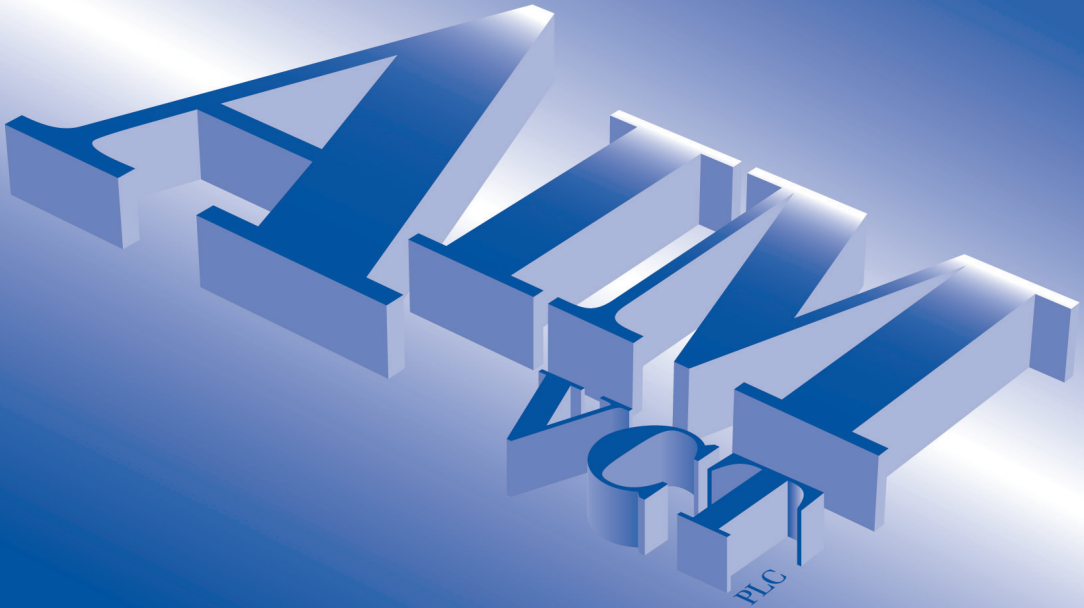


**OCTOPUS
AIM VCT PLC**



**Unaudited half-yearly report
for the six months ended
31 August 2008**



Contents

| | Page |
|--|------|
| Financial Highlights | 2 |
| Interim Management Report | 4 |
| Investment Portfolio | 7 |
| Directors' Responsibility Statement | 8 |
| Principal Risks and Uncertainties | 9 |
| Related Party Transactions | 9 |
| Company Information | 10 |
| Income Statement | 11 |
| Reconciliation of Movements in Shareholders' Funds | 14 |
| Balance Sheet | 15 |
| Cash Flow Statement | 18 |
| Notes to the Interim Financial Statements | 24 |

Financial Highlights

| Six months to 31 August 2008 | New Ordinary shares* |
|-----------------------------------|----------------------|
| Net assets ('000) | £26,958 |
| Net loss after tax ('000) | £(5,744) |
| Net asset value per share ("NAV") | 88.43p |

*No comparatives are shown for New Ordinary Shares given the conversion of Ordinary Shares to D Shares on 31 May 2008. The resulting share class was named "New Ordinary Shares". Ordinary Shares were converted into D shares at a conversion ratio of 0.5448 D shares for every Ordinary Share.

Prior period comparatives of the pre-conversion share classes are shown below.

| Six months to August 2007 | Ordinary Shares | D Shares | Total |
|--|-----------------|----------|----------|
| Net assets ('000) | £23,475 | £19,998 | £43,473 |
| Net (loss)/profit after tax ('000) | £(1,719) | £512 | £(1,207) |
| Net asset value per share ("NAV") | 79.52p | 126.19p | – |
| Cumulative dividends paid since launch | 62.11p | 8.55p | – |
| Total return (NAV plus dividends paid) | 141.63p | 134.74p | – |

| Year to 29 February 2008 | Ordinary Shares | D Shares | Total |
|--|-----------------|----------|----------|
| Net assets ('000) | £17,346 | £17,437 | £34,783 |
| Net loss after tax ('000) | £(6,709) | £(1,625) | £(8,334) |
| Net asset value per share ("NAV") | 60.06p | 110.23p | – |
| Cumulative dividends paid since launch | 64.61p | 11.05p | – |
| Total return (NAV plus dividends paid) | 124.67p | 121.28p | – |

Financial Highlights (continued)

Dividend history per share since launch (based on pre-conversion share classes)

| Period ended (Dividends paid in period) | Ordinary Shares [#] (pence per share) | C Shares [#] (pence per share) | D Shares (pence per share) |
|--|---|--|-------------------------------|
| 28 February 1999 | 1.88p | – | – |
| 29 February 2000 | 3.13p | – | – |
| 28 February 2001 | 37.25p | – | – |
| 28 February 2002 | 6.50p | 2.25p | – |
| 28 February 2003 | 3.50p | 1.50p | – |
| 29 February 2004 | 0.50p | 0.50p | – |
| 28 February 2005 | 0.50p | 0.50p | 0.50p |
| 28 February 2006 | 2.15p | 2.31p* | 2.25p |
| 28 February 2007 | 4.20p | 4.52p* | 3.30p |
| 31 August 2007 | 2.50p | 2.69p* | 2.50p |
| 29 February 2008 | 2.50p | 2.69p* | 2.50p |
| 31 August 2008 | 2.50p | 2.69p* | 2.50p |
| Total dividends (capital and revenue) | 67.11p | 19.65p* | 13.55p |
| Adjusted net asset value as at 31 August 2008 | 48.18p* | 51.86p* | 88.43p |
| Total return as at 31 August 2008 | 115.29p* | 71.51p* | 101.98p |

* Net asset value and dividends adjusted for the conversion factor explained below.

[#] Subsequently converted to Ordinary shares.

Notes

- The Ordinary Shares were first listed on 17 March 1998.
- Dividends paid before 5 April 1999 were paid to qualifying shareholders inclusive of the associated tax credit.
- The D Shares were first listed on 17 March 2004.
- The C Shares were converted into Ordinary Shares on 31 May 2004, in accordance with the conversion factor of 1.0765 Ordinary Shares for each C Share. This adjustment is shown in the net asset value per C share above.
- The Ordinary Shares were converted into D Shares on 31 May 2008, in accordance with the conversion factor of 0.5448 D Shares for each Ordinary Share. This adjustment is shown in the net asset value per Ordinary share above.
- New D Shares issued between 6 January 2005 and 8 April 2005, did not rank for the final dividend.
- All dividends paid by the Company are free of income tax. It is an HM Revenue & Customs requirement that dividend vouchers indicate the tax element should dividends have been subject to income tax. Investors should ignore this figure on their dividend voucher and need not disclose any income they receive from a VCT on their tax return.
- The above table excludes the tax benefits investors received upon subscription.
- The net asset value of the Company is not its share price as quoted on the official list of the London Stock Exchange. The share price of the Company can be found in the Investment Companies section of the Financial Times on a daily basis. Investors are reminded that it is common for shares in VCTs to trade at a discount to their net asset value, primarily as a result of the initial tax relief which is non-transferable.

Interim Management Report

Shareholders will be aware that in the six months to 31 August 2008 which is the period covered by this report there has been a change to the corporate identity of your Company. Following the move by Andrew Buchanan and Kate Tidbury from Close Investments Limited ("Close") to Octopus Investments Limited ("Octopus"), your board agreed to novate the management agreement to Octopus. As a result it was necessary to change the name of your Company which was approved at an EGM at the beginning of September. Shareholders existing share certificates have not been replaced and remain valid.

At Octopus Andrew and Kate have joined Richard Power's larger and better resourced team, which is also involved in investment in smaller companies and VCT's.

At the end of May Ordinary shares were converted into D shares and the two classes of shares were combined and renamed New Ordinary shares which is now the only class of share capital.

In my statement accompanying last year's Financial Statements, I referred to the fact that there had been a collapse in confidence amongst financial institutions and until this is restored markets would remain fragile. During the period under review market sentiment continued to deteriorate with a resulting fall of 19.8% in the net asset value of the portfolio. Since then several major financial institutions have themselves collapsed or had to be propped up. In the perilous times we're now experiencing, fear dominates the stock market and in this environment the only news which small company share prices react to is bad news. This has been particularly damaging, not only for companies falling short of expectations, of which there have inevitably been some in the portfolio, but also for the share prices of companies still doing well, but being ignored by investors. Given the economic background, where cash is king, smaller companies tend to be more vulnerable than larger well established ones. Smaller companies have been de-rated even when they have matched or even exceeded profit expectations and have seen their share prices collapse in reaction to any bad news on trading.

Against this background the supply of new issues coming to AIM has dwindled. There has been a steady trickle of fundraisings from existing companies, some of which have sought to shore up their balance sheets because of a less benign attitude of their banks. The level of qualifying investments remains comfortably above 80%. Therefore your manager has not chased VCTable opportunities unless they are particularly attractive.

Dividends

It is your board's policy to strive to maintain an annual dividend of at least 5p per share. It has therefore declared an interim dividend of 2.5p per share which is made up of a revenue dividend of 0.4p and a capital dividend of 2.1p. This dividend is subject to approval by HM Revenue & Customs. The record date and payment date of this dividend will be announced on the London Stock Exchange RNS service in due course.

Interim Management Report (continued)

Performance

It is very disappointing to have to report another decline in the NAV of your Company in the six month period but hardly surprising given the market background described above. The two portfolios finally converted and combined in May, using the audited NAV's as at 29 February 2008. Although there is only one class of shares now, the return in the six months for the Ordinary shares and D shares would have been a negative return (after adding back dividends) of 16.3% and 17.9% respectively. In the same period the AIM All Share fell by 21.3%, partly because of the reversal in the fortunes of resource stocks which had previously supported it. The Smaller Companies Index (excluding investment trusts) fell by 14.5%.

Portfolio

Combining the two portfolios has left some significant sized holdings in companies such as Mears, Mattioli Woods, Research Now, Neuropharm, Bond International Software, Clerkenwell Ventures, Melorio and Idox as well as a fairly long tail of smaller investments which are expected to reduce in number over time. This will depend on being able to sell existing holdings and opportunities to invest the proceeds.

Many of the holdings in the portfolio have seen their share prices fall significantly over the six months. This has not necessarily been matched by a decline in the underlying businesses although some are undoubtedly perceived as risky because of their exposure to the consumer. Vertu Motors is an example of a company in the 'wrong' sector and whose share price has suffered accordingly. It is, however sitting at a significant discount to its net assets and has a strategy which is not dependent on new car sales. Likewise, Colliers has suffered from its exposure to property transactions and has seen its profits downgraded significantly as these have dried up. Despite this, it retains its acknowledged expertise in several market areas such as hotels, and would recover quickly with any increase in turnover in the commercial property market. Bond International Software has also been weak because of its exposure to the recruitment cycle, but it remains financially sound with a very blue-chip list of customers.

Other shares have suffered from poor trading conditions or problems of their own making. Tanfield suffered production delays in its electric vehicle business combined with working capital outflows. Further sales of the shares raising £0.4m have left the portfolio with a very small exposure to the company going forwards. Claimar also had a series of profit warnings as a result of problems recruiting carers and local authority budget constraints. A recent trading statement was more optimistic, but the company is carrying more debt than is comfortable in current market conditions. On this note, Food and Drink and Cains Brewery both had to call in receivers in the period, and Conder de-listed in order to increase its chances of a realisation of some value from the business.

Among the larger holdings in the portfolio, many of the companies are still trading well. Mears continues to grow both its earnings and dividend and is defensive in its lack of exposure to the consumer. Mattioli Woods and Brooks Group have both benefitted from

Interim Management Report (continued)

the growth in the market for self invested personal pensions (SIPPS), and Pressure Technologies and Mount Engineering have both done well out of servicing the oil exploration sector. Neuropharm has achieved orphan status for its lead drug to treat autistic children, with a raft of news expected over the course of the next twelve months. Concateno remains in bid talks, as does Win, although both seem to be trading well in the event that these bids go away. In the software sector Craneware, Focus and Idox have all been doing well although consolidation probably needs to take place in this sector to create some more significant entities.

During the six months, Freedom 4 (formerly Pipex), sold its main businesses and returned £0.48m to the portfolio and Hartest and Imprint were bid for. Only two purchases were made, one in Advanced Computer Software, which has been set up to consolidate software companies in the healthcare sector, and where the management comes from a previous holding, Computer Software Group and Optare, a bus manufacturer formed out of two existing operators in the sector. With the revenue cover over 80%, realisations exceeded new investments by £0.75m.

Outlook

As long as the financial tsunami which has enveloped markets prevails resulting in negative sentiment, there is little prospect of any sustained revival in interest in smaller company shares. Hopefully, the Government's action to restore confidence in the banking sector, together with similar steps being taken globally will result in greater stability in the financial sector as a whole. The dramatic falls in the FTSE All-Share index and FTSE AIM All-Share index of 40% and 60% respectively so far in 2008 could perhaps already be discounting much of the bad news and downgrades to come. Against this background it is your manager's policy to continue to look for opportunities to invest at the lower valuations now prevailing in the belief that these, together with existing holdings at to-days depressed prices should provide capital profits and dividends in the medium to long term.

Michael Reeve
Chairman

29 October 2008

Investment Portfolio

The ten largest qualifying holdings by value in the New Ordinary share portfolio as at 31 August 2008 are show below:

| Company | Activity | Investment at cost (£'000) | Unrealised profit/(loss) (£'000) | Carrying value at 31 August 2008 (£'000) | Carrying value as a % of total investments and cash |
|--|---|----------------------------------|--|--|---|
| Mattioli Woods plc | Pensions consultancy | 651 | 655 | 1,306 | 4.8% |
| Mears Group plc | Housing maintenance/ refurbishment | 171 | 994 | 1,165 | 4.3% |
| Research Now plc | Online fieldwork and panel provider | 439 | 568 | 1,008 | 3.7% |
| Neuropharma Group plc | Developer of nervous system treatments | 800 | 164 | 964 | 3.6% |
| Melorio plc | Vocational training | 816 | (57) | 759 | 2.8% |
| Bond International plc | Recruitment sector software | 269 | 417 | 686 | 2.5% |
| Idox plc | Public sector software | 362 | 290 | 652 | 2.4% |
| Advanced Computer Software plc | Healthcare sector software | 600 | (35) | 565 | 2.1% |
| Clerkenwell Ventures plc | Cash shell seeking investments | 750 | (190) | 560 | 2.1% |
| Zetar plc | Confectionery/snack food manufacturer | 421 | 137 | 557 | 2.1% |
| Total | | 5,279 | 2,943 | 8,222 | 30.5% |
| Other equity investments | | 22,059 | (10,733) | 11,326 | 42.0% |
| Other investments (floating rate notes) | | 6,205 | (47) | 6,158 | 22.8% |
| Total investments | | 33,543 | (7,837) | 25,706 | 95.3% |
| Cash | | 1,271 | - | 1,271 | 4.7% |
| Total investments and cash | | 34,814 | (7,837) | 26,977 | 100.0% |
| Net current assets | | | | (19) | |
| Net assets | | | | 26,958 | |

Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the Statement "Half-yearly financial reports" issued by the UK Accounting Standards Board;
- the Interim Management Report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the significant events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements
- the Statement of Principal Risks and Uncertainties on page 9 is a fair summary of the information required by DTR 4.2.7R, being an account of the principal risks and uncertainties for the remaining six months of the year; and
- the financial statements include a fair review on the information required by the DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year, have materially affected the financial situation of your Company and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Michael Reeve
Chairman
29 October 2008

Principal Risks and Uncertainties

The Company's assets consist of equity and floating 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 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 29 February 2008. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Related Party Transactions

Octopus acts as the investment manager of the Company. Under the management agreement, Octopus receives a fee of 2.0% per annum of the net assets of the Company for the investment management services. During the period, the Company incurred management fees of £45,000 payable to Octopus. At the period end there was £45,000 outstanding to Octopus.

Prior to 1 August 2008, Close acted as the investment manager of the Company. During the period 1 March 2008 to 31 July 2008, the Company incurred management fees of £310,000 payable to Close. At the period end there was £nil outstanding to Close.

Company Information

Board of Directors

M A F Reeve FCA, Chairman
R J Smith
S J Hazell-Smith

Secretary and Registered office

Celia L Whitten FCIS
Octopus Investments Limited
8 Angel Court
London
EC2R 7HP
Registered in England No 03477519

Investment Manager

Octopus Investments Limited
8 Angel Court
London
EC2R 7HP
Tel: 0800 316 2347
Fax: 08456 717273
www.octopusinvestments.com

Independent Auditor

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registrars

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

Shareholder helpline:
0870 162 3124
shareholder.service@capitaregistrars.com

Octopus AIM VCT plc is a member of the Association of Investment Companies.

Income Statement

Six months to 31 August 2008

| | New Ordinary Shares* | | |
|--|----------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 |
| Gain on disposal of investments | - | 139 | 139 |
| Loss on valuation of investments | - | (5,744) | (5,744) |
| Income | 366 | - | 366 |
| Investment management fees | (89) | (266) | (355) |
| Other expenses | (150) | - | (150) |
| Profit/(loss) on ordinary activities before tax | 127 | (5,871) | (5,744) |
| Taxation on profit/(loss) on ordinary activities | (3) | 3 | - |
| Profit/(loss) on ordinary activities after tax | 124 | (5,868) | (5,744) |
| Earnings/(loss) per share – basic and diluted | 0.3p | (15.6)p | (15.3)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.

*No comparatives are shown for New Ordinary Shares given the conversion of Ordinary Shares to D Shares on 31 May 2008. The resulting share class was named "New Ordinary Shares." Ordinary Shares were converted into D Shares at a conversion ratio of 0.5448 D Shares for every Ordinary Share.

Income Statement (continued)

Six months to August 2007

| | Ordinary Shares | | | D Shares | | | Total | | |
|--|------------------|------------------|----------------|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| (Loss)/gain on disposal of investments | - | (1,339) | (1,339) | - | 377 | 377 | - | (962) | (962) |
| (Loss)/gain on valuation of investments | - | (254) | (254) | - | 123 | 123 | - | (131) | (131) |
| Income | 215 | - | 215 | 282 | - | 282 | 497 | - | 497 |
| Investment management fees | (73) | (218) | (291) | (59) | (176) | (235) | (132) | (394) | (526) |
| Other expenses | (50) | - | (50) | (35) | - | (35) | (85) | - | (85) |
| Profit/(loss) on ordinary activities before tax | 92 | (1,811) | (1,719) | 188 | 324 | 512 | 280 | (1,487) | (1,207) |
| Taxation on profit/(loss) on ordinary activities | (2) | 2 | - | (41) | 41 | - | (43) | 43 | - |
| Profit/(loss) on ordinary activities after tax | 90 | (1,809) | (1,719) | 147 | 365 | 512 | 237 | (1,444) | (1,207) |
| Earnings/(loss) per share – basic and diluted | 0.3p | (6.1)p | (5.8)p | 0.9p | 2.3p | 3.2p | | | |

- the 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies
- all revenue and capital items in the above statement derive from continuing operations
- the accompanying notes are an integral part of the financial statements
- the company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds

The Company had no recognised gains or losses other than the results for the period as set out above.

Income Statement (continued)

Year to 29 February 2008

| | Ordinary Shares | | | D Shares | | | Total | | |
|--|------------------|------------------|----------------|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| (Loss)/gain on disposal of investments | - | (1,587) | (1,587) | - | 983 | 983 | - | (604) | (604) |
| Loss on valuation of investments | - | (4,849) | (4,849) | - | (2,569) | (2,569) | - | (7,418) | (7,418) |
| Income | 369 | - | 369 | 494 | - | 494 | 863 | - | 863 |
| Investment management fees | (133) | (398) | (531) | (114) | (341) | (455) | (247) | (739) | (986) |
| Other expenses | (114) | - | (114) | (75) | - | (75) | (189) | - | (189) |
| Profit/(loss) on ordinary activities before tax | 122 | (6,834) | (6,712) | 305 | (1,927) | (1,622) | 427 | (8,761) | (8,334) |
| Taxation on profit/(loss) on ordinary activities | 3 | - | 3 | (59) | 56 | (3) | (56) | 56 | - |
| Profit/(loss) on ordinary activities after tax | 125 | (6,834) | (6,709) | 246 | (1,871) | (1,625) | 371 | (8,705) | (8,334) |
| Earnings/(loss) per share – basic and diluted | 0.4p | (23.2)p | (22.8)p | 1.6p | (11.8)p | (10.2)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 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 had no recognised gains or losses other than the results for the period as set out above.

Reconciliation of Movements in Shareholders' Funds

Six months to 31 August 2008

| | New Ordinary Shares £'000 |
|---|---------------------------------|
| Shareholders' funds at start of period | 34,783 |
| Loss for the period | (5,744) |
| Shares purchased for cancellation | – |
| Shares purchased and held in Treasury | (981) |
| Dividends paid | (1,100) |
| Shareholders' funds at end of period | 26,958 |

Six months to August 2007

| | Ordinary Shares £'000 | D Shares £'000 | Total £'000 |
|---|--------------------------|-------------------|----------------|
| Shareholders' funds at start of period | 26,289 | 20,088 | 46,377 |
| (Loss)/profit for the period | (1,719) | 511 | (1,208) |
| Shares purchased for cancellation | (355) | (205) | (560) |
| Shares purchased and held in Treasury | – | – | – |
| Dividends paid | (740) | (397) | (1,137) |
| Shareholders' funds at end of period | 23,475 | 19,997 | 43,472 |

Year to 29 February 2008

| | Ordinary Shares £'000 | D Shares £'000 | Total £'000 |
|---|--------------------------|-------------------|----------------|
| Shareholders' funds at start of period | 26,289 | 20,088 | 46,377 |
| Loss for the period | (6,709) | (1,625) | (8,334) |
| Shares purchased for cancellation | (354) | (205) | (559) |
| Shares purchased and held in Treasury | (411) | (28) | (439) |
| Dividends paid | (1,469) | (793) | (2,262) |
| Shareholders' funds at end of period | 17,346 | 17,437 | 34,783 |

Balance Sheet

Six months to 31 August 2008

| | £'000 | New Ordinary Shares £'000 |
|--|---------|---------------------------------|
| Fixed asset investments | | 19,548 |
| Current assets: | | |
| Money market securities | 6,158 | |
| Debtors | 126 | |
| Cash at bank | 1,271 | |
| | 7,555 | |
| Creditors: amounts falling due within one year | (145) | |
| Net current assets | | 7,410 |
| Net assets | | 26,958 |
| Called up equity share capital | 15,965 | |
| Share premium account | 8,209 | |
| Special distributable reserve | 16,411 | |
| Capital redemption reserve | 3,727 | |
| Capital reserve – realised | (8,235) | |
| Capital reserve – unrealised | (7,837) | |
| Own shares held in treasury | (1,420) | |
| Revenue Reserve | 138 | |
| Total equity shareholders' funds | | 26,958 |

Balance Sheet (continued)

| | Six months to August 2007 | | | | | |
|---|---------------------------|---------------|----------|---------------|---------|---------------|
| | Ordinary Shares | | D Shares | | Total | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed asset investments | | 19,752 | | 12,869 | | 32,621 |
| Current assets: | | | | | | |
| Money market securities | 1,917 | | 4,277 | | 6,194 | |
| Debtors | 88 | | 65 | | 153 | |
| Cash at bank | 2,048 | | 3,356 | | 5,404 | |
| | | 4,053 | | 7,698 | | 11,751 |
| Creditors: amounts falling due within one year | (330) | | (569) | | (899) | |
| Net current assets | | 3,723 | | 7,129 | | 10,852 |
| Net assets | | 23,475 | | 19,998 | | 43,473 |
| Called up equity | | | | | | |
| share capital | 14,761 | | 7,924 | | 22,685 | |
| Share premium account | 1,450 | | 39 | | 1,489 | |
| Special distributable reserve | 7,311 | | 9,099 | | 16,410 | |
| Capital redemption reserve | 3,570 | | 158 | | 3,728 | |
| Capital reserve – realised | (6,490) | | 179 | | (6,311) | |
| Capital reserve – unrealised | 2,732 | | 2,438 | | 5,170 | |
| Own shares held in treasury | – | | – | | – | |
| Revenue Reserve | 141 | | 161 | | 302 | |
| Total equity shareholders' funds | | 23,475 | | 19,998 | | 43,473 |
| Net asset value per share | | 79.5p | | 126.2p | | |

Balance Sheet (continued)

| | Year to 29 February 2008 | | | | | |
|--|--------------------------|---------------|----------|---------------|---------|---------------|
| | Ordinary Shares | | D Shares | | Total | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed asset investments | | 16,071 | | 15,950 | | 32,021 |
| Current assets: | | | | | | |
| Debtors | 127 | | 115 | | 242 | |
| Cash at bank | 1,211 | | 1,432 | | 2,643 | |
| | | 1,338 | | 1,547 | | 2,885 |
| Creditors: amounts falling due within one year | (63) | | (60) | | (123) | |
| Net current assets | | 1,275 | | 1,487 | | 2,762 |
| Net assets | | 17,346 | | 17,437 | | 34,783 |
| Called up equity share capital | 14,762 | | 7,923 | | 22,685 | |
| Share premium account | 1,450 | | 39 | | 1,489 | |
| Special distributable reserve | 7,311 | | 9,100 | | 16,411 | |
| Capital redemption reserve | 3,569 | | 159 | | 3,728 | |
| Capital reserve – realised | (7,508) | | 459 | | (7,049) | |
| Capital reserve – unrealised | (2,003) | | (316) | | (2,319) | |
| Own shares held in treasury | (411) | | (28) | | (439) | |
| Revenue Reserve | 176 | | 101 | | 277 | |
| Total equity shareholders' funds | | 17,346 | | 17,437 | | 34,783 |
| Net asset value per share | | 60.1p | | 110.2p | | |

Cash Flow Statement

Six months to 31 August 2008

| | New Ordinary Shares £'000 |
|--|---------------------------------|
| Net cash outflow from operating activities | (1) |
| Financial investment: | |
| Purchase of fixed asset investments | (1,152) |
| Sale of fixed asset investments | 1,862 |
| Management of cash equivalent resources: | |
| Net sale of cash equivalents | – |
| Dividends paid | (1,100) |
| Financing: | |
| Own shares held in treasury | (981) |
| Decrease in cash resources | (1,372) |

Reconciliation of Net Cash Flow to Movement in Liquid Resources

Six months to 31 August 2008

| | New Ordinary Shares £'000 |
|------------------------------|---------------------------------|
| Decrease in cash at bank | (1,372) |
| Decrease in cash equivalents | (7) |
| Opening net liquid resources | 8,808 |
| Net liquid resources | 7,429 |

Reconciliation of Profit before Taxation to Cash Flow from Operating Activities

Six months to 31 August 2008

| | New Ordinary Shares £'000 |
|--|---------------------------------|
| Loss on ordinary activities before tax | (5,744) |
| Decrease in debtors | 116 |
| Increase in creditors | 22 |
| Gain on realisation of investments | (139) |
| Loss on valuation of investments | 5,744 |
| Outflow from operating activities | (1) |

Cash Flow Statement

| | Six months to August 2007 | | Total £'000 |
|---|---------------------------|-------------------|----------------|
| | Ordinary Shares £'000 | D Shares £'000 | |
| Net cash (outflow)/inflow from operating activities | (99) | 65 | (34) |
| Financial investment : | | | |
| Purchase of fixed asset investments | (405) | (2,513) | (2,918) |
| Sale of fixed asset investments | 419 | 810 | 1,229 |
| Management of cash equivalent resources : | | | |
| Net sale of cash equivalents | 2,001 | 2,717 | 4,718 |
| Dividends paid | (740) | (397) | (1,137) |
| Financing : | | | |
| Intercompany account movement | 17 | (17) | – |
| Repurchase of own shares | (356) | (205) | (561) |
| Increase in cash resources | 837 | 460 | 1,297 |

Reconciliation of Net Cash Flow to Movement in Liquid Resources

| | Six months to August 2007 | | Total £'000 |
|------------------------------|---------------------------|-------------------|----------------|
| | Ordinary Shares £'000 | D Shares £'000 | |
| Increase in cash at bank | 837 | 460 | 1,297 |
| Decrease in cash equivalents | (2,003) | (2,733) | (4,736) |
| Opening net liquid resources | 5,131 | 9,905 | 15,036 |
| Net liquid resources | 3,965 | 7,632 | 11,597 |

Reconciliation of Profit before Taxation to Cash Flow from Operating Activities

| | Six months to August 2007 | | Total £'000 |
|---|---------------------------|-------------------|----------------|
| | Ordinary Shares £'000 | D Shares £'000 | |
| (Loss)/profit on ordinary activities before tax | (1,719) | 512 | (1,207) |
| (Increase)/decrease in debtors | (9) | 16 | 7 |
| Increase in creditors | 36 | 37 | 73 |
| Loss/(gain) on realisation of investments | 1,339 | (377) | 962 |
| Loss/(gain) on valuation of investments | 254 | (123) | 131 |
| (Outflow)/inflow from operating activities | (99) | 65 | (34) |

Cash Flow Statement

| | Year to 29 February 2008 | | Total £'000 |
|--|--------------------------|-------------------|----------------|
| | Ordinary Shares £'000 | D Shares £'000 | |
| Net cash outflow from operating activities | (230) | (9) | (239) |
| Financial investment : | | | |
| Purchase of fixed asset investments | (1,389) | (4,970) | (6,359) |
| Sale of fixed asset investments | 1,846 | 1,826 | 3,672 |
| Management of cash equivalent resources : | | | |
| Net sale of cash equivalents | 2,001 | 2,717 | 4,718 |
| Dividends paid | (1,468) | (794) | (2,262) |
| Financing : | | | |
| Own shares held in treasury | (405) | (28) | (433) |
| Repurchase of own shares | (355) | (205) | (560) |
| Decrease in cash resources | - | (1,463) | (1,463) |

Reconciliation of Net Cash Flow to Movement in Liquid Resources

| | Year to 29 February 2008 | | Total £'000 |
|------------------------------|--------------------------|-------------------|----------------|
| | Ordinary Shares £'000 | D Shares £'000 | |
| Decrease in cash at bank | - | (1,463) | (1,463) |
| Decrease in cash equivalents | (2,019) | (2,746) | (4,765) |
| Opening net liquid resources | 5,131 | 9,905 | 15,036 |
| Net liquid resources | 3,112 | 5,696 | 8,808 |

Reconciliation of Profit before Taxation to Cash Flow from Operating Activities

| | Year to 29 February 2008 | | Total £'000 |
|---|--------------------------|-------------------|----------------|
| | Ordinary Shares £'000 | D Shares £'000 | |
| Loss on ordinary activities before tax | (6,712) | (1,622) | (8,334) |
| Decrease in debtors | 16 | 19 | 35 |
| Increase in creditors | 13 | 25 | 38 |
| Intercompany account movement | 17 | (17) | – |
| Loss/(gain) on realisation of investments | 1,587 | (983) | 604 |
| Loss on valuation of investments | 4,849 | 2,569 | 7,418 |
| Outflow from operating activities | (230) | (9) | (239) |

Notes to the Interim Financial Statements

1. Basis of preparation

The unaudited interim results which cover the six months to 31 August 2008 have been prepared in accordance with applicable accounting standards and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 29 February 2008.

2. Publication of non-statutory accounts

The unaudited interim results for the six months ended 31 August 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 29 February 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

New Ordinary Shares

The revenue return per New Ordinary share is based on the net revenue on ordinary activities after taxation of £124,000, whilst the capital return is based on the capital loss on ordinary activities after taxation of £(5,868,000). This is in respect of 37,521,889, being the weighted average number of New Ordinary shares, excluding shares held in treasury, in issue during the period.

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

Ordinary Shares

For comparative periods, the revenue return per Ordinary share is based on the revenue return on ordinary activities after taxation of £90,000 as at 31 August 2007, and a revenue return on ordinary activities after taxation of £125,000 as at 29 February 2008. The capital return is based on the capital loss on ordinary activities after taxation of £(1,809,000) as at 31 August 2007, and a capital loss on ordinary activities after taxation of £(6,834,000) as at 29 February 2008. This is in respect of 29,683,973 shares at 31 August 2007 and 29,426,743 shares at 29 February 2008, being the weighted average number of Ordinary 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.

Notes to the Interim Financial Statements (continued)

3. Earnings per share (continued)

D Shares

For comparative periods, the revenue return per D share is based on the revenue return on ordinary activities after taxation of £147,000 as at 31 August 2007, and a revenue return on ordinary activities after taxation of £246,000 as at 29 February 2008. The capital return is based on the capital profit on ordinary activities after taxation of £365,000 as at 31 August 2007, and a capital loss on ordinary activities after taxation of £(1,871,000) as at 29 February 2008. This is in respect of 15,922,959 shares at 31 August 2007 and 15,882,684 shares at 29 February 2008, being the weighted average number of d 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.

4. Net asset value per share

New Ordinary Shares

The calculation of net asset value per share is based on the net assets at 31 August 2008 and on 30,486,468 shares being the number of shares in issue, excluding shares held in Treasury, at the same date.

Ordinary Shares

For comparative periods, the calculation of net asset value per Ordinary share at 31 August 2007 is based on the net assets of £23,475,000 and on 29,522,615 shares being the number of shares in issue, excluding shares held in Treasury, at the same date. The calculation of net asset value per Ordinary share at 29 February 2008 is based on the net assets of £17,346,000 and on 28,883,802 shares being the number of shares in issue, excluding shares held in Treasury, at the same date.

D Shares

For comparative periods, the calculation of net asset value per D share at 31 August 2007 is based on the net assets of £19,998,000 and on 15,846,847 shares being the number of shares in issue, excluding shares held in Treasury, at the same date. The calculation of net asset value per D share at 29 February 2008 is based on the net assets of £17,437,000 and on 15,818,800 shares being the number of shares in issue, excluding shares held in Treasury, at the same date.

Notes to the Interim Financial Statements (continued)

5. Dividends

New Ordinary Shares

The interim dividend declared of 2.5 pence per New Ordinary share for the six months ending 31 August 2008 is subject to approval by HM Revenue & Customs. The record date and payment date of this dividend will be announced on the London Stock Exchange RNS service in due course.

Ordinary Shares

A final dividend of 2.5 pence per Ordinary share, relating to the year ended 29 February 2008, was paid on 20 June 2008 to shareholders on the register on 23 May 2008.

D Shares

A final dividend of 2.5 pence per D share, relating to the year ended 29 February 2008, was paid on 20 June 2008 to shareholders on the register on 23 May 2008.

6. Ordinary share conversion

The Ordinary shares were converted into D shares on 31 May 2008 at a conversion ratio of 0.5448 D shares for each Ordinary share. This single share class was subsequently renamed 'New Ordinary shares'.

7. During the six months ended 31 August 2008 there were no share issues. For New Ordinary shares, 385,760 shares were bought back in the period at an average price of 82.3p per share; these shares are currently held in treasury. Prior to the conversion on 31 May 2008, 526,701 D shares were bought back at an average price of 97.0p per share, and 284,564 Ordinary shares were bought back at an average price of 51.8p per share.
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.



OCTOPUS
INVESTMENTS