

OCTOPUS TITAN VCT 2 PLC



ABOUT OCTOPUS TITAN VCT 2 PLC

Octopus Titan VCT 2 plc ("Titan 2", "Company" or "Fund") is a venture capital trust ("VCT") which aims to provide shareholders with attractive tax-free dividends and long-term capital growth, by investing in a diverse portfolio of predominately unquoted companies. The Company is managed by Octopus Ventures Limited ("Octopus" or "Manager"). Octopus Ventures Limited is a subsidiary of Octopus Investments Limited.

Titan 2 was incorporated on 12 October 2007 with the first allotment of equity being 19 December 2007. In collaboration with Octopus Titan VCT 1 plc ("Titan 1"), the funds raised over £30.8 million in aggregate (£29.5 million net of expenses) through an offer (the "Offer") for subscription which closed on 16 May 2008. Titan 2 will invest primarily in unquoted UK smaller companies and aims to deliver absolute returns on its investments.

Further details of the Fund's progress are discussed in the Chairman's Statement and Investment Manager's Review on pages 4 to 10.

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FINANCIAL HIGHLIGHTS

	As at 31 October 2008
Net assets (£'000s)	14,036
Net loss after tax (£'000s)	(722)
Net asset value per share	89.9p
Dividend per share - proposed	0.5p

CHAIRMAN'S STATEMENT

I am pleased to report on the first annual report for the period ended 31 October 2008 for Octopus Titan VCT 2 plc.

BACKGROUND

As I reported in the Half-Yearly Report, the Fund opened in November 2007 and raised over £15.4 million, before expenses, by the time it closed on 16 May 2008. When combined with our sister Fund, Octopus Titan VCT 1 plc, over £30.8 million was raised in the Offer, making it one of the largest VCTs launched in the 2007/2008 tax year.

NET ASSET VALUE

It is disappointing to have to report a reduction in net asset value per share ("NAV") from 94.5p at initial investment to 89.9p at the period end.

The disappointing capital loss, albeit unrealised, has resulted primarily on the money market portfolio managed by Goldman Sachs and the OEICs by Octopus Investments. At 31 October, when market turmoil was at its height, the portfolio of bonds, money market funds and OEICs was showing a significant loss, most of which I am pleased to say has now been recovered. Your Board has reviewed the management of the funds managed by Goldman Sachs held prior to its investment into unquoted opportunities and decided that the primary objective is capital preservation. We will continue to closely monitor the performance of these funds during these uncertain times.

Your Board has decided to propose a final revenue dividend of 0.5p per share. Under investment company regulations, we are required to retain no more than 15% of our revenue return each year. Whilst our primary aim is to create distributable capital gains, we anticipate declaring modest dividends in the early years although these are likely to be smaller than originally envisaged due to the substantial reduction in interest rates.

INVESTMENT PORTFOLIO

During the second half of the year, the Fund made four unquoted investments amounting to £2,052,000 and a further one since the year end of £559,000, as set out in more detail in the Investment Manager's Review on pages 6 to 8. In the case of the first of these investments, lower than expected results since we made our investment have necessitated a write down in the

valuation. However on balance our Manager is encouraged by the performance of the unquoted portfolio and the good flow of investment opportunities which it is seeing.

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 in relation to VAT paid on management fees prior to 1 October 2008. However, the extent and timing of repayments is not yet known. We will follow developments with the help of our advisers. The saving in VAT for the 2008/2009 year should amount to around £42,000.

VCT QUALIFYING STATUS

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice concerning ongoing compliance with Her Majesty's Revenue & Customs ("HMRC") rules and regulations concerning VCTs. The Board has been advised that Octopus Titan VCT 2 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 9.

A key requirement now is to achieve the 70% qualifying investment level, within the required timescale. As at 31 October 2008 over 13.1% of the portfolio (as measured by HMRC rules) was invested in VCT qualifying investments. Your Board continue to be confident that the 70% target will be met by the required date.

OUTLOOK

Notwithstanding the disappointing performance of the money market portfolio, we view the future with confidence. Stability seems to be gradually returning to the markets and a good proportion of the unrealised losses on the money market portfolio as at 31 October 2008 has been recovered. Whilst the return on that part of the portfolio will reduce as interest rates remain low, we do have a portfolio of bonds which are showing an attractive yield when compared to current interest rates.

Of greater importance, our investment manager is seeing an increasing number of interesting investment opportunities which we believe can only increase during a period of restrictions in bank lending. We anticipate that 2009 will show more realistic prices being asked for the unquoted opportunities. This will be good for the Fund over the longer term and allow us to deliver our aim of generating attractive returns for shareholders in the medium to long term.



John Hustler
Chairman
12 February 2009

INVESTMENT MANAGER'S REVIEW

During the period, fundraising was completed and we began the investment process. As is the norm for VCTs, we have until the end of the third accounting period in which to build the number of holdings and achieve the 70% investment requirement. There has been significant upheaval and volatility in the financial markets that has been well documented by the press. As a result, to date only a small proportion of funds have been committed to qualifying companies.

INVESTMENT POLICY

The investment approach of Titan 2 is not designed to deliver a return that is measured against a stock market index. Instead, the focus of Titan 2 is on generating absolute returns over the medium-term. In order to achieve this goal, the Fund will focus on providing early stage, development and expansion funding to unquoted companies with a typical deal size of £0.25 million to £1 million.

INVESTMENT STRATEGY

The investee companies are those that we believe have great potential but need some financial support to realise it. Each company that we target will have the potential to create a large business by taking a relatively modest market share. We are particularly interested in businesses that address current market trends and aim to create a balanced investment portfolio spanning multiple industries and business sectors.

We expect that the portfolio of holdings built by Titan 2 will encompass investments in 20-25 unquoted companies, with a focus on the environmental, technology, media, telecoms, consumer lifestyle and wellbeing sectors. It is envisaged that, at the end of the three year initial investment period, 75-85% of the proceeds of the Offer

will be invested in a range of qualifying investments with 15-25% invested in a combination of cash, Open Ended Investment Companies ("OEICs")* managed by Octopus and money market securities managed by third party specialists.

*Titan invests in two OEICs managed by the Octopus AIM fund managers. These are the CF Octopus Partner Fund - Absolute Return and CF Octopus Partner Fund - UK Smaller Companies

PORTFOLIO REVIEW

As at 31 October 2008 net asset value per share ("NAV"), calculated as the value of all the assets held by the Fund divided by the number of shares in issue, stood at 89.9p, down from the initial NAV at original investment of 94.5p (post initial fees) in April 2008, representing a fall of 4.9%. By contrast, over the same period, the FTSE 100 Index fell 32.0%, the FTSE AIM-All Share Index fell 57.3% and the FTSE UK Smaller Companies Index fell 49.4%.

Fortunately, the structure of VCTs allows us to invest relatively slowly, so we are able to be patient and not rush into investments. In the short to medium term, we aim to make the most of low company valuations for investors and take advantage of the opportunities inherent in the current environment.

We have taken a cautious approach to investments, only investing 13.9% of the Fund in unquoted companies at this stage. Investments in cash and money market securities were also made into a series of instruments by our cash asset manager Goldman Sachs. Unfortunately, due to the challenging economic environment and upheavals in the bond and debt markets, this led to a 2.1p unrealised loss. However, since the year end this has already recovered by 1.8p.

INVESTMENT PORTFOLIO

In the period under review we have made four investments into qualifying companies as below:

GB ENVIRONMENTAL LIMITED

Initial investment date:	May 2008 (further investment in October 2008)
Cost:	£325,000 (Ordinary Shares and loan notes)
Valuation:	£314,811
Valuation basis:	Last funding round
Equity held:	11.3%
Equity held by all funds managed by Octopus:	22.5%
Last audited accounts:	N/A



Two investments were made in GB Environmental (GBE) in 2008. The company provides a range of products for use in the disinfection of air and liquids, and on surfaces by ultra-violet (UV) radiation. GBE's products are simple, elegant in design, easily scalable and are protected by a number of patents for the UV lamp cleaning mechanism and chamber design. GBE owns patents covering the retrofitting of UVC systems into air conditioning ducts, the pasteurisation of fluids at room temperature and the surface disinfection of perishable goods and their packaging. The company focuses on the food and drink sector where there are strong needs for liquid, air, surface and food disinfecting products.

In August 2008, GB Environmental announced the appointment of a new CEO, Rosemary Mason. She undertook an extensive review of the business to produce a new business plan by the end of the year. An interim plan was also presented to major shareholders, who approved a new set of three and six month milestones. Meanwhile, £650,000 will be invested by current shareholders, (including £125,000 from Titan 2), to fund the company until March 2009. The company has developed a prototype for new equipment which will be run at a plant in January 2009, while the production of its I-Pipe has been transferred to the main factory.

Since the end of January it has been apparent that, in the current environment, the company is facing significant challenges. Your Investment Manager is in discussions with the management team and will update you on progress made in the period reviewed in the next Interim Management Statement. This will be published shortly after the Annual Report.

TRUE KNOWLEDGE LIMITED

Initial investment date:	July 2008
Cost:	£681,282 (Ordinary Shares)
Valuation:	£681,282
Valuation basis:	Fair Value (being cost)
Equity held:	6.8%
Equity held by all funds managed by Octopus:	13.5%
Last audited accounts:	31 July 2008
Loss before interest & tax:	£(528,796)
Net assets:	£1,954,024



The business has developed an Internet search engine website that answers questions. Finding information on the internet currently involves a process of trial and error, hoping that the search engine retrieves the information you're looking for. True Knowledge has devised technology that resolves this fundamental problem by operating along a more intuitive system. It intelligently answers questions asked on any topic in plain English. It can be used just like a conventional search engine, but users can also add knowledge directly to it.

The company is making progress in commercialising the technology. It has benefitted from recent BBC radio publicity leading to an increase in the number of users and facts added to the site. There are now over 120 million facts in the Knowledge base and almost 15,000 registered Beta test users. True Knowledge is now in discussions with major internet search companies regarding the use of its technology and it continues to identify new leads each week. The company's progress has been aided by expansion - it now employs 24 staff including a complete management team plus a back-end team that is working to develop its core intellectual property. The company remains on track in its development, with the current focus being "local data" search, to demonstrate its technology capability, with tests scheduled within the next few months.

THE KEY REVOLUTION LIMITED

Initial investment date:	May 2008
Cost:	£411,068 (Ordinary Shares)
Valuation:	£205,534
Valuation basis:	Provision
Equity held:	10.0%
Equity held by all funds managed by Octopus:	20.0%
Last audited accounts:	31 March 2008
Loss before interest & tax:	£(234,040)
Net assets:	£34,526



An investment was made in 2008 into The Key Revolution. The work of The Key Revolution heralds the move towards 'cloud computing'. Its patented technology enables internet users to securely authenticate themselves and access their own files on any computer, then clear their text or data. The highly innovative Mobiu key device combines both SIM card and chip and pin features. Lost or stolen Mobiu keys can also be deactivated, ensuring total security.

Over the last quarter, the company has made progress by identifying, engaging and selling to distributors and sellers. Key distributors such as Trust and Insight, are confident that the Mobiu will sell in large numbers (although this is still to be proven). While the company is behind its sales targets, this is believed to be due to underestimating the time necessary to move to saleable product, and subsequently build sales, rather than the quality of the product. The company is prepared for eventualities, with a Plan B proposal in place if difficulties arise, involving streamlining headcount and narrowing the marketing focus. As a result of the business being behind its budget we have revalued the investment to a value which represents its fair value at the period end.

CALASTONE LIMITED

Initial investment date:	October 2008
Cost:	£634,746 (Ordinary Shares)
Valuation:	£634,746
Valuation basis:	Fair Value (being cost)
Equity held:	7.5%
Equity held by all funds managed by Octopus:	17.3%
Last audited accounts:	N/A



In October 2008, an investment was made into Calastone. Calastone is the UK's only independent transaction service for the mutual fund industry. It enables buyers and sellers of mutual funds on different platforms to communicate orders electronically by providing a universal message communication and 'translation' service. This will be welcome in an industry which has not yet been able to invest in the real-time exchange of information between participants to date. Orders are commonly communicated by fax or telephone with a high level of manual re-keying and manual error correction. Calastone's 'translation' service means that neither the transmitter nor receiver need purchase additional technology or change their existing systems.

RECENT INVESTMENTS

Since the period end Titan 2 has made an investment of £559,000 into Zoopla.co.uk, an award-winning online property information service and community website. We will provide a full update on the investment in the next report.

OUTLOOK

In the six months to 31 October 2008 we reviewed 374 business plans and met with 116 businesses. We continue to see a good deal flow and we are seeing strong management teams that are ambitious and highly entrepreneurial. In deciding to provide support to companies we are able to draw on the extensive industry knowledge and expertise within our own team, as well as from the Octopus Investor Group whose advice and knowledge is invaluable. These are exciting times to be investing as the current environment presents opportunities to invest at attractive valuations with the potential for rewards on recovery. We anticipate completing on a number of deals in the forthcoming months.

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

Alex Macpherson
Octopus Ventures Limited
12 February 2009

SHAREHOLDER INFORMATION

THE COMPANY

Octopus Titan VCT 2 plc is a VCT managed by Octopus Ventures Limited which aims to provide shareholders with attractive tax-free dividends and long-term capital growth. The Company invests primarily in smaller unquoted UK companies and aims to deliver absolute returns on its investments. Titan 2 was launched in November 2007, raising over £15.4 million by the time it closed on 16 May 2008. When combined with Titan 1, over £30.8 million was raised in the Offer, making it one of the largest VCTs launched in the 2007/2008 tax year.

Octopus Ventures Limited is a subsidiary of Octopus Investments Limited, which is 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 in the Finance Act 1995 to provide a means for private individuals to invest in unlisted companies in the UK. Subsequent Finance Acts have introduced changes to VCT legislation. The tax benefits currently available to eligible new investors in VCTs include:

- upfront income tax relief of 30%
- exemption from income tax on dividends paid
- exemption from capital gains tax on disposals of shares in VCTs

The Company has been provisionally approved as a VCT by HM Revenue & Customs. In order to maintain its approval, the Company must comply with certain requirements on a continuing basis. By the end of the Company's third accounting period, at least 70% of the Company's investments must comprise "qualifying

holdings", of which at least 30% must be in eligible ordinary shares. A "qualifying holding" consists of up to £1 million invested in any one year in new shares or securities in an unquoted company (including companies listed on AIM), which is carrying on a qualifying trade, and whose gross assets do not exceed £7 million at the time of investment, and whose total number of employees is less than 50, also at the time of investment. The Company will continue to ensure its compliance with these qualification requirements.

FINANCIAL CALENDAR

The Company's financial calendar is as follows:

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

SHARE PRICE

The Company's mid-market share price at the date of publication stands at 100p. The Company's share price is published daily in the Financial Times and its FTSE classification is "Investment Companies" "VCTs".

ANNUAL AND INTERIM REPORTS

Annual and Interim Reports will be available for viewing on the Investment Manager's website at www.octopusinvestments.com under the 'Learn More' section in due course. The result of any poll on a resolution put before shareholders will also be found there.

DETAILS OF ADVISERS

BOARD OF DIRECTORS

John Hustler (Chairman)
Mark Faulker
Matt Cooper

SECRETARY AND REGISTERED OFFICE

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP
Registered in England No 06397765

INVESTMENT MANAGER

Octopus Ventures 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

JOHN HUSTLER

(NON-EXECUTIVE CHAIRMAN - AGE 62)

John joined Peat Marwick, now KPMG, in 1965 and became a Partner in 1983. Since leaving KPMG in 1993 to form Hustler Venture Partners Limited, he has advised and been a director of a number of growing companies. He is presently Chairman of Northern Venture Trust plc, a director of Northern 3 VCT plc and Hygea VCT plc and Chairman of Spectrum Syndicate Management Limited. He was also a member of the Council of The Institute of Chartered Accountants in England and Wales and Chairman of its Corporate Finance Faculty from 1997-2000 and been a member of the Council of the British Venture Capital Association.

MARK FAULKNER

(NON-EXECUTIVE DIRECTOR - AGE 41)

Mark has worked in finance for more than twenty years. In 1991, Mark founded a financial advisory firm providing investment advice to high net worth individuals. This firm merged with Roundhouse Financial Services LLP in 2000 and Mark is now a principal partner of the combined business. In 2003, he co-founded Hibridge Capital, a specialist investment firm that combines investment banking and private client financial advisory expertise in one entity.

MATT COOPER

(NON-EXECUTIVE DIRECTOR - AGE 42)

Matt is the Chairman of Octopus Investments. 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.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the period 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 24 and 25.

PRINCIPAL ACTIVITY AND STATUS

The principal activity of the Company is to invest in a diversified portfolio of UK unquoted smaller 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 provisional 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. By the end of the third accounting period, the Company is required 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) or unquoted company which is carrying on a qualifying trade, and whose gross assets and number of employees 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.

The Directors are required by the articles of association to propose an ordinary resolution at the Company's annual general meeting in 2018 that the Company should continue as a venture capital trust for a further five year period, and at each fifth 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 and also includes the Chairman's Statement on pages 4 and 5, and the Investment Manager's Review on pages 6 to 8 by reference.

The purpose of this review is to provide shareholders with a snapshot summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators used to measure performance.

Since the period end there has been one significant post balance sheet event; on 7 January 2009 Titan 2 invested £559,000 into Zoopla.co.uk, acquiring 498,321 ordinary shares in 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 unquoted 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 and total return per share, is also measured against the FTSE All-Share index and the FTSE UK Smaller Companies index. This is shown in the graphs on page 19 of the Directors' Remuneration Report. These indices 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 unquoted venture capital trusts. The Chairman's Statement, on pages 4 to 5, includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 6 to 8. Further details of the Company's risk management policies are provided in note 16 to the financial statements.

Results and dividend - Ordinary shares

	Period ended 31 October 2008 £'000
Net loss attributable to shareholders	(722)
Appropriations:	
Final dividend proposed - 0.5p per share	78

The proposed final dividend will, if approved by shareholders, be paid on 9 April 2009 to shareholders on the register on 13 March 2009.

OBJECTIVE AND INVESTMENT POLICY

The objective of the Company is to invest in a broad range of unquoted UK smaller 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, OEICs 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 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 15% of the Company will be invested in any one investment. The Company will not borrow money for the purposes of making investments. The investment decisions made must adhere to the HMRC qualification rules as stated in the above section. The Directors will continually monitor the investment process and ensure compliance with the investment policy. Further details 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 will be in small and medium-sized 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 managers 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 managers 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 low.

Regulatory: 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, 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: retention of key personnel is vital to the success of the Company. Incentives to the Manager's key staff are continuously monitored.

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 20 to 22.

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. Our Manager will take a highly selective approach to new investments. 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:

	31 October 2008	Date of appointment
John Hustler (Chairman)	5,275	-
Mark Faulker	15,000	-
Matt Cooper	5,275	-

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.

The following changes in director appointments have been made during the accounting period and relate to the incorporation process:

Christopher Hulatt was appointed as a director on 12 October 2007 and resigned 29 October 2007

Simon Rogerson was appointed as a director on 12 October 2007 and resigned on 29 October 2007

John Hustler (Chairman) was appointed as a director on 29 October 2007

Mark Faulker was appointed as a director on 29 October 2007

Matt Cooper was appointed as a director on 29 October 2007

All the Directors retire by rotation and being eligible offer themselves for re-election. The Board has considered provision A.7.2 of the Combined Code 2003 and believes that each of the Directors continues to be effective and to demonstrate commitment to his role, the Board and the Company. The Board therefore has no hesitation in recommending each of them for re-election at the forthcoming Annual General Meeting.

Brief biographical notes on the Directors are given on page 11.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has, as permitted by s236 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 Ventures 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 Investments Limited, the parent

company of Octopus Ventures Limited. Octopus Investments Limited also provides secretarial, administrative and custodian services to the Company. Liquid resources (being cash, OEICs and money market securities) are managed by Goldman Sachs International and Octopus Investments Limited.

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 Ventures Limited and Octopus Investments Limited 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 2011 financial year. Further details of this scheme are disclosed within note 19 to the financial statements. Given the current economic climate, the Directors do not anticipate that the criteria will be met in the medium term.

SHARE ISSUES AND OPEN OFFERS

During the period, 15,616,879 Ordinary Shares were allotted at a cost of 100p per share which after issue costs resulted in the initial new assets being equal to 94.5p per share.

As at 31 October 2008, there were no open offers for subscription.

SHARE BUY-BACKS

No buy backs were made during the period.

SHARE CAPITAL, RIGHTS ATTACHING TO THE SHARES AND RESTRICTIONS ON VOTING AND TRANSFER

The Company's Ordinary share capital is £5,000,000 divided into 50,000,000 shares of 10p each, of which as at 31 October 2008 15,616,879 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.

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 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 £nil trade creditors.

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.

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

Notice convening the 2009 annual general meeting of the Company and a form of proxy in relation to the meeting can each be found at the end of this document.

INDEPENDENT AUDITOR

Grant Thornton UK LLP was appointed auditor on 26 October 2007 as the Company's first auditor in accordance with section 385 of the Companies Act 1985. In accordance with section 485(4) of the Companies Act 2006 a resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

DIRECTORS' AUTHORITY TO ALLOT SHARES, TO DISAPPLY PRE-EMPTION RIGHTS

The authority proposed under Resolution 8 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 ordinary shares in the market. Resolution 8 renews the Directors' authority to allot ordinary shares. This would enable the Directors until July 2010, to allot up to 1,561,688 ordinary shares (representing approximately 10 per cent of the Company's issued share capital as at 31 October 2008).

Resolution 9 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 ordinary 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 1,561,688 ordinary shares (representing approximately 10 per cent of the Company's issued 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 10 is required so that the Directors may make purchases of up to approximately 5 per cent of the Company's issued share capital and Resolution 10 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.

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 has 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. 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.

By Order of the Board



Celia L Whitten, FCIS
Company Secretary
12 February 2009

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

This report is submitted in accordance with the Companies Act 1985, Schedule 7A in respect of the period 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 24 and 25.

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.

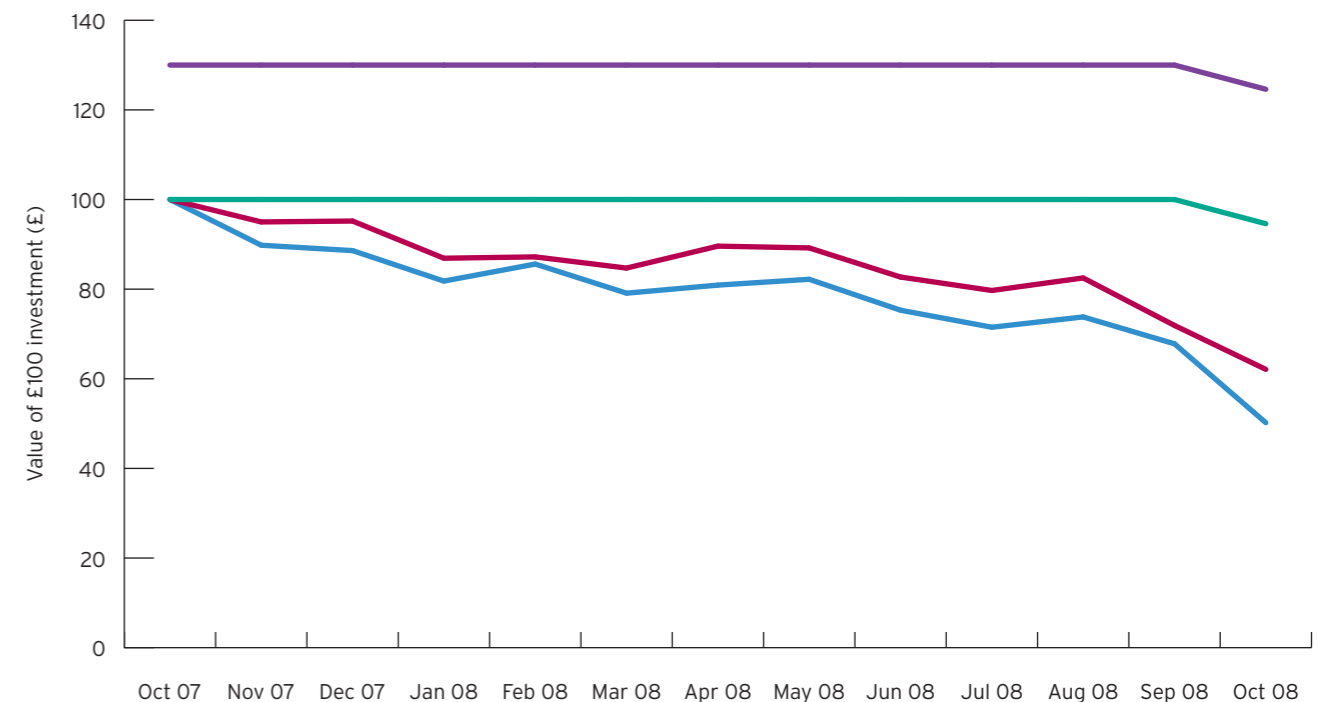
The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board 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, NAV return and total return (including dividends and up-front tax relief, rebased to 100) of Titan 2 over the period from October 2007 to October 2008, with the total return from a notional investment (rebased to 100) in the FTSE AIM All-Share index and the FTSE Small Cap index over the same period. These indices are considered to be the most appropriate broad equity market indices 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.

OCTOPUS TITAN VCT 2 PLC - PORTFOLIO PERFORMANCE



- NAV return (net of dividends and up-front tax relief), based on notional investment on 31 October 2007 and the reinvestment of all income
- Total return (NAV + cumulative dividends + 30% up-front tax relief), based on notional investment on 31 October 2007 and the reinvestment of all income
- FTSE AIM index return, based on notional investment on 31 October 2007 and the reinvestment of all income
- FTSE Small-Cap index return, based on notional investment on 31 October 2007 and the reinvestment of all income

DIRECTORS' EMOLUMENTS (INFORMATION SUBJECT TO AUDIT)

Amount of each Director's emoluments:

Annual rate of Directors' fees	Period ended 31 October 2008 £'000
John Hustler (Chairman)	13
Mark Faulker	8
Matt Cooper	7
Total	28

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
Company Secretary
12 February 2009

CORPORATE GOVERNANCE

The Board of Octopus Titan VCT 2 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 period 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 22.

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 Parent company 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 to 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 period the following were held:

4 full Board meetings

All Directors attended all meetings

2 Audit Committee meetings

All Members attended

Nomination Committee meetings

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. A brief biographical summary of each Director is given on page 11.

The Company's Articles of Association require that all three Directors should retire by rotation 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.

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

AUDIT COMMITTEE:

Mark Faulker

John Hustler

The Audit Committee, chaired by Mark Faulker, consists of two independent Directors. The Audit Committee believes Mark Faulker 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 changes 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 period 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 Ventures 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 Ventures 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:

John Hustler

Mark Faulker

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 retains physical custody of the documents of title relating to unquoted investments. Octopus regularly reconciles the client asset register with the physical documents.

The Directors confirm that they have established a continuing process throughout the period 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.

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 period 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, John Hustler and Mark Faulker 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's parent company 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 period. 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 a 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 period 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; 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



John Hustler
Chairman
12 February 2009

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF OCTOPUS TITAN VCT 2 PLC

We have audited the financial statements of Octopus Titan VCT 2 plc for the period ended 31 October 2008 which comprise the income statement, 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 Statement of Directors' Responsibilities.

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.

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 period 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
12 February 2009

INCOME STATEMENT

	Notes	Period to 31 October 2008		
		Revenue £'000	Capital £'000	Total £'000
Loss on valuation of fixed asset investments	10	-	(215)	(215)
Loss on valuation of current asset investments	12	-	(437)	(437)
Other income	2	326	-	326
Investment management fees	3	(55)	(164)	(219)
Other expenses	4	(177)	-	(177)
Profit/(loss) on ordinary activities before tax		94	(816)	(722)
Taxation on profit/(loss) on ordinary activities	6	-	-	-
Profit/(loss) on ordinary activities after tax		94	(816)	(722)
Profit/(loss) per share - basic and diluted	8	1.0p	(8.3)p	(7.3)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 period as set out above.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Period ended 31 October 2008 £'000
Loss on ordinary activities before taxation	(722)
Loss on valuation of fixed asset investments	215
Loss on valuation of current asset investments	437
Realisation of prior years' net unrealised gains on investment	-
Historical cost loss on ordinary activities before taxation	(70)
Historical cost loss on ordinary activities after taxation	(70)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period ended 31 October 2008 £'000
Shareholders' funds at start of year	-
Loss profit on ordinary activities after tax	(722)
Issue of equity (net of expenses)	14,758
Shareholders' funds at end of period	14,036

BALANCE SHEET

	Notes	As at 31 October 2008	
		£'000	£'000
Fixed asset investments	10		1,837
Current assets:			
Debtors	11	162	
Investments	12	11,663	
Cash at bank		461	
		12,286	
Creditors: amounts falling due within one year	13	(87)	
Net current assets			12,199
Total assets less current liabilities			14,036
Called up equity share capital	14	1,562	
Share Premium	15	13,196	
Capital reserve - realised	15	(164)	
- unrealised	15	(652)	
Revenue reserve	15	94	
Total shareholders' funds			14,036
Net asset value per share	9		89.9p

The statements were approved by the Directors and authorised for issue on 12 February 2009 and are signed on their behalf by:

The accompanying notes are an integral part of the financial statements.



John Hustler
Chairman

CASH FLOW STATEMENT

	Notes	Period to 31 October 2008	
		£'000	£'000
Net cash outflow from operating activities			(145)
Financial investment:			
Purchase of fixed asset investments	10		(2,052)
Management of funds:			
Purchase of current asset investments	11		(24,433)
Sale of current asset investments	11		12,333
Financing:			
Issue of shares			15,443
Share issue expense			(685)
Increase in cash resources			461

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN LIQUID RESOURCES

	Period to 31 October 2008
	£'000
Increase in cash at bank	461
Movement in cash equivalent securities	11,663
Opening net funds	-
Net funds at 31 October	12,124

FUNDS AT 31 OCTOBER COMPRISED:

	Period to 31 October 2008
	£'000
Cash at Bank	461
Bonds	5,209
Money Market Funds	3,021
OEICs	3,433
Net funds at 31 October	12,124

RECONCILIATION OF LOSS BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Period to 31 October 2008
	£'000
Loss on ordinary activities before tax	(722)
Loss on valuation of fixed asset investments	215
Loss on valuation of current asset investments	437
Increase in debtors	(162)
Increase in creditors	87
Outflow from operating activities	(145)

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 are set out below.

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.

In the case of unquoted investments, fair value is established in accordance with industry guidelines by using measurements of value such as price of recent transaction, earnings multiple and net assets; where no reliable fair value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary.

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.

In preparation of the valuations of assets the directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

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 money market securities and includes income tax withheld at source. 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 income statement 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 of investments are recognised as part of the capital return within the income statement and allocated to the realised or unrealised capital reserve on the basis of whether 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 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, as well as Open ended investment companies.

Loans and receivables

The Company's loans and receivables are initially recognised at cost and subsequently measured at fair value, being amortised cost using the effective interest rate method.

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.

2. INCOME

	31 October 2008		
	Revenue £'000	Capital £'000	Total £'000
Money market funds & OEICs - dividends	174	-	174
Bond interest receivable	107	-	107
Loan note interest receivable	45	-	45
	326	-	326

3. INVESTMENT MANAGEMENT FEES

	31 October 2008		
	Revenue £'000	Capital £'000	Total £'000
Investment management fee	45	135	180
Irrecoverable VAT thereon	10	29	39
	55	164	219

As mentioned above the purposes of the revenue and capital columns in the income statement, the management fee (including VAT) has been allocated 25 per cent to revenue and 75 per cent 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 and accounting and administration services to the Company under a management agreement which runs for a period of five years with effect from 2 November 2007 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. This legislation has now been passed and as such all VCTs have been made exempt from VAT on management fees from this date.

4. OTHER EXPENSES

	31 October 2008		
	Revenue £'000	Capital £'000	Total £'000
Accounting and administration services	32	-	32
Directors' remuneration	28	-	28
Fees payable to the Company's auditor for the audit of the financial statements	12	-	12
Fees payable to the Company's auditor for other services - tax compliance	3	-	3
Legal and professional expenses	38	-	38
Other expenses	64	-	64
	177	-	177

Total annual running costs are capped at 3.2% of net assets (excluding irrecoverable VAT). For the period to 31 October 2008 the running costs were 2.1% of net assets.

5. DIRECTORS' REMUNERATION

	31 October 2008 £'000
Directors' emoluments	
John Hustler (Chairman)	13
Mark Faulker	8
Matt Cooper	7
	28

None of the Directors received any other remuneration from the company during the period however they did receive a small number of additional free shares upon application, resulting from a discount of the Offer charges. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was three.

6. TAX ON ORDINARY ACTIVITIES

The corporation tax charge for the period was £nil

Factors affecting the tax charge for the current year:

The current tax charge for the period differs from the standard rate of corporation tax in the UK of 29%. The differences are explained below.

Current tax reconciliation:

	31 October 2008 £'000
Loss on ordinary activities before tax	(722)
Current tax at 29%	(209)
Expenses not deductible for tax purposes	188
Unrelieved tax losses	21
Total current tax charge	-

Excess management charges of £221,000 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

	31 October 2008 £'000
Proposed in respect of the year	
Proposed final dividend 0.5p per share	78
	78

The final dividend of 0.5p per share for the period ended 31 October 2008, subject to shareholder approval at the annual general meeting, will be paid on 9 April 2009 to those shareholders on the register on 13 March 2009.

8. LOSS PER SHARE

The loss per share is based on loss after tax of £(722,000) and on 9,832,696 shares, being the weighted average number of shares in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore no diluted returns per share figures are relevant. The basic and diluted earnings per share are therefore identical.

9. NET ASSET VALUE PER SHARE

The calculation of net asset value per share as at 31 October 2008 is based on net assets of £14,036,000 divided by 15,616,879 ordinary shares in issue at that date.

10. FIXED ASSET INVESTMENTS

	£'000	£'000
Movement in the year:		
Purchases at cost	2,052	
Revaluation in year	(215)	
Valuation at 31 October 2008		1,837
Book cost at 31 October 2008:		
- Ordinary shares	1,892	
- Loan notes/other securities	160	
Revaluation to 31 October 2008:		
- Ordinary shares	(215)	
Valuation at 31 October 2008		1,837

Further details of the fixed asset investments held by the Company are shown within the Investment Manager's Review on pages 6 to 8.

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 there were no commitments in respect of investments approved by the manager but not yet completed.

11. DEBTORS

	31 October 2008 £'000
Prepayments and accrued income	162

12. CURRENT ASSET INVESTMENTS

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

	£'000	£'000
Movement in the year:		
Purchases at Cost	24,433	
Disposal proceeds	(12,333)	
Revaluation in period	(437)	
Valuation as at 31 October 2008		11,663
Book cost at 31 October 2008:		
- Bonds	6,955	
- Money Market Funds	1,603	
- OEICs	3,542	
Revaluation to 31 October 2008:		
- Bonds	(254)	
- Money Market Funds	(74)	
- OEICs	(109)	
Valuation as at 31 October 2008		11,663

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the Capital reserve - unrealised unless any diminution in value is considered to be permanent, in which case it is charged to the Capital reserve - realised.

When an investment is sold any balance held on the Capital reserve - unrealised is transferred to the Capital reserve - realised as a movement in reserves.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 October 2008 £'000
Accruals	79
Other creditors	8
	87

14. SHARE CAPITAL

	31 October 2008 £'000
Authorised:	
50,000,000 ordinary shares of 10p	5,000
Allotted and fully paid up:	
15,616,879 ordinary shares of 10p	1,562

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 12. The Company is not subject to any externally imposed capital requirements.

The Company issued 15,616,879 shares during the year at a price of 100p per share.

On 17 October 2007, the company made an allotment of 50,000 Redeemable Preference shares of £1 each. These shares were allotted at par and £0.25 was paid on each share. These were subsequently redeemed on 21 January 2008, out of the proceeds of a first share issue. As a result, no capital Redemption Reserve transfer was deemed necessary. Following this redemption, a resolution was passed whereby these preference shares were re-designated as ordinary shares of 10p each and rank pari-passu with the existing ordinary shares.

15. RESERVES

	Share Premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
As at date of incorporation	-	-	-	-
Loss on ordinary activities after tax	-	-	-	(722)
Capitalisation of management fees	-	(164)	-	164
Gains/losses on revaluation	-	-	(652)	652
Issue of Equity	13,196	-	-	-
Balance as at 31 October 2008	13,196	(164)	(652)	94

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the income statement. Unrealised gains/(losses) are then transferred to the Capital reserve - unrealised. When an investment is sold any balance held on the capital reserve - unrealised reserve is transferred to the capital reserve - realised as a movement in reserves.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments comprise equity and fixed interest investments, 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 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. Unquoted investments are carried at fair value as determined by the directors in accordance with current venture capital industry guidelines. 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 period 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 12. 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 20 to 22, 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 6 to 8. An analysis of investments between debt and equity instruments is given in note 10.

13.1% by value of the Company's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by the Company include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 10% overall increase in the valuation of the unquoted investments at 31 October 2008 would have increased net assets and the total return for the year by £183,700 an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

83.1% by value of the Company's net assets comprises of OEICs and Money Market Securities held at fair value. A 10% overall increase in the valuation of the OEICs and bonds at 31 October 2008 would have increased net assets and the total return for the year by £1,166,000 an equivalent change in the opposite direction 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, of which some are at fixed rates and some variable. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Fixed rate

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

	As at 31 October 2008		
	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	3,680	4.85%	1.2
Fixed-rate investments in unquoted companies	160	10.00%	5.0
	3,840		

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 period.

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. The amounts held in floating rate investments at the balance sheet date were as follows:

	31 October 2008 £000
Floating rate notes	1,529
Cash on deposit & money market funds	3,481
	5,010

A 1% increase in the base rate would increase income receivable from these investments and the total return for the period by £50,000.

Credit risk

There were no significant concentrations of credit risk to counterparties at 31 October. By cost, no individual investment exceeded 11.2% of the Company's net assets at 31 October 2008.

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:

	31 October 2008 £000
Investments in fixed interest instruments	3,840
Investments in floating rate instruments	1,529
Cash on deposit & money market funds	3,481
Accrued dividends and interest receivable	157
	9,007

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. Credit risk relating to loans to and preference shares in unquoted companies is considered to be part of market risk.

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 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.

Liquidity risk

The Company's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally may be illiquid. They also 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 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 £12,100,000.

17. POST BALANCE SHEET EVENTS

The following events occurred between the balance sheet date and the signing of these financial statements:

- On 7 January 2009 Titan 2 invested £559,000 into Zoopla.co.uk, acquiring 498,321 ordinary shares in the company

18. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

As mentioned in the Chairman's Statement on page 4 and 5, 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. There were no further contingencies, guarantees or financial commitments as at 31 October 2008.

19. RELATED PARTY TRANSACTIONS

Matt Cooper, a non-executive Director of Octopus Titan VCT 2 plc, is a Director of Octopus Investments Limited, the parent company of Octopus Ventures Limited. Octopus Titan VCT 2 plc has employed Octopus throughout the period as investment manager. Octopus Titan VCT 2 plc has paid Octopus £219,000 (including irrecoverable VAT at the applicable rate) in the period 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 Investments Limited provides accounting, administrative and company secretarial services to the Company, payable quarterly in advance for a fee of 0.3% of the net asset value calculated at annual intervals as at 31 October. During the period £32,000 (including irrecoverable VAT at the applicable rate) was paid to Octopus Investments Limited and there is £nil outstanding at the balance sheet date, for the accounting and administrative services.

In addition, Octopus is entitled to performance related incentive fees. The incentive fees are designed to ensure that there are significant tax-free dividend payments made to Shareholders as well as strong performance in terms of capital and income growth, before any performance related incentive fee payment is made. Therefore, only if by the end of a financial year (commencing no earlier than close of the 2011 financial year), declared distributions per Share have reached 40p in aggregate and if the Performance Value at that date exceeds 130p per Share, a performance incentive fee equal to 20% of the excess of such Performance Value over 100p per Share will be payable to Octopus Ventures and Octopus Investments, in equal proportions. If, on a subsequent financial year end, the Performance Value of Titan 2 falls short of the Performance Value on the previous financial year end, no incentive fee will arise. If, on a subsequent financial year end, the performance exceeds the previous best Performance Value of Titan 2, the Investment Manager and Octopus Investments will be entitled to 20% of such excess in aggregate.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Octopus Titan VCT 2 plc will be held at 8 Angel Court, London EC2R 7HP on 2 April 2009 at 2.30pm for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the period to 31 October 2008 and the directors' and auditor's reports thereon.
2. To approve a final dividend of 0.5 pence per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect John Hustler as a director.
5. To re-elect Mark Faulker as a director.
6. To re-elect Matt Cooper as a director.
7. 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 8 as an Ordinary Resolution and Resolutions 9, 10 and 11 as Special Resolutions:

8. 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 £156,169 (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).

9. 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.

10. 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 per cent 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.

11. 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.

By Order of the Board



Celia L Whitten FCIS
Secretary
12 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 12 February 2009 being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 15,616,879 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 12 February 2009 are 15,616,879.
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 6:00pm 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 6:00pm 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 AGM.
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 AGM, 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

FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING OF OCTOPUS TITAN 2 VCT PLC TO BE HELD AT 2.30PM ON 2 APRIL 2009

I/We, the undersigned, being (a) member/member(s) of Octopus Titan 2 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 2.30pm on 2 April 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 period ended 31 October 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of 0.5 pence per share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect John Hustler as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mark Faulker as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Matt Cooper as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Grant Thornton UK LLP as auditor and authorise the directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the directors to allot shares under s80 of the Companies Act 2006 (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To disapply s89(1) of the Companies Act 2006 and allot shares on a non rights issue basis (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the directors to make market purchases of its own shares (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. To adopt new articles of association of the Company (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 _____

Please use the reply paid envelope provided.



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.