

OCTOPUS PROTECTED VCT 2 PLC



UNAUDITED HALF-YEARLY REPORT
FOR THE SIX MONTHS ENDED 31 JULY 2009


OCTOPUS
INVESTMENTS

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About Octopus Protected VCT 2 plc

Octopus Protected VCT 2 plc (“Protected 2,” “Company” or “Fund”) is a venture capital trust (“VCT”) and is managed by Octopus Investments Limited (“Octopus” or “Manager”).

Protected 2 was incorporated on 9 June 2008 with the first allotment of equity occurring on 6 October 2008. Protected 2 opened for subscription (the “Offer”) on 17 July 2008 and, pursuant to the supplementary prospectus dated 3 April 2009, the offer was extended and subsequently closed, once fully subscribed, on 30 June 2009. The Company will invest primarily in unquoted UK smaller companies and aims to deliver absolute returns on its investments.

Financial Summary

	Six months to 31 July 2009	Period to 31 January 2009
Net assets (£'000s)	10,771	2,087
Net loss after tax (£'000s)	(153)	(84)
Net asset value per share (“NAV”)	92.5p	90.8p

Chairman's Statement

Introduction

I am pleased to present the half-yearly report of Octopus Protected VCT 2 plc for the period ended 31 July 2009.

As at 31 July 2009, the Company had raised gross proceeds of £11.5 million through the Offer for new subscriptions.

Performance

At 31 July 2009 the Company's net asset value per share ("NAV") was 92.5p which compares to 90.8p at 31 January 2009. This uplift has been partially due to the spreading of fixed costs over a larger number of shares as subscription levels increased. The performance of the Fund has also been relatively stable as a large proportion of its assets are held in cash and cash equivalent securities. Over the longer term, as the underlying portfolio of investments is created, the Company's NAV will be linked increasingly to the value of the investments in the portfolio companies.

During the period investments have been made, as discussed below. These are unchanged in value at the period end.

Investment Portfolio

Since 31 January 2009 six investments have been made. The Fund invested £250,000 into CSL Dualcom Limited and £350,000 into Diagnos Limited. Furthermore, a total of £2.4 million was invested into four companies that have been established to seek suitable qualifying investments across a range of sectors.

CSL DualCom Limited



CSL DualCom (www.csldual.com) is the UK's leading supplier of dual path signalling devices, which link burglar alarms to the police or a private security firm. The devices communicate using a telephone line or broadband connection and a wireless link from Vodafone, which has been a partner since 2000.

Diagnos Limited



Diagnos (www.autologic-diagnos.co.uk) develops and sells sophisticated automotive diagnostic software and hardware that enables independent mechanics, dealerships and garages to service and repair vehicles. Mechanics require a diagnostic tool to communicate with the in-car computer in order to measure, monitor and, where necessary, fix the electronic process or system.

Chairman's Statement (continued)

Both companies remain profitable and have been relatively unaffected by the current economic environment. In terms of new investments, we are seeing good deal flow and expect a number of new deals in the near future.

Investment Strategy

The Fund is being invested on the basis of taking less risk than a typical VCT. Typically the Fund will receive its return from interest paid on secured loan notes as well as an exposure to the value of the shares of a company. The investment strategy is to derive sufficient return from the secured loan notes to achieve the Fund's investment aims and to use the equity exposure to boost returns. As portfolio companies are unquoted the Fund will receive a return from an equity holding when a company is sold.

The Manager of the Fund aims to reduce risk by investing in well managed and profitable businesses with strong recurring cash-flows. Furthermore with the majority of the investment being made in the form of a secured loan, in the event of the business failing, the Fund will rank ahead of unsecured creditors and equity investors.

VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice on the ongoing compliance with HM Revenue and Customs ("HMRC") rules and regulations concerning VCTs. As at 31 July 2009, over 26.4% of the portfolio (as measured by HMRC rules) was invested in VCT qualifying investments. The Manager does not foresee any issues with reaching the required investment hurdle of 70% before the third anniversary of the end of the financial year in which investors subscribed to the Fund.

Principal Risks and Uncertainties

The principal risks and uncertainties are set out in note 5 of the Notes to the Half-Yearly Report on page 12.

Outlook

While the Fund is insulated from the stock market, all companies face challenging trading conditions. In this environment, it is the Fund's companies with strong management teams and sound business models, such as those in your portfolio, that have the best chance of succeeding.

The Investment Manager is in a strong position to provide the support that companies need, which is especially crucial while banks refuse to lend or impose high lending terms. Our strategy is focused on strengthening businesses for the future through guidance and funding. In these ways, we are working to ensure ongoing value from your VCT investment.

Chairman's Statement (continued)

Protected 2 invests alongside three other VCTs with the same investment strategy under the management of Octopus. It is expected that co-investment will allow Protected 2 to invest in larger, safer companies and to invest on more favourable terms. Your Board monitors the development of Octopus closely. The growing resources of Octopus as well as its day-to-day management of the Fund continue to give us confidence that the Fund will perform well under Octopus management.

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

A handwritten signature in black ink that reads "Murray Steele". The signature is written in a cursive, flowing style.

Murray Steele
Chairman

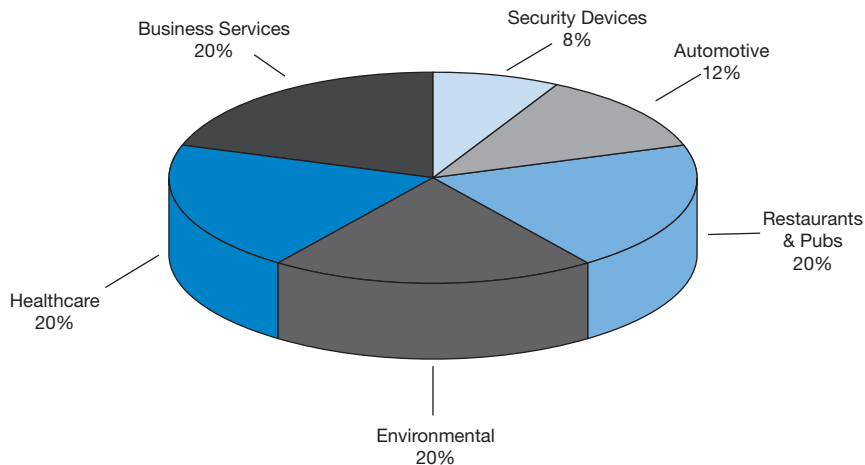
28 September 2009

Investment Portfolio

Unquoted qualifying investments	Sector	Investment at cost £'000	Unrealised profit/(loss) £'000	Carrying value at 31 July 2009 £'000	% equity held by Protected 2	% equity held by all funds managed by Octopus
CSL Dualcom Limited	Security devices	250	-	250	N/A	N/A
Diagnos Limited	Automotive	350	-	350	N/A	N/A
PubCo Services Limited	Restaurants & pubs	600	-	600	14.5%	49.0%
GreenCo Services Limited	Environmental	600	-	600	14.5%	49.0%
Salus Services I Limited	Healthcare	600	-	600	14.5%	49.0%
BusinessCo Services Limited	Business services	600	-	600	14.5%	49.0%
Total unquoted qualifying investments		3,000	-	3,000		
Money market funds		7,461	-	7,461		
Cash at bank		412	-	412		
Total money market funds and cash at bank		7,873	-	7,873		
Total investments		10,873	-	10,873		
Net current liabilities				(102)		
Total net assets				10,771		

Sector Analysis

Total qualifying investments by market value



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



Murray Steele
Chairman

28 September 2009

Income Statement

	Six months to 31 July 2009			Period to 31 January 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	25	-	25	-	-	-
Investment management fees	(18)	(55)	(73)	(2)	(7)	(9)
Other expenses	(105)	-	(105)	(75)	-	(75)
Loss on ordinary activities before tax	(98)	(55)	(153)	(77)	(7)	(84)
Taxation on profit/(loss) on ordinary activities	-	-	-	-	-	-
Loss on ordinary activities after tax	(98)	(55)	(153)	(77)	(7)	(84)
Earnings per share – basic and diluted	(1.2)p	(0.7)p	(1.9)p	(4.8)p	(0.4)p	(5.2)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 31 July 2009 £'000	Period to 31 January 2009 £'000
Shareholders' funds at start of period	2,087	-
Loss on ordinary activities after tax	(153)	(84)
Issue of equity (net of expenses)	8,837	2,171
Shareholders' funds at end of period	10,771	2,087

Balance Sheet

	As at 31 July 2009		As at 31 January 2009	
	£'000	£'000	£'000	£'000
Fixed asset investments		3,000		–
Current assets:				
Money market securities	7,461		2,000	
Debtors	12		1	
Cash at bank	412		240	
	7,885		2,241	
Creditors: amounts falling due within one year	(114)		(154)	
Net current assets		7,771		2,087
Net assets		10,771		2,087
Called up equity share capital	1,165		230	
Share premium account	9,843		1,941	
Capital reserve – realised	(62)		(7)	
Revenue reserve	(175)		(77)	
Total equity shareholders' funds		10,771		2,087
Net asset value per share		92.5p		90.8p

Cash Flow Statement

	Six months to 31 July 2009 £'000	Period to 31 January 2009 £'000
Net cash (outflow)/inflow from operating activities	(204)	69
Financial investment:		
Purchase of fixed asset investments	(3,000)	–
Management of liquid resources:		
Purchase of current asset investments	(5,711)	(2,000)
Disposal of current asset investments	250	–
Financing:		
Issue of own shares	9,307	2,249
Share issue expenses	(470)	(78)
Increase in cash at bank	172	240

Reconciliation of Net Cash Flow to Movement in Net Funds

	Six months to 31 July 2009 £'000	Period to 31 January 2009 £'000
Increase in cash at bank	172	240
Increase in cash equivalent securities	5,461	2,000
Opening net cash resources	2,240	–
Net cash resources at end of period	7,873	2,240

Reconciliation of Loss before Taxation to Cash Flow from Operating Activities

	Six months to 31 July 2009 £'000	Period to 31 January 2009 £'000
Loss on ordinary activities before tax	(153)	(84)
Increase in debtors	(11)	(1)
(Decrease)/increase in creditors	(40)	154
Net cash (outflow)/inflow from operating activities	(204)	69

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 July 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 January 2009, 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 31 July 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 period ended 31 January 2009 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 31 July 2009 is calculated on the basis of 8,148,112 (31 January 2009: 1,609,161) shares, being the weighted average number of shares in issue during the year.

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

4. Net asset value per share

The net asset value per share is based on net assets as at 31 July 2009 divided by 11,650,327 (31 January 2009: 2,297,666) shares in issue at that date.

5. 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 January 2009. The Company's principal risks and uncertainties have not changed materially since the date of that report.

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 £73,000 (31 January 2009: £9,000) payable to Octopus. At the period end there was £Nil (31 January 2008: Nil) outstanding to Octopus. Furthermore, Octopus provides administration and company secretarial services to the Company. Octopus 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. 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 & Advisers

Board of Directors

Murray Steele (Chairman)
Christopher Powles
Chris Hulatt

Secretary and Registered office

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP
Registered in England No 05840377

Investment Manager

Octopus Investments Limited
8 Angel Court
London
EC2R 7HP

Solicitors

Howard Kennedy
19 Cavendish Square
London
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Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
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BR3 4TU

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

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PEOPLE THAT LISTEN