



# Octopus Protected VCT plc

Unaudited Half-Yearly Report  
For the six months ended 31 July 2008

# Contents

	Page
Financial Highlights	2
Chairman's Statement	3
Investment Manager's Review	5
Directors' Responsibilities	8
Principal Risks and Uncertainties	8
Related Party Transactions	8
Profit and Loss Account	9
Reconciliation of Movements in Shareholders' Funds	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Interim Statements	13

## About Octopus Protected VCT plc

Octopus Protected VCT plc (“Company” or “Fund”) is a venture capital trust (“VCT”) and is managed by Octopus Investments Limited (“Octopus”).

The Fund was launched in July 2006 and raised over £27.1 million (£25.9 million net of expenses) through an offer for subscription by the time it closed on 5 April 2007. The objective of the Fund is to invest in a diversified portfolio of UK smaller companies in order to generate income and capital growth over the long-term.

## Financial Highlights

Ordinary shares	Six months to 31 July 2008	Six months to 31 July 2007	Year to 31 January 2008
Net assets (£'000s)	25,754	25,983	26,114
Net revenue return after tax (£'000s)	393	175	498
Net total return after tax (£'000s)	50	158	337
Net asset value per share	94.2p	94.9p	95.5p
Dividend per share – paid and proposed since launch	3.0p	0.0p	1.5p

# Chairman's Statement

I am pleased to present the interim results for the six months to 31 July 2008.

## Results Review

In the six months to 31 July 2008, the total return on the Fund increased slightly. Per share, (NAV plus dividends paid) it rose from 95.5p to 95.7p. Your Board has declared a dividend of 1.5p per share. This will be paid on 31 October to shareholders who are on the register on 3 October 2008.

## Investment Portfolio

During the period the Fund made one new investment into Hydrobolt Limited. All companies into which significant investments have been made are trading profitably. As there are no significant changes in their circumstances since investment date, they will be held at cost throughout the first year of investment. While the Manager seeks further qualifying investments, Goldman Sachs International, the Fund's cash manager, has invested the Fund's proceeds in a range of cash-based securities. Further information on the portfolio holdings is available in the Investment Manager's review.

## VCT Status

A key requirement is for 70% of the portfolio to be invested in qualifying investments by the end of the third accounting period following that in which new share capital was subscribed. As at 31 July 2008, over 14.4% of the portfolio (according to HM Revenue & Customs rules and regulations) was invested in VCT qualifying investments, in line with our expectations at this early stage of the Fund's life. In light of the current deal flow, the Board is confident of achieving the required investment level.

## Share Price

The Company's mid market share price currently stands at 70.0p compared to the NAV of 94.2p. Octopus is working towards developing strategies to increase liquidity in the market by stimulating trade in VCT shares in the secondary market.

## Outlook

While activity in the overall investment market has reduced, Octopus Protected VCT has seen increased demand for its funds and services. However in the period under review we saw few opportunities that we felt were sufficiently low risk to merit investment. Going forward, we are confident of making further low risk investments within the next six months. During recent upheavals, the value of the Fund has been maintained and it is now well positioned for the future.

## Chairman's Statement (continued)

Amidst economic turmoil, Octopus continues expanding its customer base and revenue, plus gaining industry recognition. Its success reflects a unique approach and pioneering management, with a dual focus on delivering excellent service as well as returns. As a fellow investor, I look forward to the progress of the Octopus Protected VCT.



Tony Morgan  
Chairman

24 September 2008

# Investment Manager's Review

## Personal Service

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

*If you have any questions about this review, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on 0800 316 2347.*

## Review of Investments

As mentioned in the Chairman's Statement, one new investment, totalling £606,264, was made during the period into Hydrobolt Limited. Whilst Octopus seeks suitable qualifying investments, the remaining proceeds raised have been managed by our cash managers, Goldman Sachs International, and invested in a range of cash-based securities.

## Investment Portfolio

During the period, the Fund made one new investment. The details of all the investments in the portfolio are set-out below.

### British Country Inns 3 plc

<b>Investment date:</b>	April 2007
<b>Cost:</b>	£100,000 (ordinary shares)
<b>Valuation:</b>	£100,000
<b>Valuation basis:</b>	Cost
<b>Equity held:</b>	1.3% (1.3% held by all funds managed by Octopus)
<b>Last audited accounts:</b>	January 2008
<b>Loss before interest &amp; tax:</b>	£(0.05) million
<b>Net assets:</b>	£7.2 million

British Country Inns was launched as an EIS, qualifying company in April 2006 in order to buy traditional, food-led freehold and long leasehold pubs in the South of England. Rather than initiate a second round of fundraising, which would have entailed a very early valuation of the estate at the time and a tight cap on the size of the issue, management opted to raise additional funds through a separate company, British Country Inns 2. This company maintained a geographical focus in the South and South West of England. A third company, British Country Inns 3 in which Octopus Protected is an investor, was formed to invest in pubs in the West Midlands.

## Investment Manager's Review (continued)

### Funeral Services Partnership Limited

<b>Investment date:</b>	October 2007
<b>Cost:</b>	£1,000,000 (ordinary shares and loan notes)
<b>Valuation:</b>	£1,000,000
<b>Valuation basis:</b>	Cost
<b>Equity held:</b>	2.3% 'B shares' (6.8% 'B shares' held by all funds managed by Octopus)
<b>Last audited accounts:</b>	N/A

Funeral Services Partnership is an independent funeral services group made up of funeral parlours and their associated services. It currently owns 14 funeral parlours and a stonemasons and is continuing to grow via acquisition.

### BDA International Limited

<b>Investment date:</b>	December 2007
<b>Cost:</b>	£1,000,000 (ordinary shares and loan notes)
<b>Valuation:</b>	£1,000,000
<b>Valuation basis:</b>	Cost
<b>Equity held:</b>	1.7% 'A shares' (33.3% 'A shares' held by all funds managed by Octopus)
<b>Last audited accounts:</b>	June 2007
<b>Profit before interest &amp; tax:</b>	£1.1 million
<b>Net assets:</b>	£2.8 million

BDA provides promotion and design services to broadcasters and advertisers worldwide and also creates brand films and internal communications for leading UK corporations, including Hallmark, Barclays, Discovery and Sony. The company operates from offices in London, Munich, Dubai, Singapore and Sydney. Revenues have grown against prior year and the management team has been strengthened by the appointment of a new Chairman, introduced by Octopus. The company has recently made a small acquisition of Jago Design Limited. Jago has a strong international reputation for set design, particularly in news sets and there is the potential for cross marketing BDA/Jago services to the respective broadcaster client basis.

## Investment Manager's Review (continued)

### Tristar Worldwide Limited

<b>Investment date:</b>	January 2008
<b>Cost:</b>	£1,000,000 (ordinary shares and loan notes)
<b>Valuation:</b>	£1,000,000
<b>Valuation basis:</b>	Cost
<b>Equity held:</b>	2.5% 'A shares' (35.0% 'A shares' held by all funds managed by Octopus)
<b>Last audited accounts:</b>	May 2007
<b>Profit before interest &amp; tax:</b>	£1.7 million
<b>Net assets:</b>	£3.4 million

Tristar is one of the world's leading chauffeur companies, carrying over 400,000 passengers for 400 clients in 2007 alone. The business operates in 44 countries with its own vehicles in the UK and a rapidly expanding service in the US. It has a blue chip customer base which includes Virgin, Emirates, BP, Shell and Unilever. In the year to May 2008, the business achieved EBITA before deal costs of £2.2m, 36 per cent up on prior year.

### Hydrobolt Limited

<b>Investment date:</b>	April 2008
<b>Cost:</b>	£606,264 (ordinary shares and loan notes)
<b>Valuation:</b>	£606,264
<b>Valuation basis:</b>	Cost
<b>Equity held:</b>	2.8% 'A shares' (48.1% 'A shares' held by all funds managed by Octopus)
<b>Last audited accounts:</b>	N/A

The Group manufactures and distributes specialty fasteners for use in hostile environments such as oil & gas exploration and production as well as power. The Group, founded in 1991, currently comprises two companies – Hydrobolt Limited, which manufactures custom-made bolts to order and Studbolt Manufacturing Limited, founded in 2003, which stocks and distributes standard-sized petrochemical grade fasteners.

### Recent Transactions

Since the end of the period under review, no further investments have been made.



Simon Rogerson  
Chief Executive

## Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors confirm that to the best of their knowledge the half-yearly financial report has been prepared in accordance with the Disclosure and Transparency rules and in accordance with applicable accounting standards, and includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements.

## Principal Risks and Uncertainties

The Company's assets consist of equity and fixed 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 Venture Capital Trust, 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 January 2008. The Company's principal risks and uncertainties have not changed materially since the date of that report.

## Related Party Transactions

Octopus Investments Limited acts as the investment manager of the Company. Octopus also provides the provision of secretarial and administrative services to 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. This is described in more detail under Note 17 in the Annual Report and Accounts for the year ended 31 January 2008. During the period, the Company incurred management fees of £306,000, including VAT at the applicable rate, payable to Octopus. At the period end there was £nil outstanding to Octopus.

## Profit and Loss Account

	Six months to 31 July 2008			Six months to 31 July 2007			Year to 31 January 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on disposal of investments of current asset investments	-	1	1	-	49	49	-	99	99
(Loss)/gain on valuation of current asset investments	-	(115)	(115)	-	90	90	-	124	124
Income	600	-	600	375	-	375	988	-	988
Investment management fees	(77)	(229)	(306)	(52)	(156)	(208)	(128)	(384)	(512)
Other expenses	(130)	-	(130)	(148)	-	(148)	(362)	-	(362)
<b>Profit/(loss) on ordinary activities before tax</b>	<b>393</b>	<b>(343)</b>	<b>50</b>	<b>175</b>	<b>(17)</b>	<b>158</b>	<b>498</b>	<b>(161)</b>	<b>337</b>
Taxation on profit on ordinary activities	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) on ordinary activities after tax</b>	<b>393</b>	<b>(343)</b>	<b>50</b>	<b>175</b>	<b>(17)</b>	<b>158</b>	<b>498</b>	<b>(161)</b>	<b>337</b>
<b>Earnings/(loss) per share – basic and diluted</b>	<b>1.4p</b>	<b>(1.2p)</b>	<b>0.2p</b>	<b>0.8p</b>	<b>(0.1p)</b>	<b>0.7p</b>	<b>2.1p</b>	<b>(0.7p)</b>	<b>1.4p</b>

- 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.

## Reconciliation of Movements in Shareholders' Funds

	Six months ended 31 July 2008 £'000	Six months ended 31 July 2007 £'000	Year to 31 January 2008 £'000
<b>Shareholders' funds at start of period</b>	<b>26,114</b>	6,417	6,417
Profit for the period	50	158	337
Net proceeds of share issue	-	19,408	19,407
Cancellation of own shares	-	-	(47)
Dividends paid	(410)	-	-
<b>Shareholders' funds at end of period</b>	<b>25,754</b>	25,983	26,114

## Balance Sheet

	As at 31 July 2008		As at 31 July 2007		As at 31 January 2008	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments		3,706		100		3,100
Current assets:						
Investments – money market securities	21,692		25,411		22,904	
Debtors	280		523		252	
Cash at bank	112		7		16	
	22,084		25,941		23,172	
Creditors: amounts falling due within one year	(36)		(58)		(158)	
Net current assets	22,048		25,883		23,014	
<b>Net assets</b>	<b>25,754</b>		<b>25,983</b>		<b>26,114</b>	
Called up equity share capital	2,734		2,739		2,734	
Share premium account	–		23,140		–	
Special distributable reserve	23,092		–		23,092	
Capital redemption reserve	5		–		5	
Capital reserve – realised	(556)		(147)		(325)	
Capital reserve – unrealised	12		90		124	
Revenue Reserve	467		161		484	
<b>Total equity shareholders' funds</b>	<b>25,754</b>		<b>25,983</b>		<b>26,114</b>	
<b>Net asset value per share</b>	<b>94.2p</b>		<b>94.9p</b>		<b>95.5p</b>	

## Cash Flow Statement

	Six months to 31 July 2008 £'000	Six months to 31 July 2007 £'000	Year to 31 January 2008 £'000
Net cash inflow/(outflow) from operating activities	243	(914)	(218)
Financial investment: Purchase of investments	(606)	(100)	(3,100)
Management of liquid resources: Net sale/(purchase) of money market securities	1,098	(18,934)	(16,344)
Dividends paid	(410)	-	-
Financing: Issue of own shares	-	20,375	20,374
Share issue expenses	-	(967)	(967)
Capitalised management fees	(229)	(156)	(384)
Repurchase of own shares	-	-	(48)
<b>Increase/(decrease) in cash resources</b>	<b>96</b>	<b>(696)</b>	<b>(687)</b>

## Reconciliation of Net Cash Flow to Movement in Cash Resources

	Six months to 31 July 2008 £'000	Six months to 31 July 2007 £'000	Year to 31 January 2008 £'000
Increase/(decrease) in cash resources	96	(696)	(687)
(Decrease)/increase in liquid resources	(1,212)	19,074	16,567
Opening net cash resources	22,920	7,040	7,040
<b>Net cash at 31 July/31 January</b>	<b>21,804</b>	<b>25,418</b>	<b>22,920</b>

## Reconciliation of Operating Profit before Taxation to Cash Flow from Operating Activities

	Six months to 31 July 2008 £'000	Six months to 31 July 2007 £'000	Year to 31 January 2008 £'000
Profit on ordinary activities before tax	50	158	337
Capitalisation of management fees	229	156	384
Increase in debtors	(28)	(520)	(249)
Decrease in creditors	(122)	(568)	(467)
Gain on realisation of investments	(1)	(50)	(99)
Loss/(gain) on valuation of investments	115	(90)	(124)
<b>Inflow/(outflow) from operating activities</b>	<b>243</b>	<b>(914)</b>	<b>(218)</b>

# Notes to the Interim Financial Statements

## 1. Basis of preparation

The unaudited interim results which cover the six months to 31 July 2008 have been prepared in accordance with applicable accounting standards in the United Kingdom, to include a Profit and Loss Account, Reconciliation of Movements in Shareholders' Funds, Balance Sheet and Cash Flow Statement.

## 2. Publication of non-statutory accounts

The unaudited interim results for the six months ended 31 July 2008 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 January 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 total earnings per share at 31 July 2008 is based on a profit from ordinary activities after tax of £50,000 and on 27,336,344 shares (31 January 2008: £337,000 and 24,375,078 shares and 31 July 2007: £158,000 and 21,331,195 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 return per share figures are relevant.

## 4. Net asset value per share

The calculation of net asset value per share is based on the net assets at 31 July 2008 and on 27,336,344 shares being the number of shares in issue at the same date (31 January 2008: 27,336,344 and 31 July 2007: 27,386,926).

## 5. Dividends

The interim dividend of 1.5 pence per share for the six months ending 31 July 2008 will be paid on 31 October 2008 to shareholders on register at the close of business on 3 October 2008. A final dividend of 1.5 pence per share, relating to the year ended 31 January 2008, was paid on 25 June 2008 to shareholders on the register on 30 May 2008.

6. During the six months ended 31 July 2008 there were no share issues and no buy-backs.

7. 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](http://www.octopusinvestments.com).



