

ECLIPSE VCT 2 PLC

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2008



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About Eclipse VCT 2 plc

Eclipse VCT 2 plc (“Eclipse 2” or “Company”) is a venture capital trust (“VCT”) which aims to provide shareholders with attractive tax-free dividends and long-term capital growth, by investing in a diverse portfolio of unquoted and AIM-quoted companies. The Company 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. The Company co-invests with other funds managed by Octopus. This allows Eclipse 2 to invest in a wider range of opportunities and in larger and more developed companies than are typically available to a single VCT.

Financial Highlights

	Year to 31 January 2008	Year to 31 January 2007
Net assets (£'000s)	20,928	21,537
Net (loss)/return after tax (£'000s)	(248)	4,119
Net asset value per share (“NAV”)	110.7p	115.9p
Proposed dividend per share	5.00p	1.00p
Cumulative dividends since launch – paid and proposed	10.25p	2.25p

The table below shows the movement in NAV per share and lists the dividends that have been paid since the launch of Eclipse 2:

Period Ended	NAV	Dividends paid in period	NAV + cumulative dividends
31 July 2005	94.9p	–	94.9p
31 January 2006	95.0p	–	95.0p
31 July 2006	95.2p	1.25p	96.45p
31 January 2007	115.9p	–	117.15p
31 July 2007	121.9p	1.00p	124.15p
31 January 2008	110.7p	3.00p	115.95p

Chairman's Statement

I am pleased to present to you the annual report for Eclipse VCT 2 plc for the year ended 31 January 2008.

Results Review

In the year to 31 January 2008, the total return (being the NAV plus dividends paid out to shareholders) decreased from 117.15p to 115.95p and the NAV per share decreased from 115.9p to 110.7p net of dividends. In an increasingly volatile economic environment, there was a risk of a larger decline in asset values. However, the Investment Manager was successful in crystallising gains of over £4.2 million during the year from the disposal, either wholly or partially, of a number of investments. This has meant that at the year end cash accounted for over 30% of the net asset value. Further details are included within the Investment Manager's Review including a review of the performance of the investments.

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

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

Consequently, the Board has proposed a final dividend of 5.0p per share to be paid on 25 July 2008 to shareholders on the register on 4 July 2008. This will take cumulative dividends to 10.25p per share since the Fund's launch and 8.0p for the year. The total return to shareholders, before payment of this dividend, is 16.0%, before taking into account the 40% upfront tax relief received by initial subscribers.

Investment Portfolio

During the year, thirteen new investments were made and six investments were fully disposed of. New investments totalled over £5.5 million in seven unquoted companies and six AIM-quoted companies, with over £1.0 million in follow-on investments. Of particular significance were the exits from our investments in Worthington Nicholls plc, James Harvard International Limited, Covion Limited and Gyro International Limited and the flotation of Plastics Capital Limited. As well as the full disposals, profits were also taken in Tanfield Group plc.

On a less positive note fair value adjustments have resulted in decreases in the value of the investments in Adrenalin Design Limited and Lilestone Holdings Limited, and further fair value adjustments have been made in First Sports Group Limited and Red-M Limited, writing the value of this investment down to a fair value of nil. Octopus considers these fair value adjustments, totalling an additional £976,500 in the course of the year, to be prudent, based on underperformance against the respective investment plans. A loss of £631,000 was also taken on NPI Media Group Limited which was sold out of administration to a new vehicle, The History Press Limited, in which the Fund has a continuing interest. Further information on all the holdings in the portfolio can be found in the Investment Manager's Review.

Share Price

Eclipse 2's mid-market share price currently stands at 87p compared to its NAV of 110.7p. The discount to NAV is primarily due to the low level of secondary market activity in Eclipse 2 shares, which is a common feature of the VCT market. We hope this will change longer term, by VCT funds, generally, delivering sustained growth and regular dividends. Details of shares issued and bought back in the year can be found in the Directors' Report commencing on page 19.

VCT Qualifying Status


PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice on the ongoing compliance with Her Majesty's Revenue & Customs ("HMRC") rules and regulations concerning VCTs. The Board has been advised that Eclipse VCT 2 plc is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT.

A key requirement was 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 January 2008, which was the end of the third accounting period, over 83% of the portfolio (as measured by HMRC rules) was invested in VCT qualifying investments, in line with our expectations at this stage of the Fund's life. There is an ongoing requirement to maintain the level of qualifying investments above the 70% threshold which will be supported by continuing deal flow from the Investment Manager.

Chairman's Statement (continued)

Outlook

In what has been a difficult period for stock markets generally, and in particular smaller companies, your Board continues to seek a balanced portfolio of investments in smaller, developing companies, which should provide attractive returns to investors with a medium to long-term horizon. Eclipse 2's investment strategy remains focused on the delivery of absolute returns and a regular tax-free dividend stream for investors and whilst the unquoted investment portfolio will not be immune to the wider impact of the credit crunch, the Board does consider that this portfolio is well positioned to benefit from any improvement in the overall financial climate.



Marc Vlessing
Chairman

15 May 2008

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

Despite the decline in net assets over the year, in the context of the current economic environment we are pleased to report on encouraging progress and new investments across the portfolio. During the year to 31 January 2008, £6.6 million was invested in thirteen new and six follow-on investments. This takes the total amount currently invested by Eclipse 2 in unquoted and AIM-quoted investments to over £14.6 million. The remaining funds are invested in money market securities awaiting investment in suitable qualifying opportunities and follow-on investments.

Investment Portfolio

Unquoted Qualifying Investments	Sector	Investment at cost (£'000)	Unrealised profit/(loss) (£'000)	Carrying value at 31 January 2008 (£'000)	% equity held by Eclipse 2	% equity held by all funds managed by Octopus
Luther Pendragon Limited	Media & Marketing Services	1,000	720	1,720	17.5%	35.0%
The History Press Limited	Publishing	1,027	–	1,027	9.7%	63.0%
The Grill Group Limited	Leisure & Hotels	992	–	992	8.0%	51.6%
Perfect Pizza Limited	Leisure & Hotels	800	–	800	10.5%	34.3%
Sweet Cred Holdings Limited	Consumer Products	687	–	687	3.1%	24.5%
T4 Holdings Limited	Media & Marketing Services	659	–	659	7.3%	41.7%
CSL DualCom Limited	Technology & Telecommunications	589	40	629	7.3%	45.8%
The Kendal Group Limited	Consumer Products	576	–	576	5.7%	15.9%
Audio Visual Machines Limited	Technology & Telecommunications	455	–	455	7.2%	45.0%
Tristar Worldwide Limited	Transport Services	446	–	446	4.5%	36.0%
Adrenalin Design Limited	Consumer Products	550	(137)	413	6.7%	42.9%
First Sports Group Limited	General Retailers	985	(585)	400	18.5%	40.0%
Lilestone Holdings Limited	Consumer Products	653	(289)	364	7.6%	20.4%
The Capital Pub Company 2 plc	Leisure & Hotels	350	–	350	2.1%	8.2%
Promotion Space Limited	Media & Marketing Services	284	–	284	3.6%	28.3%
Bruce Dunlop Associates Limited	Media & Marketing Services	172	–	172	2.0%	33.3%
Blanc Brasseries Limited	Leisure & Hotels	62	–	62	0.7%	3.3%
Red-M Group Limited	Technology & Telecommunications	300	(300)	–	2.2%	9.3%
Total unquoted qualifying investments		10,587	(551)	10,036		

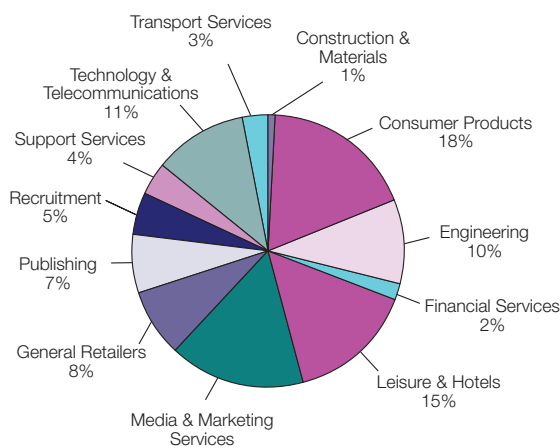
Investment Manager's Review (continued)

AIM-quoted Qualifying Investments	Sector	Investment at cost (£'000)	Unrealised profit/(loss) (£'000)	Carrying value at 31 January 2008 (£'000)	% equity held by Eclipse 2	% equity held by all funds managed by Octopus
Plastics Capital plc	Engineering	1,067	(53)	1,014	4.0%	12.7%
Tanfield Group plc	Engineering	120	453	573	0.2%	2.7%
Hexagon Human Capital plc	Recruitment	431	17	448	1.7%	11.5%
CBG Group plc	Financial Services	310	17	327	1.6%	14.2%
Interquest plc	Recruitment	171	86	257	1.0%	4.2%
Healthcare Locums plc	Recruitment	150	68	218	0.3%	0.9%
Hasgrove plc	Media & Marketing Services	200	–	200	0.8%	7.9%
Pressure Technologies plc	Engineering	135	39	174	0.8%	5.3%
Northern Bear plc	Construction & Materials	200	(55)	145	0.8%	8.4%
Cantono plc	Technology & Telecommunications	300	(180)	120	1.0%	9.8%
Myhome International plc	Support Services	250	(135)	115	0.5%	6.2%
Cohort plc	Engineering	85	27	112	0.2%	2.2%
Brulines (Holdings) plc	Support Services	92	13	105	0.3%	2.6%
Concateno plc	Support Services	60	28	88	0.1%	0.5%
Autoclenz plc	Support Services	206	(123)	83	1.6%	12.8%
Optimisa plc	Media & Marketing Services	91	(15)	76	0.5%	5.3%
Vertu Motors plc	General Retailers	150	(75)	75	0.3%	3.2%
Invocas plc	Financial Services	50	(15)	35	0.2%	1.3%
Total AIM-quoted qualifying investments		4,068	97	4,165		
Non-qualifying AIM-quoted investments		15	10	25		
Non-qualifying unquoted investments		1	–	1		
Total non-qualifying investments		16	10	26		
Fixed income securities		5,929	(5)	5,924		
Total investments		20,600	(449)	20,151		
Net current assets		–	–	777		
Total net assets				20,928		

Please refer to notes 10 & 11 in the Notes to the Financial Statements to provide clarity on the unrealised gains and losses carried forward.

Sector Analysis

Total qualifying investments by book cost



Investment Manager's Review (continued)

Review of Investments

At 31 January 2008, the Eclipse 2 qualifying portfolio comprised investments in 18 unquoted and 18 AIM-quoted companies. The unquoted investments are in ordinary shares with full voting rights as well as loan notes and other securities. The AIM-quoted investments are in ordinary shares, also with full voting rights.

Disposals

During the year, the Fund crystallised a profit of over £4.2 million from realisations of investments. Six investments were disposed of in their entirety; BBI Holdings plc, Worthington Nicholls plc, Covion Limited, Gyro International Limited, James Harvard Limited and NPI Media Group Limited, crystallising a profit of over £2.7 million. The Fund's investment in AIM quoted companies Worthington Nicholls plc and BBI Holdings plc generated returns of 130% and 99% respectively. Unquoted companies, Covion Limited, James Harvard International Limited, and Gyro International Limited were also significant successes generating returns of 301%, 133% and 88% respectively. Modest additional proceeds may be received in each case over the next three years as a result of the terms on which each investment was exited. In addition, partial realisations from the sale of shares in Tanfield Group plc crystallised a further £596,000 of profit for the Fund. Eclipse 2 still owns shares in Tanfield with a book cost of £120,000 and a valuation as at 31 January 2008 of £573,000.

However the investment in NPI Media Group Limited was disposed of at a loss to a new vehicle, The History Press Limited. The value at which the transaction took place was considered prudent and, in due course, a recovery of the investment value may occur through the progress made by The History Press.

Finally, there was a successful flotation of Plastics Capital in December 2007, through which the Fund's investment in loan notes was redeemed. The flotation crystallised a profit for the Fund of £878,000, representing a return of 87%. Other Octopus funds invested at the time of the flotation. On AIM we expect this company to continue its acquisition strategy, which we believe will generate long term growth in value of the company and therefore the Fund's investment.

A summary of these realisations is shown below:

Realisations	Initial investment date	Cost of investment realised (£'000)	Proceeds of investment (£'000)	Total gain/(loss) (£'000)
James Harvard International Limited	November 2005	1,000	2,331	1,331
Covion Limited	May 2005	429	1,718	1,289
Plastics Capital Limited	November 2005	1,194	2,072	878
Tanfield Group plc	May 2005	80	676	596
Gyro International Limited	October 2006	451	847	396
Worthington Nicholls plc	June 2006	243	558	315
BBI Holdings plc	May 2006	53	106	53
NPI Media Group Limited	January 2007	1,215	584	(631)
		4,665	8,892	4,227

Investment Manager's Review (continued)

New Investments

During the year, Eclipse 2 made thirteen new investments and six follow on investments. Details of these new investments are set out below:

Unquoted investments

Sweet Cred Holdings Limited

Investment date: March 2007
Cost: £410,000 with a follow-on investment of £277,485 (ordinary shares and loan notes)
Valuation: £687,485

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 £5 million to fund working capital relating to the orders pipeline. £3 million was drawn down at completion and the balance of £2 million was invested on 31 January 2008 after the Company had been able to demonstrate significant progress against its business plan. Further details of the company may be found at www.sweetcred.com

Promotion Space Limited

Investment date: April 2007
Cost: £201,894 with a follow-on investment of £81,701 (ordinary shares and loan notes)
Valuation: £283,595

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 £1.5 million of funds to develop a Retail Merchandising Unit business within major shopping centres and also to follow a buy and build strategy. Octopus provided a further £0.6 million in November 2007 to facilitate the first acquisition of the buy and build strategy, Fitting Exposure, the UK market leader in changing room advertising media. Further details of the company may be found at www.promotion-space.com

T4 Holdings Limited

Investment date: August 2007
Cost: £659,330 (ordinary shares and loan notes)
Valuation: £659,330

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. It has benefited from the expansion in number of railway station gates in recent years and increasing passenger numbers. T4 provides solutions to a broad range of brands including Visa, Marks & Spencer, O2 and 3 Mobile. Further details of the company may be found at www.t4media.com

The Grill Group Limited

Investment date: September 2007
Cost: £991,750 (ordinary shares and loan notes)
Valuation: £991,750

The Grill Group has three restaurant brands: Smollensky's, with six Bar & Grill and Burgershack sites in London, and the Le Frog Bistros and Pastiche with eight restaurants in the North West and Midlands. In September 2007, Octopus committed £6 million to fund the acquisition of the Smollensky's chain of restaurants by The Shire Group which owned the Le Frog Bistros and Pastiche chains. The investment strategy includes the operational turnaround of Smollensky's, followed by the roll-out of the Smollensky's and Le Frog restaurant brands. Further details of the company may be found at www.smollenskys.com

Investment Manager's Review (continued)

The History Press Limited

Investment date:	December 2007
Cost:	£1,026,795 (ordinary shares and loan notes)
Valuation:	£1,026,795

The History Press was incorporated in order to buy the assets of NPI Media Limited which had been placed into administration. It 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. Further details of the company may be found at www.thehistorypress.co.uk

Bruce Dunlop & Associates Limited

Investment date:	December 2007
Cost:	£172,728 (ordinary shares and loan notes)
Valuation:	£172,728

Bruce Dunlop provides promotion and design services to broadcasters and advertisers worldwide and also creates brand films and internal communications for leading UK corporations, including Hallmark, Barclays, Discovery and Sony. The company operates from offices in London, Munich, Dubai, Singapore and Sydney. Further details of the company may be found at www.brucedunlop.com

Tristar Worldwide Limited

Investment date:	January 2008
Cost:	£446,304 (ordinary shares and loan notes)
Valuation:	£446,304

Tristar is one of the world's leading chauffeur companies, carrying over 400,000 passengers for 400 clients in 2007 alone. The business operates in 44 countries with its own vehicles in the UK and a rapidly expanding service in the US. It has a blue chip customer base which includes Virgin, Emirates, BP, Goldman Sachs and Merrill Lynch. Further details of the company may be found at www.tristarworldwide.com

In addition to the new investments and the follow-on investment in Sweet Cred Holdings Limited and Promotion Space Limited noted above, the Company has made follow-on investments in another five of the unquoted portfolio companies. These include an investment of £260,406 in NPI Media Group Limited, which has subsequently been sold to The History Press Limited and £394,796 into Plastics Capital Limited, prior to its flotation on AIM. The Company has also invested further sums in Lilestone Holdings Limited (£186,525), CSL DualCom Limited (£74,984) and Perfect Pizza Limited (£125,002).

AIM-quoted investments

CBG Group plc

Investment date:	June 2007
Cost:	£309,850
Valuation:	£327,430

Based in Manchester, CBG Group 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 acquire further businesses in the North-West of England. Further details of the company may be found at www.cbg-group.co.uk

Investment Manager's Review (continued)

Pressure Technologies plc

Investment date: July 2007
Cost: £135,000
Valuation: £173,700

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. Further details of the company may be found at www.pressuretechnologies.com

Northern Bear plc

Investment date: August 2007
Cost: £200,100
Valuation: £144,800

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. Further details of the company may be found at www.northern-bear.com

Cantono plc

Investment date: August 2007
Cost: £300,000
Valuation: £120,000

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 technicians, and a high level of customer service. Further details of the company may be found at www.cantono.com

Optimisa plc

Investment date: October 2007
Cost: £91,000
Valuation: £75,600

Optimisa plc provides market research and consultancy services. Recently Optimisa completed the earnings enhancing acquisition of EQ Group, a business operating in a similar sector. Historically Optimisa and EQ have competed for contracts and we expect the larger and more diversified group to exploit a number of synergies and cross selling opportunities. Further details of the company may be found at www.optimisapl.com

Myhome International plc

Investment date: November 2007
Cost: £250,000
Valuation: £114,583

Myhome is an acquisitive national franchise group. The company has become a market leader in the growing sector of residential cleaning under the brand of Myhome, and has extended its offering by rolling out other franchises including electrical, plumbing and cleaning services. In June 2006 the company acquired Ovensclean, the UK's leading domestic oven cleaning franchise with a ten year growth history and over 165 franchisees. More recently Myhome completed the acquisition of ChipsAway, a mobile service delivered to customers' homes and offices, repairing scratches, chips and other minor damage to car paintwork using proprietary technology. Myhome which is currently capitalised at £11.3 million is expected to make a profit before tax of £3.6 million on a turnover of £16.2 million for the year to 30 September 2008. Further details of the company may be found at www.myhome.com

Investment Manager's Review (continued)

Ten Largest Holdings

Listed below are the ten largest investments by value as at 31 January 2008:

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 reputation and business interests. Luther Pendragon also provides stand-alone services such as media training, crisis simulation exercises and presentation skills training. Since our original investment, the company has performed well and has repaid a significant proportion of the acquisition debt. This has been the main driver of the increase in the carrying value of the investment.

Initial investment date:	November 2005
Cost:	£1,000,000
Valuation:	£1,720,000
Valuation basis:	Earnings
Equity held:	17.5%
Last audited accounts:	31 December 2006
Profit before interest & tax:	£1.4 million
Net assets:	£4.1 million



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

The History Press Limited

The History Press was incorporated in order to buy the assets of NPI Media Limited which had been placed in administration. It is the UK market leading publisher of distinctive 'local interest' history books. In December 2007 Eclipse 2 invested £1 million, as part of a £4 million investment by Octopus funds, into a new vehicle, The History Press Limited, set up to acquire NPI through a restructuring process. NPI had performed poorly since the initial investment and had been particularly impacted by its printing operations. Through the restructuring process, initiated by Octopus, The History Press only acquired the publishing assets from NPI and we believe that this will make a more robust and exciting investment for the future. Through the new investment, Eclipse 2 realised just under half its original investment in NPI, the balance being written off. A considerable amount of time has been put into the investment by Octopus, and this has included the recruitment of a new management team.

Initial investment date:	December 2007
Cost:	£1,026,795
Valuation:	£1,026,795
Valuation basis:	Cost
Equity held:	9.7%
Last audited accounts:	N/A



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

Plastics Capital plc

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. Plastics Capital, which is currently valued at £24.2 million, is expected to achieve a profit before tax of £4.3 million for the year ending March 2009.

Initial investment date:	December 2007 (rollover of unquoted equity investment at time of flotation)
Cost:	£1,067,355
Valuation:	£1,013,987
Valuation basis:	Bid-price
Equity held:	4.0%
Last audited accounts:	31 March 2007
Profit before interest & tax:	£1.7 million
Net assets:	£3.3 million



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

Investment Manager's Review (continued)

The Grill Group Limited

The Grill Group has three restaurant brands: Smollensky's, with six Bar & Grill and Burgershack sites in London, and the Le Frog Bistros and Pastiche with eight restaurants in the North West and Midlands. In September 2007, Octopus committed £6 million to fund the acquisition of the Smollensky's chain of restaurants by the Shire Group, which owned the Le Frog and Pastiche chains. The investment strategy includes the operational turnaround of Smollensky's during the first twelve months, followed by the roll-out of the Smollensky's and Le Frog restaurant brands.

Initial investment date:	September 2007
Cost:	£991,750
Valuation:	£991,750
Valuation basis:	Cost
Equity held:	8.0%
Last audited accounts:	N/A



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

Perfect Pizza Limited

Perfect Pizza is a home delivery pizza franchisor. We purchased the business with 115 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. We are backing the management team to turnaround the performance of the business as under the previous owners (Papa Johns) it had experienced declining sales and profitability over the last three years.

Initial investment date:	March 2006
Cost:	£800,000
Valuation:	£800,000
Valuation basis:	Cost
Equity held:	10.5%
Last audited accounts:	28 February 2007
Profit before interest & tax:	£0.5 million
Net assets:	£0.3 million



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

Sweet Cred Limited

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 £5 million to fund working capital relating to the orders pipeline. £3 million was drawn down at completion, and the balance of £2 million was invested on 31 January 2008 after the company had been able to demonstrate significant progress against its business plan.

Initial investment date:	March 2007
Cost:	£687,500
Valuation:	£687,500
Valuation basis:	Cost
Equity held:	3.1%
Last audited accounts:	31 December 2006
Profit before interest & tax:	£0.04 million
Net assets:	£1.1 million



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

Investment Manager's Review (continued)

T4 Media 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.

Initial investment date:	July 2007
Cost:	£659,330
Valuation:	£659,330
Valuation basis:	Cost
Equity held:	7.3%
Last audited accounts:	31 December 2006
Profit before interest & tax:	£0.7 million
Net assets:	£0.05 million



Further information can be found at the company's website www.t4media.com

CSL DualCom Limited

CSL DualCom is the UK's leading supplier of dual path signalling devices, which link burglar alarms to the police or a private security firm. The devices communicate using a telephone line 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. There has been a small uplift in the carrying value of this investment in recognition of the progress the business has made since the initial investment.

Initial investment date:	June 2006
Cost:	£588,700
Valuation:	£629,200
Valuation basis:	Earnings multiple
Equity held:	7.3%
Last audited accounts:	31 March 2007
Profit before interest & tax:	£0.4 million
Net assets:	£0.8 million



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

The Kendal Group Limited

The Kendal Group is a branded consumer goods company, owning the Zoggs and PureLime brands of swimwear, swim equipment and active wear. The company designs the product, has it manufactured in Europe and the Far East and sells to retail outlets, on-line, leisure centres and through distribution agreements overseas. The company has offices in the UK, Australia and Denmark. In the UK most sales are made through leisure centres and the drive for 2007 was to increase sales through retail outlets, and distribution agreements were set up with Tesco, Early Learning Centre, Toys R Us and others.

Initial investment date:	November 2005
Cost:	£576,000
Valuation:	£576,000
Valuation basis:	Cost
Equity held:	5.7%
Last audited accounts:	31 December 2006
Profit before interest & tax:	£0.5 million
Net assets:	£6.6 million



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

Investment Manager's Review (continued)

Tanfield Group plc

Tanfield plc is a manufacturing company with two principal operating divisions; Smith Electric Vehicles, the world's largest manufacturer of road-going commercial zero emission vehicles, and UpRight Powered Access, the UK's largest manufacturer of self-propelled aerial work platforms. UpRight has recently increased its exposure in the US market with the acquisition of Snorkel Holdings last year.

Initial investment date:	May 2005
Cost:	£120,000
Valuation:	£573,000
Valuation basis:	Bid-price
Equity held:	0.2%
Last audited accounts:	31 December 2007
Profit before interest & tax:	£11.6 million
Net assets:	£165.2 million



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

Recent Transactions

Since the end of the year under review, we have completed one new qualifying investment, as well as further small investments in First Sports Group Limited, Lilestone Holdings Limited, Adrenalin Design Limited and Promotion Space Limited:

Hydrobolt Limited

Eclipse 2 invested £257,879 in the management buy-out of Hydrobolt Limited in April 2008 as part of £3.5 million investment across all the Eclipse funds. Hydrobolt is a specialist manufacturer of high integrity fasteners for the oil & gas and energy sectors.

Further details of these investments will be detailed in the interim report of Eclipse 2 later in the year.

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 2 plc is a venture capital trust ("VCT") managed by Octopus Investments Limited. Eclipse 2 was launched in January 2005 and raised over £18.4 million (£17.7 million net of expenses) 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 as well as an attractive tax-free dividend stream.

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.

During the tax year 2005/06 investors were entitled to 40% income tax relief on an investment in a VCT provided shares were held for three years. 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 HMRC. 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 2 or to a shareholder's investment in Eclipse made during the 2004/05 and 2005/06 tax year.

Objective and Investment Policy

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

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

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

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

No material changes may be made to the Company's investment policy described above without the prior approval of shareholders by the passing of an ordinary resolution. The Directors will continually monitor the investment process and ensure compliance with the investment policy.

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

Shareholder Information (continued)

Financial Calendar

The Company's financial calendar is as follows:

11 July 2008	–	Annual General Meeting
25 July 2008	–	2008 final dividend paid
September 2008	–	Six-monthly results to 31 July 2008 published
April 2008	–	Final dividend and preliminary results for year to 31 January 2009 announced; annual report and financial statements published

Share Price

The Company's mid-market share price currently stands at 87p. The Company's share price is published daily in the Financial Times and its FTSE classification is "Investment Companies" "VCTs".

Annual and Interim Reports

Previously published Annual Reports and Interim Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com under the 'Learn More' section. The result of any poll on a resolution put before shareholders will also be found there.

Details of Advisers

Board of Directors

Marc Vlesing
Matt Cooper
David Lambert

Secretary and Registered Office

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP
Registered in England No 5260491

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 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

Marc Vlessing (46 – 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.

Matt Cooper (41 – 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 two million customers, generating revenues of over £275 million and employing over 2,000 people.

David Lambert (52 – 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 ended 31 January 2008.

Activities and Status

The principal activity of the Company is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream. The Company has been granted provisional approval as a venture capital trust by HMRC. Investment company status was revoked on 24 August 2006. 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 Directors managed the affairs of the Company with the intention of maintaining its status as an approved venture capital trust for the purposes of s259 of the Income Tax Act 2007. 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.

Review of Business Activities

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. The Board has a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE All-Share Index. This index has been adopted as an informal benchmark. Investment performance, cash returned to shareholders and share price are also measured against the Company's peer group of the other generalist venture capital trusts. The Chairman's Statement, on pages 3 and 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. Further details of the Company's risk management policies are provided in note 16 to the financial statements.

Results and Dividend

	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Net (loss)/profit attributable to shareholders	(248)	4,119
Appropriations:		
Final dividend proposed 5.0p per share (2007 – 1.0p per share)	945	186

The proposed final dividend will, if approved by shareholders, be paid on 25 July 2008 to shareholders on the register on 4 July 2008.

Directors

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

	Ordinary shares of 10p each 31 January 2008	Ordinary shares of 10p each 31 January 2007
Mr Marc Vlessing (Chairman)	5,250	5,250
Mr Matt Cooper	10,000	10,000
Mr David Lambert	21,000	21,000

There have been no changes in the Directors' share interests between 31 January 2008 and the date of this report.

Mr 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 that Matt 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 18.

Directors' and Officers' Liability Insurance

The Company has, as permitted by s309A 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.

Directors' Report (continued)

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 2008 there were trade creditors of £7,000 (2007: £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 Chairman of Octopus.

As required by the Listing Rules, the directors confirm that in their opinion the continuing appointment of Octopus as investment manager is in the best interest of the shareholders as a whole. In reaching this conclusion the directors have taken into account the performance of the investment portfolio and the efficient and effective service provided by Octopus to the Company.

Open Offers and Offers for Subscription

There are no open offers. 353,647 shares were issued at 123.89p per share during the year to 31 January 2008 (2007: nil). Subsequent to the year end a further 407,684 shares were issued at 120.90p per share.

Purchase and Cancellation of Own Shares

During the year, the Company purchased 35,994 shares, with a nominal value of £3,599, for cancellation at a weighted average price of 104.1p per share (2007: nil) for total consideration of £37,000. These were repurchased in accordance with the Company's share buy-back facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

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

The Company's share capital is £5,000,000 divided into 50,000,000 shares of 10p each, of which as at 31 January 2008 18,902,301 shares were in issue (as at that date none of the issued shares were held by the Company as treasury shares). Subject to any suspension or abrogation of rights pursuant to relevant law or the Company's articles of association, the shares confer on their holders (other than the Company in respect of any treasury shares) the following principal rights: (a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the board as approved by shareholders in general meeting or in the case of an interim dividend in an amount determined by the board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company; (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities *pari passu* with the other holders of ordinary shares; and (c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands every member present or represented and voting has one vote and on a poll every member present or represented and voting has one vote for every share of which that member is the holder; the appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll. These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the Company's articles of association with a notice pursuant to s793 of the Companies Act 2006 (notice by Company requiring information about interests in its shares), the Company can until the default ceases suspend the right to attend and speak and vote at a general meeting and if the shares represent at least 0.25% of their class the Company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares. Shareholders, either alone or with other shareholders, have other rights as set out in the Company's articles of association and in company law (principally the Companies Act 2006 and, so far as still applicable, the Companies Act 1985).

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (uncertificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the Company's articles of association or in the case of uncertificated shares to the regulations governing the operation of CREST (which allow the directors to refuse to register a transfer as therein set out); the transferor remains the holder of the shares until the name of the transferee is entered in the register of members. The directors may refuse to register a transfer of certificated shares in favour of more than four persons jointly or where there is no adequate evidence of ownership or the transfer is not duly stamped (if so required). The directors may also refuse to register a share transfer if it is in respect of a certificated share which is not fully paid up or on which the Company has a lien provided that, where the share transfer is in respect of any share admitted to the Official List maintained by the UK Listing Authority, any such discretion may not be exercised so as to prevent dealings taking place on an open and proper basis, or if in the opinion of the directors (and with the concurrence of the UK Listing Authority) exceptional circumstances so warrant, provided that the exercise of such power will not disturb the market in those shares. Whilst there are no squeeze-out and sell out rules relating to the shares in the Company's articles of association, shareholders are subject to the compulsory acquisition provisions in s974 to s991 of the Companies Act 2006.

Directors' Report (continued)

Appointment and Replacement of Directors

A person may be appointed as a director of the Company by the shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) or by the directors; no person, other than a director retiring by rotation or otherwise, shall be appointed or reappointed a director at any general meeting unless he is recommended by the directors or, not less than seven nor more than 42 clear days before the date appointed for the meeting, notice is given to the Company of the intention to propose that person for appointment or re-appointment in the form and manner set out in the Company's articles of association. Each director who is appointed by the directors (and who has not been elected as a director of the Company by the members at a general meeting held in the interval since his appointment as a director of the Company) is to be subject to election as a director of the Company by the members at the first annual general meeting of the Company following his appointment. At each annual general meeting of the Company one third of the directors for the time being, or if their number is not three or an integral multiple of three the number nearest to but not exceeding one-third, are to be subject to re-election. The Companies Act allows shareholders in general meeting by ordinary resolution (requiring a simple majority of the persons voting on the relevant resolution) to remove any director before the expiration of his or her period of office, but without prejudice to any claim for damages which the director may have for breach of any contract of service between him or her and the Company. A person also ceases to be a director if he or she resigns in writing, ceases to be a director by virtue of any provision of the Companies Act, becomes prohibited by law from being a director, becomes bankrupt or is the subject of a relevant insolvency procedure, or becomes of unsound mind, or if the board so decides following at least six months' absence without leave or if he or she becomes subject to relevant procedures under the mental health laws, as set out in the Company's articles of association.

Powers of the Directors

Subject to the provisions of the Companies Acts, the memorandum and articles of association of the Company and any directions given by shareholders by special resolution, the articles of association specify that the business of the Company is to be managed by the directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular the directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the Company's 2007 annual general meeting to make market purchases of up to 2,785,839 ordinary shares at any time up to the 2008 annual general meeting and otherwise on the terms set out in the relevant resolution, and authority is being sought at the 2008 general meeting as set out in the notice of the annual general meeting.

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 2008 annual general meeting of the Company and a form of proxy in relation to the meeting can each be found at the end of this document.

Independent Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with s385 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
15 May 2008

Directors' Remuneration Report

Introduction

This report is submitted in accordance with the Companies Act 1985, Schedule 7A in respect of the year ended 31 January 2008.

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 retire at the first General Meeting after election and thereafter one third of all Directors are subject to retirement by rotation at subsequent Annual General Meetings. Re-election will be recommended by the Board but dependent upon shareholder vote.

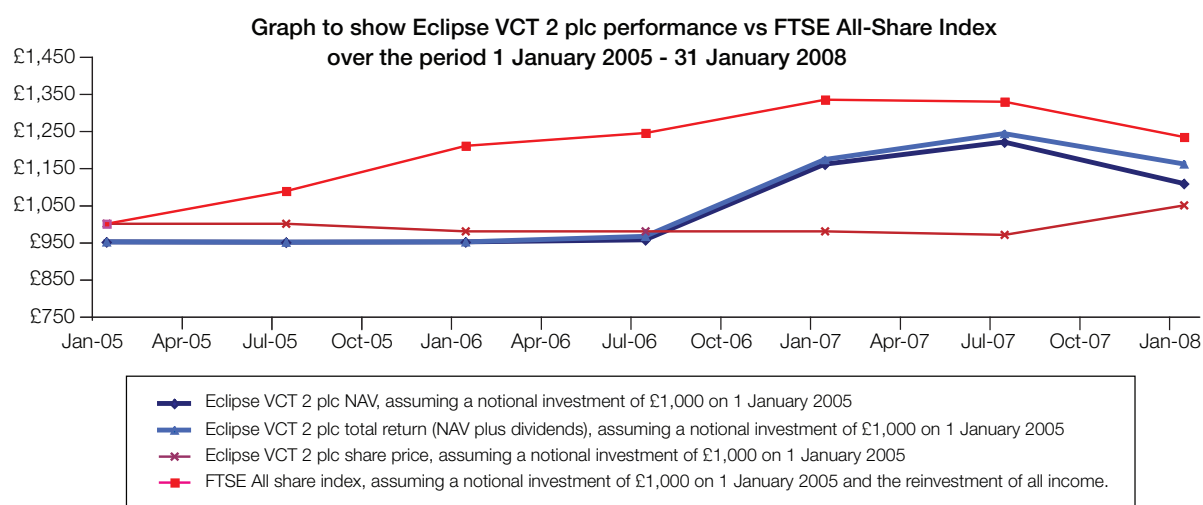
Each Director received a letter of appointment. A Director may resign by notice in writing to the Board at any time. None of the Directors is entitled to compensation payable upon early termination of their contract other than in respect of any unexpired notice period.

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.

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.

Company Performance

The graph below compares the share price, NAV and total return (NAV plus dividends) of Eclipse 2 over the period from January 2005 to January 2008 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. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the VCT rules.



Directors' Remuneration Report (continued)

Directors' Emoluments

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

Annual rate of Directors' fees	Year ended 31 January 2008	Year ended 31 January 2007
Mr M Vlesing	20,000	17,500
Mr M Cooper	15,000	13,500
Mr D Lambert	15,000	13,500
Total	50,000	44,500

By Order of the Board



Celia L Whitten FCIS
Secretary
15 May 2008

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 on page 26.

Board of Directors

The Company has a board of three non-executive Directors, two of whom are considered to be independent. Matt Cooper is not considered to be independent due to his role as Chairman of Octopus Investments Limited. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board. The Board has a formal schedule of matters specifically reserved for its decision.

During the year the following were held:

5 full board meetings

All directors attended all meetings with the exception of Mr Cooper who was unable to attend one of those meetings

2 Audit Committee meetings

All Members attended

Nil Nomination Committee meetings

No meeting was held during the year – see below

Additional meetings were held as required to address specific issues including considering recommendations from the investment manager and share repurchases. A brief biographical summary of each Director is given on page 18.

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:

David Lambert (Chairman)
Marc Vlesing

The audit committee, chaired by Mr Lambert, consists of two independent Directors. The audit committee believes Mr Lambert possesses appropriate and relevant financial experience as per the requirements of the Combined Code. The Board considers that the members of the committee are independent and have collectively the skills and experience required to discharge their duties effectively,

The audit committee's terms of reference include the following roles and responsibilities:

- reviewing and making recommendations to the board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- reviewing and making recommendations to the board in relation to the Company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the board in relation to the appointment, re-appointment and removal of external auditors and approving the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the investment manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to propriety of financial reporting or other matters.

The committee reviews its terms of reference and its effectiveness annually and recommends to the board any changes required as a result of the review. The terms of reference are available on request from the Company Secretary. The committee meets twice per year and has direct access to Grant Thornton UK LLP, the Company's external auditor. The audit committee has reviewed the non audit services provided by the external auditor and does not believe they are sufficient to influence their independence or objectivity.

Corporate Governance (continued)

The Company does not have an independent internal audit function as it is not deemed appropriate given the size of the Company and the nature of the Company's business. However, the committee considers annually whether there is a need for such a function and if so would recommend this to the board.

During the year ended 31 January 2008, the audit committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement and remuneration;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks and confirmation of auditor independence;
- reviewing Octopus Investments Limited's statement of internal controls in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing periodic reports on the effectiveness of Octopus Investments Limited's compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial and interim results statement prior to board approval; and
- reviewing the external auditor's detailed reports to the committee on the annual financial statements.

Nomination Committee:

Marc Vlessing (Chairman)
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. It has not yet been necessary for the Committee to meet and so terms of reference will be agreed if and when appropriate. The Board does not have a separate remuneration committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' remuneration report.

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 identifies the investment opportunities for the consideration of the Board who ultimately makes the decision whether to proceed with that opportunity. Octopus monitors the portfolio of investments and makes recommendations to the Board in terms of suggested disposals and further acquisitions.

Octopus is engaged to carry out the accounting function and retains physical custody of the documents of title relating to unquoted investments. Quoted investments are held in Crest. Octopus regularly reconciles the client asset register with the physical documents.

The Directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Financial Reporting Council guidelines for internal control. The Board 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 16 to the Financial Statements.

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.

Corporate Governance (continued)

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 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. 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 January 2008 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 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, Marc Vlessing and David Lambert, as defined by the Combined Code issued in 2006. 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 conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for a 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.

Directors' Responsibility Statement

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 UK 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 confirm that to the best of their knowledge the financial statements for the year ended 31 January 2008 comply with the requirements set out above and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement, have been used in their preparation. They also confirm that the annual report includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties faced by the Company.

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.

Under applicable law and regulations, the Directors are responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Report Statement which comply with that law and those regulations.

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.

The investment manager is responsible for the maintenance and integrity of the corporate and financial information set out on their website. The work carried out by Grant Thornton UK LLP as independent auditors of the Company does not involve consideration of the maintenance and integrity of the website and accordingly they accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

By Order of the Board



Celia L Whitten FCIS
Secretary
15 May 2008

Report of the Independent Auditor to the members of Eclipse VCT 2 plc

We have audited the financial statements of Eclipse VCT 2 plc for the year ended 31 January 2008 which comprise the profit and loss account, the note of historical cost profits and losses, the reconciliation of movement in shareholders' funds, the balance sheet, the cash flow statement, and notes 1 to 17. 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 s235 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. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Investment Manager's Review that is cross referenced from the Review of Business Activities section of the Directors' Report.

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 2006 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 Highlights, Chairman's Statement, Investment Manager's Review, Shareholder Information, Details of Advisers, Details of Directors, Directors' Report, the unaudited part of the Directors' Remuneration Report, the Corporate Governance Statement and the Directors' Responsibility 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 January 2008 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 January 2008.



GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
15 May 2008

Profit and Loss Account

	Notes	Year to 31 January 2008 £'000	Year to 31 January 2007 £'000
Gain on disposal of fixed asset investments	10	1,334	388
Gain on disposal of current asset investments	11	5	26
(Loss)/gain on valuation of fixed asset investments	10	(1,388)	3,868
Gain/(loss) on valuation of current asset investments	11	12	(64)
Other income	2	630	574
Investment management fees	3	(506)	(415)
Other expenses	4	(335)	(258)
(Loss)/profit on ordinary activities before tax		(248)	4,119
Taxation on profit on ordinary activities		–	–
(Loss)/profit on ordinary activities after tax		(248)	4,119
Earnings per share – basic and diluted	8	(1.3)p	22.2p

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

Note of Historical Cost Profits and Losses

	Year to 31 January 2008 £'000	Year to 31 January 2007 £'000
(Loss)/profit on ordinary activities before taxation	(248)	4,119
Loss/(gain) on valuation of investments	1,376	(3,804)
Realisation of prior years' net unrealised gains on investment	2,824	24
Historical cost profit on ordinary activities before taxation	3,952	339
Historical cost profit on ordinary activities after taxation	3,952	339

Reconciliation of Movements in Shareholders' Funds

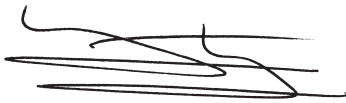
	Year ended 31 January 2008 £'000	Year ended 31 January 2007 £'000
Shareholders' funds at start of year	21,537	17,650
(Loss)/profit on ordinary activities after tax	(248)	4,119
Net proceeds of share issue	417	–
Cancellation of own shares	(35)	–
Dividends paid	(743)	(232)
Shareholders' funds at end of year	20,928	21,537

Balance Sheet

	Notes	As at 31 January 2008		As at 31 January 2007	
		£'000	£'000	£'000	£'000
Fixed asset investments	10		14,226		15,504
Current assets:					
Investments	11	5,924		4,785	
Debtors	12	875		358	
Cash at bank		500		912	
			7,299		6,055
Creditors: amounts falling due within one year	13		(597)		(22)
Net current assets			6,702		6,033
Net assets			20,928		21,537
Called up equity share capital	14		1,890		1,858
Share premium	15		381		–
Special distributable reserve	15		15,773		15,807
Capital redemption reserve	15		5		2
Revaluation reserve	15		(449)		3,751
Revenue reserve	15		3,328		119
Total equity shareholders' funds			20,928		21,537
Net asset value per share	9		110.7p		115.9

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

The statements were approved by the Directors on 15 May 2008 and are signed on their behalf by:



Marc Vlesing
Chairman

Cash Flow Statement

	Notes	Year to 31 January 2008 £'000	Year to 31 January 2007 £'000
Net cash outflow from operating activities		(621)	(314)
Financial investment:			
Purchase of investments	10	(7,667)	(6,461)
Sale of investments	10	8,891	787
Management of liquid resources:			
(Increase)/decrease in cash equivalent investments	11	(1,139)	4,623
Dividends paid	7	(743)	(232)
Financing:			
Issue of own shares		437	–
Received for shares to be issued		487	–
Share issue expenses		(22)	–
Repurchase of own shares		(35)	–
Decrease in cash resources		(412)	(1,597)

Reconciliation of Net Cash Flow to Movement in Cash Resources

	Notes	Year to 31 January 2008 £'000	Year to 31 January 2007 £'000
Decrease in cash resources		(412)	(1,597)
Movement in liquid resources	11	1,139	(4,623)
Opening net cash resources		5,697	11,917
Net cash at 31 January		6,424	5,697

Net cash at 31 January comprised:

	Year to 31 January 2008 £'000	Year to 31 January 2007 £'000
Cash at Bank	500	912
Bonds	1,263	4,785
Money Market Funds	4,661	–
Net cash at 31 January	6,424	5,697

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

	Notes	Year to 31 January 2008 £'000	Year to 31 January 2007 £'000
(Loss)/profit on ordinary activities before tax		(248)	4,119
Loss/(gains) on valuation of fixed asset investments	10	1,388	(3,842)
Realised gains on fixed asset investments	10	(1,334)	(414)
Increase in debtors		(517)	(168)
Increase/(decrease) in creditors		90	(9)
Outflow from operating activities		(621)	(314)

Notes to the Financial Statements

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of investments, and in accordance with applicable accounting standards in the UK.

The principal accounting policies have remained unchanged from those set out in the Company's 2007 annual report and financial statements.

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). Investment company status was revoked on 24 August 2006.

Investments

The Company will look to invest in financial assets with a view to profiting from their total return through income and capital growth. These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly as permitted by FRS 26, the investments will be designated as fair value through profit and loss ("FVTPL") on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. Gains or losses on valuation will be recognised through the profit and loss account.

Investments in AIM-quoted companies will be stated at bid price at the balance sheet date.

In the case of unquoted investments, fair value is established by using measurements of value such as price of recent investment, earnings multiple and net assets or, if appropriate, cost subject to provision for impairment where necessary, if this is deemed to be the fair value of the investment. Fair value is also determined by the Board on the basis of advice from the Investment Manager. Fair values are assessed in accordance with FRS26 and the International Private Equity Valuations guidelines.

Current asset investments

Current asset investments comprise money market securities and bonds and are designated as FVTPL. Gains or losses on valuation are recognised through the profit and loss account. The current asset investments are all invested with the Company's cash manager, Goldman Sachs International, and are readily convertible into cash at the choice of the Company. The current asset investments are held for trading, are actively managed and the performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about them has to be provided internally on that basis to the Board.

Income

Investment income includes interest earned on bank balances and money market 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.

Taxation

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

Deferred tax is recognised, on an undiscounted basis, in respect of all timing differences that have originated but not reversed at the balance sheet date 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.

Notes to the Financial Statements (continued)

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.

Financing Strategy and Capital Structure

FRS 29 'Financial Instruments: Disclosures' introduces new disclosures relating to financial instruments. This does not have any impact on the classification and valuation of the Company's financial instruments.

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

Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established.

2. Income

	31 January 2008	31 January 2007
	£'000	£'000
Income on money market securities and bank balances	325	443
Dividends received	16	–
Loan note interest	289	131
	630	574

3. Investment Management Fees

	31 January 2008	31 January 2007
	£'000	£'000
Investment management fee	431	353
Irrecoverable VAT thereon	75	62
	506	415

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 18 March 2005 and may be terminated at any time thereafter by not less than twelve months' notice given by either party. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given. The basis upon which the management fee is calculated is disclosed within note 17 to the financial statements.

4. Other Expenses

	31 January 2008	31 January 2007
	£'000	£'000
Accounting and administration services	76	62
Directors' remuneration	50	45
Fees payable to the Company's auditor for the audit of the financial statements	14	13
Fees payable to the Company's auditor for other services – tax compliance	2	2
Other expenses	193	136
	335	258

Total annual running costs, as set out in the prospectus, are capped at 3.5% of net assets. For the year to 31 January 2008 the running costs were 3.5% of net assets (2007: 2.7%)

Notes to the Financial Statements (continued)

5. Directors' Remuneration

	31 January 2008 £'000	31 January 2007 £'000
Directors' emoluments		
Mr M Vlessing (Chairman)	20	17
Mr D Lambert	15	14
MR M Cooper	15	14
	50	45

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 (2007: three).

6. Tax on Ordinary Activities

The corporation tax charge for the year was £nil (2007: £nil).

Factors affecting the tax charge for the current year:

The current tax charge for the year differs from the standard rate of corporation tax in the UK (2007: 19%). The differences are explained below.

Current tax reconciliation:

	31 January 2008 £'000	31 January 2007 £'000
Profit on ordinary activities before tax	153	213
Current tax at 19% (2007: 19%)	29	40
Excess management charges	(29)	(40)
Total current tax charge	–	–

Excess management charges of £81,000 (2007: £36,000) have been carried forward at 31 January 2008 and are available for offset against future taxable income subject to agreement with HMRC.

7. Dividends

	31 January 2008 £'000	31 January 2007 £'000
Dividend paid in the current year relating to the previous period	186	232
Paid interim dividend of 3p per share (2007: £Nil)	557	–
Proposed final dividend of 5p per share (2007: 1p per share)	956	186

8. Earnings per Share

The earnings per share is based on (loss)/profit after tax of £(248,000) (2007: £4,119,000) and on 18,657,430 (2007: 18,584,648) 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 January 2008 is based on net assets of £20,928,000 (2007: £21,537,000) divided by the 18,902,301 (2007: 18,584,648) ordinary shares in issue at that date.

Notes to the Financial Statements (continued)

10. Fixed Asset Investments

	Unquoted investments 31 January 2008 £'000	AIM-quoted investments 31 January 2008 £'000	Total investments 31 January 2008 £'000
Valuation and net book amount:			
Book cost as at 1 February 2007	9,566	2,100	11,666
Cumulative revaluation	2,497	1,341	3,838
Valuation at 1 February 2007	12,063	3,441	15,504
Movement in the year:			
Purchases at cost	5,309	2,358	7,667
Disposal proceeds	(7,551)	(1,340)	(8,891)
Profit on realisation of investments – current year	1,026	308	1,334
Revaluation in year	(811)	(577)	(1,388)
Valuation at 31 January 2008	10,036	4,190	14,226
Book cost at 31 January 2008:			
– Ordinary shares	2,317	4,083	6,400
– Loan notes/other securities	8,270	–	8,270
Revaluation to 31 January 2008:			
– Ordinary shares	(28)	107	79
– Loan notes/other securities	(523)	–	(523)
Valuation at 31 January 2008	10,036	4,190	14,226

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 January 2008 comprised bonds and money market funds.

	£'000	£'000
Money market securities at cost at 1 February 2007:		
Bonds	4,872	4,872
Revaluation as at 1 February 2007:		
Bonds	(87)	(87)
Valuation as at 1 February 2007		4,785
Movement in the year:		
Purchases at Cost:		
Bonds	–	
Money Market Funds	16,559	16,559
Disposal proceeds:		
Bonds	(3,519)	
Money Market Funds	(11,918)	(15,437)
Profit/(loss) in year on realisation of investments:		
Bonds	(5)	
Money Market Funds	10	5
Revaluation in year:		
Bonds	1	
Money Market Funds	11	12
Valuation as at 31 January 2008		5,924
Cost at 31 January 2008:		
Bonds	1,279	
Money Market Funds	4,650	5,929
Revaluation to 31 January 2008:		
Bonds	(16)	
Money Market Funds	11	(5)
Valuation as at 31 January 2008		5,924

12. Debtors

	31 January 2008 £'000	31 January 2007 £'000
Trade debtors	–	20
Prepayments and accrued income	875	338
	875	358

Notes to the Financial Statements (continued)

13. Creditors: Amounts falling due within one year

	31 January 2008 £'000	31 January 2007 £'000
Accruals	54	22
Trade creditors	7	–
Other creditors	536	–
	597	22

Other creditors as at 31 January 2008 includes £487,000 of applications awaiting allotment into new shares which took place on 7 February 2008.

14. Share Capital

	31 January 2008 £'000	31 January 2007 £'000
Authorised:		
Equity – 50,000,000 ordinary shares of 10p	5,000	5,000
Allotted and fully paid up		
Equity – 18,902,301 ordinary shares of 10p (2007: 18,584,648)	1,890	1,858

The Company issued the following shares:

- 6 November 2007: 353,647 shares at a price of 123.89p per share. Share issue costs totalling £22,000 (2007: £nil) have been offset against the share premium account.

The Company repurchased the following shares for cancellation:

- 15 June 2007: 15,194 shares at a price of 97p per share
- 28 January 2008: 20,800 shares at a price of 93p per share

The total nominal value of the shares repurchased was £3,599 representing 0.2% of the issued share capital.

15. Reserves

	Share premium £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revaluation reserve £'000	Revenue reserve £'000	Profit and loss account £'000
As at 31 January 2007	–	15,807	2	(61)	3,751	–	180	–
Adjustment due to change of company status	–	–	–	61	(3,751)	3,751	(180)	119
Restated at 1 February 2007	–	15,807	2	–	–	3,751	–	119
Cancellation of own shares	–	(34)	3	–	–	–	–	–
Issue of equity	381	–	–	–	–	–	–	–
Loss on ordinary activities after tax	–	–	–	–	–	–	–	(248)
Prior period losses	–	–	–	–	–	(2,824)	–	2,824
Losses on revaluation	–	–	–	–	–	(1,376)	–	1,376
Dividends paid	–	–	–	–	–	–	–	(743)
Balance as at 31 January 2008	381	15,773	5	–	–	(449)	–	3,328

16. Financial instruments and risk management

The Company's financial instruments comprise equity and fixed interest investments, cash balances and liquid resources including debtors and creditors. The Company holds financial assets in accordance with its investment policy of investing mainly in a portfolio of VCT qualifying unquoted and AIM-quoted securities whilst holding a proportion of its assets in cash or near-cash investments in order to provide a reserve of liquidity.

Notes to the Financial Statements (continued)

Fixed asset investments (see note 10) are valued at fair value. For quoted investments this is either bid price or the latest traded price, depending on the convention of the exchange on which the investment is quoted. Unquoted investments are carried at fair value as determined by the directors in accordance with current venture capital industry guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet.

In carrying on its investment activities, the Company is exposed to various types of risk associated with the financial instruments and markets in which it invests. The most significant types of financial risk facing the Company are price risk, interest rate risk, credit risk and liquidity risk. The Company's approach to managing these risks is set out below together with a description of the nature and amount of the financial instruments held at the balance sheet date.

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 16. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 24 to 26, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out on page 5. An analysis of investments between debt and equity instruments is given in note 10.

20.0% (31 January 2007 14.0%) by value of the Company's net assets comprises equity securities listed on the London Stock Exchange or quoted on AIM. A 5% increase in the bid price of these securities as at 31 January 2008 would have increased net assets and the total return for the year by £209,000 (31 January 2007 £155,000); a corresponding fall would have reduced net assets and the total return for the year by the same amount.

48.0% (31 January 2007 58.0%) by value of the Company's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by the Company include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. A 5% overall increase in the valuation of the unquoted investments at 31 January 2008 would have increased net assets and the total return for the year by £502,000 (31 January 2007 £625,000); an equivalent change in the opposite direction would have reduced net assets and the total return for the year by the same amount.

Interest rate risk

Some of the Company's financial assets are interest-bearing, of which some are at fixed rates and some variable. As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Fixed rate

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

	Total fixed rate portfolio £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years	Total fixed rate portfolio £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years
Listed fixed-interest investments	633	4.9	0.7	3,814	5.8	1.0
Fixed-rate investments in unquoted companies	7,747	7.7	2.9	7,388	7.6	3.3
	8,380			11,202		

Due to the relatively short period to maturity of the fixed rate investments held within the portfolio, it is considered that an increase or decrease of 25 basis points in interest rates as at the reporting date would not have had a significant effect on the Company's net assets or total return for the year.

Notes to the Financial Statements (continued)

Floating rate

The Company's floating rate investments comprise floating-rate loans to unquoted companies and cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 5.5% at 31 January 2008 (31 January 2007: 5.25%). The amounts held in floating rate investments at the balance sheet date were as follows:

	31 January 2008 £'000	31 January 2007 £'000
Money market securities	5,036	1,056
Cash on deposit	30	912
	5,066	1,968

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The investment manager and the Board carry out a regular review of counterparty risk. The carrying values of financial assets represent the maximum credit risk exposure at the balance sheet date.

At 31 January the Company's financial assets exposed to credit risk comprised the following:

	31 January 2008 £'000	31 January 2007 £'000
Investments in fixed interest instruments	8,380	11,202
Investments in floating rate instruments	5,036	1,056
Cash on deposit	30	912
Balances due from sale of investments	847	242
Accrued dividends and interest receivable	14	111
	14,307	13,523

Credit risk relating to listed money market securities is mitigated by investing in a portfolio of investment instruments of high credit quality, comprising securities issued by the UK Government and major UK companies and institutions. Credit risk relating to loans to and preference shares in unquoted companies is considered to be part of market risk.

Those assets of the Company which are traded on recognised stock exchanges are held on the Company's behalf by third party custodians (Goldman Sachs International in the case of listed money market securities and Charles Stanley Limited in the case of quoted equity securities). Bankruptcy or insolvency of a custodian could cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

Credit risk arising on the sale of investments is considered to be small due to the short settlement and the contracted agreements in place with the settlement lawyers.

The Company's interest-bearing deposit and current accounts are maintained with Goldman Sachs International and HSBC plc.

There were no significant concentrations of credit risk to counterparties at 31 January 2008 or 31 January 2007. No individual investment by cost exceeded 4.9% of the Company's net assets at 31 January 2008 (31 January 2007: 4.6%).

Liquidity risk

The Company's financial assets include investments in unquoted equity securities which are not traded on a recognised stock exchange and which generally may be illiquid. They also include investments in AIM-quoted companies, which by their nature, involve a higher degree of risk than investments on the main market. As a result, the Company may not be able to realise some of its investments in these instruments quickly at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer.

The Company's listed money market securities are considered to be readily realisable as they are of high credit quality as outlined above.

Notes to the Financial Statements (continued)

The Company's liquidity risk is managed on a continuing basis by the Investment Manager in accordance with policies and procedures laid down by the Board. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 January 2008 these investments were valued at £6,424,000 (31 January 2007 £5,697,000).

Risk Management

The board carries out a regular review of the risk environment in which the Company operates. The main areas of risk identified by the board are as follows:

Investment Risk

The majority of the Company's investments are currently in unquoted and AIM-quoted UK smaller companies which are VCT qualifying holdings, and which by their very nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The directors aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, and by maintaining a wide spread of holdings in terms of financial stage, industry sector and geographical location. The board reviews the investment portfolio with the investment managers on a regular basis.

Financial Risk

As most of the Company's investments involve a medium to long-term commitment, the directors consider that it is inappropriate to finance the Company's activities through borrowing. The Company has no exposure to foreign currency risk and does not enter into derivative transactions.

Stock Market Risk

Approximately 20% of the investment portfolio is invested in AIM-quoted companies. Investments in AIM-quoted companies, by their nature, involve a higher degree of risk than investment in companies traded on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

Internal Control Risk

The board regularly reviews the system of internal controls, both financial and non-financial, operated by the Company and the investment manager. These include controls designed to ensure the Company's assets are safeguarded and the proper accounting records are maintained.

VCT qualifying status Risk

The Company is required at all times to observe the conditions laid down in the Income Tax Act 2007 for the maintenance of approved VCT status. The loss of such approval could lead to the Company losing its exemption from corporation tax on capital gains, to investors being liable to pay income tax on dividends received from the Company and, in certain circumstances, to investors being required to repay the initial income tax relief on their investment. The investment manager keeps the Company's VCT qualifying status under continual review and reports to the board regularly throughout the year. The board has also retained PricewaterhouseCoopers LLP to undertake an independent VCT status monitoring role.

17. Related party transactions

Matt Cooper, a non-executive Director of Eclipse VCT 2 plc, is a Director of Octopus. Eclipse VCT 2 plc has employed Octopus throughout the year as investment manager. Eclipse VCT 2 plc has paid Octopus £505,919 (including irrecoverable VAT at 17.5%) 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 year £75,888 (including irrecoverable VAT at 17.5%) 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. 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 in 2006, and the performance value at that date exceeds 130p per share, then Octopus will be entitled to an incentive fee equal to 20% of the excess of such performance value over 100p per share.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Eclipse VCT 2 plc will be held at 8 Angel Court, London, EC2R 7HP on Friday, 11 July 2008 at 2:00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year to 31 January 2008 and the directors' and auditors' reports thereon.
2. To approve a final dividend of 5.0 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 s80 of the Companies Act 1985 to allot shares up to a maximum nominal amount of £189,023 (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 s95(1) of the Companies Act 1985 to allot or make offers or agreements to allot equity securities (as defined in s94(2) of the said Act) for cash pursuant to the authority referred to in resolution 6 as if s89(1) of the said Act did not apply to any such allotments and so that:
 - (a) reference to allotment in this Resolution shall be construed in accordance with s94 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 s163(3) of the Companies Act 1985) of ordinary shares of 10p each in the Company ("ordinary shares") provided that:

- (a) the maximum number of ordinary shares so authorised to be purchased shall not exceed 5% of the present issued Ordinary share capital of the Company;
- (b) the minimum price which may be paid for an ordinary share shall be 10p;
- (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to 105 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

8 Angel Court
London
EC2R 7HP



Celia L Whitten FCIS
Secretary

15 May 2008

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 s325 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 2 plc Annual General Meeting – 11 July 2008

I/We
(BLOCK CAPITALS PLEASE)

of

being a member of Eclipse VCT 2 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 11 July 2008, notice of which was sent to shareholders with the directors' report and the accounts for the year ended 31 January 2008, 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 January 2008	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of 5.0p 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 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 s80 of the Companies Act 1985 (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply s89(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: 2008

NOTES

- To be valid, the proxy form must be received by the Registrars of Eclipse VCT 2 plc at, **Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR** no later than 48 hours before the commencement of the meeting. If delivering by Courier please use the full address of Capita set out in the Notice.
- 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.
- Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement. (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.)
- To appoint more than one proxy, you may photocopy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
- 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.
- Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6 p.m. on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- The address on the envelope containing this notice is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0871 664 0300 (Calls cost 10p per minute plus network extras) to request a change of address form.
- The completion and return of this form will not preclude a member from attending the meeting and voting in person.



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



