OCTOPUS
ECLIPSE VCT PLC

OCTOPUS INVESTMENTS

ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2011

FINANCIAL HEADLINES

66.2p	Net asset value (NAV) at 31 July 2011
42.7p	Cumulative dividends paid since launch
108.9p	Net asset value plus cumulative dividends paid
4.0p	Proposed final dividend for the year to 31 July 2011

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SHAREHOLDER INFORMATION AND CONTACT DETAILS

Financial Calendar

The Company's financial calendar is as follows:

14 December 2011	–	Annual General Meeting
16 December 2011	–	2011 final dividend paid
March 2012	–	Half-yearly results to 31 January 2012 published
November 2012	–	Annual results for the year to 31 July 2012 announced; Annual Report and financial statements published

Dividends

Dividends will be paid by the Registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's Registrar, Capita Registrars, by calling 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open Monday–Friday 8.30am–5.30pm), or by writing to them at:

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

The table below shows the net asset value per share (NAV) and lists the dividends that have been paid since the launch of Octopus Eclipse VCT plc:

Period Ended	NAV	Dividends paid in period	NAV + cumulative dividends (total return)
30 November 2004	96.0p	–	96.0p
31 May 2005	96.8p	–	96.8p
30 November 2005	94.2p	1.45p	95.7p
31 May 2006	96.8p	–	98.3p
30 November 2006	113.5p	1.25p	116.2p
31 May 2007	126.1p	4.00p	132.8p
30 November 2007	118.9p	4.00p	129.6p
31 May 2008	104.8p	3.00p	118.5p
30 November 2008	83.7p	7.00p	104.4p
31 July 2009	80.7p	5.00p	106.4p
31 January 2010	77.9p	5.00p	108.6p
31 July 2010	76.5p	5.00p	112.2p
31 January 2011	71.8p	5.00p	112.5p
31 July 2011	66.2p	2.00p	108.9p

The proposed final dividend of 4.0p will, if approved by shareholders, be paid on 16 December 2011 to shareholders on the register on 18 November 2011.

Share Price

The Company's share price can be found on various financial websites including www.londonstockexchange.com, with the following TIDM/EPIC code:

	Ordinary shares
TIDM/EPIC code	OEC1
Latest share price (4 November 2011)	53.0p per share

SHAREHOLDER INFORMATION AND CONTACT DETAILS (continued)

Buying and Selling Shares

The Company's Ordinary shares can be bought and sold in the same way as any other company quoted on the London Stock Exchange via a stockbroker. There may be tax implications in respect of selling all or part of your holdings, so shareholders should contact their independent financial adviser if they have any queries.

Octopus Eclipse VCT plc operates a policy of buying its own shares for cancellation as they become available. The VCT is, however, unable to buy back shares directly from shareholders. If you are considering selling your shares or trading in the secondary market, please contact the Company's Corporate Broker, Matrix Corporate Capital ('Matrix').

Matrix is able to provide details of close periods (when the Company is prohibited from buying in shares) and details of the price at which the VCT has bought in shares. Matrix can be contacted as follows:

Chris Lloyd
0203 206 7176 chris.lloyd@matrixgroup.co.uk

Paul Nolan
0203 206 7177 paul.nolan@matrixgroup.co.uk

Notification of Change of Address

Communications with shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the VCT's registrar, Capita Registrars, under the signature of the registered holder. Their contact details are provided on page 68.

Other Information for Shareholders

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com by navigating to Services, Investor Services, Venture Capital Trusts, Octopus Eclipse VCT. All other statutory information will also be found there.

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Therefore, shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers for free company reports.

Please note that it is very unlikely that either Octopus or the Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment advice.

If you are in any doubt about the veracity of an unsolicited phone call, please call either Octopus or the Registrar at the numbers provided at the back of this report.

ABOUT OCTOPUS ECLIPSE VCT PLC

Octopus Eclipse VCT plc ('Eclipse', 'Company' or 'VCT') 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 unquoted and AIM-quoted companies. The VCT is managed by Octopus Investments Limited ('Octopus' or 'Investment Manager').

Eclipse was launched in April 2004 and raised over £30.7 million (£29.7 million net of expenses) through an Offer for Subscription. Eclipse co-invests with other VCTs managed by Octopus. This allows the VCT to invest in a wider range of opportunities and in larger and more developed companies than are typically available to a single VCT.

Further details of the VCT's progress are discussed in the Chairman's Statement and Investment Manager's Review on pages 5 to 20.

Venture Capital Trusts (VCTs)

VCTs were introduced in the Finance Act 1995 to provide a means for private individuals to invest in unquoted 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:

- up to 30% up-front income tax relief;
- exemption from income tax on dividends paid; and
- exemption from capital gains tax on disposals of shares in VCTs.

Eclipse has been approved as a VCT by HM Revenue & Customs (HMRC). In order to maintain its approval, the VCT must comply with certain requirements on a continuing basis. Above all, Eclipse is required at all times 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. A 'qualifying holding' consists of up to £1 million invested in any one year in new shares or securities in an unquoted UK company (or companies quoted on AIM) which is carrying on a qualifying trade, and whose gross assets do not exceed a prescribed limit at the time of investment. The definition of a 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing. The VCT will continue to ensure its compliance with these qualification requirements.

FINANCIAL SUMMARY

	Year to 31 July 2011	Year to 31 July 2010
Net assets (£'000s)	**21,351**	25,115
Return on ordinary activities after tax (£'000s)	**(1,149)**	1,801
Net asset value per share (NAV)	**66.2p**	76.5p
Dividends paid and proposed relating to the year	**6.0p**	10.0p
Cumulative dividends since launch – paid and proposed	**46.7p**	40.7p

CHAIRMAN'S STATEMENT

Please find below the results for the year ended 31 July 2011 for Octopus Eclipse VCT plc.

This has proved to be an even more challenging year than had been expected at the time of the half-yearly report. The green shoots seen in 2010 have withered as economic growth rates have disappointed and high debt levels across the globe weigh heavily on governments, companies, the banking sector and individuals alike. Against this backdrop, the Investment Manager's time has continued to be spent protecting and nurturing the portfolio and it has not yet proved to be an attractive time to make new investments.

Dividend and Dividend Policy

It remains your Board's policy to strive to maintain a regular dividend flow whilst maintaining an appropriate level of liquidity in the VCT. Taking this into account, the Board is pleased to propose a final dividend of 4.0p per share.

Subject to shareholder approval at the Annual General Meeting, this dividend will be paid on 16 December 2011 to shareholders on the register on 18 November 2011. This will take dividends relating to the year ended 31 July 2011 to 6.0p per share.

As mentioned in last year's annual report, the level of dividend depends largely on realisations in the portfolio and due to the low level of realisations in the year to 31 July 2011, we felt it necessary to reduce the dividend stream.

Performance

During the year Eclipse reported a negative total return (being the change in net asset value (NAV) plus cumulative dividends paid) of 2.9%. After adding back the dividends paid during the year of 7.0p, the NAV per share decreased by 3.3p which was largely attributable to a decrease in the fair value of the unquoted portfolio. Given the circumstances and the relative vulnerability of small companies, there should be no surprise that the portfolio has not developed as strongly as had previously been expected.

Eclipse is invested in 18 unquoted and 15 AIM-quoted companies. By value 61.7% of the Company's net assets are in unquoted investments, 12.9% in AIM quoted investments and 25.4% of the Company's net assets are currently in cash or cash equivalents.

The Board's strategy is to maintain an appropriate level of liquidity in the balance sheet to continue to achieve four aims:

- to support a consistent dividend flow;
- to support further investment in existing portfolio companies if required;
- to take advantage of new investment opportunities as they arise; and
- to assist liquidity in the shares through the buy back facility.

There have been no significant realisations in the year, a reflection of the current economic climate which has both impacted the development of some investee companies and had a dampening effect on the range of exit opportunities. The lack of realisations has meant that there have been no additions to the portfolio and the Investment Manager has continued to focus on the existing portfolio, which is being supported where appropriate.

Investment Portfolio

The last year has continued to challenge many businesses and it is still uncertain as to when, and to what degree, an improvement in the economic environment may commence. The tone of the media remains cautious and, as mentioned in last year's report, there is clear recognition that there will be no rapid move out of the downturn.

Two companies, Sweet Cred and Perfect Pizza, have been put into administration this year as they struggled against challenging market conditions and lack of liquidity. These businesses had been suffering for some time and the low levels of cash meant they were unable to continue trading. A fall in fair value also occurred in History Press, Brandspace, First

CHAIRMAN'S STATEMENT (continued)

Sports and T4 Holdings. The impact of these downward movements has been reduced by uplifts in a number of companies in the portfolio that have performed particularly well in these tough times. TDX has recovered some of the value that it lost last year and AVM and Tristar have both had positive years. In addition to these portfolio companies, Kendal Group and Hydrobolt have continued to perform well with smaller uplifts in their fair value in the year.

As noted in the half-year report, we received proceeds from CSL in respect of a redemption of 50% of Eclipse's loan notes, along with a premium and accrued interest payment, and Kendal Group also repaid 50% of its loan note. Together, these redemptions brought in nearly £1 million of proceeds to the VCT. CSL has continued to grow well throughout the downturn.

On the quoted side the overall position has improved. We fully disposed of our holding in Pressure Technologies realising a small gain in the period and the quoted portfolio valuation increased by £816,000 in the year. This uplift was largely due to Plastics Capital continuing to recover its fair value seeing an increase of £694,000 during the year. Since the year end a further small realisation has been made following the takeover of CBG, realising a small premium to book value.

Further details about the portfolio, including further investments and realisations, can be found in the Investment Manager's Review on pages 8 to 20.

VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice on the ongoing compliance with HM Revenue & Customs (HMRC) rules and regulations concerning VCTs. The Board has been advised that Eclipse is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT.

A key requirement is for 70% of the portfolio to remain invested in qualifying investments. As at 31 July 2011, over 78% of the portfolio (as measured by HMRC rules) was invested in VCT qualifying investments. The requirement to maintain the level of qualifying investments above the 70% threshold will be supported by the continuing deal flow from the Investment Manager.

Outlook

Uncertainty over the current economic climate continues both from a domestic and international point of view which has had a significant effect on many small companies. Despite this, the general signs from most of our investee companies remain positive and the Investment Manager continues to work closely with the businesses that are struggling to overcome the challenges that the current environment presents.

Our interests remain aligned with those of the entrepreneurs' companies we have invested into, being that of boosting growth and profitability. Although the concerns about the major issues facing the world have not changed significantly since we last wrote to you, we are cautiously optimistic about the future. We continue to expect that interest rates will remain low for the next six months, which is positive for small companies, and there are opportunities in this environment for companies to progress through making good value acquisitions. We will be working to ensure that portfolio companies can make the most of these as they arise, as well as continuing to look for new investments when the opportunity allows.

In the short term there remains a risk of setbacks from some of the more vulnerable portfolio companies, although the Investment Manager has done much to strengthen the teams and support the businesses which are believed to have exciting and positive long term potential. Many of the investee companies are now showing improved trading results, illustrating the underlying strength of their management teams, so we anticipate, once market conditions settle, that the overall portfolio performance will improve and that Eclipse will be presented with opportunities to exit from some of the more mature investee companies. The timing of recovery in the economy is uncertain and shareholders are again asked to be patient whilst the global financial upheaval unfolds and hopefully leads to calmer waters in due course.

Viscount Cobham
Chairman
4 November 2011

INVESTMENT MANAGER'S REVIEW

Personal Service

At Octopus we focus on both managing your investments and keeping you informed throughout the investment process. We are committed to providing our investors with regular and open communication. Our updates are designed to keep you informed about the progress of your investment, which is of particular importance during this time of economic upheaval, and we are working hard to manage your money in the current climate.

Octopus Investments Limited was established in 2000 and has a strong commitment to both smaller companies and to VCTs. We currently manage 17 VCTs, including this VCT, and manage over £340 million in the VCT sector. Octopus has over 200 employees and has been voted as 'Best VCT Provider of the Year' by the financial adviser community for the last four years.

Investment Policy

The focus of Eclipse is on generating long-term capital growth and attractive tax-free dividends for its investors. In order to achieve this goal, the VCT focusses on providing development and expansion funding to unquoted companies with a typical investment size of £0.25 million to £1 million. Additionally, up to 20% of the VCT may be invested in AIM-quoted companies.

Investment Strategy

Having reached the level of invested funds required by HMRC, our focus shifted to managing the portfolio and helping the companies through a difficult economic period which continues. As a result, no investments in new companies have been made during the period and sufficient liquidity has been maintained in the VCT to ensure that adequate resources are available to support further portfolio funding needs as they arise. We continue to look for new deal opportunities but have found that pricing for the few quality opportunities that are around remains high and we believe better opportunities will arise in the future. The environment has remained challenging for smaller companies, which have felt the effects of the credit squeeze combined with the economic slowdown. As well as seeing reductions in banking facilities, small companies also find themselves under pressure from suppliers who want to be paid earlier, customers who delay payments and weaker trading conditions. The resulting pressure on cash remains due to increasing working capital requirements and we are monitoring all the portfolio companies to ensure that they control costs but also take advantage of some of the opportunities that occur in these circumstances.

We have sought to back further those companies that we believe have strong growth potential but need some financial support to realise it. Each company that we target is expected to have unique selling points and be capable of growing to a size that will make it attractive for acquisition by a larger company or will enable it to float on the stock market.

Portfolio Review

This time last year it seemed that confidence was returning to the economy and we anticipated reviewing more new investment opportunities but, as discussed below, the economic climate has remained fragile, with uncertain times ahead of us, so there has been a lack of potential new investments available. We have however, made small follow-on investments into History Press, First Sports, Brandspace and Lilestone Holdings.

Unquoted investments

The performance of the unquoted portfolio has continued to be mixed since the half-year results were announced in March. Although there have been uplifts in fair value in a number of portfolio companies, these uplifts have been offset by decreases in fair value in other companies resulting in an overall decrease of £2,089,000 in value in the unquoted portfolio for the year.

The most significant uplift in fair value during the year related to Audio Visual Machines (AVM) which has continued to have a positive year, managing to control overheads in order to increase profitability and the management team has demonstrated an ability to successfully integrate acquisitions. Tristar has also increased in fair value in the year, trading ahead of budget, with operational changes within the company and international expansion making a positive contribution to achieving targets. Other uplifts in the unquoted portfolio during the year were seen in TDX, Kendal Group and Hydrobolt, which each continue to progress satisfactorily.

Perfect Pizza's trading activity continued to worsen in a very challenging market. We instigated numerous changes and a small further investment was made into the company, but the competition and pricing pressures meant the business continued to struggle and it has now been sold through an administration process, resulting in a full write off for the VCT. The other disappointment in the portfolio is Sweet Cred which was unable to recover from its lack of liquidity and, despite expectations in the last annual report, has now ceased trading and gone into administration. After a small uplift in value at 31 January due to good recovery being made in 2010, a drop in fair value has been taken against T4 at 31 July, due to a difficult first half of 2011, largely due to the reduction of government spending. In addition to this, Brandspace continued to see its profits impacted by weak results in the poster media business resulting in a lower fair value at the year end and First Sports has experienced falling sales due to reduced footfalls in leisure clubs and reduced discretionary spend by club members. However, the management team of First Sports, following the appointment of a new Chairman, has performed a full review of the business, making a number of changes to the organisation and the strategy, and started exploring new revenue streams and we remain optimistic that progress will be made in the coming period. The movements in value across the portfolio have predominately been based on calculations by reference to reported earnings and discounted market multiples in accordance with the valuation guidelines, as detailed in the report.

On a more positive note, as mentioned in the half-year report, CSL Dualcom redeemed 50% of the Eclipse loan notes in the period, as well as paying a redemption premium and accrued interest, which realised an overall gain of £396,000. In addition to this, Kendal Group repaid 50% of its loan note and it is anticipated that the remaining 50% will be received in the next twelve months. Finally, the redemption premium on the Reading Room loan note was reinvested in loan notes in August 2010, having realised a gain of £200,000 and Eclipse is now receiving interest on this loan.

Conditions are still tough across many business sectors and there remain domestic and international pulls which result in continued uncertainty in the future. However, a number of the portfolio companies are showing strength in their markets and we remain cautiously optimistic that these companies will take advantage of the economic environment and provide the VCT with exit and future investment opportunities.

AIM-quoted investments

The AIM-quoted element of the portfolio has seen an overall increase in fair value of £816,000 in the year to 31 July 2011. This uplift is primarily due to the holding in Plastics Capital which has continued to trade well. The remaining companies in Eclipse's portfolio have performed consistently in the reporting period with slight uplifts in fair value in the holdings in Interquest, Zetar, Hasgrove, Augean and Tanfield. The only disposal in the year was of the holding in Pressure Technologies as mentioned in the half-year report which realised a small profit. Since the year end the holding in CBG has been subject to a cash bid for the company by a competitor at 32p per share which has recovered a small premium to the book value for this stock. Although there has been limited activity in this side of the portfolio in the last year, we continue to regularly review the position of the investee companies to ensure that further investments and exits are made at the appropriate time.

INVESTMENT MANAGER'S REVIEW (continued)

As discussed in the half-year report, we remain confident that the AIM companies in the portfolio are valued at low ratings so expect there to be further appreciation in the coming year. We intend to retain the majority of the holdings in order to see additional value returning to the companies.

If you have any questions on any aspect of your investment, please do not hesitate to call one of the team on 0800 316 2295.

Chris Allner

Octopus Investments Limited
4 November 2011

Valuation Methodology

Initial measurement

Financial assets are measured at fair value. The initial best estimate of fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

Subsequent measurement

Subsequent adjustment to the fair value of unquoted investments has been made using sector multiples based on information as at 31 July 2011, where applicable. In some cases the multiples have been compared to equivalent companies, particularly where a sector multiple does not appear appropriate. It is currently industry norm to discount the quoted earnings multiple applied to private companies to reflect the lack of liquidity in the investment, with there being no ready market for our holdings. Typically the discount is 30% but in some cases we have increased the discount, where the relevant multiple appears too high. A lower discount would also be possible if an investment was close to an exit event.

In accordance with the International Private Equity and Venture Capital (IPEVC) valuation guidelines, investments made within 12 months are usually kept at cost unless performance indicates that fair value has changed.

Quoted investments are valued at market bid price. No discounts are applied.

If you would like to find out more regarding the IPEVC valuation guidelines, please visit their website at: www.privateequityvaluation.com.

INVESTMENT MANAGER'S REVIEW (continued)

The table below shows a summary of the Eclipse investment portfolio:

Unquoted Investments	Sector	Investment at cost 31 July 2011 (£'000)	Holding gain/(loss) (£'000)	Carrying value at 31 July 2011 (£'000)	Change in valuation in the year (£'000)	% equity held by Eclipse	% equity held by all funds managed by Octopus
CSL DualCom Limited	Technology & Telecommunications	668	2,154	2,822	(30)	13.1%	45.8%
The History Press Limited	Publishing	2,357	(119)	2,238	(119)	15.4%	60.0%
The Kendal Group Limited	Consumer Products	736	671	1,407	108	10.2%	16.0%
Audio Visual Machines Limited	Technology & Telecommunications	752	459	1,211	279	10.7%	40.4%
Luther Pendragon Limited	Media & Marketing Services	1,000	150	1,150	10	20.9%	41.7%
Reading Room Limited	Publishing	700	–	700	(18)	26.7%	26.7%
Brandspace Limited	Media & Marketing Services	1,005	(384)	621	(625)	6.2%	40.5%
Hydrobolt Limited	Engineering & Machinery	397	191	588	129	4.6%	43.5%
Tristar Worldwide Limited	Transport Services	331	147	478	147	3.3%	30.0%
Convivial London Pubs plc	Leisure & Hotels	600	(145)	455	11	3.5%	7.8%
First Sports Group Limited	General Retail	1,365	(965)	400	(365)	19.0%	38.0%
TDX Group Limited	Financial Services	120	275	395	185	1.6%	1.6%
Bruce Dunlop & Associates Limited	Media & Marketing Services	349	(137)	212	–	2.9%	31.9%
Lilestone Holdings Limited	General Retail	1,640	(1,438)	202	(23)	9.3%	18.8%
T4 Holdings Limited	Media & Marketing Services	918	(717)	201	(249)	11.4%	53.3%
Blanc Brasseries Holdings plc	Leisure & Hotels	103	(1)	102	19	0.96%	2.95%
Perfect Pizza Limited *	Leisure & Hotels	1,481	(1,481)	–	(864)	24.9%	65.0%
Sweet Cred Holdings Limited *	Consumer Products	1,243	(1,243)	–	(684)	n/a	n/a
Total unquoted investments		**15,765**	**(2,000)**	**13,182**	**(2,089)**		
AIM-quoted investments							
Plastics Capital plc	Engineering & Machinery	1,335	(173)	1,162	694	4.9%	16.5%
Interquest plc	Recruitment	309	56	365	56	1.8%	5.2%
Zetar plc	Food producers	245	40	285	36	0.9%	3.6%
Hasgrove plc	Media & Marketing Services	381	(198)	183	25	1.3%	13.3%
Cello Group plc	Media & Marketing Services	362	(235)	127	(4)	0.5%	7.7%
Vertu Motors plc	General Retail	253	(136)	117	6	0.2%	5.0%
Autoclenz Holdings plc	Support Services	338	(233)	105	3	2.6%	11.6%
Augean plc	Support Services	500	(419)	81	14	0.3%	3.5%
Tanfield Group plc	Engineering & Machinery	196	(117)	79	23	0.2%	1.9%
Brulines Group plc	Support Services	95	(19)	76	(17)	0.3%	4.6%
Cohort plc	Engineering & Machinery	103	(28)	75	7	0.2%	4.3%
CBG Group plc	Financial Services	383	(310)	73	(19)	1.7%	17.2%
Northern Bear plc	Construction & Materials	299	(268)	31	(8)	1.2%	6.0%
Cantono plc *	Technology & Telecommunications	420	(420)	–	–	n/a	n/a
Hexagon Human Capital plc *	Support Services	719	(719)	–	–	n/a	n/a
Total AIM-quoted investments		**5,938**	**(3,179)**	**2,759**	**816**		
Total investments		**21,703**	**(5,179)**	**15,941**	**(1,273)**		
Money market securities		5,306	–	5,306			
Cash at bank		198	–	198			
Total investments and cash at bank		**27,207**	**(5,179)**	**21,445**			
Debtors less creditors				(94)			
Total net assets				**21,351**			

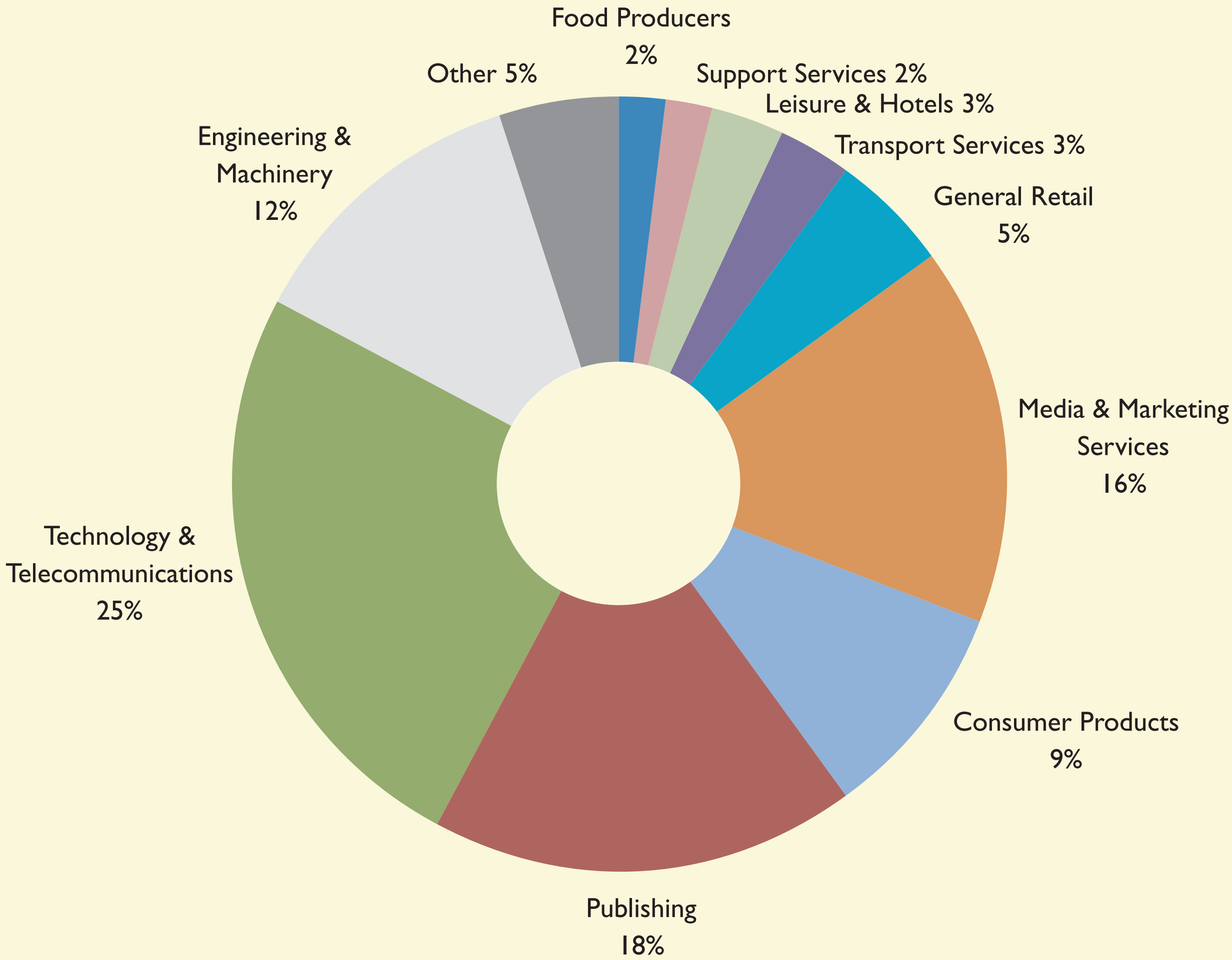
* in administration

INVESTMENT MANAGER'S REVIEW (continued)

Sector Analysis

The graph below shows the sectors Eclipse is invested in and their respective proportions on a valuation basis.

Total Qualifying Investments by Value



INVESTMENT MANAGER'S REVIEW (continued)

The table below shows the split between the sectors in the unquoted and AIM-quoted investments.

Sector	Investment cost at 31 July 2011 (£'000)	Fair value at 31 July 2011 (£'000)	Number of investments in sector	% of net assets by value
Unquoted Investments				
Technology & Telecommunications	1,420	4,033	2	18.9%
Publishing	3,057	2,938	2	13.8%
Media & Marketing Services	3,272	2,184	4	10.2%
Consumer Products	1,979	1,407	2	6.6%
General Retail	3,005	602	2	2.8%
Engineering & Machinery	397	588	1	2.7%
Leisure & Hotels	2,184	557	3	2.6%
Transport Services	331	478	1	2.2%
Financial Services	120	395	1	1.9%
Total unquoted investments	**15,765**	**13,182**	**18**	**61.7%**
Engineering & Machinery	1,634	1,316	3	6.2%
Recruitment	309	365	1	1.7%
Media & Marketing Services	743	310	2	1.5%
Food producers	245	285	1	1.3%
Support Services	1,652	262	4	1.3%
General Retail	253	117	1	0.5%
Financial Services	383	73	1	0.3%
Construction & Materials	299	31	1	0.1%
Technology & Telecommunications	420	–	1	0.0%
Total AIM-quoted investments	**5,938**	**2,759**	**15**	**12.9%**

Review of Investments

At 31 July 2011 the Eclipse portfolio comprised investments in 18 unquoted and 15 AIM-quoted companies. The unquoted investments are in Ordinary shares with full voting rights as well as loan note securities. The AIM-quoted investments are in Ordinary shares, also with full voting rights.

Quoted and unquoted investments are valued in accordance with the accounting policy set out on page 51, which takes account of current industry guidelines for the valuation of venture capital portfolios and is compliant with International Private Equity and Venture Capital Valuations guidelines and current financial reporting standards.

INVESTMENT MANAGER'S REVIEW (continued)

Ten Largest Holdings

Listed below are the ten largest investments by value as at 31 July 2011:

CSL DualCom Limited

CSL DualCom 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. CSL DualCom has developed a number of new products which have enabled the business to steadily grow its market share of new connections and its profitability since the initial investment, most recently by expanding into Ireland. Following the success in Ireland the company is now exploring other international markets. The return on the investment has increased during the year with proceeds of £711,000 being received, realising an overall gain of £396,000.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	668	108	560
Valuation	2,822	2,012	810

Initial investment date:	June 2006	
Equity held:	13.1%	
Valuation basis:	Steady state cashflow multiple	
Income recognised for the year:	£61,647	
Last audited accounts:	31 March 2010	31 March 2009
Revenues (£'000):	8,236	7,243
Profit before interest & tax (£'000):	1,220	750
Net assets (£'000):	1,239	724

Further information can be found at the company's website www.csldual.com

INVESTMENT MANAGER'S REVIEW (continued)

The History Press Limited

The History Press ('THP') is the UK market leading publisher of distinctive 'local interest' history books. It has operations in France, Germany, Ireland, Belgium and the US. The Group houses four main imprints: Pitkin, Phillimore, Spellmount and The History Press. Despite a continuing challenging retail environment, THP had a successful year to December 2010, achieving a full year operating profit. The performance was mixed across the Group with the UK successfully demonstrating a turnaround in profitability of £500k. France had a more difficult year, with the market particularly tough, but a restructuring has resulted in a stronger start to 2011. Germany saw some title slippage but has made a small move into the Austrian market. The US continues to perform well and shows high growth, making its first annual profit and expanding into the Midwest. With a stronger sustained performance in the Group, the management team are able to explore opportunities for further growth in the next twelve months. In 2011 the UK has been hit by the lack of sales at Waterstones, although this was somewhat mitigated by Royal Wedding activity. Given the continued evidence of poor trading on the high street and in retail in general, it has been deemed prudent to make a small adjustment to the valuation in this period.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	2,357	119	2,238*
Valuation	2,238	–	2,238*

* includes cash guarantee of £557,000

Initial investment date:	December 2007	
Equity held:	15.4%	
Valuation basis:	Revenue multiple	
Income recognised for the year:	£nil	
Last audited accounts:	31 December 2010	31 December 2009
Revenues (£'000):	11,402	11,747
Profit/(loss) before interest & tax (£'000):	7	(426)
Net liabilities (£'000):	(3,822)	(2,569)

Further information can be found at the company's website www.thehistorypress.co.uk

INVESTMENT MANAGER'S REVIEW (continued)

The Kendal Group Limited

The Kendal Group is a branded consumer goods company, owning the Zoggs brand of swimwear, swim equipment and active wear. The company designs a product, has it manufactured in Europe and the Far East and sells to retail outlets, on-line, leisure centres and through distribution agreements overseas. The company has offices in the UK and Australia. Overall the company has performed well over the last year with growth shown in most markets. The company is also beginning to see more progress in other international markets with the particular emphasis in 2010/11 on Germany which is starting to show good results.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	736	443	293
Valuation	1,407	1,114	293

Initial investment date:	November 2005	
Equity held:	10.2%	
Valuation basis:	Earnings multiple	
Income recognised for the year:	£43,535	
Last audited accounts:	31 March 2010	31 December 2008
Revenues (£'000):	19,141*	14,822
Profit before interest & tax (£'000):	1,491*	436
Net assets/(liabilities) (£'000):	742	(413)

Further information can be found at the company's website www.thekendalgroup.com

*15 month period

Audio Visual Machines Limited

Audio Visual Machines ('AVM') carries out the full design, installation and support of complex Video Conferencing and Audio Visual systems and is the UK's leading VC & AV maintenance and support provider. The company employs over 190 people and has sales offices throughout the UK. Since our initial investment in 2006 AVM has made four acquisitions, including the acquisition of Matrix Display Systems Limited, which principally operates in the education sector. A small acquisition was completed earlier in the year of VC-Net. VC-Net is a provider of managed video services and increases AVM's offering in this area. Despite a continued difficult trading environment, AVM grew its profits in the year to June 2011 by 10%.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	752	77	675
Valuation	1,211	476	735

Initial investment date:	September 2006	
Equity held:	10.7%	
Valuation basis:	Earnings multiple	
Income recognised for the year:	£54,623	
Last audited accounts:	30 June 2011	30 June 2010
Revenues (£'000):	35,535	34,785
Profit before interest & tax (£'000):	1,023	930
Net assets (£'000):	201	63

Further information can be found at the company's website www.avmachines.com

INVESTMENT MANAGER'S REVIEW (continued)

Plastics Capital plc

AIM-quoted Plastics Capital plc is a specialist manufacturer of plastic components, often with specific applications, with customers worldwide and in a wide range of industries. The company suffered from adverse currency movements and a decline in orders during the downturn. However, sales momentum has recovered strongly over the last year and the company is now expected to achieve a profit of £4.4 million for the year ending 31 March 2012, an increase of 22% compared to the year to 31 March 2011.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	1,335	1,335	–
Valuation	1,162	1,162	–

Initial investment date:	March 2006	
Equity held:	4.9%	
Valuation basis:	Bid price	
Income recognised for the year:	£nil	
Last audited accounts:	31 March 2011	31 March 2010
Revenues (£'000):	33,509	26,688
Profit before interest & tax (£'000):	3,597	1,792
Net assets (£'000):	17,798	14,657

Further information can be found at the company's website www.plasticscapital.com

Luther Pendragon Limited

Luther Pendragon is one of the UK's leading independent communications consultancies. The company has more than 40 qualified consultants managing corporate communications, public affairs, media relations and crisis and stakeholder communications. The business has offices in London and Brussels and affiliates across the world. Luther had a challenging 2010, with public sector work all but disappearing, reflected in a reduction in the carrying value of the investment in the year. This led to a restructuring of the business leaving it in a stronger position for 2011, which has continued to be difficult. The team are considering some interesting opportunities for the business that will assist in replacing the lost public sector turnover.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	1,000	125	875
Valuation	1,150	231	919

Initial investment date:	November 2005	
Equity held:	20.9%	
Valuation basis:	Earnings multiple	
Income recognised for the year:	£52,500	
Last audited accounts:	31 December 2010	31 December 2009
Revenues (£'000):	4,998	4,875
Profit before interest & tax (£'000):	448	617
Net assets (£'000):	5,983	5,633

Further information can be found at the company's website www.luther.co.uk

INVESTMENT MANAGER'S REVIEW (continued)

Reading Room Limited

Reading Room is a leading web design agency with offices in London, Manchester, Sydney, Canberra and Brisbane. It provides online brand strategy, web design, content management system development and usability testing. The business has targeted specific sectors including professional service organisations, charities and the government. It has continued to expand its commercial clients with the likes of Barclays, Teletext Holidays, Jupiter and Malvern Instruments. Expansion overseas has been successful with now two offices in Australia: Brisbane and Canberra, as well as a new opening in Singapore.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	700	500	200
Valuation	700	500	200

Initial investment date:	April 2005	
Equity held:	26.7%	
Valuation basis:	Earnings multiple	
Income recognised for the year:	7,982	
Last audited accounts:	31 March 2010	31 March 2009
Revenues (£'000):	11,112	10,741
Profit before interest & tax (£'000):	269	96
Net assets (£'000):	1,754	1,958

Further information can be found at the company's website www.readingroom.com

Brandspace Limited (formerly Promotion Space Limited)

Brandspace provides promotional space management for property owners, brands, agencies and retailers. It exclusively represents some of the UK's most exciting venues for sponsorship, events, promotions, sampling campaigns, customer acquisition drives and tactical retail opportunities. Since our initial investment the business has more than trebled in size through organic and acquisition-led growth. The second half of 2010 was challenging for Brandspace with the advertising market slowing and margins coming under pressure. Following a financial review of the company it was decided that a change of leadership was required and a new CEO was appointed and a number of other management changes were made. To reflect the shortfall in expectations, and the transition of the business between management teams, a provision has been made against the Ordinary shares and the loan notes. However, we are confident that the actions taken will improve the prospects for the company going forward.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	1,005	113	892
Valuation	621	–	621

Initial investment date:	April 2007	
Equity held:	6.2%	
Valuation basis:	Provision, Earnings multiple	
Income recognised for the year:	£120,837 (includes £86,428 interest capitalised into a new loan note in January 2011)	
Last audited accounts:	31 March 2010	31 March 2009
Revenues (£'000):	18,705	17,092
Profit before interest & tax (£'000):	736	141
Net assets (£'000):	2,906	3,618

Further information can be found at the company's website www.brandspace.com

INVESTMENT MANAGER'S REVIEW (continued)

Hydrobolt Limited

Hydrobolt is a manufacturer and supplier of special fasteners and petro-chemical grade studbolts. It differentiates itself by its quality of service, flexibility and full traceability of its products, which are often a small but critical part of a large machine or assembly in the oil and gas market. After a difficult period over 2009-2010 and reflected in the results to 31 March 2011, the current year has seen a marked improvement, most notably with the order book increasing by over 100% since the low point. This has given rise to a valuation uplift in the period. We are particularly pleased to see the rapid development of international sales, which has more than made up for sluggish performance in the UK.

	Total £'000	Ordinary shares £'000	Loan stock £'000
Cost	397	40	357
Valuation	588	199	389

Initial investment date:	April 2008	
Equity held:	4.6%	
Valuation basis:	Earnings multiple	
Income recognised for the year:	£28,000	
Last audited accounts:	31 March 2011	31 March 2010
Revenues (£'000):	15,384	14,464
Profit before interest & tax (£'000):	1,460	1,473
Net assets (£'000):	2,004	1,920

Further information can be found at the company's website www.hydrobolt.co.uk

Tristar Worldwide Limited

Tristar is one of the world's leading chauffeur companies, carrying over 500,000 passengers for 400 clients in the last year alone. The business operates in 70 countries with its own vehicles in the UK and the US and has a newly opened and rapidly expanding service in Hong Kong. It has a blue chip customer base which includes Virgin, Emirates, BP, Goldman Sachs and many other leading multinationals. Having seen a slowdown in the aftermath of the credit crunch, the business staged a recovery during the course of 2011 in the UK and is seeing good trading in the US and Asia, both of which are ahead of plan. As a result of this performance, the value of the investment has been increased.

	Total £'000	Ordinary shares £'000	B Ordinary shares £'000	Loan stock £'000
Cost	331	26	8	297
Valuation	478	173	8	297

Initial investment date:	January 2008	
Equity held:	3.3%	
Valuation basis:	Earnings multiple	
Income recognised for the year:	£16,572	
Last audited accounts:	31 May 2010	31 May 2009
Revenues (£'000):	32,608	35,118
Profit before interest & tax (£'000):	779	694
Net assets (£'000):	1,951	1,994

Further information can be found at the company's website www.tristarworldwide.com

DETAILS OF DIRECTORS

Viscount Cobham (64 – Chairman) was, until his retirement from full time City employment, Deputy Chairman of Smith & Williamson where he had overall responsibility for the company's fund management division. He retired as a consultant to the company in October 2011. Prior to leading the buy-out of NCL Investments in 1986 he spent 16 years with Wood Gundy, then a leading Canadian investment banking firm. Prior to his departure his role at Wood Gundy was as Director of their UK and Middle Eastern Operations. Viscount Cobham was also elected to the Board of The Securities and Futures Authority in 1996 and remained a Board member until 2001.

Matt Cooper (44 – Director) is the Chairman of Octopus Investments Limited, the Investment Manager of Octopus Eclipse VCT plc. 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 £275million and employing over 2,000 people. Matt is also Chairman of Imaginatik plc and a Non-Executive Director of Carbon Search Limited, KMI Brands Limited, 10Duke Software Limited, MyDish Limited and nine other VCTs.

Roger Penlington (64 – Director) qualified as a management accountant with Ford Motor Company Limited before moving into senior general management with Air Call Plc and Avis Rent a Car Limited. He then founded the Heathrow Business Centre, which was sold to Thomas Cook Limited. In 1987 Roger joined HSBC Private Equity as Investment Director, responsible for sourcing, leading and managing venture capital investments. In 1995, he joined Guinness Mahon Development Capital as a Director, responsible for deals between £250,000 and £2 million. In May 1998 Roger was a member of the management team which acquired ProVen Private Equity from Guinness Mahon Group Limited. Until 28 September 2010 Roger was a Non-Executive Director of Octopus Apollo VCT 1 plc and Octopus Apollo VCT 2 plc, funds which are also managed by Octopus.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 July 2011.

This report has been prepared by the Directors in accordance with the requirements of s415 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 42 and 43.

Principal Activity and Status

The principal activity of the Company is to invest in a diversified portfolio of AIM quoted and smaller unquoted UK 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 full approval as a VCT 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; in particular, the Company is required at all times 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 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.

Investment company status was revoked on 16 May 2007. The Directors are required by the Articles of Association to propose an Ordinary Resolution at the Company's Annual General Meeting in 2014 that the Company should continue as a VCT 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 but also includes the Chairman's Statement on pages 5 to 7, the Investment Manager's Review on pages 8 to 20 and the notes to the financial statements on pages 50 to 67.

The purpose of this review is to provide information about the main trends and factors likely to affect the future development, performance and position of the Company. The following events occurred between the balance sheet date and the signing of these financial statements:

- Perfect Pizza Limited went into administration on 1 August 2011. The conditions that resulted in the company going into administration were evident at 31 July 2011 and therefore taken into account when assessing the fair value of the investment at the year end.
- There was a part disposal of the holding in Northern Bear plc on 26 August 2011 realising a loss of £17,000.
- The holding in CBG Group plc was subject to a cash bid on 31 August 2011 realising a loss of £296,000.
- Blanc Brasseries Holdings plc was sold on 30 September 2011 realising a small profit of £2,000.
- Follow-on investments of £60,000 and £180,000 were made into First Sports Group Limited on 30 September 2011 and 28 October 2011.

Performance and Key Performance Indicators (KPIs)

As a VCT the Company's objective is to provide shareholders with an attractive income and capital return by investing its funds in a broad spread of AIM-quoted and unquoted UK companies which meet the relevant criteria for VCTs.

The Board expects the Investment Manager to deliver a performance which meets the twin objectives of providing investors with attractive returns from a portfolio of investments, and maximising tax-free income for shareholders. The KPIs in meeting these objectives are net asset value and the performance of dividends paid, which when combined give total return. Additional KPIs reviewed by the Board include the discount of the share price relative to the NAV and the total expense as a proportion of shareholders' funds.

A record of some of these indicators is detailed in the Financial Headlines at the start of the report. Additional comments are provided in the Chairman's Statement discussing the performance of the Company over the current year. The total expense ratio in the period was 3.0% below the annual limit of 3.5%. Share buy-backs have generally been completed at discounts ranging from 17% to 20%. Combined, these KPIs compare favourably with the wider VCT market.

The Board assesses the performance of the Investment Manager in meeting the Company's objectives against the KPIs highlighted above.

Clearly, when making investments in unquoted companies at an early stage of their development, some are likely to disappoint. Investing the funds raised in high growth companies, with the potential to become market leaders, creates an environment of improved return for shareholders. The growth of these companies is largely dependent on the UK economic environment as the state of the economy will often have a significant impact on sales levels and also result in changes to corporate spending patterns. Therefore, the current volatile economy is likely to have a negative impact on the development of the investee companies.

Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE Small-Cap Index. This is shown in the graph on page 39 of the Directors' Remuneration Report. This index has 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 other generalist VCTs.

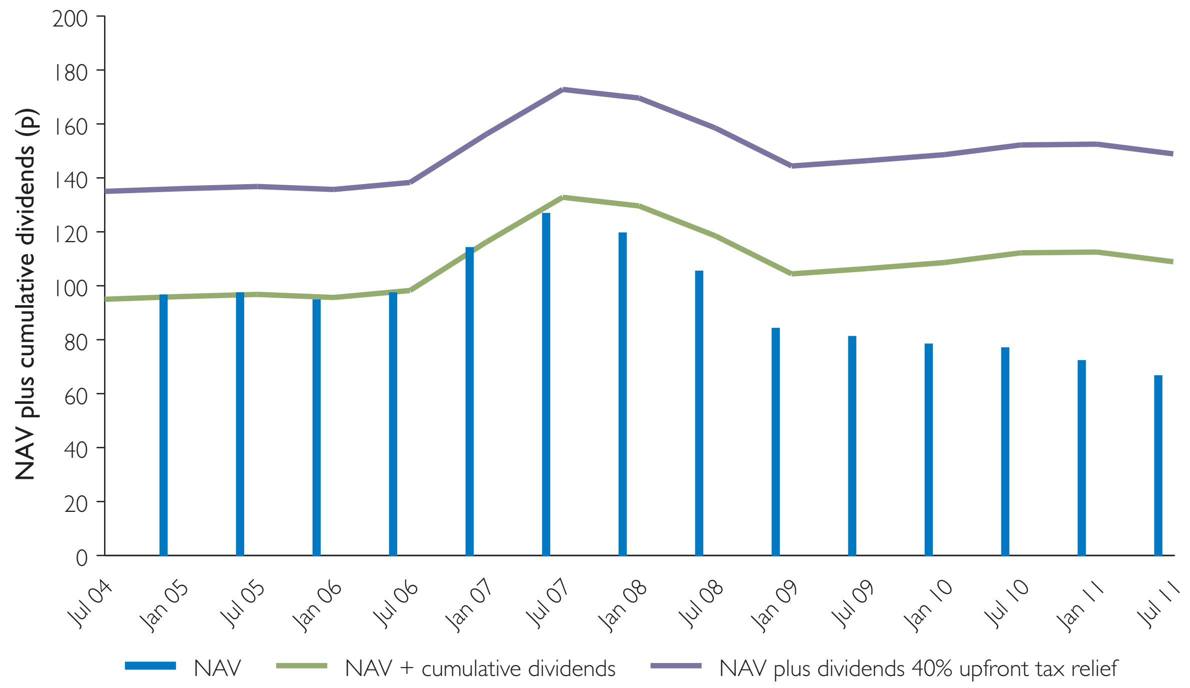
Results and Dividend

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Net return attributable to shareholders	**(1,149)**	1,801
Appropriations: Final dividend proposed 4.0p per share (2010 – 5.0p per share)	**1,289**	1,642

The proposed final dividend will, if approved by shareholders, be paid on 16 December 2011 to shareholders on the register on 18 November 2011.

DIRECTORS' REPORT (continued)

The graph below shows Eclipse's NAV and dividend history since launch:



Objective and investment policy

The objective of the Company is to invest in a broad range of AIM-quoted and smaller unquoted UK companies which meet the relevant criteria for VCTs in order to generate income and capital growth over the long-term. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

The Company's investment policy has been designed to enable the Company to comply with the VCT qualifying conditions set out above. The Directors intend that the long-term disposition of the Company's assets will be not less than 80% in a portfolio of AIM-quoted and unquoted investments and up to 20% in cash or near-cash investments, to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Investments will be structured using various quoted and unquoted investment instruments, including Ordinary and Preference shares, loan stocks and convertible securities, to achieve an appropriate balance of income and capital growth, having regard to the VCT legislation. The portfolio will be diversified by investing in a broad range of industry sectors and by holding investments in companies at various stages of maturity in the corporate development cycle. The normal investment holding period will be in the range from three to seven years. Any un-invested funds will typically be held in cash and money market securities.

Risk is spread by investing in a number of different businesses within different industry sectors using a mixture of securities. In order to qualify as an investment in a VCT qualifying holding, the maximum amount invested in any one company is limited to £1 million in a fiscal year and generally no more than £2.5 million, at cost, will be invested in the same company. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, shareholders should be aware that the Company's VCT qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significantly higher proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's shareholders' funds and it is not intended that the Company will take on any long-term borrowings.

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.

The Company will not borrow money for the purposes of making investments and any investment decisions made must adhere to the HMRC qualification rules as stated below.

In considering a prospective investment in a company, particular regard will be made to:

- evidence of high margin products capable of addressing fast-growing markets;
- the company's ability to sustain a competitive advantage;
- the strength of the management team;
- the existence of proprietary technology; and
- the company's prospects of being sold or floated, usually within three to five years.

A review of the investment portfolio and of market conditions during the period is included in the Chairman's Statement and Investment Manager's Review.

VCT Regulation

Compliance with required rules and regulations is considered when investment decisions are made. The Company is further monitored on a continual basis to ensure compliance. The main criteria to which the Company must adhere include:

- at least 70% of investments must be made in qualifying shares or securities;
- at least 30% of the 70% of qualifying investments must be invested into Ordinary shares with no preferential rights;
- no single investment made can exceed 15% of the total Company value; and
- a minimum of 10% of each qualifying investment must be in Ordinary shares with no preferential rights.

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 are in AIM-quoted and unquoted companies which are VCT qualifying holdings, and which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies.

DIRECTORS' REPORT (continued)

The Directors and the Manager 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 Manager 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 provide further support to investee companies and consider 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 and in cash funds managed by Goldman Sachs and BlackRock. The risk of loss of this cash is deemed to be extremely low due to the historical credit ratings and a current S&P rating of AA for HSBC and AAA for the Goldman Sachs and BlackRock funds. Inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to mis-posting or breaches of regulations.

Regulatory risk: 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.

Reputational risk: inadequate or failed controls might result in breaches of regulation or loss of shareholder trust.

Internal control risk: the Board regularly reviews the system of internal controls, both financial and non-financial, operated by the Company and the Investment Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Competitive risk: Octopus has a significant commitment to private equity investment which means it has a broad team focussed on unquoted investments. This mitigates against the short term risk of any one individual leaving.

Price risk: the risk that the value of a security or portfolio of securities will decline in the future is mitigated by holding a diversified portfolio, across a broad range of sectors.

Cash flow risk: the risk that the Company's available cash will not be sufficient to meet its financial obligations is managed by frequent budgeting and close monitoring of available cash resources.

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.

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 31 to 37.

Further details of the Company's financial risk management objectives and policies are provided in note 16 to the financial statements.

Directors

The Directors of the Company during the year 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 each are shown in the table below:

	Ordinary shares of 10p each 31 July 2011	Ordinary shares of 10p each 31 July 2010
Viscount Cobham (Chairman)	**31,500**	31,500
Matt Cooper	**10,500**	10,500
Roger Penlington	**10,500**	10,500

All of the Directors' shares were held beneficially. There have been no changes in the Directors' share interests between 31 July 2011 and the date of this report.

Roger Penlington retires by rotation, and being eligible, offers himself for re-election. The Board has considered provision B.7.2 of the The UK Corporate Governance Code and following a formal performance evaluation, believes that Roger Penlington continues to be effective and demonstrates commitment to his role. They, therefore, recommend his re-election at the forthcoming Annual General Meeting.

As a public listed company, Octopus Eclipse VCT plc is required to comply with the regulations of the UK Listing Authority ("UKLA"). From 28 September 2010 new UKLA regulations on Board independence came into effect. As a result of these changes, Roger Penlington resigned as a Non-Executive Director of Octopus Apollo VCT 1 plc and Octopus Apollo VCT 2 plc, funds which are also managed by Octopus. Roger Penlington is therefore deemed to be independent in accordance with the new regulations.

Brief biographical notes on the Directors are given on page 21.

Directors' and Officers' Liability Insurance

The Company has, as permitted by s233 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Whistleblowing

The Board has considered the arrangements in accordance with the recommendations of The UK Corporate Governance Code to encourage staff of the Investment Manager or Secretary of the Company to raise concerns, in confidence, within their organisation about possible improprieties in matters of financial reporting or other matters. It is satisfied that adequate arrangements are in place to allow an independent investigation, and follow on action where necessary, to take place within the organisation.

Management

Octopus Investments Limited ('the Investment Manager') acts as Investment Manager to the Company. The principal terms of the Company's management agreement with Octopus are set out in notes 3 and 19 to the financial statements. The Investment Manager also provides the provision of secretarial, administrative and custodian services to the Company.

The Company has in place an agreement with Octopus Investments Limited to act as Investment Manager which is central to the ability of the Company to continue in business. There are no other contracts which are deemed to be essential to the business of the Company.

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 independent Directors have taken into account the performance of the investment portfolio and the ability of the Investment Manager to produce satisfactory investment performance in the future. It also considered the length of the notice period of the management agreement and fees payable to the Investment Manager, together with the standard of other services provided which include secretarial and accounting services.

DIRECTORS' REPORT (continued)

With the exception of Matt Cooper, no Director has an interest in any contract to which the Company is party. Matt Cooper is Chairman of Octopus. Details of the fees paid to Octopus in respect of services provided are detailed in note 19 to the financial statements.

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 31 May 2007 at the earliest. Further details of this scheme are disclosed within note 19 to the financial statements. No performance fee was payable at 31 July 2011.

It should be noted that there is no formal management engagement committee as matters of this nature are dealt with by the independent Non-Executive Directors.

The Board has delegated the routine management decisions such as the payment of standard running costs to the Investment Manager. However, investment decisions are discussed and agreed with the Board.

Share Issues and Open Offers

There are no open offers. No shares were issued during the year to 31 July 2011 (2010:1,927,610).

Share Buy-backs and Redemptions

During the year the Company purchased 607,216 shares, with a nominal value of £60,722, for cancellation at a weighted average price of 59.2 pence per share for total consideration of £359,517 (2010: 583,533 shares at a weighted average price of 64.6 pence per share). These were repurchased in accordance with the Company's share buy-back facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

Share Capital, Rights Attaching to the Shares and Restrictions on Voting and Transfer

The Company's share capital as at 31 July 2011 was 32,232,614 shares of 10 pence each (as at that date none of the 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 a 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 the 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. 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).

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 a 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 or her 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 a general meeting by Ordinary Resolution (requiring a simple majority of the persons

DIRECTORS' REPORT (continued)

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 Act, 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. Authority was given at the Company's 2010 Annual General Meeting to make market purchases of up to 5% of the issued Ordinary share capital at any time up to the 2011 Annual General Meeting and otherwise on the terms set out in the relevant resolution, and renewed authority is being sought at the 2011 Annual General Meeting as set out in the notice of meeting.

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, nor would the current proposals issued by the ASB on 16 June 2011 require it to adopt them as part of the 'Future of UK GAAP' project.

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 July 2011 there were no trade creditors (31 July 2010: £nil).

Environment Policy

The Board has no specific environmental policy; however, the Company recognises the need to conduct its business, including investment decisions, in a manner that is responsible to the environment wherever possible.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement and Investment Manager's Review on pages 5 to 20. Further details on the management of financial risk may be found in note 16 to the financial statements.

The Board receives regular reports from the Investment Manager and the Directors believe that, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The assets of the Company consist of securities which are readily realisable (25.0% of net assets) and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

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 2011 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 offer themselves for reappointment as auditor. A resolution to reappoint Grant Thornton UK LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Directors' Authority to Allot Shares and to Disapply Pre-emption Rights

The authority proposed under Resolution 6 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 6 renews the Directors' authority to allot Ordinary shares. This would enable the Directors, until December 2012, to allot up to 3,223,261 Ordinary shares (representing approximately 10% of the Company's issued share capital as at 31 July 2011).

Resolution 7 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-issue shares out of Treasury up to a maximum of 3,223,261 Ordinary shares (representing approximately 10% of the Company's issued share capital as at 31 July 2011). 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 Purchases of its Own Shares

The authority proposed under Resolution 8 is required so that the Directors may make purchases of up to approximately 5% of the Company's issued share capital and 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, it 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.

Corporate Governance

The Board of Octopus Eclipse VCT 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 The UK Corporate Governance 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 the principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates, and is used in addition to, The UK Corporate Governance Code), will provide better information to shareholders.

DIRECTORS' REPORT (continued)

The Company is committed to maintaining high standards in Corporate Governance. The Directors consider that the Company has, throughout the year under review, complied with the provisions set out in The UK Corporate Governance Code with the exceptions set out in the Compliance Statement on page 36.

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 Octopus Investments Limited. 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 Investment Manager;
- the performance of the Company, including monitoring of the discount of the NAV and 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. As all of the Directors are Non-Executive, it is not considered appropriate to identify a member of the Board as the senior Non-Executive Director of the Company.

The Company's Articles of Association and the schedule of matters reserved for the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

During the year the following were held:

	Full Board meetings held	No. of meetings attended	Audit Committee meetings held	Audit Committee meetings attended
Viscount Cobham (Chairman)	5	5	2	2
Matt Cooper	5	5	N/A	N/A
Roger Penlington	5	5	2	2

Additional meetings were held as required to address specific issues including considering recommendations from the Investment Manager and purchases of its own shares. A brief biographical summary of each Director is given on page 21.

The Company's Articles of Association require that one third of Directors should retire by rotation each year 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. All Directors are required to submit themselves for re-election at least every three years. This practice was followed during the year under review.

	Date of Original Appointment	Due date for Re-election/election
Viscount Cobham (Chairman)	06/04/2004	AGM 2012
Matt Cooper	06/04/2004	AGM 2013
Roger Penlington	06/04/2004	AGM 2011

DIRECTORS' REPORT (continued)

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

Audit Committee:

Roger Penlington (Chairman)
Viscount Cobham

The Audit Committee, chaired by Roger Penlington, consists of two independent Directors. The Audit Committee believes Roger Penlington possesses appropriate and relevant financial experience as per the requirements of The UK Corporate Governance Code. The Board considers that the members of the Committee are independent and collectively have the skills and experience required to discharge their duties effectively.

The Audit Committee's terms of reference include the following 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 the 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, being corporation tax compliance, and does not believe it is sufficient to influence their independence or objectivity due to the fee being an immaterial expense. When considering whether to recommend the reappointment of the external auditor the Committee takes into account the tenure of the current auditor in addition to comparing the fees charged by similar sized audit firms.

Once the Committee has made a recommendation to the Board in relation to the appointment of the external auditor, this is then ratified at the AGM through an Ordinary Resolution.

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 year ended 31 July 2011, 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' 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' compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial and interim results statements prior to Board approval; and
- reviewing the external auditor's detailed reports to the Committee on the annual financial statements.

Nomination Committee:

Viscount Cobham (Chairman)
Matt Cooper

The Nomination Committee considers the selection and appointment of Directors and makes recommendations to the Board as to the level of Directors' fees if appropriate. It has not yet been necessary for the Committee to meet and therefore 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.

Performance Evaluation

In accordance with The UK Corporate Governance Code, a performance evaluation was conducted by the Directors completing a questionnaire which was returned to the Chairman who provided a summary of the findings to the Board at the following meeting. The performance of the Chairman was evaluated by the other Directors.

Internal Controls

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 the Investment Manager.

The Investment Manager identifies investment opportunities which are reviewed by the Board prior to completion. 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. Quoted investments are held in Crest. Octopus regularly reconciles the client asset register with the physical documents.

The Directors confirm that they have established a continuing process throughout the year 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. The Board do not consider it appropriate to have an internal audit function.

The internal control systems include the production and review of monthly bank and management accounts. All outflows made from the VCT's accounts require authorisation at appropriate levels of the Investment Manager's employees. The VCT is subject to a full annual audit and the Auditors also act as auditors for some of the other VCTs managed by the Investment Manager. Further to this, the Audit Partner

DIRECTORS' REPORT (continued)

has open access to the Directors of the VCT and the Investment Manager is subject to regular review by the Octopus Compliance Department.

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 20 Old Bailey, London, EC4M 7AN. Alternatively, the team at Octopus is happy to answer any questions that a shareholder may have and can be contacted on 0800 316 2295.

Compliance Statement

The Listing Rules require the Board to report on compliance throughout the accounting period with all relevant provisions set out in The UK Corporate Governance Code. The preamble to The UK Corporate Governance Code does, however, acknowledge that some provisions may have less relevance for investment companies adding that the AIC Code and AIC Guide can assist in meeting the obligations under The UK Corporate Governance Code. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 31 July 2011 with the provisions set out in The UK Corporate Governance Code. The section references to The UK Corporate Governance Code are shown in brackets.

1. The Company does not have a Chief Executive Officer or a senior independent Director. The Board does not consider this necessary for the size of the Company. [A.2.2 and A.4.1]
2. New Directors have not received a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise. [B.4.1]
3. The Company had two independent Directors, Viscount Cobham and Roger Penlington, as defined by The UK Corporate Governance Code. Matt Cooper holds directorships of other companies with the same Investment Manager and with the Investment Manager itself. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of The UK Corporate Governance Code. [B.1.1]
4. All of the Directors are not subject to annual election by the shareholders as one third of the Directors retire by rotation and are offered for re-election at the Annual General meeting in accordance with the Articles of Association of the Company. [B.7.1]
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 VCT. [C.3.2]
6. The Company does not have a Remuneration Committee as it does not have any executive directors. [D.1.1 – 2.4]
7. The Company has no major shareholders therefore shareholders are not given the opportunity to meet any Non-Executive Directors at a specific meeting other than the Annual General Meeting. [E.1.1 and E.1.2]

8. The Notice of the AGM to shareholders did not provide for at least 20 working days before the meeting. However, the Company did comply with the requirement of s307 Companies Act 2006 to give 21 days notice of the AGM. [E.2.4]

By order of the Board

Celia L Whitten, FCIS
Company Secretary
4 November 2011

DIRECTORS' REMUNERATION REPORT

Introduction

This report is submitted in accordance with chapter 6 of Part 15 of the Companies Act 2006 in respect of the year ended 31 July 2011. 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 42 and 43.

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 VCTs).

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 is dependent upon the 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.

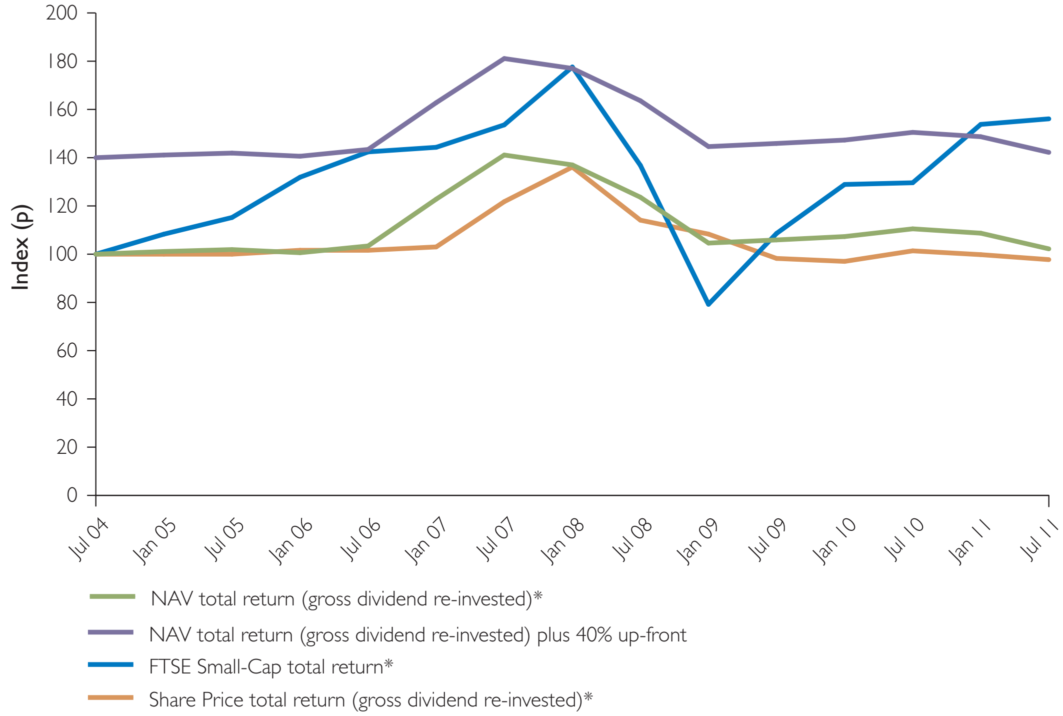
The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board 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.

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 share price total return and NAV total return (gross dividend reinvested) of Eclipse over the period from July 2004 to July 2011 with the total return from a notional investment in the FTSE Small-Cap index over the same period. This index is considered to be the most appropriate broad equity market index 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.

Net asset value and share price total return since launch against the FTSE Small-Cap Index total return



* based on notional investment on 31 July 2004, rebased to 100p at launch

AIC methodology: The NAV total return to the investor, including the original amount invested (rebased to 100p) at launch, assuming that dividends paid were re-invested at the NAV of the Company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

It is agreed amongst the Board that it would be unwise to present a comparison of the Company's NAV with that of other VCTs, for the reason that year ends are not in line and thus there would be timing differences in comparisons. The Board also believes that the IPEVC valuation guidelines require an element of judgement. Without a full analysis of the guidelines as applied by other fund managers there is a risk these valuations would not be directly comparable. The Board does review these statistics, where available, when considering the performance of the Investment Manager.

DIRECTORS' REMUNERATION REPORT (continued)

Directors' Emoluments (information subject to audit)

Amount of each Director's emoluments:

	Year ended 31 July 2011 £	Year ended 31 July 2010 £
Viscount Cobham (Chairman)	**21,000**	21,000
Matt Cooper	**16,000**	16,000
Roger Penlington	**16,000**	16,000
Total	**53,000**	53,000

The Directors do not receive any other form of emoluments in addition to the Directors' fees.

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 service contracts, 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 period to any of the Directors.

By Order of the Board

Celia L Whitten FCIS
Company Secretary
4 November 2011

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 accounting 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 the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

In so far as each of the Directors is 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of 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 they face.

On Behalf of the Board

Viscount Cobham
Chairman
4 November 2011

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF OCTOPUS ECLIPSE VCT PLC

We have audited the financial statements of Octopus Eclipse VCT plc for the year ended 31 July 2011 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditors

As explained more fully in the Directors' Responsibility Statement set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2011 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial which the financial statements are prepared is consistent with the financial statements.

The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 30, in relation to going concern;
- the part of The UK Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' Remuneration.

Tracey James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
4 November 2011

INCOME STATEMENT

		Year to 31 July 2011		
	Notes	Revenue £'000	Capital £'000	Total £'000
Realised gain on disposal of fixed asset investments	10	–	331	331
Realised gain on disposal of current asset investments		–	1	1
Fixed asset investment holding losses	10	–	(1,273)	(1,273)
Current asset investment holding gains	12	–	–	–
Other income	2	632	–	632
Investment management fees	3	(125)	(377)	(502)
Other expenses	4	(338)	–	(338)
Return on ordinary activities before tax		169	(1,318)	(1,149)
Taxation on return on ordinary activities	6	–	–	–
Return on ordinary activities after tax		169	(1,318)	(1,149)
Earnings per share – basic and diluted	8	0.5p	(4.0)p	(3.5)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 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 year as set out above.

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

INCOME STATEMENT

	Notes	Revenue £'000	Year to 31 July 2010 Capital £'000	Total £'000
Realised gain on disposal of fixed asset investments		–	1,682	1,682
Fixed asset investment holding gains		–	484	484
Current asset investment holding gains		–	12	12
Other income	2	417	–	417
Investment management fees	3	(112)	(335)	(447)
Other expenses	4	(347)	–	(347)
Return on ordinary activities before tax		**(42)**	**1,843**	**1,801**
Taxation on return on ordinary activities	6	–	–	–
Return on ordinary activities after tax		**(42)**	**1,843**	**1,801**
Earnings per share – basic and diluted	8	**(0.1)p**	**5.8p**	**5.7p**

- 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 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 year as set out above.

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Shareholders' funds at start of year	**25,115**	25,419
Return on ordinary activities after tax	**(1,149)**	1,801
Purchase of own shares	**(350)**	(377)
Issue of equity	–	1,498
Dividends paid	**(2,265)**	(3,226)
Shareholders' funds at end of year	**21,351**	25,115

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

BALANCE SHEET

	Notes	**As at 31 July 2011** £'000	**As at 31 July 2011** £'000	As at 31 July 2010 £'000	As at 31 July 2010 £'000
Fixed asset investments*	10		**15,941**		17,518
Current assets:					
Debtors	11	**55**		521	
Money market securities* and other deposits	12	**5,306**		6,844	
Cash at bank		**198**		349	
		5,559		7,714	
Creditors: amounts falling due within one year	13	**(149)**		(117)	
Net current assets			**5,410**		7,597
Net assets			**21,351**		**25,115**
Called up equity share capital	14	**3,223**		3,284	
Share premium	15	**3,440**		3,440	
Special distributable reserve	15	**22,737**		23,087	
Capital redemption reserve	15	**336**		275	
Capital reserve – (losses)/gains on disposal	15	**(2,646)**		(97)	
– holding gains(losses)	15	**(5,764)**		(4,830)	
Revenue reserve	15	**25**		(44)	
Total equity shareholders' funds			**21,351**		**25,115**
Net asset value per share	9		**66.2p**		**76.5p**

*Held at fair value through profit or loss

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

The statements were approved by the Directors and authorised for issue on 4 November 2011 and are signed on their behalf by:

Viscount Cobham
Chairman

Company number: 05074325

CASH FLOW STATEMENT

	Notes	**Year ended 31 July 2011 £'000**	Year ended 31 July 2010 £'000
Net cash inflow/(outflow) from operating activities		**290**	(418)
Financial investment			
Purchase of fixed asset investments	10	**(640)**	(1,006)
Sale of fixed asset investments	10	**1,275**	2,947
Management of funds			
Purchase of current asset investments	12	**(8,056)**	(5,614)
Sale of current asset investments	12	**9,595**	6,462
Taxation		**–**	–
Dividends paid	7	**(2,265)**	(3,226)
Financing			
Issue of equity		**–**	1,584
Share issue expenses		**–**	(86)
Purchase of own shares	14	**(350)**	(377)
(Decreased)/increase in cash resources at bank		**(151)**	266

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

RECONCILIATION OF RETURN BEFORE TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

	Notes	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Return on ordinary activities before tax		**(1,149)**	1,801
Loss/(gain) on valuation of fixed asset investments	10	**1,273**	(484)
Gain on valuation of current asset investments	12	**–**	(12)
Gain on disposal of fixed asset investments	10	**(331)**	(1,682)
Gain on disposal of current asset investments	12	**(1)**	–
Decrease in debtors		**466**	2
Increase/(decrease) in creditors		**32**	(43)
Net cash inflow/(outflow) from operating activities		**290**	(418)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
(Decrease)/increase in cash at bank		**(151)**	266
Movement in cash equivalents	12	**(1,538)**	(836)
Opening net cash resources		**7,193**	7,763
Net funds at 31 July		**5,504**	7,193

Net funds at 31 July comprised:

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Cash at bank	**198**	349
Money market securities and other deposits	**5,306**	6,844
Net funds at 31 July	**5,504**	7,193

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

NOTES TO THE FINANCIAL STATEMENTS

1. **Principal Accounting policies**

Basis of accounting

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP), and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies' (revised 2009).

The principal accounting policies have remained unchanged from those set out in the Company's 2010 Annual Report and financial statements. A summary of the principal accounting policies is set out below.

The Company presents its income statement in a three column format to give shareholders additional detail of the performance of the Company, split between items of a revenue or capital nature.

The preparation of the financial statements requires Management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the fair valuation of the fixed asset investments particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

Capital valuation policies are those that are most important to the depiction of the Company's financial position and that require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The critical accounting policies that are declared will not necessarily result in material changes to the financial statements in any given period but rather contain a potential for material change. The main accounting and valuation policies used by the Company are disclosed below. Whilst not all of the significant accounting policies require subjective or complex judgements, the Company considers that the following accounting policies should be considered critical.

The Company has designated all fixed asset investments as being held at fair value through profit and loss; therefore all gains and losses arising from investments held are attributable to financial assets held at fair value through profit and loss. Accordingly, all interest income, fee income, expenses and investment gains and losses are attributable to assets designated as being at fair value through profit and loss.

Current asset investments compromising money market funds are held at fair value through the profit and loss. Cash and short term deposits are held at amortised cost.

Investments are regularly reviewed to ensure that the fair values are appropriately stated. Quoted investments are valued in accordance with the bid-price on the relevant date, unquoted investments are valued in accordance with current IPEVC valuation guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of subsidiary companies and liquidity or marketability of the investments held.

Although the Company believes that the assumptions concerning the business environment and estimates of future cash flows are appropriate, changes in estimates and assumptions could require changes in the stated values. This could lead to additional changes in fair value in the future.

1. **Principal Accounting policies (continued)**

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 the documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value with the holding gains and losses recorded in the income statement each year. In accordance with the investment strategy, the investments are held with a view to long-term capital growth and it is therefore possible that individual holdings may increase in value to a point where they represent a significantly higher proportion of total assets than the original cost.

In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date or the last traded price, depending upon convention of the exchange on which the investment is quoted. This is consistent with the IPEVC valuation guidelines.

In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. This is consistent with IPEVC valuation guidelines.

Profits arising from the revaluation of investments at the year end are recognised as part of the capital return within the income statement and allocated to the capital reserve – investment holding gains/(losses).

In the 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, bonds and OEICs 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 Income Statement and allocated to the capital reserve – investment gains/(losses) on disposal.

The current asset investments are all invested with the Company's cash manager and are readily convertible into cash at the option of the Company. The current asset investments are held for trading, are actively managed and the performance is evaluated 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 funds 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 funds are recognised so as to reflect the effective interest rate; provided there is no reasonable doubt that payment will be received in due course.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Principal Accounting policies (continued)

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 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.

The transaction costs incurred when purchasing or selling assets are written off to the Income Statement in the year that they occur.

Revenue and capital

The revenue column of the income statement includes all income and revenue expenses of the Company. The capital column includes gains and losses on disposal and gains and losses arising from the revaluation of investments at the period end. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the income statement.

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 or 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. This is 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 funds, as well as OEICs.

Loans and receivables

The Company's loans and receivables are initially recognised at fair value which is normally transaction cost and subsequently measured at amortised cost using the effective interest method.

1. Principal Accounting policies (continued)

Financing strategy and capital structure

Capital management is monitored and controlled using the internal control procedures set out on page 35 of this report. The capital being managed includes equity and fixed-interest investments, cash balances and liquid resources including debtors and creditors.

FRS 29 'Financial Instruments: Disclosures' comprises disclosures relating to financial instruments.

We define capital as shareholders' funds and our financial strategy in the medium term is to manage a level of cash that balances the risks of the business with optimising the return on equity. The Company currently has no borrowings nor does it anticipate that it will drawdown any borrowing facilities in the future to fund the acquisition of investments.

The Company does not have any externally imposed capital requirements.

The value of the managed capital is indicated in note 16. The Board considers the distributable reserves and the total return for the year when recommending a dividend. In addition, the Board is authorised to make market purchases up to a maximum of 5% of the issued Ordinary share capital of the Company in accordance with Special Resolution 8 in order to maintain sufficient liquidity in the VCT.

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 for interim dividends when they are declared by the Board, and for final dividends when they are approved by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Income

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Money market securities and bank balances	38	41
Dividend income	192	53
Loan note interest receivable	402	323
	632	417

3. Investment management fees

	Year ended 31 July 2011			Year ended 31 July 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	125	377	502	112	335	447

For the purposes of the revenue and capital columns in the income statement, the management fee has been allocated 25% to revenue and 75% 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. This agreement ran for a period of five years with effect from 25 May 2004 and may now be terminated at any time with no less than 12 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.

4. Other expenses

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Accounting and administration services	**75**	76
Directors' remuneration	**53**	53
Fees payable to the Company's auditor for the audit of the financial statements	**16**	15
Fees payable to the Company's auditor for other services – tax compliance	**3**	3
Other expenses	**191**	200
	338	347

Total annual running costs are capped at 3.5% of net assets (excluding irrecoverable VAT, trail commission and exceptional expenses). For the year to 31 July 2011 the running costs, as defined in the prospectus, were 3.0% of net assets (2010: 2.8%).

5. Directors' remuneration

	Year to 31 July 2011		Year to 31 July 2010	
	Emoluments £'000	**National Insurance £'000**	Emoluments £'000	National Insurance £'000
Viscount Cobham (Chairman)	**21**	**–**	21	–
Matt Cooper	**16**	**1**	16	1
Roger Penlington	**16**	**1**	16	1
	53	**2**	53	2

None of the Directors received any other remuneration or benefit from the Company during the year. The Company has no employees other than Non-Executive Directors. The average number of Non-Executive Directors in the year was three (2010: three). See the Directors' Remuneration Report for further details of the Directors' remuneration policies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Tax on Ordinary Activities

The corporation tax charge for the year was £nil (2010: £nil).

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 27.3% (2010: 28%).

The differences are explained below.

Current tax reconciliation:

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Return on ordinary activities before tax	**(1,149)**	1,801
Current tax at 27.3% (2010: 28%)	**(314)**	504
Expenses not deductible for tax purposes	**195**	(635)
Unrelieved losses	**119**	131
Total current tax charge	**–**	–

Excess management charges of £1,511,000 (31 July 2010: £1,074,000) have been carried forward at 31 July 2011 and are available for offset against future taxable income subject to agreement with HMRC. The associated deferred tax asset of £413,000 (31 July 2010: £301,000) has not been recognised.

Approved VCTs 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 VCT, 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

	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Recognised as distributions in the financial statements for the year		
Previous year's final dividend	**1,642**	1,575
Current year's interim dividend	**623**	1,651
	2,265	3,226
Paid and proposed in respect of the year		
Interim dividend paid – 2p per share (2010: 5p per share)	**623**	1,651
Proposed final dividend – 4p per share (2010: 5p per share)	**1,289**	1,642
	1,912	3,293

The final dividend of 4.0p per share for the year ended 31 July 2011, subject to shareholder approval at the Annual General Meeting, will be paid on 16 December 2011 to shareholders on the register on 18 November 2011.

8. Earnings per Share

The total, revenue and capital earnings per share is based on 32,567,549 (2010: 31,922,315) Ordinary 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.

9. NAV per Share

The calculation of NAV per share as at 31 July 2011 is based on 32,232,614 (2010: 32,839,828) Ordinary shares in issue at that date.

10. Fixed asset investments

Effective from 1 August 2009, the Company adopted the amendment to FRS 29 regarding financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets and liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the current bid price. These instruments are included in level 1 and comprise AIM-listed investments classified as held at fair value through profit or loss.

Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Company held no such investment in the current or prior year.

Level 3: the fair value of financial instruments that are not traded in an active market (for example investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There have been no transfers between these classifications in the year (2010: none). The change in fair value for the current and previous year is recognised through the income statement.

All items held at fair value through profit or loss were designated as such upon initial recognition. Movements in investments at fair value through profit or loss during the year to 31 July 2011 are summarised below and in note 12.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Fixed asset investments (continued)

	Level 1: AIM-quoted investments £'000	Level 3: Unquoted investments £'000	Total £'000
Valuation and net book amount:			
Book cost as at 1 August 2010	6,014	16,228	22,242
Cumulative revaluation	(4,009)	(715)	(4,724)
Valuation at 1 August 2010	2,005	15,513	17,518
Movement in the year:			
Purchases at cost	–	640	640
Disposal proceeds	(75)	(1,200)	(1,275)
Profit on realisation of investments	13	318	331
Revaluation in year	816	(2,089)	(1,273)
Valuation at 31 July 2011	**2,759**	**13,182**	**15,941**
Book cost at 31 July 2011:	5,938	15,765	21,703
Revaluation to 31 July 2011:	(3,179)	(2,583)	(5,762)
Valuation at 31 July 2011	**2,759**	**13,182**	**15,941**

The investment portfolio is managed with capital growth as the primary focus. The loan and equity investments are considered to be one instrument due to the legal binding within the investment agreement and therefore they are combined in the table shown above.

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect fair value of financial assets held at the price of recent investment, or, in the case of unquoted investments, to adjust earnings multiples. Further details in respect of the methods and assumptions applied in determining the fair value of the investments are disclosed in the Investment Manager's Review and within the principal accounting policies in note 1. The sensitivity of these valuations to a reasonable possible change in such assumptions is given in note 16.

At 31 July 2011 and 31 July 2010 there were no commitments in respect of investments not yet completed.

11. Debtors

	31 July 2011 £'000	31 July 2010 £'000
Trade debtors	–	3
Prepayments and accrued income	55	518
	55	521

12. Current asset investments

Current asset investments at 31 July 2011 comprised money market funds (31 July 2010: bonds and money market funds).

	£'000	£'000
Cost at 1 August 2010:		
Bonds	9	
Money market funds	6,946	
Revaluation to 1 August 2010:		
Bonds	(9)	
Money market funds	(102)	
Valuation as at 1 August 2010		**6,844**
Movement in the year:		
Purchases cost:		
Money market funds	8,056	
Disposal proceeds:		
Money market funds	(9,595)	
Profit in year on realisation of investments:		
Money market funds	1	
Revaluation in year:		
Money market funds	–	
Valuation as at 31 July 2011		**5,306**
Cost at 31 July 2011:		
Money market funds	5,306	
Revaluation to 31 July 2011:		
Money market funds	–	
Valuation as at 31 July 2011		**5,306**

All current asset investments held at the year end sit with the level 1 hierarchy for the purposes of FRS 29.

Level 1 money market funds: Level 1 valuations are based on quoted prices (unadjusted) in active markets for identical assets or liabilities. The valuation of money market funds at 31 July 2011 was £5,306,000 (2010: £6,844,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Creditors: amounts falling due within one year

	31 July 2011 £'000	31 July 2010 £'000
Accruals	62	58
Other creditors	87	59
	149	117

14. Share Capital

	31 July 2011 £'000	31 July 2010 £'000
Authorised:		
40,000,000 Ordinary shares of 10p	4,000	4,000
Allotted and fully paid up:		
32,232,614 Ordinary shares of 10p (2010: 32,839,828)	3,223	3,284

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 out on page 24. The Company is not subject to any externally imposed capital requirements.

During the year, the Company issued nil Ordinary shares (2010: 1,927,610 Ordinary shares issued at a weighted average price of 82.9p) and the total nominal value of the shares issued was £nil (2010: £192,761 representing 5.8% of the issued share capital).

The Company repurchased the following Ordinary shares for cancellation (2010: 583,533 Ordinary shares at a weighted average price of 64.6p per share):

- 12 November 2010: 185,536 at a price of 63.0p per share
- 6 December 2010: 44,000 at a price of 63.0p per share
- 23 December 2010: 24,521 at a price of 60.0p per share
- 31 January 2011: 42,845 at a price of 58.0 p per share
- 8 April 2011: 193,586 at a price of 56.67p per share
- 24 May 2011: 36,120 at a price of 56.5p per share
- 17 June 2011: 49,666 at a price of 56.5p per share
- 29 July 2011: 30,942 at a price of 55.5p per share

The total nominal value of the shares repurchased was £60,722 (2010: £58,353) representing 1.9% (2010: 1.8%) of the issued share capital.

15. Reserves

	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve gains/(losses) on disposal £'000	Capital reserve holding gains/(losses) £'000	Revenue reserve £'000
As at 1 August 2010	3,284	3,440	23,087	275	(97)	(4,830)	(44)
Purchase of own shares	(61)	–	(350)	61	–	–	–
Issue of equity	–	–	–	–	–	–	–
Return on ordinary activities after tax	–	–	–	–	–	–	169
Management fees allocated as capital expenditure	–	–	–	–	(377)	–	–
Prior year gains/(losses) on disposal	–	–	–	–	(338)	338	–
Current year gains on disposal	–	–	–	–	331	1	–
Current year losses on fair value of investments	–	–	–	–	–	(1,273)	–
Dividends paid	–	–	–	–	(2,165)	–	(100)
Balance as at 31 July 2011	**3,223**	**3,440**	**22,737***	**336**	**(2,646)***	**(5,764)***	**25***

*Available for potential distribution by way of a dividend

When the Company revalues the investments during the year, any gains or losses arising are credited/charged to the income statement. Unrealised gains/losses are then transferred to the 'capital reserve – holding gains/(losses)'. When an investment is sold any balance held on the 'capital reserve – holding gains/(losses)' is transferred to the 'capital reserve – gains/(losses) on disposal' as a movement in reserves.

Reserves available for potential distribution by way of a dividend are:

	£'000
As at 1 August 2010	18,116
Movement in year	(3,764)
As at 31 July 2011	**14,352**

The purpose of the special distributable reserve was to create a reserve which will be capable of being used by the Company to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount to net asset value at which the Company's Ordinary shares trade. In the event that the revenue reserve and capital reserve gains/(losses) on disposal do not have sufficient funds to pay dividends, these will be paid from the special distributable reserve.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

Classification of financial instruments

Eclipse held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 July 2011.

	31 July 2011 £'000	31 July 2010 £'000
Assets at fair value through profit or loss		
Investments	15,941	17,518
Current asset investments	5,306	6,844
Total	**21,247**	24,362
Loans and receivables		
Cash at bank	198	349
Total	**198**	349
Liabilities at amortised cost		
Accruals and other creditors	149	117
Total	**149**	117

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 held at the year 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.

16. Financial instruments and risk management (continued)

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 24. 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 31 to 37, 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 12.

12.9% (31 July 2010: 8.1%) by value of the Company's net assets comprises equity securities listed on the London Stock Exchange or quoted on AIM. Every 5% increase in the bid price of these securities as at 31 July 2011 would have increased net assets and the total return for the year by £138,000 (31 July 2010: £100,300); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

61.7% (31 July 2010: 63.0%) 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 5% overall increase in the valuation of the unquoted investments at 31 July 2011 would have increased net assets and the total return for the year by £659,000 (31 July 2010: £776,200); an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

The Investment Manager considers that the majority of the investment valuations are based on earnings multiples which are ascertained with reference to the individual sector multiple or similarly listed entities. It is considered that due to the diversity of the sectors, the 10% sensitivity discussed above provides the most meaningful potential impact of average multiple changes across the portfolio.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

Fixed rate

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

	As at 31 July 2011			As at 31 July 2010		
	Total fixed rate portfolio £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years	Total fixed rate portfolio £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years
Fixed-rate investments in unquoted companies	8,466	7.8	1.2	12,510	7.6	2.2

Due to the expected period to maturity of the fixed rate investments held within the portfolio, it is considered that 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 year.

The weighted average interest rate includes investments which have terms allowing debt interest to be rolled up, payable in future years. This interest is not recognised in the accounts until it is paid.

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market funds. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 0.5% at 31 July 2011 (31 July 2010: 0.5%). The amounts held in floating rate investments at the balance sheet date were as follows:

	31 July 2011 £'000	31 July 2010 £'000
Money market funds	5,306	6,844
Cash on deposit	198	349
	5,504	7,193

A 1% increase in the base rate would increase income receivable from these investments and the total return for the year by £55,040 (31 July 2010: £71,930).

16. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk that 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 July 2011, the Company's financial assets exposed to credit risk comprised the following:

	31 July 2011 £'000	31 July 2010 £'000
Investments in fixed interest instruments	**8,466**	12,510
Cash on deposit & money market funds	**5,504**	7,193
Accrued dividends and interest receivable	**26**	3
	13,996	19,706

Credit risk relating to listed money market funds (being investments in floating rate instruments) 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 and BlackRock 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 HSBC Bank plc. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. Should the credit quality or the financial position of HSBC deteriorate significantly, the Investment Manager will move the cash holdings to another bank.

There were no significant concentrations of credit risk to counterparties at 31 July 2011 or 31 July 2010. By cost, no individual investment exceeded 11.0% of the Company's net assets at 31 July 2011 (31 July 2010: 14.0%).

There are £437,500 loan notes of the total £8,466,000 that were in default at the year end. 2% penalty interest is being charged on this amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

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 funds 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 July 2011 these investments were valued at £5,504,000 (31 July 2010: £7,193,000).

17. Post balance sheet events

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

- Perfect Pizza Limited went into administration on 1 August 2011. The conditions that resulted in the company going into administration were evident at 31 July 2011 and therefore taken into account when assessing the fair value of the investment at the year end.
- There was a part disposal of the holding in Northern Bear plc on 26 August 2011 realising a loss of £17,000.
- The holding in CBG Group plc was subject to a cash bid on 31 August 2011 realising a loss of £296,000.
- Blanc Brasseries Holdings plc was sold on 30 September 2011 realising a small profit of £2,000.
- Follow-on investments of £60,000 and £180,000 were made into First Sports Group Limited on 30 September 2011 and 28 October 2011.

18. Contingencies, Guarantees and Financial Commitments

Provided that an intermediary continues to act for a shareholder and the shareholder continues to be the beneficial owner of the shares, intermediaries will be paid an annual trail commission up to 0.5% of the initial net asset value. Trail commission of £85,000 was paid during the year (2010: £97,000) and there was £nil outstanding at the year end.

There were no other contingencies, guarantees or financial commitments as at 31 July 2011 (2010: none).

19. Related party transactions

Eclipse has employed Octopus Investments Limited throughout the year as Investment Manager.

Matt Cooper, a Non-Executive Director of Eclipse, is also Chairman of Octopus Investments Limited. Eclipse has paid Octopus Investments £502,000 (2010: £447,000) in the year as a management fee and there is £nil (2010: £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 July.

Octopus Investments Limited also provides accounting and administrative 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 July. During the year £75,000 (2010: £76,000) was paid to Octopus and there is £nil outstanding at the balance sheet date, for the accounting and administrative services.

In addition, Octopus is entitled to annual performance related incentive fees in the event that performance criteria in relation to the increase in net assets, after adding back distributions, are exceeded. Commencing no earlier than 31 May 2007 and in the event that distributions per share have reached 40p in aggregate, subsequently increased to 45p following approval of the Coinvestment Agreement approved at the EGM in 2006, and the performance value at that date exceeds 130p per share, then Octopus will be entitled to an incentive fee equal to 20% of the excess of such performance value over 100p per share. The Board considers that the liability becomes due at the point that the performance criteria are met; this has not been achieved and therefore no liability has been recognised.

The Directors received the following dividends from the Company:

	31 July 2011	31 July 2010
Viscount Cobham (Chairman)	**£2,205**	£3,150
Matt Cooper	**£735**	£1,050
Roger Penlington	**£735**	£1,050

DIRECTORS AND ADVISERS

Board of Directors
Viscount Cobham (Chairman)
Matt Cooper
Roger Penlington

Company Number
Registered in England & Wales
No. 05074325

Secretary and Registered Office
Celia L Whitten FCIS
20 Old Bailey
London
EC4M 7AN

Investment and Administration Manager
Octopus Investments Limited
20 Old Bailey
London
EC4M 7AN
Tel: 0800 316 2295
www.octopusinvestments.com

Corporate Broker
Matrix Corporate Capital LLP
1 Vine Street
London
W1J 0AH
Tel: 0203 206 7176

Independent Auditor and Taxation Adviser
Grant Thornton UK LLP
3140 Rowan Place
John Smith Drive
Oxford Business Park South
Oxford
OX4 2WB

VCT Status Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers
HSBC Bank plc
31 Holborn
London
EC1N 2HR

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Tel: 0871 664 0300
(calls cost 10p per minute plus network extras)
www.capitaregistrars.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Octopus Eclipse VCT plc will be held at 20 Old Bailey, London, EC4M 7AN on Wednesday, 14 December 2011 at 2.45 p.m. for the purposes of considering and if thought fit, passing the following resolutions of which Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolutions 7 and 8 will be proposed as Special Resolutions:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 31 July 2011 and the Directors' and Auditor's Reports thereon.
2. To approve a final dividend of 4.0 pence per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Roger Penlington as a Director.
5. 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 6 as an Ordinary Resolution and Resolutions 7 and 8 as Special Resolutions:-

6. AUTHORITY TO ALLOT RELEVANT SECURITIES

THAT the Directors be generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to allot shares up to a maximum nominal amount of £322,326 (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).

7. EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES

TO empower the Directors pursuant to s571 of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 6 as if s561(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 s560(2) 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.

NOTICE OF ANNUAL GENERAL MEETING (continued)

8. AUTHORITY TO MAKE MARKET PURCHASES

THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Act) 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% 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.

By Order of the Board

20 Old Bailey
London
EC4M 7AN

Celia L Whitten FCIS
Company Secretary
4 November 2011

NOTES

(a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.

(b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, Capita Registrars, PXS, 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 Annual General Meeting.

(c) As an alternative to returning a hard-copy proxy form by post, you can appoint a proxy by sending it by fax to Octopus Investments Limited on 020 7657 3338. For the proxy appointment to be valid, your appointment must be received by Octopus Investments Limited in such time as it can be transmitted to the registrars of the Company so as to be received no later than 48 hours before the time appointed for the meeting or any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Capita Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.

(d) Any person receiving a copy of the Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person') should note that the provisions in Notes (a) and (b) above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.

(e) Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the AGM which relates to the business of the meeting although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.

(f) Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

(g) Under sections 338 and 338A Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:

   (i) To give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or

   (ii) To include the business to be dealt with at the meeting any matters (other than a proposed resolution) which may be properly included in the business.

   A resolution may properly be moved or a matter may properly be included in the business unless:

   (i) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise);

   (ii) It is defamatory of any person; or

   (iii) It is frivolous or vexatious.

   Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than six weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

(h) A copy of the Notice of Annual General Meeting and the information required by Section 311A Companies Act 2006 is included on the Company's website, www.octopusinvestments.com under Products/Venture Capital Trusts.

(i) Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the Ordinary shares of the Company kept in accordance with the Listing Rules and a copy of the Memorandum and Articles of Association of the Company 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 Annual General Meeting, and at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion.

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PROXY FORM

OCTOPUS ECLIPSE VCT PLC

Annual General Meeting 14 December 2011 at 2.45 p.m.

I/We...

(BLOCK CAPITALS PLEASE)

of ....

being a member of Octopus Eclipse VCT plc, hereby appoint the Chairman of the meeting or,

Name of Proxy .... Number of Shares..

as my/our proxy and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 14 December 2011, notice of which was sent to shareholders with the Directors' Report and the accounts for the year to 31 July 2011, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made. ☐

For the appointment of more than one proxy, please refer to the explanatory note 4 overleaf.

RESOLUTION NUMBER	FOR	AGAINST	WITHHELD
ORDINARY BUSINESS			
1. To receive, consider and adopt the financial statements for the year ended 31 July 2011	☐	☐	☐
2. To approve a final dividend of 4.0 pence per share	☐	☐	☐
3. To approve the Directors' Remuneration Report	☐	☐	☐
4. To re-elect Roger Penlington as a Director	☐	☐	☐
5. To re-appoint Grant Thornton UK LLP as auditor and authorise the Directors to agree their remuneration	☐	☐	☐
SPECIAL BUSINESS			
6. To authorise the Directors to allot shares under s551 of the Companies Act 2006 (Ordinary Resolution)	☐	☐	☐
7. To disapply s561 of the Companies Act 2006 and allot shares on a non-rights issue basis (Special Resolution)	☐	☐	☐
8. To authorise the Directors to make market purchases of its own shares (Special Resolution)	☐	☐	☐

Signed: .... Dated: 2011

If you are unable to attend the AGM and wish to pass on any comments to the Board, please use the box below:

NOTES

1. To be valid, the proxy form must be received by the Registrars of Octopus Eclipse VCT plc at **Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU**, no later than 48 hours before the commencement of the meeting. If delivering by courier please use the full address of Capita set out in the Notice.
2. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
3. 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. If the proxy is being appointed in relation to less than your full voting entitlement, please enter next to the proxy holder's name 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.)
4. To appoint more than one proxy, you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. 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.
6. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
7. 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 6 p.m. 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.
8. The address on the envelope containing this notice is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0871 664 0300. (calls cost 10p per minute plus network extras, lines are open 8.30 a.m. - 5.30 p.m. Monday - Friday) to request a change of address form.
9. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

PLEASE USE THE REPLY PAID ENVELOPE PROVIDED