net cash outflow from operating activities	(8)	(140)	(269)
	=====	=====	=====

17. Reconciliation of net cash flow to movement in net funds

	Ordinary Shares 30/04/05 £'000	Ordinary Shares 31/10/04 £'000	C Class Shares 30/04/05 £'000	C Class Shares 31/10/04 £'000
(Reduction)/increase in cash in year	412	(141)	2,691	-
Movement in liquid resources	(3,173)	(1,626)	-	-
Net funds at 1 November	5,903	7,670	-	-
	=====	=====	=====	=====
Net funds at 30 April	3,142	5,903	2,691	-
	=====	=====	=====	=====
	Total 30/04/05 £'000	Total 31/10/04 £'000		
(Reduction)/increase in cash in year	3,103	(141)		
Movement in liquid resources	(3,173)	(1,626)		
Net funds at 1 November	5,903	7,670		
	=====	=====		
Net funds at 30 April	5,833	5,903		
	=====	=====		

18. Analysis of changes in net funds

	31/10/04 £'000	Cash Flows £'000	30/04/05 £'000
Ordinary shares			
Cash at bank	62	412	474
Current asset investments	5,841	(3,173)	2,668
	=====	=====	=====
	5,903	(2,761)	3,142
	=====	=====	=====
C Class shares			
Cash at bank	-	2,691	2,691
Current asset investments	-	-	-
	=====	=====	=====
	-	2,691	2,691
	=====	=====	=====
Total			
Cash at bank	62	3,103	3,165
Current asset investments	5,841	(3,173)	2,668
	=====	=====	=====
	5,903	(70)	5,833
	=====	=====	=====

19. Other information

The financial information set out in the interim report announcement does not constitute the Company's statutory accounts for the six months ended 30 April 2005 and 2004. The financial information for the year ended 31 October 2004 is derived from the statutory accounts delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statements under s237 (2) or (3) of the Companies Act 1985.

20. Publication

This interim report is being sent to shareholders and copies will be made available to the public at the registered office of the Company.

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