

OCTOPUS

TITAN VCT 3 PLC



UNAUDITED HALF-YEARLY REPORT
FOR THE SIX MONTHS ENDED 30 APRIL 2009


OCTOPUS
INVESTMENTS

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ABOUT OCTOPUS TITAN VCT 3 PLC

Octopus Titan VCT 3 plc ("Titan 3", "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 3 was incorporated on 4 March 2008 with the first allotment of equity being 21 July 2008. The total amount raised by 15 May 2009 when the Offer closed was £18.9 million. The Company will invest primarily in unquoted UK smaller companies and aims to deliver absolute returns on its investments.

FINANCIAL SUMMARY

	Six months to 30 April 2009	Year to 31 October 2008
Net assets (000s)	£17,141	£3,844
Net profit/(loss) after tax (000s)	£288	£(96)
Net asset value per share ("NAV")	95.6p	92.2p

CHAIRMAN'S STATEMENT

I am pleased to present the half-yearly report covering the six month period to 30 April 2009 for Octopus Titan VCT 3 plc.

By the end of the period to 30 April 2009, the Company had raised gross proceeds of over £17.9 million, and a further £964,000 was raised in May 2009. This brought the total amount raised for Titan 3 to £18.9 million. The Offer period for new subscriptions of shares has now closed.

PERFORMANCE

The NAV of the Fund rose 3.5p or 3.8% since the Fund's year end at 31 October 2008. This is particularly pleasing given the period under review has seen considerable volatility in the stock market and interest rates at an historic low.

The increase in NAV has been principally due to the portfolio of non-qualifying investments in Open Ended Investments Companies ("OEICs") managed by Octopus which has shown significant gains since the year end. The building of the qualifying investment portfolio has continued with three new investments completed in the period. In addition, a further investment has been made since the period end. The qualifying portfolio now comprises five investments; an investment in Calastone was completed prior to the period.

Further details of both the non-qualifying and qualifying investment portfolios are set out below.

INVESTMENT PORTFOLIO

Non-qualifying investments

Our investment in the CF Octopus Partner Fund (Absolute Return) and the CF Octopus Partner Fund (UK Smaller Companies) have both performed particularly well to date. During the period, Titan 3 invested a further £2.9 million into these funds and at 30 April 2009 had invested in aggregate £2.0 million in the Absolute Return fund and £1.4 million in the UK Smaller Companies fund.

More information on the recent performance of these funds can be found on the Investment Manager's website at www.octopusinvestments.com under the "Products" section.

Qualifying investments

Calastone continues to trade to plan and is held at cost within these financial statements.

NEW QUALIFYING INVESTMENTS

As I mentioned above, there have been three new qualifying investments completed in the period with a fourth investment after the period end. These are all detailed below:

Zoopla Limited

In January, Titan 3 made an investment of £280,000 into Zoopla Limited, an award-winning online property information service and community website, presenting information on house pricing, free valuation estimates, for sale listings, and local community information. Zoopla has become one of the UK's leading website for house prices and value data, as it provides the most comprehensive source of residential property market information.

Phasor Solutions Limited

In March Titan 3 invested £50,000 into Phasor Solutions Limited. Phasor is a research and development company in the process of producing flat panel phased array antennae, which will be a fraction of the cost associated with traditional phased array technology. They are used across many industries including travel and engineering and can facilitate communication signals. Phasor has the potential to transform the 'communication on the move' market through its phased array product offering. Additionally, Phasor's product range, which will be expanded to include radars, has numerous other applications in the aerospace and military sectors.

e-Therapeutics plc

Also in March, Titan 3 invested £284,000 into e-Therapeutics plc, a business listed on the Alternative Investment Market. e-Therapeutics focuses on three core areas: the discovery of new drugs; discovering novel uses for existing drugs; and analysis of the interactions between different drugs. The company has developed a unique drug discovery technology that enables it to assess drug candidates for high efficacy and safety ahead of clinical trials. The use of this technology dramatically reduces the time between drug discovery and market applicability, and reduces the risks associated with clinical trials.

Phase Vision Limited

After the end of the period in June, Titan 3 completed an investment into Phase Vision Limited. Phase Vision is a manufacturer of optical inspection solutions for high-speed, three dimensional shape measurement with micro-scale accuracy. The company has developed (and patented) a unique optical approach to the measurement of very large industrial items with free-form or curved surfaces, such as ship propellers and aircraft wings, to tighten manufacturing tolerances, increase throughput and reduce waste.

TOP-UPS

Due to a demand for further subscriptions of new shares in the Company, the Board has launched a "top-up" scheme which will be available to existing and new shareholders. It is hoped that this will allow the Company to raise a further £1.8 million. The final allotment under this top-up will be on 14 August 2009. The NAV used in the allotment of shares will be calculated at the latest practicable date before each allotment.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are set out in note 7 of the Notes to the Half-Yearly Report on page 13.

OUTLOOK

Our Manager is currently seeing a strong deal flow and they are in active negotiations with several companies in which they hope to invest. The economic downturn has led to a more realistic pricing of investments, and our Manager hopes that this will improve overall returns in the portfolio. However, it is important that we are realistic about the prospects for our portfolio of qualifying companies which are all targeting high growth rates. Some of their businesses may encounter difficulties in obtaining sales or achieving their business plan within their original timescale. Others may be affected by changing economic conditions and their markets may develop in a manner that has not been anticipated. Your Board will expect to see early problems in the portfolio, and these will occur before successful company returns are achieved. There is a common saying that "Lemons ripen before pearls are cultured" and we are fully prepared for this. We shall also be very cautious about investing further monies into existing portfolio companies where there has been underachievement of

their original targets, and any new money invested can only be justified on the basis of the return on the new money being balanced against commensurate risk.

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

A handwritten signature in black ink, appearing to read 'Mark Hawkesworth', with a horizontal line underneath.

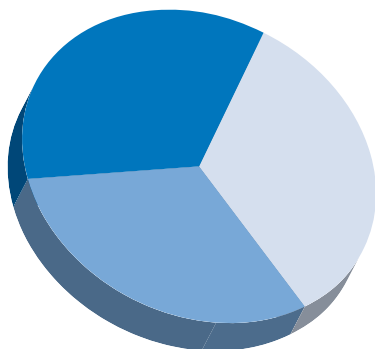
Mark Hawkesworth
Chairman
29 June 2009

INVESTMENT PORTFOLIO

Qualifying Investments	Sector	Investment at cost (£'000)	Unrealised profit/ (loss) (£'000)	Carrying value at 30 April 2009 (£'000)	% equity held by Titan 3	% equity held by all funds managed by Octopus
e-Therapeutics plc	Consumer lifestyle & wellbeing	284	-	284	0.2%	5.1%
Zoopla Limited	Media	280	-	280	2.5%	17.8%
Calastone Limited	Technology	200	-	200	2.4%	17.3%
Phasor Solutions Limited	Technology	50	-	50	1.0%	33.1%
Total qualifying investments		814	-	814		
Money market securities		12,559	-	12,559		
OEICs		3,410	412	3,822		
Cash at bank		115	-	115		
Total investments		16,898	412	17,310		
Net current assets				(169)		
Total net assets				17,141		

SECTOR ANALYSIS

Total Qualifying Investments by Value




- Consumer lifestyle and wellbeing, 35%
- Media, 34%
- Technology, 31%

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY REPORT

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with the statement “Half-Yearly Financial Reports” issued by the UK Accounting Standards Board;
- the half-yearly report includes a fair review of the information required by the Financial Services Authority Disclosure and Transparency Rules, being:
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
 - a description of the principal risks and uncertainties for the remaining six months of the year; and
 - a description of related party transactions that have taken place in the first six months of the current financial year, that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board



Mark Hawkesworth
Chairman
29 June 2009

INCOME STATEMENT

	Six months to 30 April 2008			Year to 31 October 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss on disposal of fixed asset investments	-	-	-	-	(24)	(24)
Gain on valuation of current asset investments	-	435	435	-	-	-
Income	30	-	30	17	-	17
Investment management fees	(18)	(54)	(72)	(5)	(14)	(19)
Other expenses	(105)	-	(105)	(70)	-	(70)
(Loss)/profit on ordinary activities before tax	(93)	381	288	(58)	(38)	(96)
Taxation on profit/(loss) on ordinary activities	-	-	-	-	-	-
(Loss)/profit on ordinary activities after tax	(93)	381	288	(58)	(38)	(96)
Return per share - basic and diluted	(1.5)p	6.3p	4.8p	(3.7)p	(2.5)p	(6.2)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 half-yearly report.
- The Company has no recognised gains or losses other than those disclosed in the income statement.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Six months ended 30 April 2009 £'000	Year to 31 October 2008 £'000
Shareholders' funds at start of period	3,844	-
Profit/(loss) on ordinary activities after tax	288	(96)
Issue of equity (net of expenses)	13,009	3,940
Shareholders' funds at end of period	17,141	3,844

BALANCE SHEET

	As at 30 April 2009 £'000 £'000		As at 31 October 2008 £'000 £'000	
Fixed asset investments		814		200
Current assets:				
Investments	16,381		480	
Debtors	12		40	
Cash at bank	115		3,218	
	16,508		3,738	
Creditors:				
Amounts falling due within one year	(181)		(94)	
Net current assets		16,327		3,644
Net assets		17,141		3,844
Called up equity share capital	1,793		417	
Share premium	15,156		3,523	
Capital reserve - Realised	342		(38)	
Revenue reserve	(150)		(58)	
Total equity shareholders' funds		17,141		3,844
Net asset value per share		95.6p		92.2p

CASH FLOW STATEMENT

	Six months to 30 April 2009 £'000	Year to 31 October 2008 £'000
Net cash outflow from operating activities	(32)	(18)
Capital expenditure and financial investment:		
Purchase of investments	(614)	(200)
Management of liquid resources:		
Purchase of cash equivalent investments	(15,716)	(504)
Sale of cash equivalent investments	250	-
Financing:		
Issue of equity (net of expenses)	13,660	4,079
Share issue expenses	(651)	(139)
(Decrease)/increase in cash at bank	(3,103)	3,218

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH RESOURCES

	Six months to 30 April 2009 £'000	Year to 31 October 2008 £'000
(Decrease)/increase in cash at bank	(3,103)	3,218
Movement in liquid resources	15,901	480
Opening net cash resources	3,698	-
Net cash resources at end of period	16,496	3,698

RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 30 April 2009 £'000	Year to 31 October 2008 £'000
Profit/(loss) on ordinary activities before tax	288	(96)
(Gain)/loss on valuation of current asset investments	(435)	24
Decrease/(increase) in debtors	28	(40)
Increase in creditors	87	94
Net cash outflow from operating activities	(32)	(118)

NOTES TO THE HALF-YEARLY REPORT

1. BASIS OF PREPARATION

The unaudited half-yearly results which cover the six months to 30 April 2009 have been prepared in accordance with the Accounting Standard Board's (ASB) statement on half-yearly financial reports (July 2007) and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 31 October 2008, which were prepared under UK GAAP and in accordance with the Statement of Recommended Practice for Investment Companies issued by the Association of Investment Companies in January 2009.

2. PUBLICATION OF NON-STATUTORY ACCOUNTS

The unaudited half-yearly results for the six months ended 30 April 2009 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The comparative figures for the year ended 31 October 2008 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements under Section 235 of the Companies Act 1985 was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. EARNINGS PER SHARE

The earnings per share at 30 April 2009 and 31 October 2008 are calculated on the basis of 6,001,529 and 1,542,461 being the weighted average number of shares in issue during the respective periods.

There are no potentially dilutive capital instruments in issue and therefore no diluted returns per share figures are relevant.

4. NET ASSET VALUE PER SHARE

The net asset value per share is based on net assets as at 30 April 2009 and 31 October 2008 divided by the 17,934,821 and 4,168,564 Ordinary Shares in issue at those dates respectively.

5. ISSUE OF EQUITY

Under the Offer for subscription, 13,766,257 Ordinary Shares were issued during the period at the Offer price of 100p per share.

6. RELATED PARTY TRANSACTIONS

Octopus acts as the Investment Manager of the Company. Under the management agreement, Octopus receives a fee of 2.0 per cent per annum of the net assets of the Company for the investment management services. During the period, the Company incurred management fees of £72,000 (31 October 2008: £19,000) payable to Octopus. At the period end there was £nil (31 October 2008: nil) outstanding to Octopus. Furthermore, Octopus Investments Limited provides administration and company secretarial services to the Company. Octopus Investments Limited receives a fee of 0.3 per cent per annum of net assets of the Company for administration services and £10,000 per annum for company secretarial services.

7. PRINCIPAL RISKS AND UNCERTAINTIES

The Company's assets consist of equity and fixed-rate interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a VCT, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 31 October 2008. The Company's principal risks and uncertainties have not changed materially since the date of that report.

8. Copies of this statement are being sent to all shareholders. Copies are also available from the registered office of the Company at 8 Angel Court, London EC2R 7HP, and will also be available to view on the Investment Manager's website at **www.octopusinvestments.com**

DETAILS OF DIRECTORS, OFFICERS & ADVISERS

BOARD OF DIRECTORS

Mark Hawkesworth (Chairman)
Tim Lebus
Chris Hulatt

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