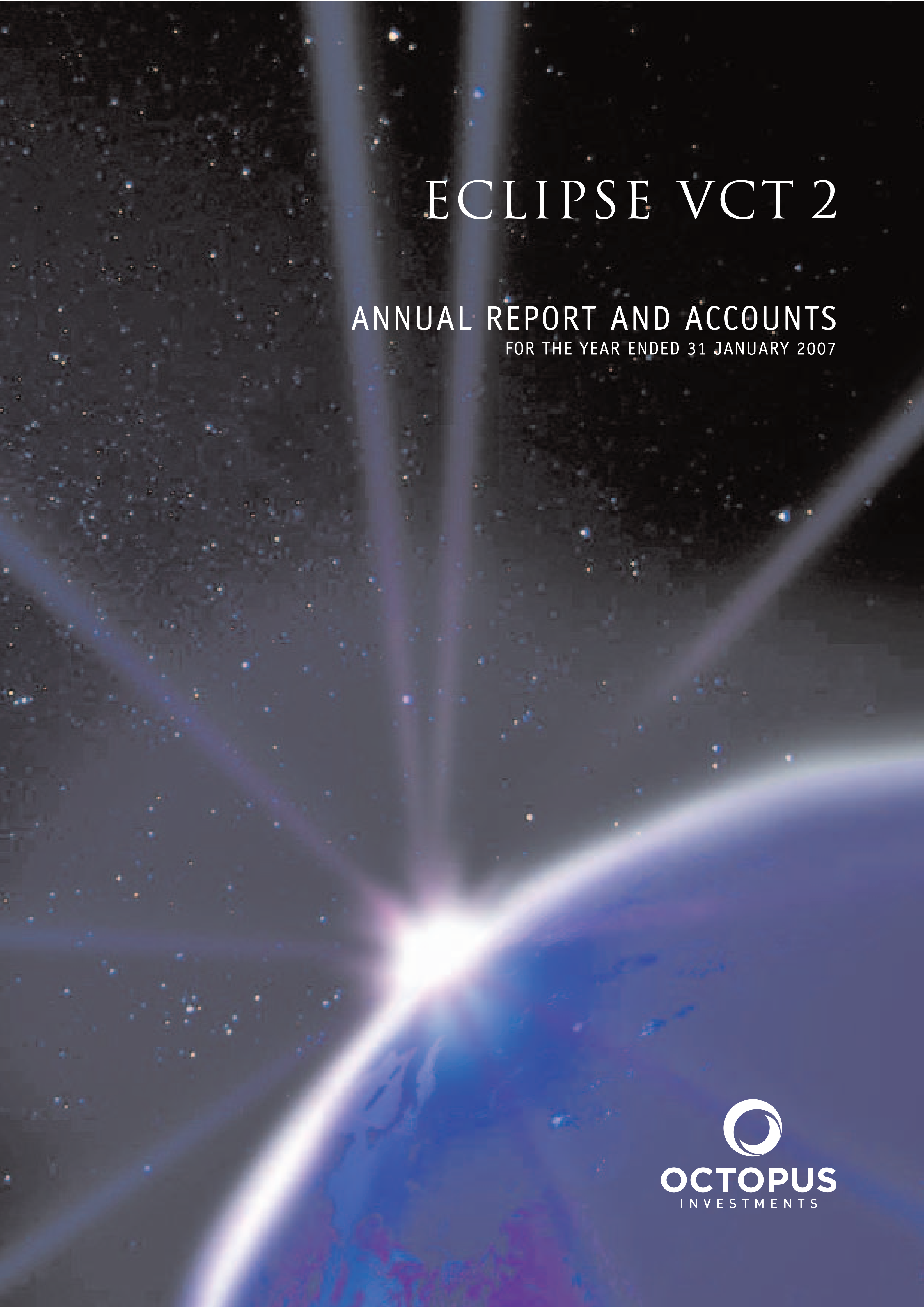


ECLIPSE VCT 2

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2007

OCTOPUS INVESTMENTS

Contents

Financial summary
for the period ended 31 January 2007

	31 January 2007	31 January 2006
Net assets	£21,537,000	£17,650,000
Net revenue return after tax	£173,000	£255,000
Revenue return per share*	0.93p	2.20p
Net asset value per share	115.9p	95.0p
Total return per share*	22.16p	–
Dividend per share	1.00p	1.25p

*based on a weighted average of 18,584,648 (2006:11,576,195) shares in issue in the period

Eclipse VCT 2 plc (‘Eclipse 2’ or ‘the Company’) is a venture capital trust (‘VCT’) and is managed by Octopus Investments Limited (‘Octopus’ or ‘Manager‘). Eclipse 2 was launched in January 2005 and raised over £18.4 million (£17.7 million net of expenses) through an offer for subscription. It invests primarily in unquoted and AIM quoted companies and aims to deliver absolute returns on its investments.

Chairman's statement

It gives me pleasure to present the second annual report to shareholders in Eclipse 2 Venture Capital Trust ('VCT').

Background

Eclipse 2 was launched in January 2005 and raised £18.4 million by June 2005, to invest alongside Eclipse, which launched in 2004 and raised £30.7 million. Octopus has subsequently raised a further £58.2 million in a dual fund, Eclipse 3 & 4.

Eclipse 2 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 the combined funds 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.

Net Asset Value ('NAV')

The NAV per share at 31 January 2007 was 115.9p, an increase of 22% since 31 January 2006. During the year to 31 January 2007, 18 new investments and a number of small top-up investments were made in unquoted and AIM-quoted companies and, as a result, Eclipse 2 had a portfolio of 29 investments in qualifying companies at the end of the period under review. This is split between an unquoted investment portfolio and AIM investment portfolio as detailed below.

Unquoted investment portfolio

Nine new investments and one top-up unquoted investment were made over the period at a cost of £5.3 million. The overall value of the portfolio of the 17 unquoted investments at the year end was £12.5 million representing an increase of 25% over the cost of £10.0 million.

The unquoted companies have been valued in accordance with International Private Equity and Venture Capital ('IPEVC') guidelines and as a consequence five unquoted investments have increased in value. One of these, James Harvard International, has now been sold and the fund's investment realised a significant profit. At the time of sale, Eclipse 2 received 2.4 times the original amount invested, the return representing a compound annual return of 98%. In addition, Covion, Plastics Capital, Luther Pendragon and Gyro International have all been written up in value to reflect the growth in the underlying businesses. Seven investments have been held for less than twelve months and in line with the guidelines are held at cost as this is considered to be the fair value of the investments.

Partial provisions have been made against two investments, First Sports Group and Red-M Group, where the underlying performance is below expectations. Details of the valuations are shown in further detail within the Investment Manager's review.

AIM investment portfolio

The AIM portfolio has performed extremely well during what has been a volatile period for AIM. It is worth emphasising that much of the market's volatility during the year has been as a result of poor performance within sectors in which the Fund does not invest including overseas companies, the natural resources sectors and online gaming companies.

The overall value of the portfolio of 12 AIM investments was £3.0 million representing an increase of 76% over the cost of £1.7 million.

Dividend

As the Fund has now made a substantial number of investments, the level of un-invested cash held in money market securities has reduced. This means that the Fund generates less income from its un-invested assets. The Directors therefore propose to pay a dividend of 1.0p per share. This dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 11 June 2007 to shareholders on the register on 18 May 2007.

The level of dividends will be mainly driven by realised profits when investments are sold and income from the portfolio as investments mature.

Share Price and Buy-Back Facility

Eclipse 2 has a share buy-back facility, proposing to buy-back shares at no more than a 10% discount to the prevailing NAV. This should assist the marketability of the shares and help prevent the shares from trading at a wide discount to NAV. The Fund's mid market share price currently stands at 98p.

Shareholders should note that if they sell their shares within three years of the original purchase they forfeit any income tax relief obtained. If you need to sell your shares, please contact Octopus on 020 7710 2800.

Chairman's statement (continued)

VCT Qualifying Status

Eclipse 2 must be 70% invested in qualifying companies by 31 January 2008, and maintain this level on a day by day basis thereafter in order to comply with VCT regulations. The Directors continue to monitor the Fund's progress towards meeting and maintaining HM Revenue & Customs conditions for VCT approval and have retained PricewaterhouseCoopers LLP, one of the UK's leading firms of accountants, to advise in this area.

At 31 January 2007, Eclipse was 66.2% invested in qualifying holdings, which is ahead of the target set by the Investment Manager. In light of the current deal flow we are confident that Eclipse 2 will meet the relevant VCT regulations by its deadline of 31 January 2008.

Outlook

Eclipse 2 is now approaching the end of the initial investment period and has built a broad portfolio of investments in unquoted and AIM-quoted investments. Our intention is to build on this progress in the coming periods by focusing on realising value from the existing portfolio of investments, while also making further investments from the continued flow of opportunities that the Investment Manager is seeing.

The current uplift in the value of the portfolio is encouraging and offers a good balance across a range of sectors which we hope to maintain through a continued policy of selective investment by the Investment Manager.

Marc Vlessing
Chairman
3 May 2007

Investment Manager's review

We are delighted to report substantial progress across the portfolio over the last year. Since 31 January 2006, the net assets of the fund have increased by 22% to £21.5 million. This represents a net asset value of 115.9p per share, an uplift of 20.9p. The total return of the Fund after adding back last year's dividend of 1.25p equates to 117.15p per share, compared to an initial investment cost of 60p after taking into account the 40% upfront income tax relief.

During the year to 31 January 2007 the Fund invested a further £6.5 million in 18 new investments and several follow-on investments. This takes the total invested by Eclipse 2 to almost £11.7 million. At the year end, the value of this portfolio had increased by 31% to £15.5 million.

Qualifying Status

VCTs have three years to invest 70% of the money raised into qualifying companies. We are pleased to report that, at 31 January 2007, two years through the three year period, Eclipse 2 was 66.2% invested in qualifying companies. The speed of investment is a function of the number and the quality of investment opportunities the team is currently seeing.

Review of Investments

At 31 January 2007, the Eclipse 2 portfolio comprised investments in 12 AIM-quoted and 17 unquoted companies. The remainder of the Fund was invested in money market securities.

Once we have made an investment, we take an active approach in monitoring its performance. This includes regular meetings with management teams and, in the case of most unquoted investments, attending board meetings of the portfolio companies. We are keen to invest in additional rounds of funding in portfolio companies, where we are familiar with the qualities of the management team and where the performance has been closely monitored.

Portfolio Activity

During the year, the Fund made 18 new investments. These investments are discussed below:

Unquoted investments

Perfect Pizza Limited

In March 2006, Eclipse 2 invested alongside the other Eclipse funds in the £7 million management buy-in of Perfect Pizza from Papa Johns, the US parent company. Perfect Pizza is the third largest home delivery pizza business in the UK with 115 franchised stores.

Blanc Brasseries Holdings plc

Eclipse 2 invested in April 2006 in a £6 million private placement funding round for Blanc Brasseries, which owns the Le Petit Blanc chain of quality restaurants. The business was acquired from Loch Fyne Restaurants (LFR) and will continue to be managed by the LFR management team, which successfully built up this chain to around 30 restaurants.

CSL Dualcom Limited

Eclipse 2 invested alongside the other Eclipse funds to finance the £6 million management buy out of CSL Dualcom. CSL is a leading supplier of dual path alarm signalling devices which link intruder alarms via an alarm receiving centre to the police. The devices communicate using both a telephone line and a Vodafone wireless link for maximum integrity.

First Sports Group Limited

In June 2006, Eclipse 2 invested alongside one of the other Eclipse funds in a £2 million fundraising for First Sports Group ('FSG'). FSG provides and manages retail solutions within sports and leisure clubs. The company's clients include Esporta, Virgin Active and David Lloyd.

Adrenalin Design Limited

Adrenalin Design was formed to acquire Golddigga, a fast growing fashion brand which is aimed at girls aged between 15 and 25. Golddigga, which is based in Derby, was founded in 1997. The brand is sold through 650 outlets across the UK and Europe. We introduced new management as part of the transaction to support the existing team. The strategy is to focus on growing domestic and overseas sales through increased investment in marketing and sales support.

Audio Visual Machines Limited

Audio Visual Machines is a leading audio visual systems integrator and service provider. It works with some of the UK's leading businesses including BP, PwC and Lloyds TSB and delivers everything from a simple projector installation through to a fully integrated video conferencing suite to its clients. Funding was provided to finance the management buy out of the business.

Gyro International Limited

In October 2006 Eclipse 2 participated in a £6 million fund raising by Gyro International, alongside the other Eclipse funds and third party funds. Eclipse VCT had previously invested in Gyro in February 2005, and the company and its management team are therefore well known to us. Gyro provides an integrated range of marketing services to businesses and has clients such as Virgin Atlantic, Sony and Palm. Gyro operates through seven European offices, including London, and two offices based in the USA.

Investment Manager's review (continued)

NPI Media Group Limited
In January 2007, Eclipse 2 participated in a £15 million funding package to support the purchase by NPI of three competitors, to form the leading UK publisher of distinctive 'local interest' history books. The company is based in Stroud and has subsidiary operations in France, Germany, Ireland and the US. In total the Eclipse funds provided £5.5 million of investment.

Hexagon Human Capital plc
In December 2006 Eclipse 2 invested alongside the other Eclipse funds and Barclays Bank to support the purchase of BIE by Hexagon, a specialist interim management and executive search group. Hexagon was formed in 2004 and has grown through acquisition. Forecast pro forma profit of £4.3 million is projected for the year to March 2007 on turnover of £14.7 million. In February 2007, Hexagon floated on AIM, generating a 25% uplift in value for the Eclipse funds. Other Octopus funds invested at the time of listing.

AIM-quoted investments

Ovum plc
In March 2006, Eclipse 2 invested in the AIM flotation of Ovum. Ovum is a leading information, communication and technology research consultancy. The company acts as a source of industry data, knowledge and expertise on the commercial impact of technology, regulatory and market changes. This data is packaged into detailed research documents and distributed through a range of bespoke and tailored products. Current clients include IBM, BT and Vodafone as well as Government bodies such as the Department of Trade and Industry. In December 2006, Ovum received a takeover bid from a large competitor, Datamonitor plc, and the Eclipse 2 holding was sold at a profit of 58%.

BBI Holdings plc
In May 2006, Eclipse 2 invested in BBI Holdings. BBI is an AIM-quoted developer and manufacturer of diagnostic tests. The company derives income from the manufacture and supply of gold colloids, bespoke product development for third parties and the manufacture of diagnostic tests for industry partners. The funding provided by Eclipse 2 and other investors was used to fund the acquisition of Alchemy Laboratories Ltd, a Dundee based company with operations in similar fields to BBI.

Invocas plc
In March 2006 Eclipse 2 invested in the AIM flotation of Invocas. The company is the leading provider of personal insolvency solutions in Scotland with a 16% share of the Protected Trust Deed market. Invocas has been profitable and cash generative for the past seven years. Demand in Scotland for Protected Trust Deeds, which help individuals who are having difficulty servicing their debt, grew by 20% in 2006. Invocas is expected to generate a profit of £3.4 million on a turnover of £8.3 million for the year ending March 2007.

Worthington Nicholls Group plc
Worthington Nicholls is one of the UK's largest air conditioning contractors providing services to the hotel, retail and leisure sectors. The three divisions that the company operates through are the project management, design and installation of machines, the maintenance of machines, and ventilation hygiene. The company listed on AIM in June 2006 after raising £7.5 million.

Cohort plc
Eclipse 2 invested in the AIM flotation of Cohort in February 2006. Cohort was incorporated to acquire Systems Consultants Services ('SCS'), a UK based company providing training support and equipment trials to the defence sector. The market for technical services, outside of the recently privatised Government agency Qinetiq, is largely fragmented but has been consolidating. Cohort's strategy is to acquire complementary technical services companies and position them alongside the fast-growing SCS business.

Brulines (Holdings) Plc
Brulines is a provider of draught beer dispense monitoring, volume and revenue protection systems for over 16,000 pubs in the UK. The company listed on AIM in October 2006 having raised £7 million.

Concateno plc
Concateno was created as a vehicle to identify and acquire companies in the support services and utility sectors. In October 2006 Concateno announced the acquisition of Medscreen, a company specialising in drug and alcohol testing in key market sectors such as the maritime sector and Her Majesty's Prisons.

Hasgrove plc
Hasgrove is an integrated communications group with operations in four European countries, delivering solutions in public relations, public affairs, advertising, design and online marketing.

Vertu Motors plc
Vertu Motors was founded in November 2006 by senior members of the highly successful Reg Vardy plc team (Reg Vardy was acquired by Pendragon plc in February 2006). The company raised a total of £25 million at 60p per share with a strategy of consolidating the motor dealership sector and driving operational efficiencies and organic growth. In February 2007, the company announced a further fundraising and the proposed acquisition of the Bristol Street Group for £40 million.

Investment Manager's review (continued)

Portfolio of Investments

At 31 January 2007, the Fund's portfolio comprised investments in 29 companies with a total cost of £11.7 million and a carrying value of £15.5 million. The Fund also held £5.7 million in cash and money market securities awaiting investment in qualifying holdings. Unquoted investments are in ordinary shares with full voting rights and loan note securities. AIM-quoted investments are in ordinary shares with full voting rights. Details of the investments are detailed below:

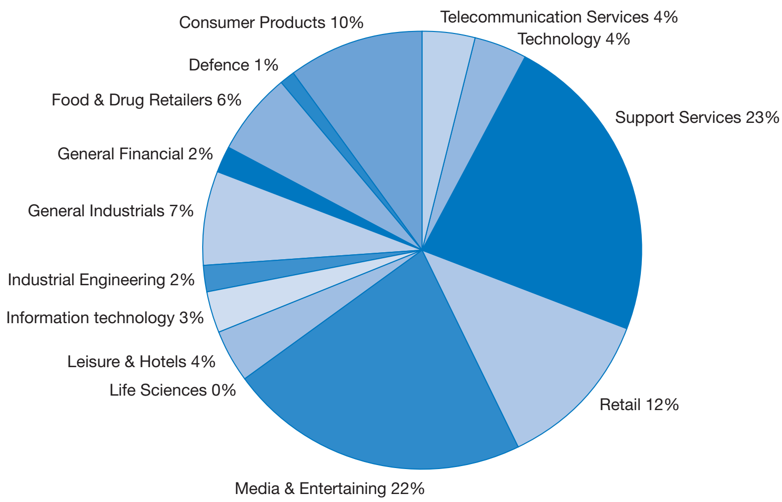
Unquoted investments	Sector	Investment classification	Cost £,000	Profit/(Loss) £,000	Value at 31 January 2007 £,000
James Harvard International Limited	Support Services	Ordinary shares	280	1,061	1,341
		Loan notes	720	–	720
			1,000	**1,061**	**2,061**
Luther Pendragon Limited	Media & Entertainment	Ordinary shares	125	595	720
		Loan notes	875	–	875
			1,000	**595**	**1,595**
PlasticCapital Limited	General Industrials	Ordinary shares	240	350	590
		Loan notes	560	–	560
			800	**350**	**1,150**
Covion Limited	Support Services	Ordinary shares	43	630	673
		Loan notes	386	–	386
			429	**630**	**1,059**
NPI Media Group Limited	Media & Entertainment	Ordinary shares	98	–	98
		Loan notes	856	–	856
			954	**–**	**954**
First Sports Group Limited	Retail	Ordinary shares	185	(185)	–
		Loan notes	800	–	800
			985	**(185)**	**800**
Perfect Pizza Limited	Food & Drug Retailers	Ordinary shares	68	–	68
		Loan notes	607	–	607
			675	**–**	**675**
Gyro International Limited	Media & Entertaining	Ordinary shares	128	196	324
		Loan notes	323	–	323
			451	**196**	**647**
The Kendal Group Limited	Consumer Products	Ordinary shares	252	–	252
		Loan notes	324	–	324
			576	**–**	**576**
Adrenalin Design Limited	Consumer Products	Ordinary shares	62	–	62
		Loan notes	488	–	488
			550	**–**	**550**
Dualcom Holdings Limited	Telecommunication Services	Ordinary shares	53	–	53
		Loan notes	461	–	461
			514	**–**	**514**
Audio Visual Machines Limited	Technology	Ordinary shares	47	–	47
		Loan notes	407	–	407
			454	**–**	**454**
Hexagon Human Capital Limited	Support Services	Loan notes	431	–	431
			431	**–**	**431**
Lilestone Holdings Limited	Retail	Ordinary shares	467	–	467
			467	**–**	**467**
The Capital Pub Company 2 plc	Leisure & Hotels	Ordinary shares	350	–	350
			350	**–**	**350**
Red-M Group Limited	Information Technology	Ordinary shares	150	(150)	–
		Loan notes	150	–	150
			300	**(150)**	**150**
Blanc Brasseries Holdings plc	Leisure & Hotels	Ordinary shares	61	–	61
			61	**–**	**61**
Total unquoted investments			**9,997**	**2,497**	**12,494**

Investment Manager's review (continued)

AIM-quoted investments		Cost £,000	Profit/(Loss) £,000	Value at 31 January 2007 £,000
Tanfield Group plc	Industrial Engineering	209	527	736
Worthington Nicholls plc	Support Services	243	426	669
InterQuest plc	Support Services	171	189	360
Hasgrove plc	Media & Entertaining	200	17	217
Vertu Motors plc	General Financial	150	62	212
Autoclenz Holdings plc	Support Services	206	(35)	171
Healthcare Locums plc	Support Services	150	15	165
Cohort plc	Defence	85	36	121
Brulines Holdings plc	Support Services	92	26	118
Concateno plc	General Financial	60	39	99
BBI Holdings plc	Life Sciences	53	23	76
Invocas plc	General Financial	50	16	66
Total AIM-quoted investments		1,669	1,341	3,010
Total investments		11,666	3,838	15,504
Comprising:	Ordinary shares	4,278	3,838	8,116
	Loan notes	7,388	–	7,388

Sector analysis

Total investments – book cost



Ten Largest Holdings

JAMES HARVARD
international group

James Harvard is one of the leading recruitment agencies in the growing, but fragmented, European clinical trials market. The funds raised were used to acquire EXCO, thereby extending the range of functional areas covered by James Harvard as well as providing access to a broader range of clients. Since completion of our investment, JHI has made a further modest acquisition, ASA Medical, from Hotgroup. Performance has been significantly ahead of our expectations, with proforma profits more than doubling over the last year. As a result we have increased our valuation to reflect this.

James Harvard International has subsequently been sold at a slight uplift to valuation achieving a compound annual return of 98%.

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

Investment Manager's review (continued)

Investment date	*30 November 2005*
Equity held	*10.90%*
Cost	*£1,000,000*
Valuation	*£2,061,000*
Valuation basis	*Earnings multiple*
Dividends/interest received during the year	*£36,000*
Last audited accounts	*December 2005*
Net assets	*£1,214,240*
Profit/(loss) before taxation	*Not available*

lutherpendragon

Luther provides a fully integrated corporate public relations service specialising in 'issues management', which involves developing communications strategies to combat any potential risks to a client's reputation or to influence public perception to achieve a strategic goal. The company was established in 1992 and has grown to 45 partners and staff. The company has a range of public sector and blue chip private sector clients from a number of industries.

Luther traded ahead of budget during 2006, which enabled the company to repay more bank debt than forecast. As a result we have increased the valuation of the Fund's investment to £1,595,000.

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

Investment date	*30 November 2005*
Equity held	*19.23%*
Cost	*£1,000,000*
Valuation	*£1,595,000*
Valuation basis	*Earnings multiple*
Dividends/interest received during the year	*Nil*
Last audited accounts	*December 2005*
Net assets	*£1,921,000*
Profit before taxation	*£702,000*

PLASTICS Capital Ltd

Plastics Capital was set up to build a group of niche plastics manufacturing companies, each with a strong market position and good cash generation characteristics. The group currently comprises three separate businesses with factories located in Knaresborough, Leicester, Dartford and Poole with an aggregate turnover in excess of £15 million.

The first company acquired was Bell Plastics, which manufactures plastic mandrels for use in the manufacturing process for high pressure hoses. Our funding was used to acquire Trimplex, a company that manufactures creasing matrices for cardboard box manufacturing, and BNL, which manufactures plastic bearing components. The company has performed in line with budget, increasing earnings by 17% since we invested. We have therefore uplifted the valuation.

Investment date	*30 November 2005*
Equity held	*9.48%*
Cost	*£800,000*
Valuation	*£1,150,000*
Valuation basis	*Adjusted earnings multiple*
Dividends/interest received during the year	*Nil*
Last audited accounts	*March 2006*
Net assets	*£2,027,000*
Loss before taxation	*£(20,000)*

Investment Manager's review (continued)

npi MEDIA GROUP

NPI Media Group is the UK market leader in the publishing of distinctive 'local interest' history books. In January 2007, Eclipse 2 invested as part of a £5.5 million investment from the Eclipse funds. Funding was provided to facilitate the acquisitions of NPI's three largest competitors, Sutton Publishing Limited, Jarrold Publishing Limited and Phillimore to make it the dominant player within its publishing niche.

Investment date	*24 January 2007*
Equity held	*8.09%*
Cost	*£954,000*
Valuation	*£954,000*
Valuation basis	*Cost (New Investment)*
Dividends/interest received during the year	*Nil*
Last audited accounts	*December 2005*
Net assets	*£(894,935)*
Loss before taxation	*£(571,059)*

first fitness factory

First Sports Group provides and manages retail solutions within sports and leisure clubs. The company's clients include Esports, Virgin Active and David Lloyd. As well as managing more than 20 pro-shops, First Sports Group has developed unmanned retail display units, from which its customers can buy sports goods, paying at the club reception.

First Sports has experienced weak trading since our investment was made and has fallen short of the business plan. As a result we have provided against the equity cost of the investment. The manager continues to monitor the situation and has been closely involved in strengthening the management team and working towards a revised strategy.

Investment date	*26 June 2006*
Equity held	*18.50%*
Cost	*£985,000*
Valuation	*£800,000*
Valuation basis	*Provision against cost*
Dividends/interest received during the year	*Nil*
Last audited accounts	*March 2006*
Net assets	*£511,024*
Loss before taxation	*£(750,329)*

The **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.

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

Investment date	*26 May 2005*
Equity held	*0.35%*
Cost	*£209,000*
Valuation	*£736,000*
Valuation basis	*AIM investment – bid price*
Dividends/interest received during the year	*Nil*
Last audited accounts	*December 2005*
Net assets	*£11,800,000*
Profit before taxation	*£2,000,000*

Investment Manager's review (continued)

Perfect Pizza is the third largest home delivery pizza business in the UK. It has 115 franchised stores which are predominantly in the South East, Midlands and North West of England. In March 2006, the Eclipse funds provided £3m to support the £7m purchase of the business from their owner, Papa Johns, a listed US business. The business was acquired by a management team led by Tony Sherriff who had been the former Managing Director of the business. The home delivery pizza market is growing strongly as there is a long term trend away from home cooking and the convenience of Pizzas as a delivered meal.

Papa Johns had acquired Perfect Pizza in 1999 and our strategy since we bought it has been to rebuild the business back to a brand that is recognised for offering its customers great value for money and first class service. Management has been successful in improving Perfect Pizza's proposition and they have grown revenue and profits. In addition, Perfect Pizza has successfully implemented several highly successful marketing campaigns (e.g. with Coca Cola and Ben & Jerry's) and they have introduced an online ordering system for orders placed via their web site www.perfectpizza.co.uk There are a number of new store openings planned for 2007 which will further expand the business.

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

Investment date	*8 March 2006*
Equity held	*9.10%*
Cost	*£675,000*
Valuation	*£675,000*
Valuation basis	*Cost (New Investment)*
Dividends/interest received during the year	*46,000*

First audited financial information will be available for the period to 28 February 2007.

Worthington Nicholls is one of the UK's largest air conditioning contractors providing services to the hotel, retail and leisure sectors. The three divisions that the company operates through are the project management, design and installation of machines, the maintenance of machines, and ventilation hygiene. The company listed on AIM in June 2006 after raising £7.5 million.

Further information can be found at the company's website, www.worthington-nicholls.co.uk.

Investment date	*12 June 2006*
Equity held	*0.62%*
Cost	*£243,000*
Valuation	*£669,000*
Valuation basis	*AIM investment - bid price*
Dividends/interest received during the year	*Nil*
Last audited accounts	*September 2006*
Net assets	*£33,040,000*
Profit before taxation	*£1,958,000*

Investment Manager's review (continued)

Gyro, which was founded in 1991, provides an integrated suite of marketing services including brand strategy, direct marketing, web marketing and event management. The company is one of Europe's leading independent integrated marketing companies, and clients include Sony, Sun Microsystems, Orange and Deutsche Bank. Octopus led a £3 million funding round in February 2005 in which Eclipse invested £1 million. A further £6 million funding round was led in which Eclipse 2 invested £451,000 alongside other Octopus funds also invested.

Gyro has offices in London, Geneva, Stockholm, Amsterdam, New York, Dublin, Hamburg and San Francisco and has recently acquired an agency in Paris. Gyro was ranked the number one B2B agency in the UK in 2005 and 2006.

The company has performed well since our investment with sales increasing from £11 million in 2004 to over £25 million in the last financial year and, based on strong trading results, the carrying value has been increased.

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

Investment date	*26 October 2006*
Equity held	*1.88%*
Cost	*£451,000*
Valuation	*£647,000*
Valuation basis	*Adjusted earnings multiple*
Dividends/interest received during the year	*Nil*
Last audited accounts	*October 2005*
Net assets	*£3,831,000*
Loss before taxation	*£(66,000)*

Recent Transactions

Since the end of the period under review, we have completed a new investment and a further follow on investment.

Sweet Cred Holdings Limited

In February 2007, Eclipse 2 completed an investment in Sweet Cred Holdings Limited as part of a commitment of £5 million from the four Eclipse funds.

Sweet Cred is a children's novelty confectionary company, which incorporates its own character branding on packaging, toys and accessories which are sold together with the sweets. The products are manufactured in China and sold in the UK through the major supermarkets, garage forecourt stores and independent retailers and, internationally, via distribution partners. More information about the company can be found at www.sweetcred.com.

Lilestone Holdings Limited

As part of a further £3 million funding round in Lilestone, Eclipse 2 has committed to invest £186,500 alongside existing shareholders and £2 million from a significant trade investor. The pricing represents approximately a 20% premium to the last round. To date £111,900 of this amount has been drawn down with the balance being provided against milestones. The company continues to execute an ambitious international expansion plan and has recruited a strong management team to carry it out.

Investment Manager's review (continued)

Summary of investments made by other funds managed by Octopus Investments Limited
It is a requirement that Octopus discloses if any of its other funds are also invested in any of the Eclipse 2 portfolio companies. Details of these are shown below.

	% equity held by Eclipse VCT 2	% equity held by other funds managed by Octopus
Audio Visual Machines Limited	7.19	37.81
Autoclenz Holdings plc	1.59	11.26
BBI Holdings plc	0.21	3.39
Blanc Brasseries Holdings plc	0.74	2.56
Brulines Holdings plc	0.31	2.28
Capital Pubs Company 2 plc	2.09	6.10
Cohort plc	0.23	1.63
Concateno plc	0.16	2.03
Covion Limited	5.15	10.15
Dualcom Holdings Limited	6.40	33.60
First Sports Group Limited	18.50	21.50
Golddigga Limited	6.66	36.12
Gyro International Limited	1.88	20.43
Hasgrove plc	0.90	8.06
Healthcare Locums plc	0.29	0.64
Hexagon Human Capital plc	1.73	9.86
InterQuest plc	1.08	3.33
Invocas plc	0.16	1.10
James Harvard International Limited	10.90	16.00
Lilestone Holdings Limited	19.99	33.56
Luther Pendragon Limited	19.23	20.96
NPI Media Group Limited	8.09	41.90
Perfect Pizza Limited	9.10	25.90
Plastics Capital Limited	9.48	11.85
Red-M Group Limited	2.63	4.88
Tanfield Group plc	0.35	3.78
The Kendal Group Limited	6.46	11.50
Vertu Motors plc	0.53	5.70
Worthington Nicholls plc	0.62	3.36

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.

Simon Rogerson
Chief Executive

Details of advisers

Investment Manager	Octopus Investments Limited ('Octopus') 8 Angel Court London EC2R 7HP
Secretary and Registered office	Celia L Whitten FCIS 8 Angel Court London EC2R 7HP
Solicitors	Brown Rudnick Berlack Israels LLP 8 Clifford Street London W1S 2LQ
Auditors and Taxation advisers	Grant Thornton UK LLP 1 Westminster Way Oxford OX2 0PZ
VCT status advisers	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Stockbrokers	Brewin Dolphin Securities Limited 34 Lisbon Street Leeds LS1 4LX
Bankers	HSBC Bank Plc 31 Holborn London EC1N 2HR
	UBS AG 1 Curzon Street London W1J 5UB
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registered in England & Wales	Company number 5260491

Details of Directors

Marc Vlessing (45 – Chairman) started his career as a corporate financier with County NatWest in 1984. In 1991, he set up Media Finance, a management consultancy business specialising in the media sector. In 1997 he became Chief Executive of Crescent Entertainment which ran a group of London theatres and cinemas. Subsequently he became Chief Executive of First Call International, the UK's largest independent ticketing business. In October 2002 Marc was appointed as a non-executive director of ProVen Growth and Income VCT plc. He is currently a principal in Pocket, a developer which helps people on low to moderate incomes own their first home

Matthew Cooper (40 – Director) is the Chairman of Octopus Investments Limited, the Investment Manager of Eclipse 2. 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 2 million customers, generating revenues of over £275 million and employing over 2,000 people.

David Lambert (51 – Director) has over 20 years' experience of private equity investment in smaller middle market UK companies. He was formerly Managing Director of Royal Bank Development Capital which comprised six offices across the UK focusing on private equity investments up to £10 million and was responsible for developing this business from its original inception in 1996 as the NatWest Pioneer Fund, commencing with a single office in Nottingham and an initial focus on investments up to £1 million. Prior to this he was a Director with NatWest Equity Partners, where he worked with Octopus' lead fund manager, Chris Allner. He is also a non-executive director of Catapult Venture Managers Ltd.

Directors' report

The Directors present their report and the audited financial statements for the year to 31 January 2007.

Activities and status

The principal activity of the Company is investing in UK smaller companies. The Company is an investment company as defined in s266 of the Companies Act 1985 ('the Act'), has been granted provisional approval as a Venture Capital Trust by HM Revenue & Customs and has been listed on the London Stock Exchange since March 2005.

The Chairman's Statement, on page 3, and the Investment Manager's Review, on page 5, includes a review of the Company's activities and future prospects. The Directors have 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

	31 January 2007	31 January 2006
Net profit attributable to shareholders for the period/year	£173,000	£255,000
Appropriations:		
Final dividend proposed – 1.0p per share (2006 1.25p)	£186,000	£232,000

The proposed final dividend will, if approved by shareholders, be paid on 11 June 2007 to shareholders on the register on 18 May 2007.

Directors

According to the register of Directors' interests, the Directors of Eclipse 2 plc during the year and their interests in the issued ordinary shares of 10p were as follows:

	Ordinary shares of 10p each At 31 January 2007	Ordinary shares of 10p each At 1 January 2006
Mr M Vlessing (Chairman)	5,250	5,250
Mr M Cooper	10,000	10,000
Mr D Lambert	21,000	21,000

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

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

Brief biographical notes on the Directors are given on page 15.

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 Company 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 January 2007 there were no trade creditors (2006: none).

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 VCT's.

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

Directors' report (continued)

Management

Under the terms of an agreement dated 18 March 2005 the Company and Octopus Investments entered into a management agreement for an initial 5 year period which may be terminated by either party giving not less than 12 months notice. The Manager will provide investment management, accounting and administration services to the Company for a fee payable quarterly in advance on 1 February, 1 May, 1 August and 1 November, of an amount equal to 2.3% of the net asset value of the Company.

In addition, the management agreement contains the Manager's incentive fee arrangement. Commencing no earlier than the close of the 2007/08 financial year and in the event that distributions per share have reached 40p in aggregate, subsequently increased to 45p following approval of the Coinvestment Agreement approved at the EGM last year, and the performance value at that date exceeds 130p per share, the Manager will be entitled to an incentive fee equal to 20% of the excess of such performance value over 100p per share.

The principal terms of the Company's management agreement with Octopus are set out in Notes 3 and 18 to the financial statements. Mr M Cooper is a Director of Octopus.

Fixed assets

Movements in fixed asset investments during the year are set out in the Investment Manager's Review and Note 8 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 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

The notice convening the Annual General Meeting of the Company together with 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 current intention of using such authority.

Shareholders are also being asked to renew the buy back facility by renewing the 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.

By order of the Board

C L Whitten FCIS
Secretary
3 May 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 January 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 retired at the first General Meeting after election and thereafter one third of all Directors will be subject to retirement by rotation and re-election by shareholders at subsequent Annual General Meetings following recommendation by the Board.

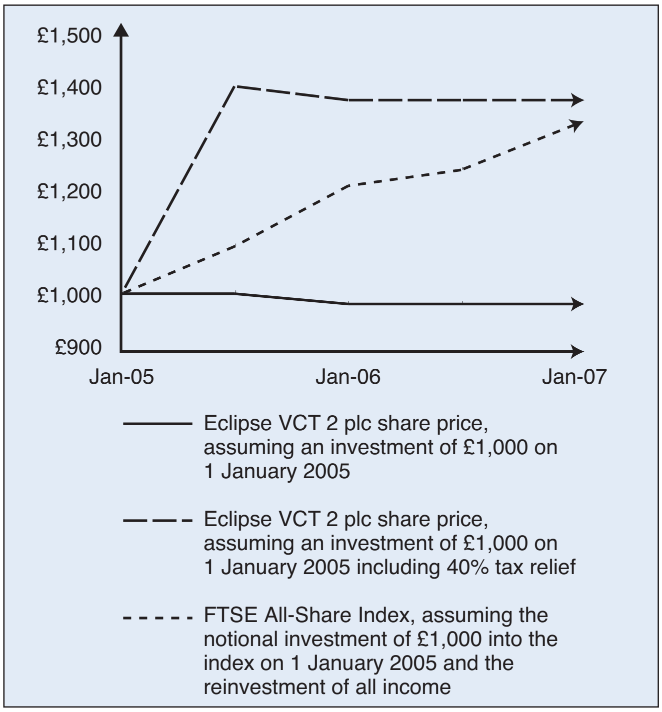
Each Director received a letter of appointment. A Director may resign by notice in writing to the Board at any time. None of the Directors are entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

	Date of Appointment	Current annual rate of Directors' fees £
Mr M Vlessing (Chairman)	1 January 2005	17,500
Mr M Cooper	1 January 2005	13,500
Mr D Lambert	1 January 2005	13,500

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 enable 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 the Chairman's more onerous role and 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 total return (assuming all income is reinvested) to ordinary shareholders in the Company over the period from January 2005 to January 2007 with the total return from 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.

Performance Graph



Directors' emoluments

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

	Year ended 31 January 2007	Period ended 31 January 2006
Mr M Vlessing (Chairman)	17,500	16,000
Mr M Cooper	13,500	10,000
Mr D Lambert	13,500	13,000
Total	44,500	39,000

Directors are 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 Directors.

By Order of the Board

C L Whitten FCIS
Secretary
3 May 2007

Shareholder information

The Company

Eclipse 2 plc ('Eclipse 2') is a Venture Capital Trust ('VCT') managed by Octopus Investments Limited ('Octopus'). Eclipse 2 was launched in January 2005 and raised over £18.4 million through an offer for subscription. The objective of Eclipse 2 is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long term.

Venture Capital Trusts

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 2, 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 2 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.

There were a number of changes in the Chancellor's budget announcement for 2006/07 that related to VCTs. The main changes were:

- 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).
- 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).

These changes have no effect on the investment strategy of Eclipse 2 or to your investment, made as shareholders during the 2004/05 and 2005/06 tax years. If you would like further information on the changes please contact Octopus Investments on 020 7710 2800.

Financial Calendar

The Company's financial calendar is as follows:

7 June 2007	–	Annual General Meeting
11 June 2007	–	2007 final dividend paid
October 2007	–	Interim report for six months to 31 July 2007 published
May 2008	–	Final dividend and preliminary results for year to 31 January 2008 announced; annual report and financial statements published
May 2008	–	2008 final dividend paid

Share Price and Buy-Back Facility

At 31 January 2006 the Company's mid-market share price was 98p and, as is normal with a VCT in its early stages, there have been very few transactions. We will be asking shareholders at the Annual General Meeting to renew the Board's powers to purchase shares in the market for cancellation. Eclipse 2 has a share buy-back facility, committing to buy-back shares at no more than a 10% discount to the prevailing NAV. This should assist the marketability of the shares and help prevent the shares from trading at a wide discount to NAV.

No shares have been repurchased in the year under review. Shareholders should note that if they sell their shares within three years of original purchase they forfeit any tax relief obtained. If you need to sell your shares, for whatever reason, please contact Octopus Investments on 020 7710 2800.

The Company's share price is published daily in the Financial Times. The Company's FTSE actuarial classification is "Investment Companies".

Corporate Governance

The Company is committed to maintaining high standards in corporate governance and accordingly the Board confirms that the Company has taken the appropriate steps to enable it to comply with the level of corporate governance suitable to a venture capital trust as set out in the revised Combined Code on Corporate Governance. The Combined Code acknowledges that some provisions may have less relevance for investment companies and, in particular, consider some areas inappropriate to the size and nature of the business of the Company. Any provisions not complied with and the reasons therefore are outlined at the end of this report in the Compliance Statement.

Board of Directors

The Company has a Board of three non-executive Directors, two of whom are considered to be independent to the Manager. Matthew Cooper is not considered to be independent due to his role as Chairman of the 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 and the agreement between the Company and the Manager sets out the matters over which the Manager has authority and limits beyond which Board approval must be sought.

The Manager has authority over the management of the investment portfolio, the organisation of custodial services, accounting, secretarial and administrative services. The main issues reserved for the board include:

- the consideration and approval of future developments or changes to the investment policy, including risk and asset allocation;
- consideration of corporate strategy;
- approval of the appropriate dividend to be paid to the shareholders;
- the appointment, evaluation, removal and remuneration of the Manager;
- the performance of the Company, including monitoring of the discount of the net asset value and the share price; and
- monitoring shareholder profile and considering shareholder communications.

In relation to the year under review the following meetings were held:

4 full board meetings	2 audit committee meetings
All Directors attended all meetings.	All Members attended

The Board met four times during the year to review investment performance and the Board or a committee of it met on other occasions to authorise investments, share issues and one repurchase. A brief biographical summary of each Director is given on page 15.

The Company's Articles of Association require that one third of the 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 therefore submit themselves for re-election at least every three years.

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

Audit committee:

Mr David Lambert (Chairman)
Mr Marc Vlessing

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 January 2007.

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.

Corporate Governance (continued)

Nomination committee:
Mr Marc Vlessing (Chairman)
Mr David Lambert

The nomination committee considers the selection and appointment of Directors and makes recommendations to the Board as to the level of Directors' fees. The Board does not have a separate Remuneration Committee as the Company has no employees or executive 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 an administrative function and retains physical custody of the documents of title relating to investments. Octopus regularly reconciles the client asset register with the physical documents. Secretarial matters are undertaken by Woodside Secretaries Limited.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the 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 risks arising from the Company's operational and investment activities. Further detail 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;
- prepare financial statements on the going concern basis unless it is appropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Corporate Governance (continued)

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

The Board recognise the value of maintaining regular communications with shareholders. In addition to the formal business of the Annual General Meeting, an opportunity is given to all shareholders to question the Board and the investment managers on matters relating to the company's operation and performance. Proxy voting figures for each resolution are announced at all general meetings.

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, Octopus, the investment managers are happy to answer any questions you may have and can be contacted on 020 7710 2800.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting year. With the exception of the limited items outlined below, the Directors consider that the Company has complied throughout the year under review with the provisions set out in Section 1 of the Combined Code of Corporate Governance published by the UK Listing Authority in July 2003:

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 of the Board, its committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise.

3. The Company has two independent Directors, Mr Marc Vlessing and Mr David Lambert, as defined by the Combined Code issued in July 2003. Mr Matthew 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 due to the size of the Company.

5. The Directors do not consider that an internal audit would be an appropriate control for a company of this size and nature.

6. Due the size and nature of the Company, which has no employees and only three non–executive Directors, it is not considered appropriate to appoint a Remuneration Committee. Remuneration is reviewed inline with the policy outlined in the Directors remuneration report.

7. The Company has no major shareholders and accordingly shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting.

Report of the independent auditor to the members of Eclipse VCT 2 plc

We have audited the financial statements of Eclipse 2 plc for the year ended 31 January 2007 which comprise the income statement, the reconciliation of movements in shareholders' funds, 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 auditors' 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 and 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 and whether the information given in the Director's Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the operating and financial review that is cross referred from the business review section of the Chairmans and Investment Manager's Reports. We also 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 with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 Company'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, the Chairman's statement, investment manager's review, details of Directors, Directors' Report, the unaudited part of the Directors' remuneration report, the shareholder information 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 to the members of Eclipse VCT 2 plc (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 January 2007 and of its result for the year then ended; and
- 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 Director's Report is consistent with the financial statements for the year ended 31 January 2007.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
OXFORD

3 May 2007

Income statement
for the period ended 31 January 2007

	Notes	Year to 31 January 2007 Revenue £'000	Capital £'000	Total £'000	Period to 31 January 2006 Revenue £'000	Capital £'000	Total £'000
Realised gain on investments	8	–	414	414	–	–	–
Unrealised gain/(loss) on investments	8	–	3,804	3,804	–	(53)	(53)
Income	2	574	–	574	558	–	558
Investment management fees	3	(103)	(312)	(415)	(83)	(251)	(334)
Other expenses	4	(258)	–	(258)	(160)	–	(160)
Return on ordinary activities before tax		**213**	**3,906**	**4,119**	**315**	**(304)**	**11**
Tax on ordinary activities	6	(40)	40	–	(60)	48	(12)
Profit/(loss) on ordinary activities after tax		**173**	**3,946**	**4,119**	**255**	**(256)**	**(1)**
Earnings/(loss) per share	7	0.93p	21.23p	22.16p	2.20p	(2.20)p	–

- the total column of this statement is the profit and loss account of the Company
- all revenue and capital items in the above statement derive from continuing operations
- the accompanying notes are an integral part of the financial statements
- the Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

Reconciliation of movements in shareholders' funds

	Year ended 31 January 2007 £'000	Period ended 31 January 2006 £'000
Shareholders' funds at start of year	**17,650**	**–**
Total profits/(losses) recognised in period	4,119	(1)
Repurchase of ordinary share capital	–	(14)
Issue of redeemable non-voting preference shares	–	(50)
Redemption of redeemable non-voting preference shares	–	50
Net proceeds of share issue	–	17,665
Dividends paid	(232)	–
Shareholders' funds at 31 January 2007	**21,537**	**17,650**

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

Balance sheet
as at 31 January 2007

	Notes	31 January 2007 £'000	31 January 2006 £'000
Fixed asset investments	**8a**	15,504	5,574
Current assets			
Investments	**8b**	4,785	9,408
Debtors	**9**	358	190
Cash at bank		912	2,509
		6,055	12,107
Creditors: amounts falling due within one year	**10**	(22)	(31)
Net current assets		6,033	12,076
Net assets		21,537	17,650
Called up equity share capital	**11**	1,858	1,858
Share premium	**12**	–	15,807
Special distributable reserve	**12**	15,807	–
Capital redemption reserve	**12**	2	2
Capital reserve – realised	**12**	(61)	(203)
– unrealised	**12**	3,751	(53)
Revenue reserve	**12**	180	239
Total shareholders' funds		21,537	17,650
Net asset value per share	13	115.9p	95.0p

The statements were approved by the Directors on 3 May 2007 and are signed on their behalf by:

Marc Vlessing
Chairman

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

Cash flow statement
for the period ended 31 January 2007

	Notes	31 January 2007 £'000	31 January 2006 £'000
Net cash outflow from operating activities	**14**	(314)	(160)
Financial investment:			
Purchase of investments	**8**	(6,461)	(5,578)
Sale of investments		787	–
Net cash outflow from financial investment		(5,674)	(5,578)
Management of liquid resources:			
Increase in cash funds	**16**	4,623	(9,408)
Dividends paid		(232)	–
Financing:			
Issue of own shares		–	18,428
Share issue expenses		–	(757)
Repurchase of own shares		–	(16)
Total financing		–	17,655
(Decrease)/Increase in cash resources	**15**	(1,597)	2,509

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

Notes to the financial statements

1. Accounting policies

Basis of accounting

The Company is an investment company as defined in s266 of the Companies Act 1985. 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 "Financial statements and investment trust companies" issued in January 2003.

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 discounted where necessary to reflect lack of liquidity.

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.
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 deposits and are shown at amortised cost.

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.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of the investment management fee, which has been charged 25% to the revenue account and 75% to the realised capital reserve to reflect, in the Directors' opinion, the expected long term split of returns in the form of income and capital gains respectively from the investment portfolio.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Capital reserve – realised

The following are accounted for in this reserve:

a) gains and losses on the realisation of investments;
b) realised exchange differences of a capital nature;
c) expenses and finance costs, together with the related taxation effect, charges to this reserve in accordance with the above policies;
d) realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

Capital reserve – unrealised

The following are accounted for in this reserve:

a) increases and decreases in the valuation of investments held at the year end;
b) unrealised exchange differences of a capital nature;
c) unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

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 and investments in money market managed funds.

2. Income

	Year ended 31 January 2007 £'000	Period ended 31 January 2006 £'000
Loan note interest	131	–
Money market securities	443	558
Total income	574	558

3. Management fees

	Year ended 31 January 2007		Period ended 31 January 2006	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
Investment management fee	103	312	83	251

Octopus provides investment management, accounting and administration services to the Company under a management agreement which runs for a period of five years with effect from 18 March 2005 and may be terminated at any time thereafter by not less than twelve months' notice given by either party.

4. Other expenses

	Year ended 31 January 2007 £'000	Period ended 31 January 2006 £'000
Accounting and administrative services	62	50
Directors' remuneration (note 5)	46	46
Fees payable to the Company's auditor for the audit of the Company accounts	12	10
Fees payable to the Company's auditor for other services:		
– Tax services	4	4
Legal and professional expenses	–	15
Other expenses	134	35
	258	160

Total annual running costs (excluding performance fees, irrecoverable VAT and trail commissions) are capped at 3.5% of net assets. For the year to 31 January 2007 the running costs were 3.03% of net assets.

5. Directors' Remuneration

	Year ended 31 January 2007 £'000	Period ended 31 January 2006 £'000
Directors' emoluments		
M Vlessing (Chairman)	16	16
M Cooper	13	10
D Lambert	13	13
Employers' NIC	1	2
Irrecoverable VAT	3	5
	46	46

None of the Directors received any other remuneration or benefit during the year. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the year was 3 (2006: 3).

6. Tax on ordinary activities

Factors affecting the tax charge for the current period:
The current tax charge for the year differs from the standard rate of corporation tax in the UK of 19%. The differences are explained below.

Current tax reconciliation:	31 January 2007 £'000	31 January 2006 £'000
Profit on ordinary activities before tax	213	11
Current tax at 19% (2006: 19%)	40	2
Disallowable expenses and unrelieved losses	–	10
Unrealised gain on investment	(40)	–
Total current tax charge	–	12

Due to the Company's status as a Venture Capital Trust, and its intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided any deferred tax on any capital gains arising on the revaluation of investments.

7. Earnings/(loss) per share

The revenue return per share is based on profit from ordinary activities after tax of £173,000 (2006: £255,000) and on 18,584,648 (2006: 11,576,195) 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.

8a. Fixed asset investments

	Unquoted investments £'000	Aim-listed investments £'000	Total £'000
Book cost as at 1 February 2006	4,735	843	5,578
Unrealised appreciation at 1 February 2006	–	(4)	(4)
Valuation at 1 February 2006	4,735	839	5,574
Movements in the year:			
Purchases at cost	5,262	1,199	6,461
Disposals	–	(787)	(787)
Net realised gain	–	388	388
Increase in unrealised appreciation	2,497	1,371	3,868
Valuation at 31 January 2007	12,494	3,010	15,504
Comprising:			
Book cost at 31 January 2007	9,997	1,669	11,666
Unrealised appreciation at 31 January 2007	2,497	1,341	3,838

Further analysis of the composition of these investments is provided in the Investment Manager's Review.

8b. Current asset investments

Current asset investments at 31 January 2007 and 31 January 2006 comprised money market securities.

	31 January 2007 £'000	31 January 2006 £'000
Money market securities at cost		
Bonds	3,822	7,007
Floating rate notes	1,050	1,200
Money market funds	–	1,250
Unrealised loss on money market securities		
Bonds	(87)	(65)
Money market funds	–	16
Valuation as at 31 January 2007	4,785	9,408

9. Debtors

	31 January 2007 £'000	31 January 2006 £'000
Prepayments and accrued income	358	190

10. Creditors: amounts falling due within one year

	31 January 2007 £'000	31 January 2006 £'000
Accruals	22	19
Corporation tax	–	12
	22	31

11. Share capital

	31 January 2007 £'000	31 January 2006 £'000
Authorised:		
Equity – 50,000,000 ordinary shares of 10p	5,000	5,000
Allotted and fully paid up		
Equity – 18,584,648 ordinary shares of 10p	1,858	1,858

12. Reserves

	Share premium £'000	Special Distributable reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
Balance as previously reported 31 January 2006	15,807	–	2	(203)	(53)	239
Cancellation of share premium account	(15,807)	15,807	–	–	–	–
Dividends	–	–	–	–	–	(232)
Net realised gain on disposal of investments	–	–	–	414	–	–
Management fee capitalised net of associated taxation	–	–	–	(272)	–	–
Net increase in unrealised appreciation	–	–	–	–	3,804	–
Revenue return on ordinary activities after tax	–	–	–	–	–	173
	–	15,807	2	(61)	3,751	180

13. Net asset value per share

The calculation of net asset value per share as at 31 January 2007 is based on net assets of £21,537,000 divided by the 18,584,648 ordinary shares in issue at that date.

14. Reconciliation of net revenue before taxation to cash flow from operating activities

	31 January 2007 £'000	31 January 2006 £'000
Return on ordinary activities before tax	4,119	11
Profit on disposal of fixed asset investments	(414)	–
Increase in debtors	(168)	(190)
Increase/(decrease) in creditors	(9)	19
Increase/(decrease) in capital values of investments	(3,804)	–
Unrealised loss on current asset investments	(38)	–
Net cash outflow from operating activities	(314)	(160)

15. Reconciliation of net cash flow to movement in net funds

	31 January 2007 £'000	31 January 2006 £'000
Increase in cash in year	(1,597)	2,509
Movement in liquid resources	(4,623)	9,408
Opening net funds	11,917	–
Closing net funds	5,697	11,917

16. Analysis of changes in net funds

	At 1 February 2006 £'000	Cashflows £'000	At 31 January 2007 £'000
Cash at bank	2,509	(1,597)	912
Current asset investments	9,408	(4,623)	4,785
	11,917	(6,220)	5,697

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 companies
- 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 market price risk, liquidity risk and interest rate risk. There is no exposure to foreign currency risk.

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 32% of these funds had been utilised in this investment process at 31 January 2007 and the remaining funds were primarily represented by cash and liquid resources 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 realised capital profits. At 31 January 2007 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 short term money market securities. The weighted average interest rate on such funds 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 2 plc, is a Director of Octopus. Eclipse 2 plc has employed Octopus throughout the year as Investment Manager. Eclipse 2 plc has paid Octopus £415,000 (including £62,000 of irrecoverable VAT) 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 January. 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 January. During the period £62,000 (including £9,000 of irrecoverable VAT) 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 January 2008.

Notice is hereby given that an Annual General Meeting of Eclipse 2 plc will be held at 8 Angel Court, London EC2R 7HP on Thursday, 7 June 2007 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 31 January 2007 and the Directors' and auditors' reports thereon.

2. To approve a final dividend of 1.0 pence per share.

3. To approve the Directors' Remuneration Report.

4. To re-elect Marc Vlessing, who retires by rotation, as a director.

5. To re-appoint Grant Thornton UK LLP as auditors 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 £185,846 (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 5 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.

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
C L Whitten FCIS
Secretary
1 May 2007

8 Angel Court
London
EC2R 7HP

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, Proxy Processing Centre, Telford Road, Bicester OX26 4LD, 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.

This page is left blank intentionally

Proxy Form

Eclipse VCT 2 plc
Annual General Meeting – 7 June 2007

I/We ....
(INSERT NAME IN BLOCK CAPITALS PLEASE)

of ....
(INSERT ADDRESS)

being a member of Eclipse VCT 2 plc, hereby appoint

....

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 7 June 2007, notice of which was sent to shareholders with the Directors' report and the accounts for the year to 31 January 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 to 31 January 2007	☐	☐	☐
2. To approve a final dividend of 1.0p per share	☐	☐	☐
3. To approve the Directors' Remuneration Report	☐	☐	☐
4. To re-elect Marc Vlessing, who retires by rotation, as a director	☐	☐	☐
5. To re-appoint Grant Thornton UK LLP as auditors and authorise the Directors to determine their remuneration	☐	☐	☐
6. To authorise the Directors to allot shares (Ordinary Resolution)	☐	☐	☐
7. To disapply Section 89(1) of the Companies Act 1985 (Special Resolution)	☐	☐	☐
8. To authorise the Directors to make market purchases of its own shares by utilising distributable reserves of the Company (Special Resolution)	☐	☐	☐

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 no later than 48 hours before the commencement of the meeting.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No RRHB-RSXJ-GKCY

1

Proxy Processing Centre
Telford Road
BICESTER
OX26 4LD

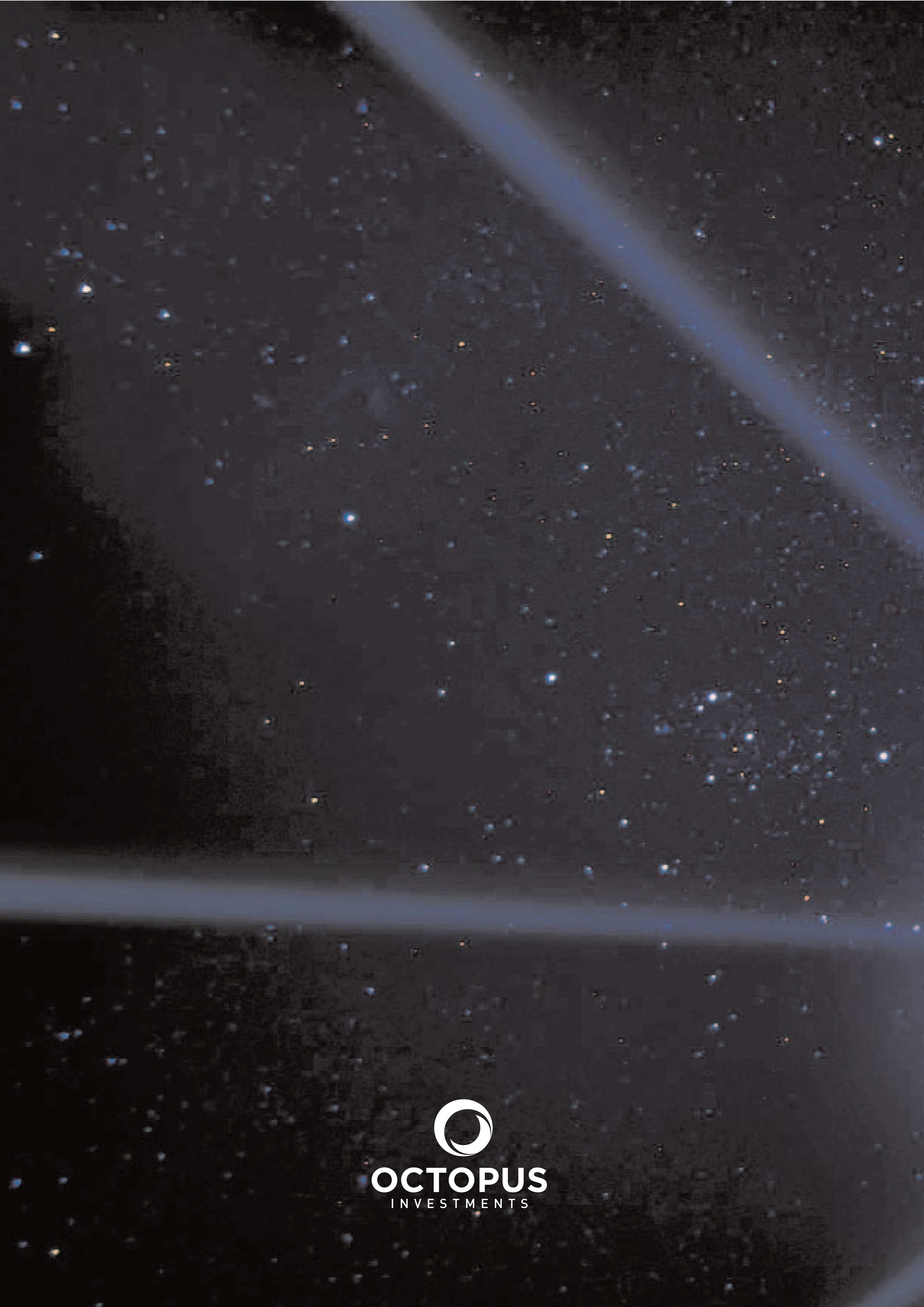
First Fold

Second fold

This page is left blank intentionally

This page is left blank intentionally

This page is left blank intentionally


OCTOPUS
INVESTMENTS