

# ECLIPSE VCT



## Contents

	Page
About Eclipse VCT plc	2
Financial Highlights	3
Chairman's Statement	4
Investment Manager's Review	5
Shareholder Information	15
Details of Advisers	16
Details of Directors	17
Directors' Report	18
Directors' Remuneration Report	20
Corporate Governance	22
Report of the Independent Auditor	25
Profit and Loss Account	27
Note of Historical Cost Profits and Losses	27
Balance Sheet	28
Cash Flow Statement	29
Notes to the Financial Statements	30
Notice of Annual General Meeting	37
Proxy Form	

## About Eclipse VCT plc

**Eclipse VCT plc (“Eclipse” or “Company”) is a Venture Capital Trust (“VCT”) which aims to provide shareholders with attractive tax-free dividends and long-term capital growth.**

Eclipse invests primarily in unquoted and AIM-quoted companies and aims to deliver absolute returns on its investments. Eclipse was launched in April 2004 and raised over £30.7 million (£29.7 million net of expenses) through an offer for subscription. The Investment Manager is Octopus Investments Limited (“Octopus” or “Manager”). Octopus subsequently raised a further £18.4 million in January 2005 with Eclipse VCT 2 plc, and a further £58.2 million in a twin fund, Eclipse VCT 3 plc and Eclipse VCT 4 plc in April 2006.

Eclipse co-invests with these three other Eclipse funds which are all managed by the same investment team at Octopus. This is viewed as a benefit as it means Eclipse will not only be able to invest in a wider range of opportunities but also in larger and more developed companies than are typically available to a single VCT.

## Financial Highlights

	Year to 31 May 2007	Year to 31 May 2006
Net assets (£'000s)	39,135	30,165
Net profit after tax and dividends (£'000s)	10,731	441
Net asset value per share	126.1p	96.8p
Proposed dividend per share	4.0p	1.25p
Cumulative dividends since launch – paid and proposed	10.7p	2.70p

**30.3%**



NAV per share increased from 96.8p to 126.1p net of dividends

**32.8%**



Total return (inclusive of dividends but excluding all tax relief) to shareholders since launch

## Chairman's Statement

I am delighted to report a significant uplift in the Net Asset Value ("NAV") of the portfolio in the year to 31 May 2007.

### Results Review

In the year to 31 May 2007, the NAV per share increased 30.3% from 96.8p to 126.1p net of dividends. The Investment Manager realised a gain of £2.5 million during the year from the disposal, either wholly or partially, of a number of investments which are discussed below. Further details are included within the Investment Manager's Review including a review of the performance of the investments, the key performance indicator by which the Board measures the performance of the Company. Consequently, the Board has proposed a dividend of 4p per share to be paid on 30 November 2007 to shareholders on the register on 9 November 2007. Combined with the special dividend of 4p per share paid on 31 May 2007, this will take the total dividend for the year to 8p and cumulative dividends to 10.7p per share since the Fund's launch. The total return to shareholders, before payment of this dividend, is 32.8%. This is before taking into account the 40% upfront tax relief received by initial subscribers.

The table below shows the movement in NAV per share and lists the dividends that have been paid since the launch of Eclipse:

Period Ended	NAV	Dividend	NAV + cumulative dividends
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

### Investment Portfolio

During the year, fourteen new investments were made and four investments fully disposed of. New investments totalled £9.2 million in eight unquoted companies and six AIM-quoted companies. As well as the full disposals, profits were also taken in a further four AIM investments. Of particular significance was our investment in James Harvard International Limited. This was sold during the year generating a significant profit for Eclipse. At the time of sale, Eclipse received 2.3 times the original amount invested, representing a compound annual return of 98%. Within the portfolio we have a further £8.4m of unrealised profit on our investments.

Further information on the holdings in the portfolio can be found in the Investment Manager's review.

### Share Price

Eclipse's mid market share price currently stands at 76p compared to the NAV of 126.1p. The discount to NAV is primarily due to the low level of secondary market activity in Eclipse shares. In order to address this, Octopus is working towards developing strategies to stimulate trade in VCT shares and increase liquidity in the market.

### VCT Qualifying Status

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

A key requirement is for 70% of the portfolio to be invested in qualifying investments by the end of the third accounting period following that in which new share capital was subscribed. As at 31 May 2007, nearly 80% of the share capital raised at launch was invested in VCT qualifying investments, in line with the Manager's target. In light of the current deal flow, the Board is confident of maintaining the relevant criteria in the future.

### Outlook

The Board's focus is to continue to generate capital growth and to pay attractive tax-free dividends. The underlying portfolio of unquoted and AIM-quoted companies is comprised of solid, high quality investments, and the Manager believes it is well placed to meet the above objectives.



Viscount Cobham  
Chairman

25 September 2007

## Investment Manager's Review

### Personal Service

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

If you have any questions about this review, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on 020 7710 2800.

### Portfolio Review

We are delighted to report substantial progress across the portfolio over the last year generating a significant uplift in the net assets of the Company. During the year to 31 May 2007, £9.2 million was invested in fourteen new and several follow-on investments. This takes the total invested by Eclipse VCT in unquoted and AIM listed investments to over £21 million since launch. The remaining funds are invested in money market securities awaiting investment in suitable qualifying opportunities.

### Investment Portfolio

Unquoted Qualifying Investments	Sector	Investment at cost (£'000)	Unrealised profit/(loss) (£'000)	Carrying value at 31 May 2007 (£'000)	% equity held by Eclipse VCT	% equity held by other funds managed by Octopus
Gyro International Limited	Media & Marketing	1,748	1,939	3,687	10.6%	7.0%
Covion Limited	Facilities Management	845	1,445	2,290	9.6%	4.9%
Reading Room Limited	Media & Marketing	1,000	1,031	2,031	26.7%	–
Luther Pendragon Limited	Public Relations	1,000	720	1,720	17.5%	17.5%
Plastics Capital Limited	Specialist Manufacturing	1,000	599	1,599	11.5%	9.2%
NPI Media Group Limited	Publishing	1,518	–	1,518	12.9%	37.1%
Perfect Pizza Limited	Pizza Delivery	1,000	–	1,000	13.2%	21.2%
The Kendal Group Limited	Sports Retail	960	–	960	10.2%	5.7%
Lilestone Holdings Limited	Fashion & Retail	971	–	971	18.0%	10.7%
Adrenalin Design Limited	Fashion & Retail	910	–	910	11.0%	31.9%
CSL DualCom Limited	Business Services	858	–	858	11.4%	28.6%
TDX Group Limited	Financial Services	400	377	777	5.5%	0.0%
Audio Visual Machines Limited	Business Services	751	–	751	11.9%	33.1%
The Capital Pub Company 2 plc	Leisure & Hotels	600	21	621	3.7%	4.5%
First Sports Group Limited	Consumer & Retail	1,000	(400)	600	20.0%	20.0%
Sweet Cred Holdings Limited	Confectioners	545	–	545	4.2%	20.3%
Promotion Space Limited	Support Services	246	–	246	4.6%	25.4%
Red-M Group Limited	Information Technology	500	(375)	125	3.6%	5.7%
Blanc Brasseries Holdings plc	Leisure & Hotels	103	–	103	1.2%	2.1%
<b>Total unquoted qualifying investments</b>		<b>15,955</b>	<b>5,357</b>	<b>21,312</b>		

## Investment Manager's Review (continued)

AIM-listed Qualifying Investments	Sector	Investment at cost (£'000)	Unrealised profit/(loss) (£'000)	Carrying value at 31 May 2007 (£'000)	% equity held by Eclipse VCT	% equity held by other funds managed by Octopus
Tanfield Group plc	Engineering	250	1,813	2,063	0.3%	2.3%
Cello Group plc	Market Research	750	345	1,095	2.1%	7.6%
Hexagon Human Capital plc	Recruitment	715	283	998	2.9%	8.6%
Worthington Nicholls plc	Air Conditioning Maintenance	275	624	899	0.6%	1.9%
InterQuest plc	IT Recruitment	341	353	694	2.1%	2.2%
Zetar plc	Food Producers	237	433	670	1.1%	1.2%
Hasgrove plc	Public Relations	400	143	543	1.8%	7.1%
Augean plc	Hazardous Waste Disposal	500	(96)	404	0.4%	3.7%
Vertu Motors plc	Motor Retailers	250	71	321	0.5%	2.8%
Autoclenz Holdings plc	Valeting	338	(52)	286	2.6%	10.2%
Fountains plc	Vegetation Management	240	(8)	232	1.3%	2.6%
Healthcare Locums plc	Healthcare Recruitment	135	70	205	0.3%	0.7%
Brulines (Holdings) plc	Alcohol Dispense Monitoring	148	56	204	0.5%	2.1%
Concateno plc	Drug Testing	85	93	178	0.2%	0.6%
Cohort plc	Defence Consulting	101	34	135	0.3%	1.6%
BBI Holdings plc	Healthcare	64	52	116	0.2%	2.3%
Tissue Science Laboratories plc	Healthcare	160	(88)	72	0.3%	0.3%
Invocas plc	Financial Services	60	2	62	0.2%	1.1%
<b>Total AIM-listed qualifying investments</b>		<b>5,049</b>	<b>4,128</b>	<b>9,177</b>		
Non-qualifying AIM investments		59	36	95		
Non-qualifying unquoted investments		64	-	64		
<b>Total non-qualifying investments</b>		<b>123</b>	<b>36</b>	<b>159</b>		
Fixed income securities		7,894	(121)	7,773		
<b>Total investments</b>		<b>29,021</b>	<b>9,400</b>	<b>38,421</b>		
Net current assets		-	-	714		
<b>Total net assets</b>		<b>29,021</b>	<b>9,400</b>	<b>39,135</b>		

## Investment Manager's Review (continued)

### Review of Investments

At 31 May 2007, the Eclipse portfolio comprised investments in 19 unquoted and 15 AIM-quoted companies. The unquoted investments are in ordinary shares with full voting rights as well as loan note and other securities. The AIM-quoted investments are in ordinary shares, also with full voting rights.

During the year, four investments were disposed of in their entirety; James Harvard International Limited, Ovum plc, Abcam plc and Belgravium plc crystallising a profit of £1.4 million. James Harvard was particularly successful generating a 133% return for the time we were invested, equivalent to a compound annual return of 98%.

In addition, holdings were reduced in four further AIM-quoted companies, crystallising a further £1.2 million profit. Profits were taken in Tanfield Group plc and Worthington Nicholls plc which had both performed exceptionally well. The holdings in Tissue Science Laboratories plc and Healthcare Locums plc were also reduced during the year.

A summary of these realisations is shown below:

<b>Realisations</b>	<b>Initial investment date</b>	<b>Cost of investment realised (£'000)</b>	<b>Proceeds of investment (£'000)</b>	<b>Total gain/(loss) (£'000)</b>
James Harvard International Limited	30 November 2005	1,000	2,331	1,331
Tanfield Group plc	26 May 2005	250	1,114	864
Worthington Nicholls plc	12 June 2006	225	547	322
Ovum plc	10 March 2006	112	178	66
Abcam plc	31 October 2006	89	127	38
Healthcare Locums plc	4 November 2006	165	188	23
Belgravium plc	20 October 2005	45	38	(7)
Tissue Science Laboratories plc	22 March 2005	86	33	(53)
		1,972	4,556	2,584

## Investment Manager's Review (continued)

### New Investments

During the year, Eclipse made fourteen new investments. Details of these investments are set out below:

#### Unquoted Investments

##### First Sports Group Limited

**Investment date:** June 2006  
**Cost:** £1,000,000 (ordinary shares and loan notes)  
**Valuation:** £600,000

First Sports Group is the largest sports retail service provider to the UK Private Health and Fitness Club market. The company merchandises premier brands such as Nike, Adidas, O'Neill, Zoggs, Wilson, Prince and PureLime. Sportswear and equipment is sold through lockable, self-service display units called Cubes and through more than 20 pro-shops. First has over 150 units nationwide. Octopus invested £2m in June 2006 to support the development plans of the company to increase the number of outlets to more than 300 units. The company has performed behind plan, resulting in a write down of the investment carrying value. Octopus has been active in working with the company's Board of Directors to strengthen the management team and we believe progress has been made in turning performance around.

##### Adrenalin Design Limited

**Investment date:** September 2006  
**Cost:** £910,000 (ordinary shares and loan notes)  
**Valuation:** £910,000

Adrenalin owns the Golddigga girls clothing brand targeting 15-25 year olds. The company designs two major seasons per year and two minor ones from its headquarters in Derby. The clothes and accessories retail through approximately 650 outlets in the UK and a similar number abroad through distributors. The strategy is to grow sales in the UK and overseas with a view to a trade sale.

##### Audio Visual Machines Limited

**Investment date:** September 2006  
**Cost:** £751,000 (ordinary shares and loan notes)  
**Valuation:** £751,000

Audio Visual Machines is a leading audio visual systems integrator and service provider with a blue chip client base. It generates revenue from the installation of AV systems and from providing ongoing maintenance and support to its customers. The strategy is to grow by acquisition over the next 2 to 3 years.

##### NPI Media Group Limited

**Investment date:** January 2007  
**Cost:** £1,518,000 (ordinary shares and loan notes)  
**Valuation:** £1,518,000

NPI is the UK market leading publisher of distinctive 'local interest' history books. The company is based in Stroud with subsidiary operations in France, Germany, Ireland and the US. Funding was provided to facilitate the acquisitions of three of its key competitors: Sutton Publishing, Jarrold Publishing and Phillimore. The titles range from specialist local history books such as "The Iron History of the Forest of Dean" to more general history books such as "Ivan the Great". More recently NPI has expanded into sports history. The amalgamation of these businesses gives NPI a significant market share in its niche area.

## Investment Manager's Review (continued)

### Sweet Cred Holdings Limited

**Investment date:** March 2007  
**Cost:** £545,000 (ordinary shares and loan notes)  
**Valuation:** £545,000

Sweet Cred sells a wide range of products which combine sweets with toys that are themed around the five cartoon characters in the Sweet Cred gang. The range is sold through distribution partners in Europe, the US and the Middle East. In the UK, distribution is through the main wholesalers and retail distribution through the major multiple retailers, motorway service stations and leading toyshop chains. In March 2007 Octopus committed £5m to fund working capital relating to the orders pipeline. £3m was drawn down at completion, with the balance to be provided against achievement of milestones.

### Lilestone Holdings Limited

**Investment date:** July 2006 (follow-on investment)  
**Cost:** £971,000 (Ordinary shares)  
**Valuation:** £971,000

Eclipse initially invested in Lilestone Holdings (the owner of the Myla brand of lingerie) in September 2005 and provided funding as part of a second round of investment in July 2006. The business has progressed well, increasing distribution through several new outlets, and to a significantly increased number of wholesale customers. The business remains in the investment phase and has ambitious plans for international growth. A new round of funding was completed in April 2007 which saw the introduction of a new trade related investor, who will bring benefits to the sourcing side of the business. Over £3m was raised in this round of which Octopus committed £300k (Eclipse – £188k).

### Dualcom Holdings Limited

**Investment date:** June 2006  
**Cost:** £858,000 (ordinary shares and loan notes)  
**Valuation:** £858,000

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 and a Vodafone wireless link. Vodafone has been a partner of CSL Dualcom for the last six products to the fire sector, where recent legislation has created a large market opportunity.

### Promotion Space Limited

**Investment date:** April 2007  
**Cost:** £246,000 (ordinary shares and loan notes)  
**Valuation:** £246,000

Promotion Space works directly with major brands who wish to access consumers in shopping centres. It also works with shopping centres to generate revenue by organising promotional activities. Octopus provided £1.5m of funds to develop an organic Retail Merchandising Unit (RMU) business within major shopping centres and also to follow a buy and build strategy.

## Investment Manager's Review (continued)

### Aim-Quoted Investments

#### Worthington Nicholls plc

<b>Investment date:</b>	June 2006
<b>Cost:</b>	£275,000 (£500,000 original investment, £225,000 sold down generating £322,000 profit)
<b>Valuation:</b>	£899,000 (based on £275,000 residual investment)

Worthington Nicholls is a supplier of heating, ventilation and air conditioning systems to a wide range of industry sectors, principally for clients in the leisure and retail sectors.

#### Concateno plc

<b>Investment date:</b>	October 2006
<b>Cost:</b>	£85,000
<b>Valuation:</b>	£178,000

Concateno plc is an acquirer and consolidator of businesses in the drug and alcohol testing sector. In November 2006 Concateno completed its first acquisition with the purchase of Medscreen Ltd. This was followed with the acquisition of Altrix Healthcare Ltd in January 2007, TrichoTech Ltd in February 2007 and Euromed Ltd in April 2007. More recently Concateno has completed its first international acquisition with the purchase of Swedish-based Marconova in May 2007 and in July 2007 it acquired CPL International.

#### Brulines (Holdings) plc

<b>Investment date:</b>	October 2006
<b>Cost:</b>	£148,000
<b>Valuation:</b>	£204,000

Brulines (Holdings) plc is the leading provider of volume and revenue protection systems for draught alcoholic drinks to the pub sector. The principal activity of the company is to measure, remotely harvest, and audit important operational data, primarily for owners of licensed premises but also for licensees.

#### Hasgrove plc

<b>Investment date:</b>	November 2006
<b>Cost:</b>	£400,000
<b>Valuation:</b>	£543,000

Hasgrove plc is a pan European marketing and communications services group. The company offers its clients high quality consultancy and implementation solutions at affordable prices across a range of disciplines including brand designs, creative advertising, public relations and public affairs.

#### Vertu Motors plc

<b>Investment date:</b>	December 2006
<b>Cost:</b>	£250,000
<b>Valuation:</b>	£321,000

Vertu Motors plc is a consolidator of the UK motor retail sector. The company has completed a number of transactions since its float and is now the tenth largest motor retailer in the UK.

#### Hexagon Human Capital plc

<b>Investment date:</b>	December 2006
<b>Cost:</b>	£715,000
<b>Valuation:</b>	£998,000

Hexagon Human Capital plc is the UK's leading provider of interim executive management and one of the UK's leading executive search businesses. We originally invested in Hexagon in December 2006 to finance the acquisition of BIE, the UK's largest interim management firm, alongside £10m from Barclays Bank. The company subsequently floated successfully on AIM in February 2007.

## Investment Manager's Review (continued)

### Ten Largest Holdings

Listed below are the ten largest investments by value as at 31 May 2007:

#### Gyro International Limited

Gyro is the UK's leading integrated B2B brand communications agency and has offices across Europe and in the US. The company provides a range of services including brand strategy, direct marketing, on and off-line advertising, media planning, web marketing and event management. Octopus led a £3m equity fund raising, in February 2005, to finance the buy-out of one of the two original founders and provide additional working capital. The syndicate subsequently invested a further £6m in October 2006 to support the acquisition plans of the company. The company has expanded significantly since our initial investment was made, from 4 offices, to 10 offices. Recent acquisitions have been completed in France, Manchester and Sweden.

<b>Initial investment date:</b>	February 2005
<b>Cost:</b>	£1,748,000
<b>Valuation:</b>	£3,687,000
<b>Valuation basis:</b>	Earnings multiple
<b>Equity held:</b>	10.6%
<b>Last audited accounts:</b>	October 2006
<b>Profit before tax:</b>	£1,834,000
<b>Net assets:</b>	£6,643,000



Further information can be found at the company's website  
[www.gyrogroup.com](http://www.gyrogroup.com)

#### Covion Limited

Covion is a Total Facilities Management business, operating in the Business Centre and Industrial sectors. Covion operates on long term contracts operated through a model of partnering with their clients in the joint management of the facilities ('joint enterprise' model). Services include cleaning, maintenance, engineering, security, catering and IT. Approximately 75% of the services are delivered directly by Covion staff and 25% are subcontracted. On an annualised basis, including all contracts won as at May 2007, sales are running at £33m, a threefold increase since we invested in May 2005. Early repayments of bank debt and of the management loans have been made.

<b>Initial investment date:</b>	May 2005
<b>Cost:</b>	£845,000
<b>Valuation:</b>	£2,290,000
<b>Valuation basis:</b>	Earnings multiple
<b>Equity held:</b>	9.6%
<b>Last audited accounts:</b>	December 2006
<b>Profit before tax:</b>	£566,000
<b>Net liabilities:</b>	£(2,259,000)



Further information can be found at the company's website  
[www.covion.co.uk](http://www.covion.co.uk)

#### Tanfield Group plc

Tanfield has a range of subsidiaries that are focused on providing zero emission vehicles and industrial products. Smith Electric Vehicles is one of the largest manufacturers of electric vehicles in the world with more than 500 customers operating both in the private and public sectors. Norquip is one of the world's leading providers of ground support equipment in the form of airport service vehicles and passenger transfer units. Aerial Access is a manufacturer of electrically powered aerial lifts and access platforms. Complementary to Aerial Access is its Upright subsidiary, which specialises in scissor lifts and is globally renowned.

<b>Initial investment date:</b>	May 2005
<b>Cost:</b>	£250,000
<b>Valuation:</b>	£2,063,000
<b>Valuation basis:</b>	Bid price (AIM investment)
<b>Equity held:</b>	0.3%
<b>Last audited accounts:</b>	December 2006
<b>Profit before tax:</b>	£3,458,000
<b>Net assets:</b>	£11,753,000



Further information can be found at the company's website  
[www.tanfieldgroup.com](http://www.tanfieldgroup.com)

## Investment Manager's Review (continued)

### Reading Room Limited

Reading Room is a leading web design agency with offices in London, Manchester and Sydney. 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 is also increasing the number of blue chip clients. Customers include The Red Cross, The Chartered Management Institute, Cancer Research and more recently Skoda. Reading Room is considered an industry leader in the fields of accessibility and usability which are of particular importance to its Governmental/professional clients. In June 2006 the business won the prestigious New Media Age award for the best charity and voluntary sector web site of the year.

**Initial investment date:** April 2005  
**Cost:** £1,000,000  
**Valuation:** £2,031,000  
**Valuation basis:** Earnings multiple  
**Equity held:** 26.7%  
**Last audited accounts:** N/A



Further information can be found at the company's website  
[www.readingroom.com](http://www.readingroom.com)

### Luther Pendragon Limited

Luther Pendragon is a public relations agency focusing on issues and crisis management. The company provides mission critical advice to a wide range of public sector and blue chip private sector clients on media relations, government relations and public affairs to help them protect and enhance their reputations and business interests. Luther Pendragon also provides stand-alone services such as media training, crisis simulation exercises and presentation skills training. The company has performed well since investment with an uplift in profit allowing for early bank repayments.

**Initial investment date:** November 2005  
**Cost:** £1,000,000  
**Valuation:** £1,720,000  
**Valuation basis:** Earnings multiple  
**Equity held:** 17.5%  
**Last audited accounts:** December 2006  
**Profit before tax:** £696,000  
**Net assets:** £4,113,000



Further information can be found at the company's website  
[www.luther.co.uk](http://www.luther.co.uk)

### Plastics Capital Limited

Plastics Capital is a group comprised of niche plastic engineering businesses. At completion of the investment the company owned Bell Plastics, which is one of the largest global manufacturers of nylon mandrels (used in hose manufacture). Our funding formed part of an £11m deal in which two further businesses were acquired: Trimplex Group and BNL. Trimplex is one of the largest global manufacturers of creasing matrix (used in the print finishing process) and BNL is a leading bespoke manufacturer of plastic bearing solutions. The company has subsequently completed three bolt-on acquisitions which have been absorbed within the existing group. The latest acquisition completed on 31 August 2007 and the Eclipse VCT invested approximately £500,000 as part of a £3m funding round.

**Initial investment date:** November 2005  
**Cost:** £1,000,000  
**Valuation:** £1,599,000  
**Valuation basis:** Earnings multiple  
**Equity held:** 11.5%  
**Last audited accounts:** March 2007  
**Profit before tax:** £189,000  
**Net assets:** £13,948,000



Further information can be found at the company's website  
[www.plasticscapital.com](http://www.plasticscapital.com)

## Investment Manager's Review (continued)

### NPI Media Group Limited

NPI is the UK market leading publisher of distinctive 'local interest' history books. The company is based in Stroud with subsidiary operations in France, Germany, Ireland and the US. Funding was provided to facilitate the acquisitions of three of its key competitors: Sutton Publishing, Jarrold Publishing and Phillimore. The acquisition of NPI followed by the integration of three other businesses was an ambitious plan. Post investment the business experienced some of the predicted difficulties, thereby eroding the available headroom. In August 2007 we took the decision to invest a further £1m (The Eclipse fund invested £275,000) to provide the company with further working capital facilities. The business is now entering its peak trading period in the run up to Christmas and we anticipate sales to be approximately in line with plan.

**Initial investment date:** January 2007  
**Cost:** £1,518,000  
**Valuation:** £1,518,000  
**Valuation basis:** Cost  
**Equity held:** 12.9%  
**Last audited accounts:** N/A



Further information can be found at the company's website  
[www.tempus-publishing.co.uk](http://www.tempus-publishing.co.uk)

### Cello Group plc

Cello Group was created as a vehicle to identify and acquire well-established media services companies operating in niche markets. In October 2004, the company's flotation on AIM raised £15m in order to acquire three businesses and provide working capital. Cello has subsequently made a number of further acquisitions.

**Initial investment date:** November 2004  
**Cost:** £750,000  
**Valuation:** £1,095,000  
**Valuation basis:** Bid price (AIM investment)  
**Equity held:** 2.1%  
**Last audited accounts:** December 2006  
**Profit before tax:** £4,218,000  
**Net assets:** £65,318,000



Further information can be found at the company's website

### The Kendal Group Limited

The Kendal Group is a branded consumer goods company, owning the Zoggs and PureLime brands of swimwear, swim equipment centres and through distribution agreements overseas. The company has offices in the UK, Australia and Denmark. In the UK most sales are made through leisure centres and the drive for 2007 has been to increase sales through retail outlets, with distribution agreements set up with Tesco, Early Learning Centre, Toys R Us and others.

**Initial investment date:** November 2005  
**Cost:** £1,024,000  
**Valuation:** £1,024,000  
**Valuation basis:** Cost  
**Equity held:** 10.2%  
**Last audited accounts:** December 2006  
**Profit before tax:** N/A  
**Net assets:** £6,641,000



Further information can be found at the company's website  
[www.thekendalgroup.com](http://www.thekendalgroup.com)

### Perfect Pizza Limited

Perfect Pizza is a home delivery pizza franchisor. The business was purchased with 114 franchisee stores across the UK. It generates revenue from selling food and drink to the franchisees and it also earns a royalty commission based on the overall level of sales. The management team is improving the performance of the business, which had experienced declining sales under its previous ownership.

**Initial investment date:** March 2006  
**Cost:** £1,000,000  
**Valuation:** £1,000,000  
**Valuation basis:** Cost  
**Equity held:** 13.2%  
**Last audited accounts:** February 2007  
**Loss before tax:** £(706,000)  
**Net assets:** £6,700,000



Further information can be found at the company's website  
[www.perfectpizza.co.uk](http://www.perfectpizza.co.uk)

## Investment Manager's Review (continued)

### Recent Transactions

Since the end of the year under review, we have completed six new qualifying investments and three follow on investments:

#### ***T4 Holdings Limited***

Eclipse invested £804,000 in T4 Holdings Limited. T4 is based in London and, through subsidiaries Ad Barriers and Ad Gates, is the leading provider of advertising solutions on railway station gates and car park ticket equipment. T4 has a blue chip advertising customer base including Visa, Fox (The Simpsons), M&S, Bank of Scotland and Costa Coffee.

#### ***CBG Group plc***

Eclipse invested £380,700 in CBG Group plc. Based in Manchester, CBG Group plc is a corporate general insurance, risk management and financial services intermediary. The company offers a range of services principally in the area of Commercial Insurance, Business Risk Management, Healthcare and Employee Benefits. We expect the company to continue to consolidate the sector in the North-West of England.

#### ***Pressure Technologies Group plc***

Eclipse invested £165,000 in Pressure Technologies Group plc. Pressure Technologies is the holding company of Chesterfield Special Cylinders ("CSC"). CSC designs, manufactures and offers testing and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets.

#### ***Cantono plc***

Eclipse invested £420,000 in Cantono plc. Cantono is a provider of Managed IT Services and hosting solutions for small to medium sized organisations. Its typical client has from 100 – 1,000 users. Cantono provides a range of services from individual applications to fully managed IT environments. Cantono's services are backed by robust service level agreements, expert technician, and a high level of customer service.

#### ***Northern Bear plc***

Eclipse invested £299,425 in Northern Bear plc. Northern Bear is a building services group based in North East England. It provides central strategic and financial functions for a group of otherwise autonomous companies, each of which provides products and/or services to the construction industry and house builders. We expect the company to complete further acquisitions over the next twelve months.

#### ***NPI Media Group Limited***

As noted above, the Eclipse fund invested a further £275,000 as part of an additional £1m investment by funds managed by Octopus.

#### ***CSL DualCom Limited***

Eclipse has invested a further £125,000 as part of a £390,000 round used to finance the buy in of shares from the original vendor of the business.

#### ***Plastics Capital Limited***

On 31 August 2007 the Eclipse Fund invested £492,000 as part of a £3m fund raising (Octopus funds invested a total of £886,000) to finance the acquisition of Channel, a manufacturer of creasing matrix and leading competitor of existing subsidiary Trimplex.

#### ***The Grill Group***

Eclipse invested £992,000 (total from all Eclipse funds – £4,000,000) in The Grill Group. The Group has two restaurant brands: Smollenskys, with nine Bar & Grill and Burgershack sites in London, and Le Frog Bistros with eight restaurants in the Midlands and North West. The investment strategy includes the operational turnaround of Smollenskys during the first twelve months, followed by the roll-out of both restaurant brands.

If you have any questions on any aspect of your investment, please call one of the team on 020 7710 2800.



Simon Rogerson  
Chief Executive

## Shareholder Information

### The Company

Eclipse VCT plc is a venture capital trust managed by Octopus Investments Limited. Eclipse was launched in April 2004 and raised over £30.7 million through an offer for subscription. The objective of Eclipse VCT is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long-term.

### Venture Capital Trusts (“VCT”)

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. The Government achieved this by offering VCT investors a series of very attractive tax benefits. As a result of these tax benefits, more than 35,000 people invested over £500 million in VCTs in the 2004/05 tax year, taking the total invested between 1995 and 2005 to £2.1 billion (Source: Allenbridge).

During the tax years 2004/05 and 2005/06 investors were entitled to 40% income tax relief on an investment in a VCT provided shares were held for three years. This means that if you invested £10,000 in Eclipse, you are entitled to £4,000 of income tax relief. In addition, as the value of a VCTs investments rise, profits can be paid out to investors as a stream of tax-free income.

Eclipse has been provisionally approved as a VCT by Her Majesty’s Revenue & Customs. In order to maintain its approval the Company must comply with certain requirements on a continuing basis. Within three years from the date of provisional approval at least 70% of the Company’s investments must comprise “qualifying holdings” of which at least 30% must be in 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 Company (including companies listed on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £15 million at the time of investment. The Company has continued its compliance with these requirements.

There were a number of changes in the Chancellor’s budget announcement for 2006/07 that related to new VCTs. These changes have no effect on the investment strategy of Eclipse or to a shareholder’s investment in Eclipse, during the 2004/05 tax year. Please contact Octopus Investments on 020 7710 2800 if you would like any further information on the changes which include:

- upfront Income Tax relief reduced from 40% to 30%;
- shares issued on or after the 6 April 2006 will have to be held for a minimum of 5 years to qualify for Income Tax relief (previously it was required to be 3 years); and
- qualifying holdings of up to £1 million invested in any one year in new shares or securities in an unquoted company (including companies listed on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £7 million prior to investment and £8 million after, (previously this had been £15 million and £16 million respectively).

### Financial Calendar

The Company’s financial calendar is as follows:

16 November 2007	–	Annual General Meeting
30 November 2007	–	2007 final dividend paid
January 2008	–	Six-monthly results to 30 November 2007 published
September 2008	–	Final dividend and preliminary results for year to 31 May 2008 announced; annual report and financial statements published

### Share Price

The Company’s mid-market share price currently stands at 76p. The Company’s share price is published daily in the Financial Times and its FTSE classification is “Investment Companies – VCTs”.

## Details of Advisers

### Board of Directors

Viscount Cobham  
Matt Cooper  
Roger Penlington

### Secretary and Registered Office

Celia L Whitten FCIS  
8 Angel Court  
London  
EC2R 7HP  
Registered in England No 5074325

### Investment Manager

Octopus Investments Limited  
8 Angel Court  
London  
EC2R 7HP

### Cash Managers

Goldman Sachs International  
Christchurch Court  
10-15 Newgate Street  
London  
EC1A 7HD

### Solicitors

Brown Rudnick Berlack Israels LLP  
8 Clifford Street  
London  
W1S 2LQ

### Independent Auditor and Taxation Adviser

Grant Thornton UK LLP  
1 Westminster Way  
Oxford  
OX2 0PZ

### VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

### Stockbroker

Brewin Dolphin Securities Limited  
34 Lisbon Street  
Leeds  
LS1 4LX

### Bankers

HSBC Bank plc  
31 Holborn  
London  
EC1N 2HR

### Registrars

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

## Details of Directors

**Viscount Cobham** (59 – Chairman) was, until his recent retirement from full time City employment, Deputy Chairman of Smith & Williamson where he had overall responsibility for the company's fund management division which employs 350 staff and has over £7 billion under management. 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.

**Matthew Cooper** (40 – Director) is the chairman of Octopus Investments Limited, the Investment Manager of Eclipse VCT. 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 £275 million and employing over 2,000 people.

**Roger Penlington** (60 – 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. Roger is also a non-executive director of Apollo VCT 1 plc and 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 May 2007.

### Activities and Status

The principal activity of the Company is investing in UK smaller companies. The Company has been granted provisional approval as a Venture Capital Trust by the Inland Revenue and has been listed on the London Stock Exchange since June 2004.

As a result of the Directors' decision during the period to enable distributions of capital profits to shareholders, the investment company status was revoked on 1 May 2007. The accounts have been drawn up to include a statutory profit and loss account and a note of historical cost profits and losses in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard 3 (Reporting Financial Performance).

The Chairman's Statement, on page 4, includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 5 to 14. The Directors managed the affairs of the Company with the intention of maintaining its status as an approved Venture Capital Trust for the purposes of S842AA of the Income and Corporation Taxes Act 1988. The Company was not at any time up to the date of this report a close company within the meaning of S414 of the Act.

### Results and Dividend

	Year ended 31 May 2007 £'000	Year ended 31 May 2006 £'000
Net profit attributable to shareholders	10,731	441
Appropriations:		
Final dividend proposed – 4p per share (2006 – 1.25p per share)	1,241	390

The proposed final dividend will, if approved by shareholders, be paid on 30 November 2007 to shareholders on the register on 9 November 2007.

### Directors

According to the register of Directors' interests, the Directors of Eclipse VCT plc during the year and their interests in the issued ordinary shares of 10p were as follows:

	Ordinary shares of 10p each 31 May 2007	Ordinary shares of 10p each 31 May 2006
Viscount Cobham (Chairman)	31,500	31,500
Mr M Cooper	10,500	10,500
Mr R Penlington	10,500	10,500

There have been no changes in the Directors' share interests between 31 May 2007 and the date of this report.

Matt Cooper retires by rotation and being eligible, offers himself for re-election. The Board has considered provision A.7.2 of the Combined Code 2003 and believes Mr Cooper continues to be effective and demonstrates commitment to his role. They, therefore, recommend his re-election at the forthcoming Annual General Meeting.

Brief biographical notes on the Directors are given on page 17.

### Financial Risk Management Objectives and Policies

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

Further details of the Company's risk management policies are provided in note 17 to the financial statements.

## Directors' Report (continued)

### Directors' and Officers' Liability Insurance

The Company has, as permitted by s310(3) of the Companies Act 1985, maintained insurance cover on behalf of the Directors and Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

### 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 May 2007 there was £14,000 of trade creditors (2006: £nil).

### Management

Octopus acts as investment manager to the Company. The principal terms of the Company's management agreement with Octopus are set out in Notes 3 & 17 to the financial statements. Matt Cooper is a Director of Octopus.

### Open Offers and Offers for Subscription

There are no open offers and no shares were allotted during the year to 31 May 2007 (2006: £nil).

### Purchase and Cancellation of Own Shares

During the year, the Company purchased 144,193 shares for cancellation at an average price of 90p per share (2006 – 97,715 shares at a price of 87p per share).

### Fixed Assets

Movements in fixed asset investments during the year are set out in Note 10 to the financial statements.

### 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 the international financial reporting standards.

### Substantial Shareholdings

So far as the Directors are aware, there were no individual shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

### Annual General Meeting

Notice convening the 2007 annual general meeting of the Company and a form of proxy for those unable to attend that meeting can each be found at the end of this document. An explanation of the special business to be considered at that meeting is set out below.

Authority to permit the Directors to allot up to 10% of the existing share capital and for the Directors to disapply pre-emption rights is sought, although the Directors have no present intention of using such authority.

As mentioned in the Chairman's statement, shareholders are being asked to renew authority to purchase shares in the market for cancellation.

### Independent Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 385 of the Companies Act 1985. A resolution to re-appoint Grant Thornton UK LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming annual general meeting.

By order of the Board



Celia L Whitten FCIS  
Secretary  
25 September 2007

# Directors' Remuneration Report

## Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 May 2007.

## 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 venture capital trusts).

## Statement of the Company's policy on Directors' Remuneration

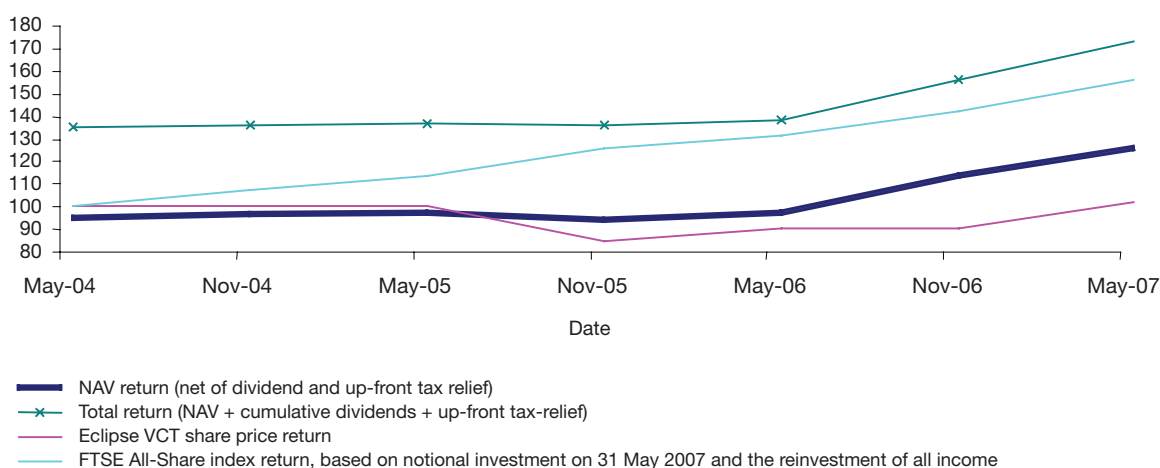
The Board consists entirely of non-executive directors, who meet at least four times a year and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for, at least, a period of three years. All Directors will retire at the first General Meeting after election and thereafter one third of all Directors will be subject to retirement by rotation at subsequent Annual General Meetings. Re-election will be recommended by the Board but dependent upon 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 is 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 graph below compares the share price return, NAV return and total return (including dividends and up-front tax relief) of Eclipse VCT over the period from May 2004 to May 2007 with the total return from a notional investment in the FTSE All-Share index over the same period. This index is considered to be the most appropriate broad equity market index for comparative purposes.



## Directors' Remuneration Report (continued)

### Directors' Emoluments

Amount of each Director's emoluments (information subject to audit):

Annual rate of Directors' fees	Year ended 31 May 2007	Year ended 31 May 2006
Viscount Cobham (Chairman)	£17,500	£12,000
Mr M Cooper	£13,500	£10,000
Mr R Penlington	£13,500	£10,000
Total	£44,500	£32,000

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 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 year to any of the current Directors.

By Order of the Board



Celia L Whitten FCIS  
Secretary  
25 September 2007

## Corporate Governance

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 section 1 of the 2006 Combined Code on Corporate Governance with the exceptions set out in the Compliance Statement at page 24.

### Board of Directors

The Company has a board of three non-executive Directors, two of whom are considered to be independent. Matthew Cooper is not considered to be independent due to his role as Chairman of the Company's Investment manager. 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.

During the year the following were held:

#### 5 full board meetings

All Directors attended all meetings

#### 2 Audit Committee meetings

All Members attended

Additional meetings were held as required to address specific issues including considering recommendations from the investment manager, share issues and repurchases. A brief biographical summary of each Director is given on page 17.

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.

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

### Audit Committee:

Mr R Penlington (Chairman)  
Viscount Cobham

The audit committee deals with matters relating to audit, financial reporting and internal control systems. The committee meets as required and has direct access to Grant Thornton UK LLP, the Company's auditor. The committee met twice in relation to the year ended 31 May 2007 and reviewed the operational systems and controls.

The audit committee reviews the nature and extent of non-audit services supplied by the external auditor of the Company, seeking to balance objectivity and value for money.

### Nomination Committee:

Viscount Cobham (Chairman)  
Mr M Cooper

The nomination committee considers the selection and appointment of Directors. The committee meets as required and did not meet during the year.

### Internal Control

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 its investment managers.

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

## Corporate Governance (continued)

is carried out in accordance with the Turnbull guidelines for internal control. The Board does not consider it necessary to maintain a separate internal audit function.

### 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 17 to the Financial Statements.

### Risk Management

The Company invests its funds primarily in UK smaller companies, which by their nature may entail a higher degree of risk than investments in larger listed companies. The Directors aim to limit this risk through careful selection of a spread of investments.

Octopus carries out management of liquid funds in accordance with the policy guidelines laid down and regularly reviewed by the Board. In general the guidelines require that uninvested cash will be held in money market securities. The Company has no borrowing facilities nor has it entered into derivative transactions.

### Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 proper accounting records that 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 1985. 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 the directors are aware:

- there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

### Going Concern

After making the necessary enquiries, the Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Directors believe that it is appropriate to continue to apply the going concern basis in preparing 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 8 Angel Court, London, EC2R 7HP. Alternatively, the team at Octopus is happy to answer any questions you may have and can be contacted on 020 7710 2800.

## Corporate Governance (continued)

### Compliance Statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting year. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting year to 31 May 2007 with the provisions set out in Section 1 of the Combined Code.

1. New directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise.
2. Due to the size of the Board and the nature of the Company's business, a formal performance evaluation process for of the Board, its committees, the individual directors and the Chairman has not been put in place or a formal evaluation been undertaken. Specific performance issues are dealt with as they arise.
3. The Company has two independent Directors, Viscount Cobham and Mr Roger Penlington, as defined by the Combined Code issued in July 2003. Mr 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 Combined Code.
4. The Company does not have a chief executive officer or senior independent director. The Board does not consider this necessary for the size of the Company.
5. The Company does not conduct a formal review as to whether there is a need for an internal audit function. The Directors do not consider that an internal audit would be an appropriate control for a venture capital trust.
6. The non-executive directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts.
7. The Company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the annual general meeting.
8. The Company does not have a remuneration committee as it does not have any executive directors.

## Report of the Independent Auditor to the members of Eclipse VCT plc

We have audited the financial statements of Eclipse VCT plc for the year ended 31 May 2007 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet, the cash flow statement, and notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Summary, Chairman's Statement, Details of Directors, Shareholder Information, Investment Manager's Review, Directors' Report, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

## Report of the Independent Auditor (continued)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 May 2007 and of its profit for the year then ended;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements for the year ended 31 May 2007.



**GRANT THORNTON UK LLP**  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
OXFORD

## Profit and Loss Account

	Notes	Year to 31 May 2007 £'000	Year to 31 May 2006 (Restated) £'000
Gain on disposal of investments held at fair value	10,11	2,545	–
Unrealised gain on fair value of investments	10,11	8,442	424
Other income	2	981	1,028
Investment management fees	3	(707)	(698)
Other expenses	4	(530)	(308)
<b>Profit on ordinary activities before tax</b>		<b>10,731</b>	446
Taxation on profit on ordinary activities	6	–	(5)
<b>Profit on ordinary activities after tax</b>		<b>10,731</b>	441
<b>Earnings per share – basic and diluted</b>	8	<b>34.5p</b>	1.4p

## Note of Historical Cost Profits and Losses

	Year to 31 May 2007 £'000	Year to 31 May 2006 £'000
Profit on ordinary activities before taxation	10,731	446
Unrealised gain on fair value of investments	(8,442)	(424)
Realisation of prior years' net unrealised gains on investment	26	–
Historical cost profit on ordinary activities before taxation	2,315	22
Historical cost profit on ordinary activities after taxation	2,315	17

## Balance Sheet

	Notes	As at 31 May 2007		As at 31 May 2006 (Restated)	
		£'000	£'000	£'000	£'000
Fixed asset investments	10		30,648		14,948
Current assets:					
Investments	11	7,773		13,657	
Debtors	12	547		448	
Cash at bank		409		1,157	
		8,729		15,262	
Creditors: amounts falling due within one year	13	(242)		(45)	
Net current assets			8,487		15,217
Total assets less current liabilities			39,135		30,165
<b>Net assets</b>			<b>39,135</b>		<b>30,165</b>
Called up equity share capital	14	3,103		3,117	
Special distributable reserve	15	25,145		26,516	
Capital redemption reserve	15	27		13	
Revaluation reserve	15	9,292		787	
Profit and loss account	15	1,568		(268)	
<b>Total equity shareholders' funds</b>			<b>39,135</b>		<b>30,165</b>
<b>Net asset value per share</b>	9		<b>126.1p</b>		<b>96.8p</b>

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

The statements were approved by the Directors on 25 September 2007 and are signed on their behalf by:



Viscount Cobham  
Chairman

## Cash Flow Statement

	Notes	Year to 31 May 2007 £'000	Year to 31 May 2006 £'000
Net cash outflow from operating activities		(318)	(436)
Financial investment:			
Purchase of investments	10	(9,235)	(7,631)
Sale of investments	10	4,682	–
Management of liquid resources:			
Decrease in cash equivalent investments	11	5,884	9,642
Taxation	6	–	(45)
Dividends paid	7	(1,631)	(453)
Financing:			
Repurchase of own shares	14	(130)	(87)
<b>(Decrease)/increase in cash resources</b>		<b>(748)</b>	<b>990</b>

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

	Notes	Year to 31 May 2007 £'000	Year to 31 May 2006 £'000
Increase/(decrease) in cash resources		(748)	990
Movement in liquid resources	11	(5,884)	(9,642)
Opening net cash resources		14,814	23,466
<b>Net cash at 31 May</b>		<b>8,182</b>	<b>14,814</b>

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

	Notes	Year to 31 May 2007 £'000	Year to 31 May 2006 £'000
Profit on ordinary activities before tax		10,731	446
Unrealised gains on fixed asset investment	10	(8,563)	(596)
Realised gain on disposal of fixed asset investments	10	(2,584)	–
Increase in debtors		(99)	(300)
Increase in creditors		197	14
<b>Outflow from operating activities</b>		<b>(318)</b>	<b>(436)</b>

# Notes to the Financial Statements

## 1. Accounting Policies

### Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards in the UK and with the Statement of Recommended Practice (SORP) for "Financial Statements of Investment Trust Companies" as issued in January 2003 and revised in December 2005.

The principal accounting policies have remained unchanged from those set out in the Company's 2006 annual report and financial statements except that, with effect from 1 May 2007, the Company is no longer an investment company as defined by section 266 of the Companies Act 1985.

### Change in Presentation

As a result of the Directors' decision during the year, to enable distributions of capital profits to shareholders in due course, investment company status was revoked on 1 May 2007. The accounts have been drawn up to include a statutory profit and loss account and a note of historical cost profits and losses in accordance with Schedule 4 of the Companies Act 1985 and Financial Reporting Standard 3 (Reporting Financial Performance).

These statements differ from the statement of total return presented in previous periods as follows:

- (a) profits or losses on the realisation of investments and permanent diminutions in value of investments are now included in the profit and loss account;
- (b) unrealised gains and losses on investments are included in the profit and loss account; and
- (c) all investment management fees, other expenses and taxation are charged to the profit and loss account.

In the balance sheet the revenue reserve and the realised capital reserves have been combined into the profit and loss account whilst the revaluation reserve records the revaluation amounts previously included in the unrealised capital reserve, with the exception of permanent diminutions in value, which are passed through the profit and loss account. Where required the comparatives in the relevant notes have been restated (Note 15).

### Investments

The Company invests in financial assets with a view to profiting from their total return through income and capital growth. These investments are managed and their performance is evaluated on a fair value basis in accordance with a documented investment strategy. Accordingly as permitted by FRS 26, the investments and loan notes are designated as fair value through profit and loss ("FVTPL"). Unrealised gains or losses on valuation are recognised through the profit and loss account.

Investments in AIM-quoted companies are stated at bid price.

Unlisted investments are stated at Directors' valuation following the guidelines laid down by the International Private Equity and Venture Capital guidelines. The Directors' policy in valuing unlisted investments is to carry them at cost except in the following circumstances:

- (a) where a company's under performance against plan indicates a diminution in the value of the investment a provision against cost is made as appropriate, using an appropriate valuation method;
- (b) where a company is well established and profitable the shares may be valued by applying a suitable price earnings ratio to the Company's historic post tax earnings. The ratio used is based on a comparable listed company or sector but discounted by 25-50% to reflect marketability; and
- (c) where a value is indicated by a material arms length transaction by a third party in the shares of a company.

### Current Asset Investments

Current asset investments comprise money market securities and are designated as FVTPL. Unrealised gains or losses on valuation are recognised through the profit and loss account.

### Income

Investment income includes interest earned on bank balances and money market securities and includes income tax withheld at source. Dividend income is shown net of any related tax credit.

Dividends receivable are brought into account on the ex-dividend date. Fixed returns on debt and money market securities are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

## Notes to the Financial Statements (continued)

### Expenses

All expenses are accounted for on an accruals basis.

### Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date 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, 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 managed funds.

## 2. Income

	31 May 2007 £'000	31 May 2006 £'000
Interest receivable on money market securities and bank balances	697	947
Dividends received	64	11
Other income received	220	70
	981	1,028

## 3. Management Fees

	31 May 2007 £'000	31 May 2006 £'000
Investment management fee	602	594
Irrecoverable VAT thereon	105	104
	707	698

Octopus provides investment management and accounting and administration services to the Company under a management agreement which runs for a period of five years with effect from 25 May 2004 and may be terminated at any time thereafter by not less than twelve months' notice given by either party. The basis upon which the management fee is calculated is disclosed within note 18 to the financial statements.

## 4. Other Expenses

	31 May 2007 £'000	31 May 2006 £'000
Accounting and administration services	106	105
Directors' remuneration	46	32
Fees payable to the Company's auditor for the audit of the financial statements	14	12
Fees payable to the Company's auditor for other services – tax compliance	2	3
Legal and professional expenses	49	23
Other expenses	313	133
	530	308

Non-audit services relate to corporation tax compliance. Other expenses to May 2007 include trail commission relating to year end May 2007 as well as year end May 2006 where a provision was not made.

## Notes to the Financial Statements (continued)

### 5. Directors' Remuneration

	31 May 2007 £'000	31 May 2006 £'000
Directors' emoluments		
Viscount Cobham (Chairman)	18	12
M Cooper	14	10
R Penlington	14	10
	46	32

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 (2006: three).

### 6. Tax on Ordinary Activities

The corporation tax charge for the year was £nil (2006: £5,000).

Factors affecting the tax charge for the current year:

The current tax charge for the year differs from the lower rate of corporation tax in the UK (19%). The differences are explained below.

Current tax reconciliation:

	31 May 2007 £'000	31 May 2006 £'000
Profit on ordinary activities before tax	10,731	446
Current tax at 19%	2,039	85
Income not liable to tax	(2,107)	(80)
Excess management charges	68	–
Total current tax charge	–	5

### 7. Dividends

	31 May 2007 £'000	31 May 2006 £'000
Dividend paid in the current year relating to the previous period	390	453
Paid 4p interim and proposed final dividend 4p per share (2006: 1.25p per share)	1,241	390

### 8. Earnings per Share

The revenue return per share is based on profit after tax of £10,731,000 (2006: £441,000) and on 31,095,648 (2006: 31,240,517) 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. Net Asset Value per Share

The calculation of net asset value per share as at 31 May 2007 is based on net assets of £39,135,000 (2006: £30,165,000) divided by the 31,024,872 (2006: 31,169,065) ordinary shares in issue at that date.

## Notes to the Financial Statements (continued)

### 10. Fixed Asset Investments

	Unquoted investments £'000	Aim-quoted investments £'000	Total investments £'000
Valuation and net book amount:			
Book cost as at 1 June 2006	10,067	3,923	13,990
Revaluation in the year	614	344	958
Valuation at 1 June 2006	10,681	4,267	14,948
Movement in the year:			
Purchases at cost	7,078	2,157	9,235
Disposal proceeds	(2,456)	(2,226)	(4,682)
Profit on realisation of investments – current year	1,331	1,253	2,584
Revaluation in year	4,742	3,821	8,563
<b>Valuation at 31 May 2007</b>	<b>21,376</b>	<b>9,272</b>	<b>30,648</b>
Book cost at 31 May 2007			
– Ordinary shares	4,956	5,108	10,064
– Loan notes/other securities	11,063	–	11,063
Revaluation at 31 May 2007			
– Ordinary shares	5,682	4,164	9,846
– Loan notes/other securities	(325)	–	(325)
<b>Valuation at 31 May 2007</b>	<b>21,376</b>	<b>9,272</b>	<b>30,648</b>

Further details of the fixed asset investments held by the Company are shown within the Investment Manager's Review on pages 5 to 14.

## Notes to the Financial Statements (continued)

### 11. Current Asset Investments

Current asset investments at 31 May 2007 comprised money market securities.

	£'000	£'000
Money market securities at cost at 1 June 2006:		
Bonds/Floating rate notes	11,828	
Open Ended Investment Companies/Money Market Funds	2,000	
		13,828
Revaluation as at 1 June 2006:		
Bonds/Floating rate notes	(227)	
Open Ended Investment Companies/Money Market Funds	56	
		(171)
Valuation as at 1 June 2006		13,657
Movement in the year:		
Purchases at Cost:		
Bonds		997
Money Market Funds		5,370
Disposal proceeds:		
Bonds		(6,831)
Money Market Funds		(5,260)
Profit/(loss) in year on realisation of investments:		
Bonds		(50)
Money Market Funds		11
Unrealised gain/(loss):		
Bonds		(125)
Money Market Funds		4
<b>Valuation as at 31 May 2007</b>		<b>7,773</b>
Cost at 31 May 2007:		
Bonds	5,826	
Money Market Funds	2,175	
		8,001
Revaluation at 31 May 2007:		
Bonds	(232)	
Money Market Funds	4	
		(228)
<b>Valuation as at 31 May 2007</b>		<b>7,773</b>

### 12. Debtors

	31 May 2007 £'000	31 May 2006 £'000
Trade debtors	9	–
Prepayments and accrued income	538	448
	547	448

### 13. Creditors: Amounts falling due within one year

	31 May 2007 £'000	31 May 2006 £'000
Accruals	228	41
Trade creditors	14	–
Corporation tax charge	–	4
	242	45

## Notes to the Financial Statements (continued)

### 14. Share Capital

	31 May 2007 £'000	31 May 2006 £'000
Authorised:		
Equity – 40,000,000 ordinary shares of 10p	4,000	4,000
Allotted and fully paid up		
Equity – 31,024,872 ordinary shares of 10p	3,103	3,117

The Company repurchased the following shares for cancellation:

- 5 October 2006: 30,000 shares at a price of 89p per share
- 26 October 2006: 40,900 shares at a price of 90p per share
- 30 November 2006: 51,000 shares at a price of 86p per share
- 8 March 2007: 16,065 shares at a price of 101p per share
- 30 May 2007: 6,228 shares at a price of 97p per share

The total nominal value of the shares repurchased was £14,419 representing 0.46% of the issued share capital.

### 15. Reserves

	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve unrealised £'000	Capital reserve realised £'000	Revaluation reserve £'000	Revenue reserve £'000	Profit and loss account £'000
At 31 May 2006	26,516	13	787	(725)	–	457	–
Adjustment due to change in company status	–	–	(787)	725	787	(457)	268
Restated at 1 June 2006	26,516	13	–	–	787	–	(268)
Cancellation of own shares	(130)	14	–	–	–	–	–
Profit on ordinary activities after tax	–	–	–	–	–	–	10,731
Prior period unrealised gains/ losses now realised	–	–	–	–	(26)	–	26
Unrealised gains/losses	–	–	–	–	8,531	–	(8,531)
Dividends paid	(1,241)	–	–	–	–	–	(390)
<b>Balance as at 31 May 2007</b>	<b>25,145</b>	<b>27</b>	<b>–</b>	<b>–</b>	<b>9,292</b>	<b>–</b>	<b>1,568</b>

### 16. Reconciliation of Movements in Shareholders' Funds

	Year ended 31 May 2007 £'000	Year ended 31 May 2006 £'000
Shareholders' funds at start of year	30,165	30,264
Profit on ordinary activities after tax	10,731	441
Cancellation of own shares	(130)	(87)
Capital dividend recognised in period	(1,241)	–
Dividends paid	(390)	(453)
<b>Balance as at end of year</b>	<b>39,135</b>	<b>30,165</b>

## Notes to the Financial Statements (continued)

### 17. Financial Instruments

#### Management of Risk

As a Venture Capital Trust, the Company's objective is to provide shareholders with an attractive income and capital return by investing in accordance with the Company's investment strategy.

The Company's financial instruments may comprise:

- shares and securities in UK listed and unquoted companies; and
- cash, liquid resources and short term debtors and creditors that arise from the Company's operations.

The main risks arising from the Company's financial instruments are fluctuations in market price for quoted investments and fluctuations in valuations, including the issue of the going concern, for unquoted investments.

#### Market Price Risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions by way of price movements. The potential risk is continuously monitored by the investment manager and reported on a regular basis to the Board.

#### Liquidity Risk

The funds raised since incorporation are currently used to fund the Company's primary objective of investing in venture capital opportunities which accord with its investment strategy. Some 79.7% of these funds had been utilised in this investment process at 31 May 2007 (2006: 48.4%) and the remaining funds were primarily represented by cash and money market securities shown as current asset investments in the balance sheet.

#### Interest Rate Risk

The Company finances its operations through share capital raised and retained profits including both realised and unrealised profits. At the year end and throughout the year, the Company had no liabilities that were subject to interest rate risk and had no borrowing facilities. The Company's financial assets are invested in money market securities. The weighted average interest rate on such securities was approximately 6.5% during the period.

#### Fair Values of Financial Assets and Liabilities

There was no material difference between the fair values of financial assets and liabilities and their book values at the balance sheet date.

### 18. Related Party Transactions

Matt Cooper, a non-executive Director of Eclipse VCT plc, is a Director of Octopus. Eclipse VCT plc has employed Octopus throughout the year as investment manager. Eclipse VCT plc has paid Octopus £707,000 in the year as a management fee and there is £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 May. Octopus 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 May. During the year £106,000 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 an annual performance related incentive fee in the event that performance criteria in relation to the increase in net assets, after adding back distributions, are exceeded. No performance fee is payable until after 31 May 2007 or until investors have received at least 40p per share by way of tax-free dividends.

## Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Eclipse VCT plc will be held at 8 Angel Court, London, EC2R 7HP on Friday, 16 November 2007 at 11.30 a.m. for the following purposes:

### ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 31 May 2007 and the directors' and auditors' reports thereon.
2. To approve a final dividend of 4 pence per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Matt Cooper 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 Section 80 of the Act to allot shares up to a maximum nominal amount of £310,249 (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 Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority referred to in resolution 8 as if Section 89(1) of the Act did not apply to any such allotments and so that:

- (a) reference to allotment in this Resolution shall be construed in accordance with Section 94 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 Section 163(3) 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 14.99% 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 per cent 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  
Celia L Whitten FCIS  
Secretary

8 Angel Court  
London  
EC2R 7HP

25 September 2007

#### 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, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR** 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) Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the ordinary shares of the Company kept in accordance with Section 325 of the Companies Act 1985 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 for at least 15 minutes prior to the commencement of the meeting until its conclusion.

# Proxy Form

## Eclipse VCT plc Annual General Meeting – 16 November 2007

I/We .....  
(BLOCK CAPITALS PLEASE)

of .....

being a member of Eclipse VCT plc, hereby appoint.....

of.....

or failing him/her the Chairman of the meeting to be my/our proxy and vote for me/us on my/our behalf at the annual general meeting of the Company to be held on 16 November 2007, notice of which was sent to shareholders with the directors' report and the accounts for the year ended 31 May 2007, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting:

Resolution number	FOR	AGAINST	WITHHELD
1. To receive, consider and adopt the financial statements for the year ended 31 May 2007	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of 4p per share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr Matt Cooper as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Grant Thornton UK LLP as auditor and authorise the directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the directors to allot shares under section 80 (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply Section 89(1) of the Companies Act 1985 and allot shares on a non rights issue basis (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the directors to make market purchases of its own shares (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed: ..... Dated: ..... 2007

### NOTES

1. A member wishing to appoint a person other than the Chairman of the meeting as proxy should insert the name and address of such person in the space provided.
2. Use of the proxy form does not preclude a member from attending and voting in person.
3. 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.
4. 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.
5. To be valid, the proxy form must be received by the Registrars of Eclipse VCT plc at **Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR** no later than 48 hours before the commencement of the meeting.

Third fold and tuck in

BUSINESS REPLY SERVICE  
Licence No. MB 122



**Capita Registrars  
Proxies Department  
PO Box 25  
BECKENHAM  
Kent BR3 4BR**

First fold

Second fold



