PHOENIX VCT

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 OCTOBER 2008

OCTOPUS INVESTMENTS

Contents

About Phoenix VCT plc

Phoenix VCT plc ("Phoenix", "Company" or "Fund") is a venture capital trust ("VCT") which aims to provide shareholders with attractive tax-free dividends and long-term capital growth, by investing in a diverse portfolio of AIM-quoted companies.

The Investment Manager is Octopus Investments Limited ("Octopus" or "Manager"). The Company was launched in November 2002 and raised over £11.3 million (£10.8 million net of expenses) through an offer for subscription.

Phoenix raised more funds in 2005 in the form of a 'C' Share issue (i.e. the issue for subscription of a new class of share referred to as 'C' shares). In total, Phoenix raised £5.1 million (£5.0 million net of expenses) by the closing date of the offer on 30 June 2005.

Financial Highlights

Ordinary shares	**Year to 31 October 2008**	**Year to 31 October 2007**
Net assets (£'000s)	4,824	11,945
Net (loss)/profit after tax (£'000s)	(5,763)	1,202
Net asset value per share	43.4p	106.0p
Dividend per share – in respect of the year	10.0p	12.0p
Cumulative dividends since launch – paid and proposed	33.0p	23.0p

'C' shares	**Year to 31 October 2008**	**Year to 31 October 2007**
Net assets (£'000s)	3,141	6,183
Net (loss)/profit after tax (£'000s)	(2,622)	489
Net asset value per share	58.6p	110.8p
Dividend per share – in respect of the year in year	5.0p	6.0p
Cumulative dividends since launch – paid and proposed	12.0p	7.0p

Chairman's Statement

At the time of writing there is universal gloom, which is reflected in the share prices of the Fund's underlying investments. As 2009 progresses, we can expect much of the uncertainty that persists to begin to lift, and the stock market will attribute more measured valuations to small growing companies.

In the year to 31 October 2008, the total return (being the change in NAV added to dividends paid out to shareholders) per Ordinary share was -42.0%, falling from 123.0p to 71.4p, and for 'C' shares was -40.6%, falling from 114.8p to 68.2p. In comparison, the FTSE All-Share index fell 36.1% and the FTSE AIM All-Share index fell 61.3%; very disappointing for everyone. As the portfolios are invested in the Alternative Investment Market ("AIM"), the return is a reflection of the falls across equity markets. However, the Board believes that the overall investment portfolios are well placed to benefit from the recovery in the financial markets once investor appetite for risk returns.

Despite the volatility, the investment manager was successful in crystallising a profit of £348,000 for the Ordinary share portfolio from the disposal of a number of holdings. A small profit of £33,000 was also crystallised for the 'C' share portfolio. The Ordinary share portfolio made new investments totalling £364,000 into Myhome International plc (subsequently placed in administration) and Maxima plc, with a follow-on investment into Clarity Commerce plc. Meanwhile, the 'C' shares completed an investment into Vitesse Media plc. Further details of these realisations and new investments can be found in the Investment Manager's Review on pages 7 to 15.

The Board's strategy is to maintain an appropriate level of liquidity in the balance sheet to achieve four aims:

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

Given a realised capital reserve remains, and it is the Board's intention to continue to pay a consistent dividend stream, the Board has proposed a dividend of 5.0p per Ordinary share and a dividend of 3.0p per 'C' share to be paid on 3 April 2009 to shareholders on the register on 13 February 2009. This is in addition to the 5.0p Ordinary share interim dividend and the 2.0p 'C' share interim dividend paid earlier in the year and will take total dividends paid and proposed for the year ended 31 October 2008 to 10.0p per Ordinary share and 5.0p per 'C' share. Cumulative dividends will total 33.0p per Ordinary share since the Fund's launch and 12.0p per 'C' share since the launch of the 'C' share class.

The table below shows the movement in NAV of the Ordinary shares and lists the dividends that have been paid since the launch of the Company:

Period Ended	NAV	Dividend paid in period	NAV + cumulative dividends
31 October 2003	100.7p	–	100.7p
30 April 2004	111.7p	0.15p	111.9p
31 October 2004	110.9p	–	111.1p
30 April 2005	118.2p	2.50p	120.9p
31 October 2005	97.9p	4.00p	104.6p
30 April 2006	104.6p	–	111.3p
31 October 2006	103.8p	1.00p	111.5p
30 April 2007	122.4p	3.35p	133.4p
31 October 2007	106.0p	6.00p	123.0p
30 April 2008	75.9p	6.00p	98.9p
31 October 2008	43.4p	5.00p	71.4p

The table below shows the movement in NAV of the 'C' shares and lists the dividends that have been paid since the launch of the Company:

Period Ended	NAV	Dividend paid in period	NAV + cumulative dividends
30 April 2005	94.9p	–	94.9p
31 October 2005	94.2p	–	94.2p
30 April 2006	100.1p	–	100.1p
31 October 2006	105.1p	–	105.1p
30 April 2007	122.6p	1.0p	123.6p
31 October 2007	110.8p	3.0p	114.8p
30 April 2008	89.0p	3.0p	96.0p
31 October 2008	58.6p	2.0p	67.6p

Change of Name

With a wide range of Octopus funds now under management, it is considered appropriate that the name of the Company should reflect the name of Octopus so as to avoid confusion in the marketplace. Therefore it is proposed that the name of the Company be changed to Octopus Phoenix VCT plc. This will be a Special Resolution to be presented at the Company's Annual General Meeting.

It should be made clear to shareholders, however, that current directors will remain in office and their independence from Octopus is in no way affected.

VAT on Management Fees

The Government has announced that VCTs will be exempt from paying VAT on investment management fees with effect from 1 October 2008. This follows a European Court of Justice Judgement against the Government in a case relating to VAT payable by investment trusts. It is now almost certain that a VAT repayment will be obtained for VAT paid on management fees for the last three years. However, the extent and timing of repayments is not yet known. We will follow developments with the help of our advisers. For the purposes of these accounts, and with guidance from our advisers, we have accrued income of £106,000 for the Ordinary shares and £36,000 for the 'C' shares, being approximately 90% of the anticipated VAT rebate.

The VAT saving on management fees for the 2008/2009 year ahead on Ordinary shares is £14,000 and £9,000 for 'C' shares.

Share Buy-backs

The Company's mid-market share price at the date of this report stands at 45p for Ordinary shares and 51p for the 'C' shares. In order to improve the liquidity of the shares of Phoenix, Octopus is developing strategies that it will use to increase the awareness of the attractions of buying shares in VCTs in the secondary market with the aim of creating a market for those Shareholders who want to dispose of their holdings. However, in order to underpin the ability of shareholders to dispose of their holdings, it is intended that Phoenix will operate a buy-back policy where (subject to having the requisite authorisations in place and having distributable reserves and sufficient financial resources) it is envisaged that purchases of shares would happen at no more than a 10% discount to the prevailing NAV per share.

Shareholders should note that if they sell their shares within the minimum holding period of the original investment they forfeit any income tax relief obtained.

'C' Shares conversion into New Ordinary Shares

As you may recall from the 'C' share prospectus, the 'C' shares are to be converted into New Ordinary Shares based on the audited net asset values as at 31 October 2008. Further details of this conversion will be mailed out to shareholders by Octopus in the near future.

Chairman's Statement (continued)

VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and investment manager with advice concerning ongoing compliance with HM Revenue & Customs rules ("HMRC") and regulations concerning VCTs. The Board has been advised that Phoenix VCT plc is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT. This is discussed further in Shareholder Information on page 16.

A key requirement is for 70% of the entire portfolio to be invested in qualifying investments by the end of the third accounting period following that in which new share capital was subscribed. As at 31 October 2008, over 92% of the Ordinary share investment portfolio was invested in VCT qualifying investments, and over 81% of the 'C' share investment portfolio. The Board does not anticipate any issues in maintaining the required investment level.

Outlook

In what has been a particularly grim twelve months for stock markets generally and smaller companies in particular, your Board continues to seek a balanced portfolio of investments in smaller, developing companies. The economic outlook for 2009 remains uncertain and equity markets are still reeling from the impact of the banking crisis and recent economic scandals. As a result, very little value is being attributed to small growing companies at this point in time.

However the Manager remains confident that the portfolio will provide attractive returns to investors with a medium to long-term horizon. The investment strategy for Phoenix remains focused on the delivery of absolute returns and a regular tax-free dividend stream for investors. Whilst the portfolios will not be immune to the wider impact of the credit crunch, the Board does consider that the portfolio as a whole is well positioned to benefit from any improvement in the overall financial outlook.

Stephen Hazell-Smith
Chairman
5 February 2009

Investment Manager's Review

Personal Service

At Octopus, we have a dual focus on managing your investments and keeping you informed throughout the investment process. We are committed to providing our investors with regular and open communication. Our updates are designed to keep you involved with the progress of your investment.

During this time of economic upheaval, we consider it particularly important to be in contact with our investors. We are working hard to manage your money in the current climate. We share your goal to make money from your investment, as our money is invested alongside yours. 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 0800 316 2347.

The AIM Market

Over the last twelve months, the well publicised banking crisis and the ensuing deteriorating economic outlook has had a severe impact on AIM. As is usual during periods of uncertainty, investors shun small companies in favour of larger and more liquid investments. However, as you will be aware, these have fared little better as the banking crisis has unfolded.

It is extremely disappointing to be reporting a significant decline in NAV for the year ending October 2008. However, the valuations below simply represent the current value attributed by the stock market to your investee companies. Their individual share prices reflect disinterest by investors and the absence of buyers. While stock markets are frequently accused of over hyping small growing companies during the good times, they are equally guilty of attributing miserly valuations to small companies during periods of uncertainty.

Within the portfolios, over 95% of the value of the investments held by the Ordinary share and 'C' share portfolios are into profitable companies. Balance sheet strength will also be important to the success of the portfolios' holdings during 2009 as traditional lenders to small businesses continue to face balance sheet pressure themselves. We continue to work closely with the management of the companies in which we invest to ensure there is headroom to cope with all eventualities over the next twelve months.

Investment Portfolio

		Cost of investment as at 31 October 2008		Valuation as at 31 October 2008			
AIM-listed Qualifying Investments	**Sector**	**Ord shares (£'000)**	**'C' Shares (£'000)**	**Ord shares (£'000)**	**'C' Shares (£'000)**	**% equity held by Phoenix**	**% equity held by all funds managed by Octopus**
CBG Group plc	Speciality & Other Finance	381	216	356	202	2.7	12.7
Hasgrove plc	Media & Entertainment	400	200	333	167	2.2	7.3
Pressure Technologies plc	Engineering & Machinery	165	105	264	168	1.6	11.0
Brooks Macdonald plc	Speciality & Other Finance	156	–	251	–	1.1	4.4
Cello Group plc	Media & Entertainment	500	–	200	–	1.1	10.5
Augean plc	Support Services	500	–	196	–	0.4	5.3
Melorio plc	Support Services	–	275	–	157	0.7	5.8
Cohort plc	Aerospace and Defence	135	340	176	382	0.9	2.4
Staffline Recruitment Group plc	Support Services	300	–	150	–	1.8	13.7
Zetar plc	Food Producers	158	–	136	–	0.7	4.2
Brulines (Holdings) plc	Support Services	123	111	130	117	0.8	5.5
Hexagon Human Capital plc	Support Services	315	157	128	64	1.5	15.7
Vertu Motors plc	General Retailers	400	200	127	63	1.1	7.7
Northern Bear plc	Construction & Building Materials	299	149	112	56	1.7	7.6
Clarity Commerce plc	Software & Computer Services	407	203	94	47	3.4	5.0
Concateno plc	Support Services	–	85	–	90	0.1	0.9
Vitesse Media plc	Media & Entertainment	–	100	–	72	1.6	3.6
Access Intelligence plc	Software Communication Devices	500	150	88	44	4.7	8.4
Inditherm plc	Chemicals	400	100	84	35	6.7	6.7

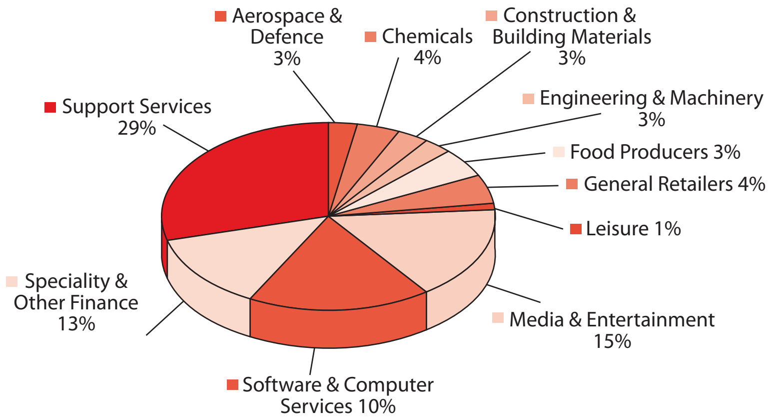
Investment Manager's Review (continued)

AIM-listed Qualifying Investments	Sector	Cost of investment as at 31 October 2008 Ord shares (£'000)	Cost of investment as at 31 October 2008 'C' Shares (£'000)	Valuation as at 31 October 2008 Ord shares (£'000)	Valuation as at 31 October 2008 'C' Shares (£'000)	% equity held by Phoenix	% equity held by all funds managed by Octopus
Interquest plc	Support Services	–	75	–	53	0.5	5.9
Strategic Thought plc	Software & Computer Services	194	68	78	27	0.8	4.0
Fountains plc	Support Services	240	–	77	–	1.3	10.6
Bond International Software plc	Software & Computer Services	60	–	75	–	0.5	4.0
Relax Group plc	Speciality & Other Finance	400	200	69	34	1.9	2.1
Jelf Group plc	Speciality & Other Finance	77	51	65	43	0.2	1.5
AutoClenz plc	Support Services	425	169	37	15	4.6	12.7
Tanfield Group plc	Engineering & Machinery	53	77	29	23	0.3	3.0
Invu plc	Software & Computer Services	100	100	27	27	0.6	2.1
Cantono plc	Software & Computer Services	420	220	20	11	0.2	1.0
Invocas plc	Speciality & Other Finance	80	50	18	11	0.4	1.3
Synabor Group plc	Support Services	500	–	16	–	0.8	0.8
Optimisa plc	Media & Entertainment	143	247	13	23	2.0	14.1
Baydonhill plc	Speciality & Other Finance	200	–	10	–	1.4	1.4
Real Good Food Company plc	Food Producers	500	–	7	–	0.6	0.6
Vision Media Group plc	Media & Entertainment	419	125	6	5	0.7	0.7
Top Ten Holdings plc	Leisure	200	–	5	–	0.8	0.8
Bright Futures plc	General Retailers	125	–	–	–	0.9	0.9
Myhome International plc	Support Services	385	285	–	–	–	–
Total AIM-listed qualifying investments		**9,660**	**4,058**	**3,377**	**1,936**		
Non-qualifying AIM-listed investments		43	35	34	27		
Total investments		**9,703**	**4,093**	**3,411**	**1,962**		
Money Market Funds				1,280	971		
Net current assets				133	208		
Total net assets				**4,824**	**3,141**		

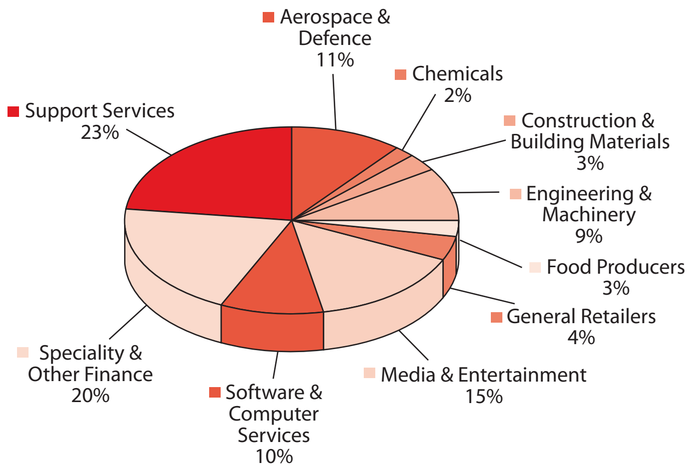
* Screen FX plc changed its name to Vision Media Group plc on 31 January 2008

Sector Analysis

Total qualifying investments by book cost



Total qualifying investments by market sector valuation



Review of Ordinary Share Portfolio

At 31 October 2008, the Ordinary portfolio comprised investments in 34 AIM-quoted companies. During the year, five investments were disposed of in their entirety. BBI Holdings plc and Tissue Science Laboratories plc both received cash bids from US companies during the period. Profits were taken in AssetCo plc. We disposed of the holdings in Media Square plc and SectorGuard plc at a loss because we felt the companies were not making the progress anticipated. The major disappointment over the period was MyHome International plc. The company was placed into administration by its bank during August 2008, after breaking its covenants.

A summary of the realisations is shown below:

Realisations	Initial investment date	Cost of investment realised (£'000)	Proceeds of investment (£'000)	Total gain/(loss) (£'000)
BBI Holdings plc	March 2004	191	749	558
AssetCo plc	December 2003	95	188	93
Tissue Science Laboratories plc	March 2005	161	97	(64)
SectorGuard plc	August 2005	200	121	(79)
Media Square plc	April 2004	254	94	(160)
TOTAL		901	1,249	348

Investment Manager's Review (continued)

Ten Largest Ordinary Share Portfolio Holdings

Listed below are the ten largest qualifying investments by value as at 31 October 2008:

CBG Group plc

Initial investment date:	June 2007
Cost:	£380,700
Valuation:	£356,400
Valuation basis:	Bid price
Equity held:	1.8%
Last audited accounts:	December 2007
Profit before interest & tax:	£1.6 million
Net assets:	£9.5 million

Based in Manchester, CBG Group plc is a corporate insurance, risk management and financial services intermediary. The company offers a range of services principally in the area of commercial insurance, business risk management, healthcare and employee benefits. We expect the company to continue to acquire further businesses in the North-West of England.

Hasgrove plc

Initial investment date:	November 2006
Cost:	£400,000
Valuation:	£333,333
Valuation basis	Bid price
Equity held:	1.5%
Last audited accounts:	December 2007
Profit before interest & tax:	£2.4 million
Net assets:	£18.4 million

Hasgrove plc is a pan European marketing and communications services group. The group offers its clients consultancy and implementation solutions across a range of disciplines including brand design, creative advertising, public relations and public affairs.

Pressure Technologies plc

Initial investment date:	June 2007
Cost:	£165,000
Valuation:	£264,000
Valuation basis:	Bid price
Equity held:	1.0%
Last audited accounts:	September 2008
Profit before interest & tax:	£5.0 million
Net assets:	£11.2 million

Pressure Technologies plc is the holding company of Chesterfield Special Cylinders ("CSC"). CSC designs, manufactures and offers testing and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets.

Brooks Macdonald plc

Initial investment date:	March 2005
Cost:	£156,300
Valuation:	£251,200
Valuation basis:	Bid price
Equity held:	1.1%
Last audited accounts:	June 2008
Profit before interest & tax:	£2.0 million
Net assets:	£5.8 million

Brooks Macdonald plc is an integrated wealth management group with two operating companies: Brooks Macdonald Asset Management is a specialist private client fund manager and Brooks Macdonald Financial Consulting provides bespoke financial planning. The Group now has over £1 billion funds under management.

Cello Group plc

Initial investment date:	November 2004
Cost:	£500,000
Valuation:	£200,000
Valuation basis:	Bid price
Equity held:	1.1%
Last audited accounts:	December 2007
Profit before interest & tax:	£4.6 million
Net assets:	£48.5 million

Cello Group plc is a specialist marketing solutions business that has completed a number of acquisitions since its flotation on AIM in November 2004. Cello, which has specific expertise in market research, operates under a number of brands, each with specific expertise across a number of markets including the pharmaceutical, public and not-for-profit sectors.

Augean plc

Initial investment date:	September
Cost:	£500,000
Valuation:	£196,000
Valuation basis:	Bid price
Equity held:	0.4%
Last audited accounts:	December 2007
Profit before interest & tax:	£3.7 million
Net assets:	£83.4 million

Augean is a UK based specialist waste and resource management group delivering a range of services to the hazardous waste sector, including waste treatment, transfer and recycling, landfill disposal, laboratory testing and contaminated land treatment and recycling.

Cohort plc

Initial investment date:	February 2006
Cost:	£135,300
Valuation:	£176,000
Valuation basis:	Bid price
Equity held:	0.3%
Last audited accounts:	April 2008
Profit before interest & tax:	£5.6 million
Net assets:	£40.8 million

Cohort plc is a provider of independent defence technical services. The company is focused on command, control, computing, communications and intelligence systems and more recently has moved into crisis management for non-military customers.

Staffline Recruitment Group plc

Initial investment date:	December 2004
Cost:	£300,000
Valuation:	£150,000
Valuation basis:	Bid price
Equity held:	1.8%
Last audited accounts:	December 2007
Profit before interest & tax:	£4.4 million
Net assets:	£22.3 million

Staffline Recruitment Group plc is a leading provider of recruitment and outsourced human resource services to industry. It specialises in supplying temporary and permanent blue-collar industrial workers both via its high street network branches and through on-site operations located at the customers' premises.

Investment Manager's Review (continued)

Zetar plc

Initial investment date:	April 2005
Cost:	£158,090
Valuation:	£135,900
Valuation basis:	Bid price
Equity held:	0.7%
Last audited accounts:	April 2008
Profit before interest & tax:	£4.8 million
Net assets:	£40.3 million

Zetar plc diversified into two divisions; confectionery and natural & premium snacks. The company has been highly acquisitive and now holds Kinnerton, Readifoods and Humdinger under its umbrella. Kinnerton manufactures niche and novelty chocolate and both Readifoods and Humdinger manufacture organic dried fruit products. The company has more recently acquired Lir Chocolates, an Irish based manufacturer.

Brulines (Holdings) plc

Initial investment date:	October 2006
Cost:	£123,000
Valuation:	£130,000
Valuation basis:	Bid price
Equity held:	0.4%
Last audited accounts:	March 2008
Profit before interest & tax:	£4.2 million
Net assets:	£13.3 million

Brulines designs and sells fluid monitoring systems to pubs and bars. The company is the market leader in its field and manages information from over 22,000 licences premises, over one in three pubs in the UK. The system allows the landlord to reconcile the amount of beer being dispensed against what is being delivered.

Review of 'C' Share Portfolio

At 31 October 2008, the 'C' portfolio comprised of investments in 26 AIM-quoted companies. During the year, three investments were disposed of in their entirety, including BBI Holdings plc, which received a successful cash bid from a US company. We sold both Media Square plc and SectorGuard plc as we felt the companies were not making the progress anticipated. The major disappointment over the period was Myhome International plc. The company was placed into administration by its bank during August 2008, after breaking its covenants.

A summary of these realisations is shown below:

Realisations	Initial investment date	Cost of investment realised (£'000)	Proceeds of investment (£'000)	Total gain/(loss) (£'000)
BBI Holdings plc	March 2004	115	240	125
MediaSurface plc	June 2007	125	72	(53)
SectorGuard plc	August 2005	100	61	(39)
TOTAL		340	373	33

Ten Largest 'C' Share Portfolio Holdings

Listed below are the ten largest qualifying investments by value as at 31 October 2008:

Cohort plc

IInitial investment date:	February 2006
Cost:	£339,502
Valuation:	£382,000
Valuation basis:	Bid price
Equity held:	0.6%
Last audited accounts:	April 2008
Profit before interest & tax:	£5.6 million
Net assets:	£40.8 million

Cohort plc is a provider of independent defence technical services. The company is focused on command, control, computing, communications and intelligence systems and more recently has moved into crisis management for non-military customers.

CBG Group plc

Initial investment date:	June 2007
Cost:	£215,500
Valuation:	£202,000
Valuation basis:	Bid price
Equity held:	1.0%
Last audited accounts:	December 2007
Profit before interest & tax:	£1.6 million
Net assets:	£9.5 million

Based in Manchester, CBG Group plc is a corporate general insurance, risk management and financial services intermediary. The company offers a range of services principally in the area of commercial insurance, business risk management, healthcare and employee benefits. We expect the company to continue to acquire further businesses in the North-West of England.

Pressure Technologies plc

IInitial investment date:	June 2007
Cost:	£105,000
Valuation:	£168,000
Valuation basis:	Bid price
Equity held:	0.6%
Last audited accounts:	September 2008
Profit before interest & tax:	£5.0 million
Net assets:	£11.2 million

Pressure Technologies plc is the holding company of Chesterfield Special Cylinders ("CSC"). CSC designs, manufactures and offers testing and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets.

Hasgrove plc

Initial investment date:	November 2006
Cost:	£200,000
Valuation:	£167,000
Valuation basis:	Bid price
Equity held:	0.7%
Last audited accounts:	December 2007
Profit before interest & tax:	£2.4 million
Net assets:	£18.4 million

Hasgrove plc is a pan European marketing and communications services group. The Group offers its clients consultancy and implementation solutions across a range of disciplines including brand design, creative advertising, public relations and public affairs.

Investment Manager's Review (continued)

Melorio plc

Initial investment date:	October 2007
Cost:	£275,000
Valuation:	£156,750
Valuation basis:	Bid price
Equity held:	0.7%
Last audited accounts:	March 2008
Profit before interest & tax:	£1.7 million
Net assets:	£30.6 million

Melorio plc was formed to consolidate the UK vocational training market. In September 2007 it acquired CLW, the UK's largest provider of on site construction assessment and training. As well as the construction industry, Melorio will focus on acquisitions within the utility, logistics and care sectors.

Brulines (Holdings) plc

Initial investment date:	October 2006
Cost:	£110,700
Valuation:	£117,000
Valuation basis:	Bid price
Equity held:	0.4%
Last audited accounts:	March 2008
Profit before interest & tax:	£4.2 million
Net assets:	£13.3 million

Brulines designs and sells fluid monitoring systems to pubs and bars. The company is the market leader in its field and manages information from over 22,000 licences premises, over one in three pubs in the UK. The system allows the landlord to reconcile the amount of beer being dispensed against what is being delivered.

Concateno plc

Initial investment date:	October 2006
Cost:	£85,000
Valuation:	£90,000
Valuation basis:	Bid price
Equity held:	0.1%
Last audited accounts:	December 2007
Profit before interest & tax:	£0.3 million
Net assets:	£103.2 million

Concateno is Europe's leading drug and alcohol testing company. The company undertakes over 8 million drug tests per annum on behalf of over 8,000 customers worldwide via a network of over 500 sample collectors. The company's products include leading edge point of care technology and laboratory testing via three UKAS accredited sites in the UK.

Vitesse Media plc

Initial investment date:	November 2007
Cost:	£100,000
Valuation:	£72,000
Valuation basis:	Bid price
Equity held:	1.6%
Last audited accounts:	January 2008
Loss before interest & tax:	£0.1 million
Net assets:	£4.2 million

Vittesse Media is a B2B publisher and events company to the business and investment community. The company's titles include Growth Company Investor, Information Age, What Investment and M&A Magazine.

Hexagon Human Capital plc	
Initial investment date:	February 2007
Cost:	£157,000
Valuation:	£63,900
Valuation basis:	Bid price
Equity held:	1.5%
Last audited accounts:	March 2008
Profit before interest & tax:	£4.1 million
Net assets:	£16.9 million

Hexagon Human Capital is the UK's leading provider of senior interim management to industry. The company has also built a leading executive search business operating across a variety of sectors.

Vertu Motors plc	
Initial investment date:	December 2006
Cost:	£200,000
Valuation:	£63,333
Valuation basis:	Bid price
Equity held:	0.4%
Last audited accounts:	February 2008
Profit before interest & tax:	£0.1 million
Net assets:	£60.2 million

Vertu Motors plc was formed in 2006 to acquire and consolidate the UK motor retail sector. The management team has experience in the sector having previously held senior positions at Reg Vardy plc. To date the company has acquired Bristol Street Group Limited, Blake Holdings Limited, Grantham Motors Company Limited and the Jennings Group Limited.

New Investments

During the year, the Ordinary share portfolio made two new investments and the 'C' share portfolio made three new investments. Firstly, both the Ordinary share portfolio and 'C' share portfolio made an investment into ***Myhome International plc***, a franchise cleaning business. In November 2007, Myhome raised £5 million of new VCT qualifying funds in order to complete the acquisition of Chips Away, an established franchise auto repair business. Despite Myhome being profitable, its bank called in the company's loan during the summer of 2008 following a breach of a banking covenant. The business was subsequently purchased out of administration for an undisclosed sum and the bank loan was repaid. This was extremely frustrating for shareholders and served as a stark warning of the pressure that certain lenders were under during the second half of 2008.

Both portfolios also completed a follow on investment into ***Clarity Commerce Solutions plc***, a provider of software to the retail, ticketing and leisure sectors, during February 2008. We first invested into Clarity Commerce Solutions in April 2006. However, results had been disappointing, prompting shareholders to call for a management change and fund raising. I am delighted to report that the trading results have improved significantly following a number of new contract wins. The company is now on course to deliver a profit of £1.0 million on turnover £16.2 million for the year ending March 2009.

The 'C' share portfolio completed an investment into ***Vitesse Media plc***, a publishing and events company focused on the business and investment community. The company raised further funds during November 2007 in order to complete the acquisition of Infoconomy Limited, the publisher of Information Age, a B2B publication for the IT sector. In a recent trading update, the company confirmed that revenues continue to make progress despite the recent decline in advertising revenues.

If you have any questions on any aspect of your investment, please call one of the team on 0800 316 2347.

Simon Rogerson

Simon Rogerson
Chief Executive

Shareholder Information

The Company

Phoenix VCT plc is a venture capital trust ("VCT") managed by Octopus Investments Limited which aims to provide shareholders with attractive tax-free dividends and long-term capital growth. The Company invests primarily in AIM-quoted companies and aims to deliver absolute returns on its investments. The Fund was launched in November 2002 and raised over £11.3 million through an offer for subscription. Subsequent further fund raising took place in the form of a 'C' Share issue, which raised a further £5 million between 1 February 2005 and the closing date of 30 June 2005.

Phoenix VCT plc is managed by Octopus Investments Limited, an independent specialist fund management company based in the City of London. Octopus also acts as manager of 14 other listed investment companies and has a total of approximately £600 million under management.

Venture Capital Trusts ("VCT")

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. The Government achieved this by offering VCT investors a series of very attractive tax benefits.

With effect from 6 April 2006, the benefits to eligible investors include income tax relief at 30% on new subscriptions of up to £200,000 per tax year, provided the shares are held for at least five years, exemption from income tax on dividends paid by VCTs (such dividends may include the VCTs capital gains as well as its income) and exemption from capital gains tax on disposal of shares in VCTs. Subscribers for shares in VCTs between 6 April 2004 and 5 April 2006 were entitled to income relief at 40% rather than 30% and the shares had to be held for at least three years rather than five years. Prior to 6 April 2004, subscribers for shares in VCTs were entitled to income tax relief at 20% and could also obtain capital gains deferral relief. Capital gains deferred by pre 6 April 2004 subscriptions are not affected by the subsequent changes in tax reliefs.

Phoenix has been fully approved as a VCT by HMRC. In order to maintain its approval the Company must comply with certain requirements on a continuing basis. Within three years from the date of provisional approval at least 70% of the Company's investments must comprise "qualifying holdings" of which at least 30% must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted Company (including companies listed on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £15 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 gross assets limit has been reduced to £7 million for investments made using funds subscribed after 5 April 2006. The Company has continued its compliance with these requirements.

Financial Calendar

The Company's financial calendar is as follows:

March 2009	–	Annual General Meeting
April 2009	–	2008 final dividend paid
June 2009	–	Six-monthly results to 30 April 2009 published
January 2010	–	Final dividend and preliminary results for year to 31 October 2009 announced; annual report and financial statements published

Share Price

The Company's mid-market share price at the date of publication of this report stood at 45p for Ordinary shares and 51p for 'C' shares. The Company's share price is published daily in the Financial Times and its FTSE classification is "Investment Companies" "VCTs".

Annual and Interim Reports

Previously published Annual Reports and Interim Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com under the 'Learn More' section. The proxy votes for any General Meeting and the result of any poll on a resolution put before shareholders will also be found there.

Details of Advisers

Board of Directors

Stephen Hazell-Smith
Matt Cooper
Tony Morgan

Secretary and Registered Office

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP
Registered in England No 04575572

Investment Manager

Octopus Investments Limited
8 Angel Court
London
EC2R 7HP

Cash Managers

Goldman Sachs International
Christchurch Court
10-15 Newgate Street
London
EC1A 7HD

Solicitors

Howard Kennedy
19 Cavendish Square
London
W1A 2AW

Independent Auditor and Taxation Adviser

Grant Thornton UK LLP
1 Westminster Way
Oxford
OX2 0PZ

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Stockbroker

Brewin Dolphin Limited
34 Lisbon Street
Leeds
LS1 4LX

Bankers

HSBC Bank plc
31 Holborn
London
EC1N 2HR

Registrars

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

Details of Directors

Stephen Hazell-Smith (Non-Executive Chairman – Age 55)

Stephen has more than 15 years experience managing similar funds at some of Europe's leading fund management companies including Mercury Asset Management and GT Management. Most recently, Stephen worked at Close Investment Limited, where he launched and co-managed the Close Brothers AIM VCT (launched in 1998) and the Beacon Investment Trust ("Beacon") which was launched in 1994. Whilst Stephen was co-managing Beacon it was the best performing UK smaller companies fund over the five years ended 31 December 2000. In 2002, Stephen joined Hoodless Brennan & Partners as Non-Executive Chairman where he took an active role in advising until September 2004. Since December 2004, Stephen has been Chairman of PLUS Markets Group plc. Stephen is also a non-executive director of two other VCTs.

Matt Cooper (Non-Executive Director – Age 42)

Matt is the Chairman of Octopus Investments Limited, the Investment Manager of Phoenix. Prior to joining Octopus, Matt was the Principal Managing Director of Capital One Bank (Europe) plc where he was responsible for all aspects of the company's strategic direction and day-to-day operations in Europe. He led the UK portion of the business from start-up to two million customers, generating revenues of over £275 million and employing over 2,000 people. Matt is also a non-executive director of nine other VCTs.

Tony Morgan (Non-Executive Director – Age 77)

Tony spent seven years as Chairman and Chief Executive of a highly successful quoted and multi-national company, Purle Bros, until its merger with the Redland Group when he joined their main board. He was later a partner and shareholder in a joint venture with Wimpey Construction developing their substantial environmental business throughout the UK. He then led the management buy-out (as Chairman) of an industrial service company which he floated and then merged with Compagnie General des Eaux. Tony has more than six years specific VCT experience as a non-executive director of Phoenix VCT plc and also as Chairman of Octopus Protected VCT plc for the last two years. He is currently a non-executive of a number of private companies and is Chairman of the charity, Youth at Risk.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 October 2008.

This report has been prepared by the Directors in accordance with the requirements of s417 of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given in the Directors' Report (including the business review) is consistent with the financial statements. The auditor's opinion is included in their report on pages 33 and 34.

Principal Activity and Status

The principal activity of the Company is to invest in a diversified portfolio of AIM-listed companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream. The Company has been granted full approval as a venture capital trust by HMRC. In order to maintain approved status, the Company must comply on a continuing basis with the provisions of s274 of the Income Tax Act 2007; in particular, the Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 30% must comprise eligible ordinary shares. For this purpose, a "VCT qualifying holding" consists of up to £1 million invested in any one year in new shares or securities of a UK quoted company (which may be quoted on AIM) which is carrying on a qualifying trade, and whose gross assets at the time of investment do not exceed a prescribed limit. The definition of "qualifying trade" excludes certain activities such as property investment and development, financial services and asset leasing.

Investment company status was revoked on 23 March 2004. The accounts have been drawn up to include a statutory profit and loss account in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard 3 (Reporting Financial Performance). The Directors are required by the articles of association to propose an ordinary resolution at the Company's Annual General Meeting in 2015 that the Company should continue as a venture capital trust for a further three year period, and at each third subsequent Annual General Meeting thereafter. If any such resolution is not passed, the directors shall within four months convene a general meeting to consider the proposals for the reorganisation or winding-up of the Company.

Review of Business Activities

The Directors are required by s417 of the Companies Act 2006 to include a business review to shareholders. The business review is set out below but also includes the Chairman's Statement on pages 4 to 6, and the Investment Manager's Review on pages 7 to 15 by reference.

The purpose of this review is to provide information about the main trends and factors likely to effect the future development, performance and position of the Company.

Performance and Key Performance Indicators

As a venture capital trust, the Company's objective is to provide shareholders with an attractive income and capital return by investing its funds in a broad spread of quoted UK companies which meet the relevant criteria for venture capital trusts. The Board has a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE AIM Index and the FTSE All-Share Index. This is shown in the graphs on page 27 of the Directors' Remuneration Report. These indicies have been adopted as an informal benchmark. Investment performance, cash returned to shareholders and share price are also measured against the Company's peer group of the other AIM venture capital trusts. The Chairman's Statement, on pages 4 to 6, includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 7 to 15. Further details of the Company's risk management policies are provided in note 16 to the financial statements.

Results and Dividend – Ordinary shares

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Net (loss)/profit attributable to shareholders	(5,763)	1,202
Appropriations:		
Final dividend proposed – 5.0p per share (2007 – 6.0p per share)	556	676

Directors' Report (continued)

Results and Dividend – 'C' shares

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Net (loss)/profit attributable to shareholders	(2,622)	489
Appropriations:		
Final dividend proposed – 3.0p per share (2007 – 3.0p per share)	161	167

The proposed final dividend will, if approved by shareholders, be paid on 3 April 2009 to shareholders on the register on 13 February 2009.

Objective and Investment Policy

The objective of the Company is to invest in a broad range of AIM-quoted companies in order to generate income and capital growth over the long-term. The Company's investment strategy is designed to deliver absolute returns on its investments rather than a performance measured against the market indices. On an ongoing basis, it is intended that approximately 80% of the Company will be invested in qualifying holdings across a range of sectors, with the remainder held in cash and money market securities.

The Directors control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of AIM-quoted companies from a number of different sectors. In order to limit the risk to the portfolio that is derived from any particular investment, no more than 10% of the Company will be invested in any one investment. It is not expected that investments will be made in other listed closed-ended investment funds. The Company will not borrow money for the purposes of making investments. The investment decisions made must adhere to the HRMC qualification rules as stated above. The Directors will continually monitor the investment process and ensure compliance with the investment policy. Further details of the of the Company's risk management policies are provided in note 16 to the financial statements

No material changes may be made to the Company's investment policy described above without the prior approval of shareholders by the passing of an ordinary resolution. The Directors will continually monitor the investment process and ensure compliance with the investment policy.

Principal Risks, Risk Management and Regulatory Environment

The Board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the Board are as follows:

VCT qualifying status risk: the Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment. The investment manager keeps the Company's VCT qualifying status under continual review and reports to the Board regularly throughout the year. The Board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

Investment risk: the majority of the Company's investments are in AIM-quoted companies which are VCT qualifying holdings, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The Directors and the Manager aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out rigorous due diligence procedures and by maintaining a wide spread of holdings in terms of financing stage, industry sector and geographical location. The Board reviews the investment portfolio with the Manager on a regular basis.

Financial risk: as most of the Company's investments involve medium to long-term commitment and are relatively illiquid, the Directors consider that it is inappropriate to finance the Company's activities through borrowing. Accordingly, they seek to maintain a proportion of the Company's assets in cash or cash equivalents in order to be in a position to take advantage of new investment opportunities. The Company has very little exposure to foreign currency risk and does not enter into derivative transactions. The Company has cash deposits which are held on the balance sheet of HSBC Bank plc. The risk of loss to this cash is deemed to be extremely low.

Credit risk: Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The investment manager and the board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

Regulatory risk: the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Internal control risk: the Board reviews annually the system of internal controls, both financial and non-financial, operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Competitive Risk: etention of key personnel is vital to the success of the Company. Incentives to the Manager's key staff were really strengthened.

Due to the nature of the Company, environmental, social and employee issues do not apply and therefore no disclosures in respect of these have been included in the Directors Report.

Further details of the Company's risk management policies are provided in note 16 to the financial statements.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the 'Turnbull' guidance. Details of the Company's internal controls are contained in the Corporate Governance section on pages 29 to 31.

The adverse conditions prevailing in the UK economy at present are likely to lead to a reduction in corporate activity over the next 12 months. The Manager will take a highly selective approach to new investment and will pursue several exit opportunities where discussions are already in progress. It can be expected that some of our portfolio companies will find the immediate future challenging but we are confident in the strength of our balance sheet and look forward to achieving good returns for shareholders in the future.

Directors

The Directors of the Company during the period and their interests (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued ordinary shares of 10p are shown in the table below:

	Ordinary shares of 10p each 31 October 2008	Ordinary shares of 10p each 31 October 2007
Mr S Hazell-Smith (Chairman)	25,000	25,000
Mr M Cooper	10,300	10,300
Mr T Morgan	3,060	3,060

All of the Directors' shares were held beneficially. There have been no changes in the Directors' share interests between 31 October 2008 and the date of this report.

Tony Morgan retires by rotation, and being eligible, offers himself for re-election. The Board has considered provision A.7.2 of the Combined Code 2006 and believes that Tony Morgan continues to be effective and demonstrates commitment to his role. They, therefore, recommend his re-election at the forthcoming Annual General Meeting.

Brief biographical notes on the Directors are given on page 18.

Directors' and officers' liability insurance

The Company has, as permitted by s232-236 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Management

Octopus Investments Limited acts as investment manager to the Company. The principal terms of the Company's management agreement with Octopus are set out in Notes 3 & 19 to the financial statements. Matt Cooper is Chairman of Octopus. The Manager also provides secretarial, administrative and custodian services to the Company. Liquid resources (being cash and money market securities) are managed by Goldman Sachs International.

Directors' Report (continued)

As required by the Listing Rules, the Directors confirm that in their opinion the continuing appointment of Octopus as investment manager is in the best interest of the shareholders as a whole. In reaching this conclusion the Directors have taken into account the performance of the investment portfolio and the efficient and effective service provided by Octopus to the Company.

The Company has established a performance incentive scheme whereby the investment manager is entitled to an annual performance related incentive fee in the event that certain performance criteria are met, commencing at the end of the 2007/8 financial year. Further details of this scheme are disclosed within note 19 to the financial statements. No performance fee was payable at 31 October 2008, and given the current economic climate, the Directors do not anticipate that the criteria will be met in the short to medium term.

Share issues and Open Offers

During the year, the Company issued 40,636 Ordinary Shares at a weighted average price of 56.0p per share. (2007: 783,914 shares at a weighted average price of 120.0p per share). No 'C' Shares were issued during the year (2007: 351,044 'C' Shares at a weighted average price of 121.0p per share). As at 31 October 2008, there were no open offers for subscription.

Share buy-backs

During the year, the Company purchased 196,157 Ordinary shares for cancellation at a weighted average price of 74.5p per share (2007: 318,727 shares at a weighted average price of 105.0p per share) for total consideration of £146,960. These were repurchased in accordance with the Company's share buy-back facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

During the year, the Company purchased 223,181 'C' shares for cancellation at a weighted average price of 63.6p per share (2007: Nil) for total consideration of £142,714. These were repurchased in accordance with the Company's share buy-back facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

Share capital, rights attaching to the shares and restrictions on voting and transfer

The Company's Ordinary share capital is £3,000,000 divided into 30,000,000 shares of 10p each, of which as at 31 October 2008 11,111,439 shares were in issue (as at that date none of the issued shares were held by the Company as treasury shares). The Company's 'C' share capital is £1,000,000 divided into 10,000,000 shares of 10p each, of which as at 31 October 2008 5,356,248 shares were in issue (as at that date none of the issued shares were held by the Company as treasury shares). Subject to any suspension or abrogation of rights pursuant to relevant law or the Company's articles of association, the shares confer on their holders (other than the Company in respect of any treasury shares) the following principal rights: (a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company; (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities pari passu with the other holders of ordinary shares; and (c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands every member present or represented and voting has one vote and on a poll every member present or represented and voting has one vote for every share of which that member is the holder; the appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll. These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the Company's articles of association with a notice pursuant to s793 of the Companies Act 2006 (notice by Company requiring information about interests in its shares), the Company can until the default ceases suspend the right to attend and speak and vote at a general meeting and if the shares represent at least 0.25% of their class the Company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares. Shareholders, either alone or with other shareholders, have other rights as set out in the Company's articles of association and in company law (principally the Companies Act 2006 and, so far as still applicable, the Companies Act 1985).

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the Company's articles of association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the register of members. The directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The directors may also refuse to register a share transfer if it is in respect of a certificated share which is not fully paid up or on which the Company has a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis, or if in the opinion of the directors (and with the concurrence of the UK Listing Authority) exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell out rules relating to the shares in the Company's articles of association, shareholders are subject to the compulsory acquisition provisions in s974 to s991 of the Companies Act 2006.

Appointment and replacement of directors

A person may be appointed as a director of the Company by the shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the directors; no person, other than a director retiring by rotation or otherwise, shall be appointed or reappointed a director at any general meeting unless he is recommended by the directors or, not less than seven nor more than 42 clear days before the date appointed for the meeting, notice is given to the Company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the Company's articles of association. Each director who is appointed by the directors (and who has not been elected as a director of the Company by the members at a general meeting held in the interval since his appointment as a director of the Company) is to be subject to election as a director of the Company by the members at the first Annual General Meeting of the Company following his appointment. At each Annual General Meeting of the Company one third of the directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one-third, are to be subject to re-election. The Companies Act allows shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any director before the expiration of his or her period of office, but without prejudice to any claim for damages which the director may have for breach of any contract of service between him or her and the Company. A person also ceases to be a director if he or she resigns in writing, ceases to be a director by virtue of any provision of the Companies Act, becomes prohibited by law from being a director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the Board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the Company's articles of association.

Powers of the directors

Subject to the provisions of the Companies Acts, the memorandum and articles of association of the Company and any directions given by shareholders by special resolution, the articles of association specify that the business of the Company is to be managed by the directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular the directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the Company's 2008 Annual General Meeting to make market purchases of up to 10% of the issued share capital at any time up to the 2009 Annual General Meeting and otherwise on the terms set out in the relevant resolution. A similar authority is being sought at the 2009 general meeting, although reduced to 5% of the issued share capital, as set out in the notice of the Annual General Meeting.

International financial reporting standards

As the Company is not part of a group it is not mandatory for it to comply with International Financial Reporting Standards. The Company does not anticipate that it will voluntarily adopt the International Financial Reporting Standards.

Creditor payment policy

The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The Company does not follow any code or standard with regard to creditor payment practice. At 31 October 2008 there were no trade creditors (2007: £nil).

Going concern

After making enquiries, the directors believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements. This is appropriate as cash reserves are significantly greater than average annual running costs of the Fund.

Directors' Report (continued)

Substantial shareholdings

As at the date of this report, no disclosures of major shareholdings had been made to the Company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

Annual General Meeting

The notice convening the 2009 Annual General Meeting of the Company and a form of proxy in relation to the meeting can be found at the end of this document.

Independent auditor

Grant Thornton UK LLP offers themselves for reappointment as auditor. A resolution to re-appoint Grant Thornton UK LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Directors' authority to allot shares, to disapply pre-emption rights

The authority proposed under Resolution 6 is required so that the Directors may offer existing shareholders the opportunity to add to their investment or to offer to potential shareholders an opportunity to invest in the Company in a tax efficient manner without the Company having to incur substantial costs. Any consequent modest increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in part, to purchase shares in the market. Resolution 6 renews the Directors' authority to allot shares. This would enable the Directors until the next Annual General Meeting, to allot up to 1,111,144 Ordinary shares (representing approximately 10% of the Company's issued Ordinary share capital as at 31 October 2008).

Resolution 7 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution would authorise the Directors, until the date falling 15 months after the date of the passing of the Resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company, to issue shares for cash without pre-emption rights applying by way of an offer to existing shareholders, or re-issuing shares out of Treasury up to a maximum of 1,111,144 Ordinary shares (representing approximately 10% of the Company's issued Ordinary share capital as at 31 October 2008). This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders, as a whole.

Directors' authority to make market purchase of its own shares

The authority proposed under Resolution 8 is required so that the Directors may make purchases of up to approximately 5% of the Company's issued share capital and Resolution 8 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months, if earlier). The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-sale in appropriate market conditions.

Alteration of the Company's Articles of Association

At the Annual General Meeting a Special Resolution will be proposed to adopt the new Articles of Association of the Company to reflect recent changes caused by the implementation of various provisions of the Companies Act 2006. The main changes from the existing Articles of Association (with the exception of minor, technical or clarifying changes) are summarised as follows:

Electronic communications

The new Articles of Association will continue to allow the Company to communicate with members in electronic form (such as by email or fax) and also permit the Company to communicate with its members by means of publication on a website. However, before the Company can communicate with a member by means of website communication, the relevant member must be asked individually to agree that the Company may send or supply notices, documents or information by means of a website and the member has agreed or the Company has not received a response within the period of 28 days beginning on the date on which the Company's request was sent. The members will be sent a notification of the presence of the notice, document or information on a website, the address of that website, the place on that website where it may be accessed, and how it may be accessed.

Although this change is proposed to be incorporated into the Articles to bring them up to date, your Board does not currently envisage utilising these powers.

Form of Resolution
The concept of extraordinary resolutions has not been retained under the Companies Act 2006. Consequently, any references to extraordinary resolutions have been replaced with references to special resolutions.

General Meetings
Extraordinary General Meetings will now be referred to as General Meetings. The length of the notice period required to convene General Meetings have been amended to reflect the notice periods set out in the new provisions of the Companies Act 2006. Consequently to convene a General Meeting at which a special resolution is to be considered, the notice period required will be reduced from 21 to 14 days.

Under the new Articles of Association, the Annual General Meeting will be held within six months of the Company's financial year end, in accordance with the provisions of the Companies Act 2006. Currently, the AGM must be held within 15 months of the previous AGM.

Votes of members
In accordance with the provisions of the Companies Act 2006, under the new Articles the following changes to voting arrangements will be made:

- the chairman of a general meeting will no longer have a casting vote;
- a proxy will be allowed to be appointed by electronic form;
- the 48 hour deadline for proxies to be deposited before a general meeting will no longer include weekends or bank holidays;
- members will be allowed to appoint multiple proxies; and
- a proxy will have the right to speak at a general meeting and vote on a show of hands as well as on a poll.

Directors' duties (including the duty to avoid conflicts of interests)
The general duties of Directors are now set out in statute under the Companies Act 2006. Whilst these duties generally codify the existing law, there have been some changes, and the new Articles require the Directors to comply with these duties in the performance of their functions. From 1 October 2008, under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The Companies Act 2006 allows directors of public companies to authorise such conflicts and potential conflicts in appropriate circumstances provided this is permitted under the Articles of Association. The new Articles of Association of the Company give the Directors authority to approve such situations and to include other provisions to allow conflicts of interests to be dealt with such that a breach of duty is avoided. Only Directors who have no interest in the matter being considered will be able to authorise the conflict of interest.

Change of Company Name

At the Annual General Meeting a Special Resolution will be proposed to change the name of the Company to Octopus Phoenix VCT plc.

By Order of the Board

Celia L Whitten, FCIS
Company Secretary
5 February 2009

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Companies Act 1985, Schedule 7A in respect of the year ended 31 October 2008. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The Company's auditor, Grant Thornton UK LLP, is required to give its opinion on certain information included in this report; this comprises the Directors' emoluments section below only. Their report on these and other matters is set out on pages 33 and 34.

Consideration by the Directors of matters relating to Directors' remuneration

The Board as a whole considers Directors' remuneration and has not appointed a separate committee in this respect. The Board has not sought advice or services from any person in respect of its consideration of Directors' remuneration during the year (although the Directors expect from time to time to review the fees against those paid to the boards of directors of other venture capital trusts).

Statement of the Company's policy on Directors' remuneration

The Board consists entirely of non-executive directors, who meet at least four times a year and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for, at least, a period of three years. All Directors retire at the first General Meeting after election and thereafter one third of all Directors are subject to retirement by rotation at subsequent Annual General Meetings. Re-election will be recommended by the Board but dependent upon shareholder vote.

Each Director received a letter of appointment. A Director may resign by notice in writing to the Board at any time. None of the Directors are entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

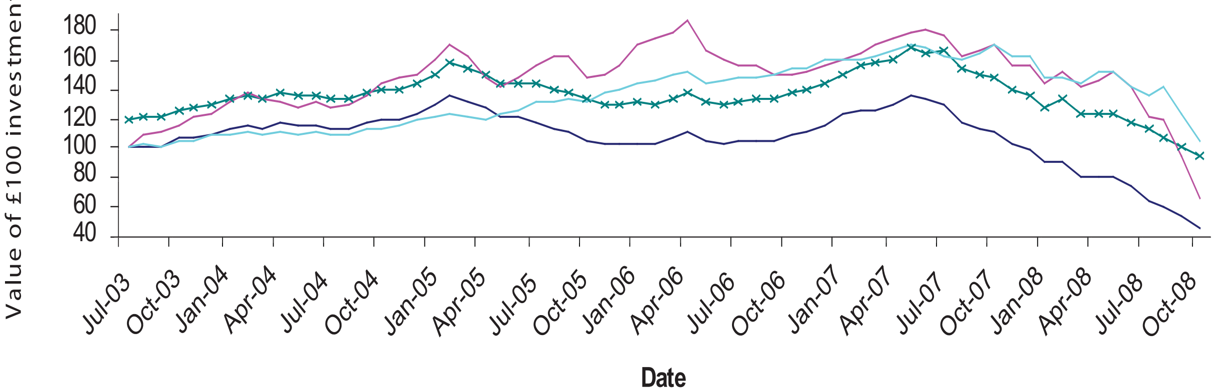
The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid higher fees than the other Directors in recognition of his more onerous role. The policy is to review these rates from time to time, although such review will not necessarily result in any changes.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. The fees are not specifically related to the Directors' performance, either individually or collectively. There are no long-term incentive schemes, share option schemes or pension schemes in place. No other remuneration or compensation was paid or payable by the Company during the year to any of the current Directors.

Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the investment manager through the investment management agreement, as referred to in the Directors' Report. The graph below compares the share price return, NAV return and total return (including dividends and up-front tax relief) of Phoenix over the period from November 2002 to October 2008, for the Ordinary Share portfolio, and April 2005 to October 2008 for the 'C' Share portfolio, with the total return from a notional investment in the FTSE AIM index and the FTSE All-Share index over the same period. These indicies are considered to be the most appropriate broad equity market indicies for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the VCT rules.

Phoenix VCT plc - Ordinary Share portfolio performance



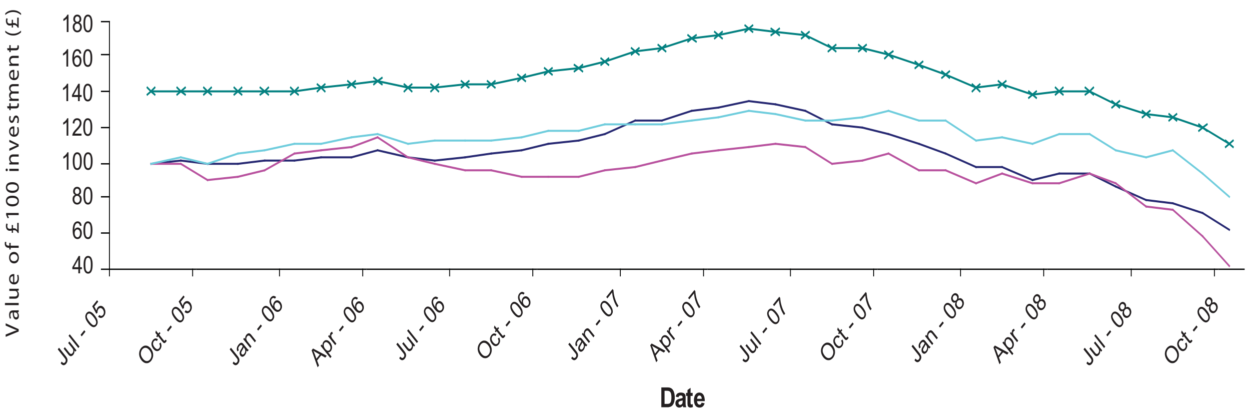
NAV return (net of dividends and up-front tax relief), based on notional investment on 31 July 2003 and the reinvestment of all income

Total return (NAV+cumulative dividends + 20% up-front tax relief), based on notional investment on 31 July 2003 and the reinvestment of all income

FTSE AIM index return, based on notional investment on 31 July 2003 and the reinvestment of all income

FTSE All-Share index return, based on notional investment on 31 July 2003 and the reinvestment of all income

Phoenix VCT plc - 'C' Share portfolio performance



NAV return (net of dividends and up-front tax relief), based on notional investment on 31 August 2005 and the reinvestment of all income

Total return (NAV+cumulative dividends + 40% up-front tax relief), based on notional investment on 31 August 2005 and the reinvestment of all income

FTSE AIM index return, based on notional investment on 31 August 2005 and the reinvestment of all income

FTSE All-Share index return, based on notional investment on 31 August 2005 and the reinvestment of all income

Directors' Remuneration Report (continued)

Directors' emoluments (information subject to audit)

Amount of each Director's emoluments:

Annual rate of Directors' fees

	Year ended 31 October 2008	Year ended 31 October 2007
Mr S Hazell-Smith (Chairman)	£20,000	£18,750
Mr M Cooper	£15,000	£14,250
Mr T Morgan	£15,000	£14,250
Total	£50,000	£47,250

The Directors do not receive any other form of emoluments in addition to the directors' fees.

By Order of the Board

Celia L Whitten FCIS
Secretary
5 February 2009

Corporate Governance

The Board of Phoenix VCT plc has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company is committed to maintaining high standards in corporate governance. The Directors consider that the Company has, throughout the year under review, complied with the provisions set out in section 1 of the 2006 Combined Code on Corporate Governance with the exceptions set out in the Compliance Statement on page 31.

Board of Directors

The Company has a board of three non-executive Directors, two of whom are considered to be independent. Matt Cooper is not considered to be independent due to his role as Chairman of the Company's investment manager. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board.

The Board has a formal schedule of matters specifically reserved for its decision which include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to the shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profiles and considering shareholder communications.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and has no involvement in the day to day business of the Company. He facilitates the effective contribution of the directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All of the Directors have access to the advice and services of the Company Secretary, who has administrative responsibility for the meetings of the Board and its committees. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties.

The Company's articles of association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

During the year the following were held:

5 full board meetings	2 Audit Committee meetings	1 Nomination Committee meetings
All directors attended all meetings	All Members attended	No meeting was held during the year – see below

Additional meetings were held as required to address specific issues including considering recommendations from the investment manager and share repurchases. A brief biographical summary of each Director is given on page 18.

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the Annual General Meeting and that Directors appointed by the Board should seek re-appointment at the next Annual General Meeting. All Directors are required to submit themselves for re-election at least every three years. This practice was followed during the year under review.

The Board has appointed two committees to make recommendations to the Board in specific areas:

Corporate Governance (continued)

Audit Committee:

Tony Morgan (Chairman)
Stephen Hazell-Smith

The Audit Committee, chaired by Tony Morgan, consists of two independent Directors. The Audit Committee believes Tony Morgan possesses appropriate and relevant financial experience as per the requirements of the Combined Code. The Board considers that the members of the committee are independent and have collectively the skills and experience required to discharge their duties effectively,

The Audit Committee's terms of reference include the following roles and responsibilities:

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- reviewing and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which external auditor is engaged to supply non-audit services; and
- ensuring that the investment manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to propriety of financial reporting or other matters.

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any charges required as a result of the review. The terms of reference are available on request from the Company Secretary. The Committee meets twice per year and has direct access to Grant Thornton UK LLP, the Company's external auditor. The Audit Committee has reviewed the non-audit services provided by the external auditor and does not believe they are sufficient to influence their independence or objectivity.

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the Committee considers annually whether there is a need for such a function and if so would recommend this to the Board.

During the year ended 31 October 2008, the Audit Committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement and remuneration;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing Octopus Investments Limited's statement of internal controls in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of Octopus Investments Limited's compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial and interim results statement prior to Board approval; and
- reviewing the external auditor's detailed reports to the Committee on the annual financial statements.

Nomination Committee:

Stephen Hazell-Smith (Chairman)
Tony Morgan

The Nomination Committee considers the selection and appointment of Directors and makes recommendations to the Board as to the level of Directors' fees.

It has not yet been necessary for the Committee to meet and so terms of reference will be agreed if and when appropriate. The Board does not have a separate remuneration committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' remuneration report.

Internal Control

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with its investment managers.

Octopus identifies the investment opportunities for the consideration of the Board who ultimately makes the decision whether to proceed with that opportunity. Octopus monitors the portfolio of investments and makes recommendations to the Board in terms of suggested disposals and further acquisitions.

Octopus is engaged to carry out the accounting function and all quoted investments are held in Crest.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying; evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Financial Reporting Council guidelines for internal control. The Board does not consider it necessary to maintain a separate internal audit function.

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in note 16 to the Financial Statements.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. In addition to the formal business of the AGM, the Board is available to answer any questions a shareholder may have.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at 8 Angel Court, London, EC2R 7HP. Alternatively, the team at Octopus is happy to answer any questions you may have and can be contacted on 0800 316 2347.

Compliance Statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting year. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 31 October 2008 with the provisions set out in Section 1 of the Combined Code.

1. New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise.

2. Due to the size of the Board and the nature of the Company's business, a formal performance evaluation process for of the Board, its committees, the individual directors and the Chairman has not been put in place or a formal evaluation been undertaken. Specific performance issues are dealt with as they arise.

3. The Company has two independent Directors, Stephen Hazell-Smith and Tony Morgan, as defined by the Combined Code issued in 2006. Matt Cooper holds directorships of other companies with the same investment manager and with the investment manager itself. The Board considers that all directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code.

4. The Company does not have a chief executive officer or senior independent director. The Board does not consider this necessary for the size of the Company.

5. The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for a venture capital trust.

6. The non-executive directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts.

7. The Company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the Annual General Meeting.

8. The Company does not have a remuneration committee as it does not have any executive directors.

Directors' Responsibility Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that to the best of their knowledge the financial statements for the year ended 31 October 2008 comply with the requirements set out above and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement, have been used in their preparation. They also confirm that the annual report includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties faced by the Company.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are responsible for preparing a Directors' Report (including Business Review), Directors' Remuneration Report and Corporate Governance Statement which comply with that law and those regulations.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Company's financial statements are published on the Octopus Investments website. The investment manager is responsible for the maintenance and integrity of the corporate and financial information set out on their website, and this is not the responsibility of the Company. The work carried out by Grant Thornton UK LLP as independent auditor of the Company does not involve consideration of the maintenance and integrity of the website and accordingly they accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On Behalf of the Board

Stephen Hazell-Smith
Chairman
5 February 2009

Report of the Independent Auditor to the members of Phoenix VCT plc

We have audited the financial statements of Phoenix VCT plc for the year ended 31 October 2008 which comprise the profit and loss account, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with s235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's 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 audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and the Auditor

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' Responsibility Statement.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Investment Manager's Review that is cross referred from the Review of Business Activities section of the Directors' Report.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Highlights, Chairman's Statement, Investment Manager's Review, Shareholder Information, Details of Advisers, Details of Directors, Directors' Report, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement and the Directors' Responsibility Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Report of the Independent Auditor to the members of Phoenix VCT plc (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 October 2008 and of its loss for the year then ended;

- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' report is consistent with the financial statements.

Grant Thornton UK LLP.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD

5 February 2009

Profit & Loss Account

Year to 31 October 2008

		Ordinary shares			'C' shares			Total		
		Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gain on disposal of fixed asset investment	10	–	82	82	–	65	65	–	147	147
Gain on disposal of current asset investments	11	–	1	1	–	–	–	–	1	1
Loss on valuation of fixed asset investments	10	–	(5,680)	(5,680)	–	(2,578)	(2,578)	–	(8,258)	(8,258)
Other Income	2	174	–	174	101	–	101	275	–	275
Investment management fees	3	(69)	(206)	(275)	(36)	(108)	(144)	(105)	(314)	(419)
VAT Management Fee Rebate		27	79	106	9	27	36	36	106	142
Other expenses	4	(171)	–	(171)	(102)	–	(102)	(273)	–	(273)
Loss on ordinary activities before tax		(39)	(5,724)	(5,763)	(28)	(2,594)	(2,622)	(67)	(8,318)	(8,385)
Taxation on loss on ordinary activities	6	–	–	–	–	–	–	–	–	–
Loss on ordinary activities after tax		(39)	(5,724)	(5,763)	(28)	(2,594)	(2,622)	(67)	(8,318)	(8,385)
Loss per share – basic and diluted	8	(0.4)p	(51.3)p	(51.7)p	(0.5)p	(46.8)p	(47.3)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 accompanying notes are an integral part of the financial statements;
- 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 year as set out above.

Profit & Loss Account (continued)

Year to 31 October 2007

	Notes	Ordinary shares Revenue £'000	Ordinary shares Capital £'000	Ordinary shares Total £'000	'C' shares Revenue £'000	'C' shares Capital £'000	'C' shares Total £'000	Total Revenue £'000	Total Capital £'000	Total Total £'000
Gain on disposal of fixed asset investments		–	1,459	1,459	–	409	409	–	1,868	1,868
Loss on disposal of current asset investments		–	(2)	(2)	–	(21)	(21)	–	(23)	(23)
Gain on valuation of fixed asset investments		–	48	48	–	179	179	–	227	227
Gain/(loss) on valuation of current asset investments		–	6	6	–	(18)	(18)	–	(12)	(12)
Other Income	2	165	–	165	182	–	182	347	–	347
Investment management fees	3	(66)	(200)	(266)	(33)	(98)	(131)	(99)	(298)	(397)
Other expenses	4	(208)	–	(208)	(111)	–	(111)	(319)	–	(319)
(Loss)/profit on ordinary activities before tax		(109)	1,311	1,202	38	451	489	(71)	1,762	1,691
Taxation on (loss)/profit on ordinary activities	6	–	–	–	–	–	–	–	–	–
(Loss)/profit on ordinary activities after tax		(109)	1,311	1,202	38	451	489	(71)	1,762	1,691
(Loss)/earnings per share – basic and diluted	8	(1.0)p	12.1p	11.1p	0.7p	8.5 p	9.2p			

- the 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies;
- all revenue and capital items in the above statement derive from continuing operations;
- the accompanying notes are an integral part of the financial statements;
- 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 year as set out above.

Note of Historical Cost Profits and Losses

Year to 31 October 2008

	Ordinary shares £'000	'C' shares £'000	Total £'000
Loss on ordinary activities before taxation	**(5,763)**	**(2,622)**	**(8,385)**
Loss on valuation of investments	**5,680**	**2,578**	**8,258**
Realisation of prior years' net unrealised gain/(loss) on investments	**269**	**(81)**	**188**
Historical cost profit/(loss) on ordinary activities before taxation	**186**	**(125)**	**61**
Historical cost profit/(loss) on ordinary activities after taxation	**186**	**(125)**	**61**

Year to 31 October 2007

	Ordinary shares £'000	'C' shares £'000	Total £'000
Profit on ordinary activities before taxation	1,202	489	1,691
Gain on valuation of investments	(54)	(161)	(215)
Realisation of prior years' net unrealised gain on investments	674	314	988
Historical cost profit on ordinary activities before taxation	1,822	642	2,464
Historical cost profit on ordinary activities after taxation	1,822	642	2,464

Reconciliation of Movements in Shareholders' Funds

Year to 31 October 2008

	Ordinary shares £'000	'C' shares £'000	Total £'000
Shareholders' funds at 1 November 2007	11,945	6,183	18,128
Loss on ordinary activities after tax	(5,763)	(2,622)	(8,385)
Net proceeds of share issue	20	–	20
Cancellation of own shares	(146)	(141)	(287)
Dividends paid	(1,232)	(279)	(1,511)
Shareholders' funds at 31 October 2008	**4,824**	**3,141**	**7,965**

Year to 31 October 2007

	Ordinary shares £'000	'C' shares £'000	Total £'000
Shareholders' funds at 1 November 2006	11,211	5,495	16,706
Profit on ordinary activities after tax	1,202	489	1,691
Net proceeds of share issue	891	412	1,303
Cancellation of own shares	(335)	–	(335)
Dividends paid	(1,024)	(213)	(1,237)
Shareholders' funds at 31 October 2007	11,945	6,183	18,128

Balance Sheet

As at 31 October 2008

	Notes	Ordinary shares £'000	Ordinary shares £'000	'C' shares £'000	'C' shares £'000	Total £'000	Total £'000
Fixed asset investments	10		**3,411**		**1,962**		**5,373**
Current assets:							
Money market securities	11	**1,280**		**971**		**2,251**	
Debtors	12	**138**		**42**		**180**	
Cash at bank		**36**		**207**		**243**	
		1,454		**1,220**		**2,674**	
Creditors: amounts falling due within one year	13	**(41)**		**(41)**		**(82)**	
Net current assets			**1,413**		**1,179**		**2,592**
Net assets			**4,824**		**3,141**		**7,965**
Called-up equity share capital	14	**1,111**		**536**		**1,647**	
Share premium account	15	**18**		**–**		**18**	
Special distributable reserve	15	**9,500**		**4,672**		**14,172**	
Capital redemption reserve	15	**127**		**34**		**161**	
Capital reserve – realised	15	**710**		**124**		**834**	
Capital reserve – unrealised	15	**(6,292)**		**(2,134)**		**(8,426)**	
Revenue reserve	15	**(350)**		**(91)**		**(441)**	
Total equity shareholders' funds			**4,824**		**3,141**		**7,965**
Net asset value per share	**9**	**43.4p**		**58.6p**			

The accompanying notes are an integral part of this statement.

The financial statements were approved by the directors and authorised for issue on 5 February 2009 and are signed on their behalf by:

Stephen Hazell-Smith
Chairman

Balance Sheet (continued)

As at 31 October 2007

	Notes	Ordinary shares		'C' shares		Total	
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments	10		9,891		4,499		14,390
Current assets:							
Money market securities	11	1,596		1,083		2,679	
Debtors	12	65		91		156	
Cash at bank		482		533		1,015	
		2,143		707		3,850	
Creditors: amounts falling due within one year	13	(89)		(23)		(112)	
Net current assets			2,054		1,684		3,738
Net assets			11,945		6,183		18,128
Called-up equity share capital	14	1,128		558		1,685	
Share premium account	15	–		–		–	
Special distributable reserve	15	9,646		4,813		14,459	
Capital redemption reserve	15	108		12		120	
Capital reserve – realised	15	1,717		496		2,210	
Capital reserve – unrealised	15	(343)		367		24	
Revenue reserve	15	(311)		(63)		(370)	
Total equity shareholders' funds			**11,945**		**6,183**		**18,128**
Net asset value per share	9	106.0p		110.8p			

Cash Flow Statement

As at 31 October 2008

	Notes	Ordinary shares £'000	'C' shares £'000	Total £'000
Net cash outflow from operating activities		**(290)**	**(42)**	**(332)**
Capital expenditure and financial investment:				
Purchase of investments	10	**(364)**	**(343)**	**(707)**
Sale of investments	10	**1,246**	**367**	**1,613**
Dividends paid		**(1,232)**	**(279)**	**(1,511)**
Management of liquid resources:				
Purchase of cash equivalent investments	11	**(2,774)**	**(1,780)**	**(4,554)**
Sale of cash equivalent investments	11	**3,091**	**1,892**	**4,983**
Financing:				
Issue of equity (net of expenses)		**23**	**–**	**23**
Repurchase of own shares		**(146)**	**(141)**	**(287)**
Decrease in cash resources		**(446)**	**(326)**	**(772)**

As at 31 October 2007

	Notes	Ordinary shares £'000	'C' shares £'000	Total £'000
Net cash outflow from operating activities		(145)	(74)	(219)
Capital expenditure and financial investment:				
Purchase of investments	10	(3,395)	(2,717)	(6,112)
Sale of investments	10	4,367	1,472	5,839
Dividends paid	7	(1,024)	(213)	(1,237)
Management of liquid resources:				
Purchase of cash equivalent investments		(5,028)	(3,479)	(8,507)
Sale of cash equivalent investments		3,853	4,546	8,399
Financing:				
Issue of own shares (net of expenses)		890	412	1,302
Repurchase of own shares	14	(335)	–	(335)
Decrease in cash resources		(817)	(53)	(870)

Reconciliation of Net Cash Flow to Movement in Cash Resources

Year to 31 October 2008

	Ordinary shares £'000	'C' shares £'000	Total £'000
Decrease in cash resources	**(446)**	**(326)**	**(772)**
Movement in liquid resources	**(316)**	**(113)**	**(429)**
Opening net cash resources	**2,078**	**1,616**	**3,694**
Net cash at 31 October 2008	**1,316**	**1,177**	**2,493**

Liquid resources at 31 October comprised:

	Ordinary shares £'000	'C' shares £'000	Total £'000
Cash at Bank	**36**	**207**	**243**
Money Market Funds	**1,280**	**970**	**2,250**
Net cash at 31 October 2008	**1,316**	**1,177**	**2,493**

Year to 31 October 2007

	Ordinary shares £'000	'C' shares £'000	Total £'000
Decrease in cash resources	(817)	(53)	(870)
Movement in liquid resources	1,179	(1,106)	73
Opening net cash resources	1,716	2,775	4,491
Net cash at 31 October 2007	2,078	1,616	3,694

Liquid resources at 31 October comprised:

	Ordinary shares £'000	'C' shares £'000	Total £'000
Cash at Bank	482	533	1,015
Bonds	404	739	1,143
Money Market Funds	1,192	344	1,536
Net cash at 31 October 2007	2,078	1,616	3,694

Reconciliation of (loss)/Profit before Taxation to Cash Flow from Operating Activities

Year ended 31 October 2008

	Ordinary shares £'000	'C' shares £'000	Total £'000
Loss on ordinary activities before tax	**(5,763)**	**(2,622)**	**(8,385)**
Gain on disposal of fixed asset investments	**(82)**	**(65)**	**(147)**
Gain on disposal of current asset investments	**(1)**	**–**	**(1)**
Loss on valuation fixed asset investments	**5,680**	**2,578**	**8,258**
(Increase)/decrease in debtors	**(51)**	**68**	**17**
Decrease in creditors	**(73)**	**(1)**	**(74)**
Outflow from operating activities	**(290)**	**(42)**	**(332)**

For the year ended 31 October 2007

	Ordinary shares £'000	'C' shares £'000	Total £'000
Profit on ordinary activities before tax	1,202	489	1,691
Gain on valuation of fixed asset investments	(48)	(179)	(227)
(Gain)/loss on valuation of current asset investments	(6)	18	12
Gain on disposal of fixed asset investments	(1,458)	(409)	(1,867)
Loss on disposal current asset investments	2	21	23
Decrease in debtors	90	68	158
Increase/(decrease) in creditors	73	(82)	(9)
Outflow from operating activities	(145)	(74)	(219)

Notes to the Financial Statements

1. Principal Accounting Policies

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP). Where presentational guidance set out in the Statement of Recommended Practice (SORP) “Financial Statements of Investment Trust Companies”, revised December 2005, is consistent with the requirements of UK GAAP, the directors have sought to prepare the financial statements on a consistent basis compliant with the recommendations of the SORP.

The principal accounting policies have remained unchanged from those set out in the Company’s 2007 annual report and financial statements. A summary of the principal accounting policies is set out below.

The accounts have been drawn up to include a statutory profit and loss account and a note of historical cost profits and losses in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard 3 (Reporting Financial Performance). Investment company status was revoked on 23 March 2007.

Investments

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly as permitted by FRS 26, the investments will be designated as fair value through profit and loss (“FVTPL”) on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company’s investments are measured at subsequent reporting dates at fair value.

Investments in AIM-quoted companies will be stated at bid price at the balance sheet date.

In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. For the avoidance of doubt, Phoenix VCT plc does not hold any unquoted investments.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the profit and loss account and allocated to the capital reserve – realised.

In preparation of the valuations of assets the directors are required to make judgements and estimates that are reasonable and prudent.

Current asset investments

Current asset investments comprise money market funds and are designated as FVTPL. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the profit and loss account and allocated to the revaluation reserve as appropriate.

The current asset investments are all invested with the Company’s cash manager and are readily convertible into cash at the choice of the Company. The current asset investments are held for trading, are actively managed and the performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about them has to be provided internally on that basis to the Board.

Income

Investment income includes interest earned on bank balances and income from money market securities. Dividend income is shown net of any related tax credit.

Dividends receivable are brought into account when the Company’s right to receive payment is established and there is no reasonable doubt that payment will be received. 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 wholly to revenue with the exception of the investment management fee, which has been charged 25% to the revenue account and 75% to the realised capital reserve to reflect, in the Directors’ opinion, the expected long term split of returns in the form of income and capital gains respectively from the investment portfolio.

Revenue and capital

The revenue column of the profit and loss account includes all income and revenue expenses of the Company. The capital column includes realised and unrealised gains and losses on investments. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.

Taxation

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the "marginal" basis as recommended in the SORP.

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

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, investment grade bonds and investments in money market managed funds.

Loans and receivables

The Company's loans and receivables are initially recognised at cost and subsequently measured at fair value.

Financial instruments

The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. This liability is established when the dividends proposed by the Board are approved by the shareholders.

Notes to the Financial Statements (continued)

2. Income

	Ordinary shares 31 October 2008 £'000	'C' shares 31 October 2008 £'000	Total 31 October 2008 £'000
Interest receivable on money market securities and bank balances	9	28	37
Dividends received	165	73	238
	174	101	275

	Ordinary shares 31 October 2007 £'000	'C' shares 31 October 2007 £'000	Total 31 October 2007 £'000
Interest receivable on money market securities and bank balances	50	131	181
Dividends received	115	51	166
	165	182	347

3. Management fees

Ordinary shares

	31 October 2008			31 October 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	59	175	234	56	170	226
Irrecoverable VAT thereon	10	31	41	10	30	40
	69	206	275	66	200	266

'C' shares

	31 October 2008			31 October 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	31	92	123	28	84	112
Irrecoverable VAT thereon	5	16	21	5	14	19
	36	108	144	33	98	131

For the purposes of the revenue and capital columns in the income statement, the management fee (including VAT) has been allocated 25% to revenue and 75% to capital, in line with the Board's expected long term return in the form of income and capital gains respectively from the Company's investment portfolio.

Octopus provides investment management, accounting, administration and secretarial 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. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given. The basis upon which the management fee is calculated is disclosed within note 19 to the financial statements.

The Chancellor of the Exchequer announced in his budget statement on 12 March 2008 that the Finance Act 2008 would contain draft legislation exempting VCTs from VAT on management fees with effect from 1 October 2008.

4. Other expenses

	Ordinary shares 31 October 2008 £'000	'C' shares 31 October 2008 £'000	Total 31 October 2008 £'000
Accounting and administration services	34	32	66
Directors' remuneration	33	17	50
Fees payable to the Company's auditor for the audit of the financial statements	10	6	16
Fees payable to the Company's auditor for other services – tax compliance	2	1	3
Other expenses	92	46	138
	171	102	273

	Ordinary shares 31 October 2007 £'000	'C' shares 31 October 2007 £'000	Total 31 October 2007 £'000
Accounting and administration services	33	32	65
Directors' remuneration	31	16	47
Fees payable to the Company's auditor for the audit of the financial statements	9	5	14
Fees payable to the Company's auditor for other services – tax compliance	2	1	3
Other expenses	133	57	190
	208	111	319

None of the Directors received any other remuneration or benefit from the Company during the year. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was three (2007: three).

5. Directors' remuneration

	Ordinary shares 31 October 2008 £'000	'C' shares 31 October 2008 £'000	Total 31 October 2008 £'000
Directors' emoluments			
Mr S Hazell-Smith (Chairman)	13	7	20
Mr M Cooper	10	5	15
Mr T Morgan	10	5	15
	33	17	50

	Ordinary shares 31 October 2007 £'000	'C' shares 31 October 2007 £'000	Total 31 October 2007 £'000
Directors' emoluments			
Mr S Hazell-Smith (Chairman)	13	6	19
Mr M Cooper	9	5	14
Mr T Morgan	9	5	14
	31	16	47

None of the Directors received any other remuneration or benefit from the Company during the year. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was three (2007: three).

Notes to the Financial Statements (continued)

6. Tax on ordinary activities

The corporation tax charge for the year was £nil (2007: £nil).

Factors affecting the tax charge for the current year:

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 29% (2007: 19%). The differences are explained below.

	Ordinary shares 31 October 2008 £'000	'C' shares 31 October 2008 £'000	Total 31 October 2008 £'000
Current tax reconciliation:			
Loss on ordinary activities before tax	(5,763)	(2,622)	(8,385)
Current tax at 29%	(1,671)	(760)	(2,431)
Expenses not deductible for tax purposes	1,595	726	2,321
Unrelieved tax losses	76	34	110
Total current tax charge	–	–	–

	Ordinary shares 31 October 2007 £'000	'C' shares 31 October 2007 £'000	Total 31 October 2007 £'000
Profit on ordinary activities before tax	1,202	489	1,691
Current tax at 19%	229	93	322
Income not liable to tax	(300)	(107)	(407)
Excess management charges	71	14	85
Total current tax charge	–	–	–

Excess management charges of £1,675,000 (2007: £1,298,000) have been carried forward at 31 October 2008 and are available for offset against future taxable income subject to agreement with HMRC.

Approved venture capital trusts are exempt from tax on capital gains within the Company. Since the directors intend that the Company will continue to conduct its affairs so as to maintain its approval as a venture capital trust, no current deferred tax has been provided in respect of any capital gains or losses arising on the revaluation or disposal of investments.

7. Dividends

	Ordinary shares 31 October 2008 £'000	'C' shares 31 October 2008 £'000	Total 31 October 2008 £'000
Interim dividend per share – (Ord share: 5.0p, 'C' share: 2.0p)	556	112	668
Final proposed dividend – (Ord share: 5.0p, 'C' share: 3.0p)	556	161	717

	Ordinary shares 31 October 2007 £'000	'C' shares 31 October 2007 £'000	Total 31 October 2007 £'000
Interim dividend per share – (Ord share: 6.0p, 'C' share: 3.0p)	663	160	823
Final proposed dividend – (Ord share: 6.0p, 'C' share: 3.0p)	676	167	843

The final dividends for the year ended 31 October 2008, subject to shareholder approval at the Annual General Meeting, will be paid on 3 April 2009 to those shareholders on the register on 13 February 2009.

8. (Loss)/earnings per share

Ordinary shares

The (loss)/earnings per share is based on loss after tax of £(5,763,000) (2007: £1,202,000) and on 11,151,594 (2007: 10,806,191) shares, being the weighted average number of shares in issue during the year.

'C' shares

The (loss)/earnings per share is based on loss after tax of £(2,622,000) (2007: £489,000) and on 5,547,722 (2007: 5,322,479) shares, being the weighted average number of shares in issue during the year.

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.

9. Net asset value per share

Ordinary shares

The calculation of net asset value per share as at 31 October 2008 is based on net assets of £4,824,000 (2007: £11,945,000) divided by the 11,111,439 (2007: 11,266,960) ordinary shares in issue at that date.

'C' shares

The calculation of net asset value per share as at 31 October 2008 is based on net assets of £3,141,000 (2007: £6,183,000) divided by the 5,356,248 (2007: 5,579,429) ordinary shares in issue at that date.

10. Fixed asset investments

	Ordinary shares 31 October 2008 £'000	**'C' shares 31 October 2008 £'000**	**Total 31 October 2008 £'000**
Valuation and net book amount:			
Book cost as at 1 November 2007	10,240	4,089	14,329
Revaluation as at 1 November 2007	(349)	410	61
Valuation at 1 November 2007	9,891	4,499	14,390
Movement in the year:			
Purchases at cost	364	343	707
Disposal proceeds	(1,246)	(367)	(1,613)
Profit on realisation of investments – current year	82	65	147
Loss on valuation in year	(5,680)	(2,578)	(8,258)
Valuation at 31 October 2008	**3,411**	**1,962**	**5,373**
Book cost at 31 October 2008	9,703	4,092	13,795
Revaluation to 31 October 2008	(6,292)	(2,130)	(8,422)
Valuation at 31 October 2008	**3,411**	**1,962**	**5,373**

Further details of the fixed asset investments held by the Company are shown within the Investment Manager's Review on pages 7 to 15.

All investments are designated as fair value through profit or loss at the time of acquisition, and all capital gains or losses on investments so designated. Given the nature of the Company's venture capital investments, the changes in fair value of such investments recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as unrealised.

At 31 October 2008 and 31 October 2007 there were no commitments in respect of investments approved by the Manager but not yet completed.

Notes to the Financial Statements (continued)

11. Current asset investments

Current asset investments at 31 October 2008 money market funds and at 31 October 2007 comprised bonds and money market funds.

	Ordinary shares 31 October 2008 £'000	'C' shares 31 October 2008 £'000	Total 31 October 2008 £'000
Money market securities at cost at 1 November 2007:			
Bonds	402	782	1,184
Money Market Funds	1,188	344	1,532
Revaluation as at 1 November 2007:			
Bonds	2	(43)	(41)
Money Market Funds	4	–	4
Valuation as at 1 November 2008	**1,596**	**1,083**	**2,679**
Movement in the year:			
Purchases at Cost:			
Money Market Funds	2,774	1,780	4,554
Disposal proceeds:			
Bonds	(405)	(739)	(1,144)
Money Market Funds	(2,686)	(1,153)	(3,839)
Gain in year on realisation of investments:			
Bonds	1	–	1
Valuation as at 31 October 2008	**1,280**	**971**	**2,251**
Cost at 31 October 2008:			
Money Market Funds	1,280	971	2,251
Revaluation to 31 October 2008:			
Money Market Funds	–	–	–
Valuation as at 31 October 2008	**1,280**	**971**	**2,251**

12. Debtors

	Ordinary shares 31 October 2008 £'000	'C' shares 31 October 2008 £'000	Total 31 October 2008 £'000
Prepayments	6	4	10
Accrued income	113	38	151
Other debtors	19	–	19
	138	42	180

	Ordinary shares 31 October 2007 £'000	'C' shares 31 October 2007 £'000	Total 31 October 2007 £'000
Prepayments	6	3	9
Accrued income	59	49	108
Other debtors	–	39	39
	65	91	156

13. Creditors: amounts falling due within one year

	Ordinary shares 31 October 2008 £'000	'C' shares 31 October 2008 £'000	Total 31 October 2008 £'000
Accruals	41	22	63
Other creditors	–	19	19
	41	41	82

	Ordinary shares 31 October 2007 £'000	'C' shares 31 October 2007 £'000	Total 31 October 2007 £'000
Accruals	52	23	75
Other creditors	37	–	37
	89	23	112

14. Share capital

	31 October 2008 £'000	31 October 2007 £'000
Authorised:		
Equity – 30,000,000 Ordinary shares of 10p	3,000	3,000
Equity – 10,000,000 'C' shares of 10p	1,000	1,000
	4,000	4,000
Allotted and fully paid up:		
Equity – 11,111,439 (2007: 11,266,960) Ordinary shares of 10p	1,111	1,128
Equity – 5,356,248 (2007: 5,579,429) 'C' shares of 10p	536	558
	1,647	1,686

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 20. The Company is not subject to any externally imposed capital requirements.

During the year, the Company repurchased the following Ordinary shares for cancellation:

- 22 February 2008: 127,050 Ordinary shares at a price of 79.0p per share
- 10 April 2008: 30,522 Ordinary Shares at a price of 69.0p per share
- 30 April 2008: 28,965 Ordinary Shares at a price of 69.0p per share
- 19 September 2008: 9,620 Ordinary Shares at a price of 50.0p per share

The total nominal value of the Ordinary shares repurchased was £19,616 representing 1.8% of the issued share capital.

Notes to the Financial Statements (continued)

14. Share capital (continued)

During the year the Company allotted the following Ordinary shares:

- 10 December 2007: 2,442 Ordinary shares at a price of 102.4p per share
- 7 September 2008: 38,194 Ordinary shares at a price of 53.0p per share

During the year, the Company repurchased the following ‘C’ shares for cancellation:

- 21 February 2008: 5,828 ‘C’ shares at a price of 85.0p per share
- 10 April 2008: 9,765 ‘C’ shares at a price of 78.0p per share
- 18 July 2008: 40,000 ‘C’ shares at a price of 73.4p per share
- 18 September 2008: 10,000 ‘C’ shares at a price of 65.0p per share
- 19 September 2008: 53,338 ‘C’ shares at a price of 65.0p per share
- 17 October 2008: 104,250 ‘C’ shares at a price of 56.5p per share

The total nominal value of the shares repurchased was £22,318 representing 4.2% of the issued share capital.

The Company did not issue any ‘C’ shares during the year.

15. Reserves

Ordinary shares	Share premium £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
As at 31 October 2007	–	9,646	108	1,717	(343)	(311)
Cancellation of own shares	–	(146)	19	–	–	–
Issue of shares (net of costs)	18	–	–	–	–	–
Loss on ordinary activities after tax	–	–	–	–	–	(5,763)
Capitalisation of management fees				(127)	–	127
Prior period gains/losses on disposal	–	–	–	269	(269)	–
Current period gains/losses on disposal	–	–	–	83	–	(83)
Gains/losses on revaluation	–	–	–	–	(5,680)	5,680
Dividends paid	–	–	–	(1,232)	–	–
Balance at 31 October 2008	18	9,500	127	710	(6,292)	(350)

‘C’ shares	Share premium £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revaluation reserve £'000
As at 31 October 2007	–	4,813	12	496	367	(63)
Cancellation of own shares	–	(141)	22	–	–	–
Issue of shares (net of costs)	–	–	–	–	–	–
Loss on ordinary activities after tax	–	–	–	–	–	(2,622)
Capitalisation of management fees	–	–	–	(81)	–	81
Prior period gains/losses on disposal	–	–	–	(77)	77	–
Current period gains/losses on disposal	–	–	–	65	–	(65)
Gains/losses on revaluation	–	–	–	–	(2,578)	2,578
Dividends paid	–	–	–	(279)	–	–
Balance at 31 October 2008	–	4,672	34	124	(2,134)	(91)

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the profit and loss account. Unrealised gains/losses are then transferred to the capital reserve – unrealised. When an investment is sold any balance held on the revaluation reserve is transferred to the capital reserve – realised as a movement in reserves. The purpose of the special distributable reserve was to create a reserve which will be capable of being used by the Company to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount at which the Company's shares trade to net asset value.

16. Financial instruments and risk management

The Company's financial instruments comprise equity, cash balances and liquid resources including debtors and creditors. The Company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT qualifying unquoted and AIM-quoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

Fixed asset investments (see note 10) are valued at fair value. For quoted investments this is either bid price or the latest traded price, depending on the convention of the exchange on which the investment is quoted. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. The Directors believe that the fair value of the assets are held at the year end is equal to their book value.

In carrying on its investment activities, the Company is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing the Company are price risk, interest rate risk, credit risk and liquidity risk. The Company's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the balance sheet date.

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 20. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 29 to 31, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out on page 10 to 15. An analysis of investments between debt and equity instruments is given in note 10.

71% of Ordinary Shares (31 October 2007: 83%) by value of the Company's net assets comprises equity securities quoted on AIM. A 5% increase in the bid price of these securities as at 31 October 2008 would have increased net assets and the total return for the year by £171,000 (31 October 2007: £495,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

63% of 'C' Shares (31 October 2007: 73%) by value of the Company's net assets comprises equity securities quoted on AIM. A 5% increase in the bid price of these securities as at 31 October 2008 would have increased net assets and the total return for the year by £100,000 (31 October 2007: £225,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

Interest rate risk

Some of the Company's financial assets are interest-bearing. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Notes to the Financial Statements (continued)

16. Financial instruments and risk management (continued)

Fixed rate

The table below summarises weighted average effective interest rates for the fixed interest-bearing financial instruments:

	As at 31 October 2008			As at 31 October 2007		
Ordinary shares	**Total fixed rate portfolio by value £'000**	**Weighted average interest rate %**	**Weighted average time for which rate is fixed in years**	**Total fixed rate portfolio by value £'000**	**Weighted average interest rate %**	**Weighted average time for which rate is fixed in years**
Listed fixed-interest investments	–	–	–	422	5.2	0.17
	–	–	–	422		

	As at 31 October 2008			As at 31 October 2007		
'C' shares	**Total fixed rate portfolio by value £'000**	**Weighted average interest rate %**	**Weighted average time for which rate is fixed in years**	**Total fixed rate portfolio by value £'000**	**Weighted average interest rate %**	**Weighted average time for which rate is fixed in years**
Listed fixed-interest investments	–	–	–	573	7.8	0.92
	–	–	–	573		

Due to the relatively short period to maturity of the fixed rate investments held within the portfolio, it is considered than an increase or decrease of 1% in interest rates as at the reporting date would not have had a significant effect on the Company's net assets or total return for the year.

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 4.5% at 31 October 2008 (31 October 2007: 5.75%). The amounts held in floating rate investments at the balance sheet date were as follows:

17. Reconciliation of movements in shareholders' funds

Ordinary Shares	**31 October 2008 £'000**	**31 October 2007 £'000**
Cash on deposit & money market funds	1,316	1,674
	1,316	**1,674**

'C' shares	**31 October 2008 £'000**	**31 October 2007 £'000**
Floating rate notes	–	190
Cash on deposit & money market funds	1,178	877
	1,178	**1,067**

A 1% increase in the base rate would increase income receivable on Ordinary Shares from these investments and the total return for the year by £13,000 (31 October 2007: £17,000).

A 1% increase in the base rate would increase income receivable on 'C' Shares from these investments and the total return for the year by £12,000 (31 October 2007: £11,000).

17. Reconciliation of movements in shareholders' funds (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The investment manager and the Board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 31 October 2008 the Company's financial assets exposed to credit risk comprised the following:

Ordinary Shares	**31 October 2008 £'000**	**31 October 2007 £'000**
Investments in fixed interest instruments	–	422
Cash on deposit & money market funds	1,316	1,674
Accrued dividends and interest receivable	–	59
	1,316	2,155

'C' Shares	**31 October 2008 £'000**	**31 October 2007 £'000**
Investments in fixed interest instruments	–	573
Investments in floating rate instruments	–	190
Cash on deposit & money market funds	1,178	1,067
Accrued dividends and interest receivable	–	49
	1,178	1,879

Credit risk relating to listed money market securities is mitigated by investing in a portfolio of investment instruments of high credit quality, comprising securities issued by the UK Government and major UK companies and institutions.

Those assets of the Company which are traded on recognised stock exchanges are held on the Company's behalf by third party custodians (Goldman Sachs International in the case of listed money market securities and Charles Stanley Limited in the case of AIM quoted equity securities). Bankruptcy or insolvency of a custodian could cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

Credit risk arising on the sale of investments is considered to be small due to the short settlement and the contracted agreements in place with the settlement lawyers.

The Company's interest-bearing deposit and current accounts are maintained with Goldman Sachs International and HSBC PLC.

Other than cash or liquid money market funds, there were no significant concentrations of credit risk to counterparties at 31 October 2008 or 31 October 2007.

Liquidity risk

The Company's financial assets include investments in AIM-quoted companies, which by their nature; involve a higher degree of risk than investments on the main market. As a result, the Company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Company's listed money market securities are considered to be readily realisable as they are of high credit quality as outlined above.

The Company's liquidity risk is managed on a continuing basis by the Investment Manager in accordance with policies and procedures laid down by the Board. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The funds raised since incorporation are currently used to fund the Company's primary objective of investing in venture capital opportunities which accord with its investment strategy. As at 31 October 2008, some 92% (2006: 93.5%) of the Ordinary Share funds raised and 81% (2006: 80.4%) of the 'C' Share funds raised have been utilised in this investment process. The remaining funds were primarily represented by cash, money market securities and bonds shown as current asset investments in the balance sheet.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 October 2008 these investments were valued at £1,316,000 for ordinary shares (31 October 2007: 2,517) and £1,177,000 for 'C' Shares. (31 October 2007: £1,867).

Notes to the Financial Statements (continued)

17. **Post balance sheet events**
There are no post balance sheet events to report

18. **Contingencies, guarantees and financial commitments**
As mentioned in the Chairman's Statement on pages 4 to 6, there may be an opportunity to obtain a repayment of VAT paid on management fees to Octopus. It is not yet clear to what degree this may be possible. For the purposes of these accounts, and with guidance from our advisers, we have accrued income of £106,000 for the Ordinary shares and £36,000 for the 'C' shares, being approximately 90% of the anticipated VAT rebate.

There were no further contingencies, guarantees or financial commitments as at 31 October 2008 (2007: £nil).

19. **Related party transactions**
Matt Cooper, a non-executive Director of Phoenix VCT plc, is a Director of Octopus. Phoenix VCT plc has employed Octopus throughout the year as investment manager. Phoenix VCT plc has paid Octopus £275,000 (2007: £226,000) (including irrecoverable VAT at the applicable rate) in the year as a management fee and there is £nil outstanding at the balance sheet date. The management fee is payable quarterly in advance and is based on 2.0% of the net asset value calculated at annual intervals as at 31 October. Octopus also provides accounting, administration and secretarial services to the Company, payable quarterly in advance for a fee of £25,000 for the Ordinary Share portfolio and £25,000 for the 'C' Share portfolio per annum, which increases annually in line with the movement in RPI. There was £nil outstanding at the balance sheet date for the accounting and administrative services.

In addition, Octopus is entitled to an annual performance related incentive fee which is equal to 20%. of the amount by which the increase in the net asset value attributable of the Fund in any accounting period and all prior accounting periods, after adding back distributions made by the Fund, exceeds an amount equal to simple interest on the gross proceeds raised by the Fund at a rate of HSBC base rate plus 3%, less the amount of any performance fee paid in respect of prior accounting periods. No performance fee was payable as at 31 October 2008 since the performance criteria has not been met. Furthermore, the directors do not consider it likely that the criteria will be met in the short to medium term and therefore no accrual has been made in respect of these performance fees.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Phoenix VCT plc will be held at 8 Angel Court, London EC2R 7HP on 31 March 2009 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 31 October 2008 and the Directors' and auditor's reports thereon.

2. To approve a final dividend of 5 pence per share for Ordinary shares and 3 pence for 'C' Shares.

3. To approve the Directors' Remuneration Report.

4. To re-elect Tony Morgan as a Director.

5. To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, pass Resolution 6 as an Ordinary Resolution and Resolutions 7, 8, 9 and 10 as Special Resolutions:

6. **AUTHORITY TO ALLOT RELEVANT SECURITIES**
THAT the directors be generally and unconditionally authorised in accordance with s80 of the Companies Act 2006 to allot shares up to a maximum nominal amount of £111,114 (representing approximately 10% of the ordinary share capital in issue at today's date) this authority to expire at the later of the conclusion of the Company's annual general meeting next following the passing of this resolution and the expiry of 15 months from the passing of the relevant resolution (unless previously revoked, varied or extended by the Company in general meeting but so that such authority allows the Company to make Offers or agreements before the expiry thereof which would or might require relevant securities to be allotted after the expiry of such authority).

7. **EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES**
TO empower the Directors pursuant to s95(1) of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (as defined in s94(2) of the said Act) for cash pursuant to the authority referred to in resolution 6 as if s89(1) of the said Act did not apply to any such allotments and so that:

    (a) reference to allotment in this Resolution shall be construed in accordance with s94 of the said Act; and

    (b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

    And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the annual general meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

8. **AUTHORITY TO MAKE MARKET PURCHASES**
THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s163(3) of the Companies Act 2006 of ordinary shares of 10p each in the Company ("ordinary shares") provided that:

    (a) the maximum number of ordinary shares so authorised to be purchased shall not exceed 5% of the present issued Ordinary share capital of the Company;

    (b) the minimum price which may be paid for an ordinary share shall be 10p;

    (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

(d) the authority conferred comes to an end at the conclusion of the next annual general meeting of the Company or upon the expiry of 15 months from the passing of this resolution, whichever is the later; and

(e) that the Company may enter into a contract to purchase its ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

9. **ADOPTION OF NEW ARTICLES OF ASSOCIATION**
THAT the Articles of Association produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company

10. **CHANGE OF COMPANY NAME**
THAT the name of the Company be changed to Octopus Phoenix VCT plc.

By Order of the Board

8 Angel Court
London
EC2R 7HP

Celia L Whitten FCIS
Secretary
5 February 2009

NOTES

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company's registrar so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.

2. The return of a completed Proxy Form will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

3. Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

4. Only shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.

5. As at 5 February 2009 being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 11,111,439 Ordinary shares, carrying one vote each and 5,356,248 'C' shares, carrying one vote each. Therefore the total voting rights in the Company as at 5 February 2009 are 16,467,687.

6. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

7. In Accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6.00 p.m. on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6.00 p.m. on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.

8. A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by no later than 48 hours before the time the annual general meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the annual general meeting.

9. Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the ordinary shares of the Company kept in accordance with s325 of the Companies Act 2006 and a copy of the Memorandum and Articles of Association of the Company and the proposed new Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion, as well as on the Investment Manager's website www.octopusinvestments.com

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Form of Proxy for use at the Annual General Meeting of Phoenix VCT plc to be held at 3.00 p.m. on 31 March 2009

I/We, the undersigned, being (a) member/member(s) of Phoenix VCT plc, hereby appoint the Chairman of the Meeting or,

Name of Proxy .... Number of shares ....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 3.00 p.m. on 31 March 2009 at the Company's offices at 8 Angel Court, London EC2R 7HP and at any adjournment thereof.

I/We wish my/our proxy to vote as shown below in respect of the resolutions set out in the Notice of the Meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made*

For the appointment of one or more proxy, please refer to explanatory note 2 (below). ☐

Resolution number		For	Against	Withheld
1.	To receive, consider and adopt the financial statements for the year ended 31 October 2008.	☐	☐	☐
2	To approve a final dividend of 5 pence per Ordinary share and 3 pence per 'C' share.	☐	☐	☐
3.	To approve the Directors' Remuneration Report.	☐	☐	☐
4.	To re-elect Tony Morgan as a director.	☐	☐	☐
5.	To re-appoint Grant Thornton UK LLP as auditor and authorise the directors to agree their remuneration.	☐	☐	☐
6.	To authorise the directors to allot shares under s80 of the Companies Act 2006 (Ordinary Resolution).	☐	☐	☐
7.	To disapply s89(1) of the Companies Act 2006 and allot shares on a non-rights issue basis (Special Resolution.	☐	☐	☐
8.	To authorise the directors to make market purchases of its own shares (Special Resolution).	☐	☐	☐
9.	To adopt new articles of association of the Company (Special Resolution).	☐	☐	☐
10.	To change the name of the Company to Octopus Phoenix VCT plc (Special Resolution).	☐	☐	☐

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting.

* The "Vote Withheld" option is to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

Signed... Dated this .... day of 2009

Name ....

Address ....

Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see above). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see above) the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given.
3. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6pm on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
6. To be effective, all votes must be lodged not less than 48 hours before the time of the meeting at the office of the Company's registrars at: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

PLEASE USE THE REPLY PAID ENVELOPE PROVIDED

OCTOPUS
INVESTMENTS