

Eclipse VCT 4 plc
Annual Report and Accounts
for the period ended 31 August 2006

Contents

	Page
Financial summary	2
Chairman's statement	3
Investment manager's review	5
Details of advisers	11
Details of directors	12
Directors' report	13
Directors' remuneration report	15
Shareholder information	17
Corporate governance	18
Report of the independent auditor	21
Income statement	23
Balance sheet	24
Cash flow statement	25
Notes to the financial statements	26
Notice of annual general meeting	32
Proxy form	35

Financial Summary
for the period ended 31 August 2006

	31 August 2006
Net assets	£28,247,000
Net asset value per share	95.7p
Revenue return after tax	£218,000
Revenue return per share*	1.1p
Total return per share*	1.0p
Proposed dividend per share	0.7p

*Based on a weighted average of 18,516,747 shares in issue during the period.

Eclipse VCT 4 plc ('Eclipse 4' or 'Fund') is a Venture Capital Trust ('VCT'). The investments are managed by Octopus Investments Limited (formerly named Octopus Asset Management Limited) ('Octopus' or 'Manager'). Eclipse 4 was launched in August 2005 and raised over £29.1 million (£28.1 million net of expenses) through an offer for subscription which closed on 5 April 2006. It invests primarily in unquoted and AIM-quoted companies.

Chairman's Statement

I am pleased to present the first annual report to shareholders in Eclipse VCT 4 plc and am delighted to report on the progress made by the fund manager, Octopus Investments, in building the portfolio.

Fundraising

First of all I would like to thank all of our shareholders for investing in Eclipse 4. The Fund raised £29.1 million by its close on 5 April 2006 and, in conjunction with Eclipse VCT 3 plc, the twin fund, was the largest VCT fundraising in the 2005/06 tax year.

Eclipse 4 will co-invest with the three other Eclipse funds which are all managed by the same investment team at Octopus. This means they will not only be able to invest in a wider range of opportunities but also in larger and more developed companies than are typically available to a single VCT.

Net Asset Value ('NAV')

The net assets of the Fund were £28.2 million at the end of the period under review, equivalent to 95.7p per share. At 31 August 2006, Eclipse 4 had made 15 investments totalling £3.1 million, representing approximately 11% of the Fund (by net assets). All of the unquoted investments were made alongside the other Eclipse funds, on a pro-rata basis to fund size at the time of investment approval. In the case of investments in AIM-quoted companies, the investments were made alongside a number of other funds managed by Octopus.

Of the 15 investments made to date, nine are AIM investments and six are in unquoted companies. When fully invested, we expect the portfolio to be spread across 30 to 40 investments and the total amount invested into any one sector and any one company will, for diversification purposes, be limited to a maximum of 20% and 10% of the Fund, respectively. Further information on the portfolio of investments can be found in the 'Investment Manager's Review'.

The unquoted companies have been valued in accordance with International Private Equity and Venture Capital ('IPEVC') guidelines and are all held at cost as this is deemed to be the fair value of the investments, with the exception of one investment which has decreased in value (Red-M). As set out in the IPEVC guidelines, valuations of unquoted investments are usually not changed for at least twelve months from the date of investment unless the investee company has performed significantly behind plan (in which case the investment is written down in value), or we have participated in a follow-on fundraising for the company. In the case of Red-M we consider it prudent to make a modest provision following disappointing results in one part of their business.

The value of AIM investments was £1,420,000, representing an increase of approximately 22% compared with a cost of £1,166,000. Since the period end the value has further increased to £1,765,000 representing an increase of over 50%.

In accordance with the low risk approach adopted by Octopus, the balance of the Fund's assets remain invested in money market securities.

Dividend

In line with our commitment to maximise tax-free dividends to shareholders, the Directors propose a dividend of 0.7p per share to be paid on 8 December 2006 to shareholders on the register on 10 November 2006.

The Fund is at an early stage of its investment cycle and dividends are largely derived from the income earned from money market securities. In the medium-term, Octopus aims to produce a regular tax-free income stream for shareholders and, as such, will realise profits for distribution on holdings where we can maximise value.

Share Price and Buy-Back Facility

Eclipse 4 has a share buy-back facility, proposing to buy-back shares at no more than a 10% discount to the prevailing NAV. This should assist the marketability of the shares and help prevent the shares from trading at a wide discount to NAV.

The mid market share price of the Fund currently stands at 100p compared to the NAV of 95.7p. In the period under review, Eclipse 4 repurchased 3,060 shares at a price of 95p. Shareholders should note that if they sell their shares within three years of the original purchase they forfeit any income tax relief obtained.

If you need to sell your shares, please contact Octopus on 020 7710 2800.

Chairman's Statement (continued)

VCT Qualifying Status

As you may be aware, Eclipse 4 must be 70% invested in qualifying companies by 31 August 2008 in order to comply with VCT regulations. At 31 August 2006, Eclipse 4 was approximately 11% invested (by net assets) in qualifying holdings, which is in line with our expectations at this early stage in the Fund's life. This has increased to approximately 18% following further investment activity.

The Directors will continue to monitor the progress of the Fund in meeting HM Revenue and Customs conditions for VCT approval and have retained PricewaterhouseCoopers LLP, one of the UK's leading firms of accountants, to advise in this area. In light of the current deal flow, the Directors expect Eclipse 4 to meet the relevant conditions by its deadline of 31 August 2008.

Outlook

The challenge for all venture capital funds is to attract a strong flow of attractive investment opportunities. The specific challenge for Eclipse 4 is to ensure that it has invested 70% of the funds raised in VCT qualifying companies by August 2008. I am pleased to say that the size of the investment team at Octopus has increased significantly, from four to ten managers, over the period and the Fund expects to be closer to 80% invested by this date.

R Gregory Melgaard
Chairman
26 October 2006

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.

Review of Investments

We are pleased with the progress made by the Fund since launch, having made 15 investments totalling almost £3.1 million.

Of the 15 investments held by the Fund at 31 August 2006, nine were in AIM quoted companies and six were in unquoted companies. We expect that approximately 20% of the Fund will be invested in AIM quoted companies once fully invested.

Once we have made an investment, we take an active approach in monitoring its performance. This includes regular meetings with management teams and, in the case of most unquoted investments, attending board meetings of the portfolio companies.

In keeping with our patient and low risk approach, the remainder of the Fund is invested in money market securities.

AIM investments are valued at the quoted bid price and we are pleased that the portfolio value has risen by approximately 22%. As mentioned in the Chairman's statement unquoted investments are valued in accordance with the IPEVC guidelines and are generally held at cost at the period end as this is deemed to be the fair value of the investments, with the exception of one investment which has decreased in value (Red-M). As set out in the IPEVC guidelines, valuations of unquoted investments are usually not changed for at least twelve months from the date of investment unless the investee company has performed significantly behind plan (in which case the investment is written down in value), or we have participated in a follow-on fundraising for the company. Overall we are pleased with the performance of our unquoted investments, however, in the case of Red-M we consider it prudent to take a modest provision, following disappointing results in one part of their business.

Qualifying Status

VCTs have three years to invest 70% of their money into qualifying companies. At 31 August 2006, Eclipse 4 had invested approximately 11% of the Fund. This is in line with our expectations at this stage of the Fund's life.

Portfolio Activity

In the period to 31 August 2006 the Fund had made 15 investments, all of which are detailed below.

Portfolio of Investments

	Investment at Cost £'000	Unrealised appreciation/ (depreciation) £'000	Carrying Value £'000
Unquoted investments			
CSL Dualcom Limited	805	–	805
Perfect Pizza Limited	372	–	372
James Harvard International Limited	245	–	245
Red-M Group Limited	241	(58)	183
Capital Pub Company 2 plc	200	–	200
Blanc Brasseries Holdings plc	55	–	55
	1,918	(58)	1,860
AIM investments			
Worthington Nicholls Group plc	500	110	610
Tanfield Group plc	150	79	229
Healthcare Locums plc	100	15	115
Autoclenz Holdings plc	125	(18)	107
Cohort plc	68	14	82
BBI Holdings plc	64	14	78
Abcam plc	44	28	72
Ovum plc	75	(10)	65
Invocas plc	40	22	62
	1,166	254	1,420
	3,084	196	3,280

Investment Manager's Review (continued)

Ten Largest Holdings as at 31 August 2006

CSL Dualcom Limited

In June 2006, Eclipse 4 invested £805,000 in the management buy out of CSL Dualcom, alongside the other Eclipse funds. 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 mobile phone network provided by Vodafone, which has been a partner of CSL Dualcom for the last six years. The Company is poised to grow rapidly on the back of a recent new product launch and by extending the Company's products to the fire sector, where recent legislation has created a large market opportunity.

Further information can be found at the Company's website, www.csl-communications.com.

<i>Investment date</i>	<i>June 2006</i>
<i>Equity held</i>	<i>10%</i>
<i>Cost (£'000) – equity investment and loan notes</i>	<i>805</i>
<i>Valuation (£'000)</i>	<i>805</i>
<i>Valuation basis</i>	<i>Cost</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

<i>Audited financial information</i>	<i>March 2006</i>
	<i>£'000</i>
<i>Turnover</i>	<i>4,730</i>
<i>Profit before taxation</i>	<i>86</i>
<i>Retained profit</i>	<i>86</i>
<i>Net liabilities</i>	<i>(317)</i>

Worthington Nicholls Group plc

Worthington Nicholls Group plc is the leading UK installer of air conditioning units in the hotel, retail and leisure markets. The Company, which supplies over 50% (by number of rooms) of the 3* plus UK hotel market, is expected to achieve a profit before tax of £3.6 million on turnover of £25 million for the year ending September 2006.

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

<i>Investment date</i>	<i>June 2006</i>
<i>Equity held</i>	<i>1.54%</i>
<i>Cost (£'000)</i>	<i>500</i>
<i>Valuation (£'000)</i>	<i>610</i>
<i>Valuation basis</i>	<i>Bid price</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

<i>Audited financial information</i>	<i>September 2005</i>
	<i>£'000</i>
<i>Turnover</i>	<i>10,120</i>
<i>Loss before taxation</i>	<i>(753)</i>
<i>Retained loss</i>	<i>(675)</i>
<i>Net assets</i>	<i>722</i>

Perfect Pizza Limited

In February 2006, Eclipse 4 invested in Perfect Pizza, by participating in a £7 million Management Buy-In. Perfect Pizza is the third largest pizza delivery business in the UK with 114 franchise stores throughout the country. The home delivery pizza market is expected to continue to be a growth area as a result of the long-term trend away from home cooking.

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

<i>Investment date</i>	<i>February 2006</i>
<i>Equity held</i>	<i>4.8%</i>
<i>Cost (£'000) – equity investment and loan notes</i>	<i>372</i>
<i>Valuation (£'000)</i>	<i>372</i>
<i>Valuation basis</i>	<i>Cost</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

First audited financial information will be available for the period to March 2006.

Investment Manager's Review (continued)

James Harvard International Limited

James Harvard is one of the leading recruitment agencies in the growing, but fragmented, European clinical trials market. The funds raised were used to acquire EXCO, thereby extending the range of functional areas covered by James Harvard as well as providing access to a broader range of clients.

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

<i>Investment date</i>	<i>November 2005</i>
<i>Equity held</i>	<i>2.5%</i>
<i>Cost (£'000) – equity investment and loan notes</i>	<i>245</i>
<i>Valuation (£'000)</i>	<i>245</i>
<i>Valuation basis</i>	<i>Cost</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

First audited financial information will be available for the period to December 2005.

Red-M Group Limited

Red-M provides software products and services for the wireless market and designs, deploys and manages wireless networks across the spectrum of commercially used radio frequencies for blue chip clients. The company was formed in April 2005 by the merger of Cellular Design Services, a wireless consulting services provider, and Red-M Communications, a vendor of wireless security probes and monitoring software.

Further information can be found at the Company's website, www.red-m.com.

<i>Investment date</i>	<i>December 2005</i>
<i>Equity held</i>	<i>2.0%</i>
<i>Cost (£'000) – equity investment</i>	<i>241</i>
<i>Valuation (£'000)</i>	<i>183</i>
<i>Valuation basis</i>	<i>Earnings multiple</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

First audited financial information will be available for period to December 2005.

Tanfield Group plc

Tanfield Group plc is a supplier of electric vehicles, aerial access platforms and assembly and technical engineering services. The Company recently completed the acquisition of Upright Inc, a manufacturer and distributor of powered platform equipment, which are sold globally via a distribution network.

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

<i>Investment date</i>	<i>December 2005</i>
<i>Equity held</i>	<i>0.4%</i>
<i>Cost (£'000)</i>	<i>150</i>
<i>Valuation (£'000)</i>	<i>229</i>
<i>Valuation basis</i>	<i>Bid price</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

<i>Audited financial information</i>	<i>December 2005</i>
	<i>£'000</i>
<i>Turnover</i>	<i>22,431</i>
<i>Profit before taxation</i>	<i>2,000</i>
<i>Retained profit</i>	<i>1,694</i>
<i>Net assets</i>	<i>23,926</i>

Investment Manager's Review (continued)

The Capital Pub Company 2 plc

The Capital Pub Company 2 plc is the latest pub investment vehicle set up by David Bruce, who has a long and successful track record in the brewing and leisure industry. Bruce has set up and sold a number of similar companies, including the Firkin and the Slug and Lettuce chains of pubs.

In total, more than £16 million has been raised for the Company which is developing a portfolio of freehold pubs in the Greater London area. These are unbranded, un-themed and have no tie to a particular brewery. To date, ten sites have been acquired and more are in the pipeline.

Further information can be found at the Company's website, www.capitalpubcompany2.com.

<i>Investment date</i>	<i>December 2005</i>
<i>Equity held</i>	<i>1.2%</i>
<i>Cost (£'000)</i>	<i>200</i>
<i>Valuation (£'000)</i>	<i>200</i>
<i>Valuation basis</i>	<i>Cost</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

<i>Audited financial information</i>	<i>September 2005</i>
	<i>£'000</i>
<i>Turnover</i>	<i>1,518</i>
<i>Profit before taxation</i>	<i>68</i>
<i>Retained profit</i>	<i>45</i>
<i>Net assets</i>	<i>10,500</i>

Healthcare Locums plc

Healthcare Locums is one of the UK's largest and fastest growing specialist healthcare recruitment companies. The Company specialises in higher margin recruitment areas such as doctors, social workers and allied health professionals.

Further information can be found at the Company's website, www.healthcarelocums.com.

<i>Investment date</i>	<i>November 2005</i>
<i>Equity held</i>	<i>0.3%</i>
<i>Cost (£'000)</i>	<i>100</i>
<i>Valuation (£'000)</i>	<i>115</i>
<i>Valuation basis</i>	<i>Bid price</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

<i>Audited financial information</i>	<i>December 2005</i>
	<i>£'000</i>
<i>Turnover</i>	<i>43,859</i>
<i>Profit before taxation</i>	<i>1,628</i>
<i>Retained profit</i>	<i>1,142</i>
<i>Net assets</i>	<i>25,098</i>

Autoclenz Holdings Plc

Autoclenz, founded in 1990, is the UK's leading provider of valeting services to automotive retailers, auction houses, rental companies and car supermarkets. The Company has recently floated on AIM having previously been a subsidiary of Yule Catto, the chemical company. The fastest growing division of Autoclenz is REACT, a Home Office approved specialist cleaning and decontaminating service. REACT carries out work on behalf of the emergency services, prison service and local authorities.

Further information can be found at the Company's website, www.autoclenz.co.uk.

<i>Investment date</i>	<i>December 2005</i>
<i>Equity held</i>	<i>0.9%</i>
<i>Cost (£'000)</i>	<i>125</i>
<i>Valuation (£'000)</i>	<i>107</i>
<i>Valuation basis</i>	<i>Bid price</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

First audited financial information will be available for the period to December 2006

Investment Manager's Review (continued)

Cohort plc

Cohort was incorporated to acquire Systems Consultants Services (SCS), a UK based company providing training support and equipment trials to the defence sector. The company's strategy is to acquire complementary technical services companies and position them side by side with the fast-growing SCS business. The company floated on AIM in February 2006 having raised £5 million.

Further information can be found at the Company's website, www.cohort.com.

<i>Investment date</i>	<i>March 2006</i>
<i>Equity held</i>	<i>0.2%</i>
<i>Cost (£'000)</i>	<i>68</i>
<i>Valuation (£'000)</i>	<i>82</i>
<i>Valuation basis</i>	<i>Bid price</i>
<i>Dividends/interest received during the period (£'000)</i>	<i>–</i>

<i>Audited financial information</i>	<i>April 2006</i>
	<i>£'000</i>
<i>Turnover</i>	<i>18,000</i>
<i>Profit before taxation</i>	<i>1,359</i>
<i>Retained profit</i>	<i>919</i>
<i>Net assets</i>	<i>8,924</i>

There were five further investments made in the period details of which are shown below:

BBI Holdings plc

BBI develops and manufactures diagnostic tests for the point of care market. The company derives income from the manufacture and supply of gold colloids, bespoke product development for third parties and the manufacture of diagnostic tests for industry partners. In April 2006, the Company acquired Alchemy Laboratories Ltd, a Dundee-based company with operations in similar fields to BBI.

Abcam plc

Abcam is an internet based company focused on the development and distribution of research-grade antibodies, to universities, research institutes and pharmaceutical companies. The company floated on AIM during November 2005 raising £10 million in order to expand its product range and fund acquisitions.

Ovum plc

Ovum is a leading information, communication and technology research consultancy. The Company acts as a source of industry data, knowledge and expertise on the commercial impact of technology, regulatory and market changes. The data is packaged into detailed research documents and distributed through a range of bespoke and tailored products. The company floated on AIM in March 2006 having raised £7 million to fund product development and acquisitions.

Invocas plc

Invocas is the leading provider of personal insolvency solutions in Scotland with a 16% share of the Protected Trust Deed market. The company has been profitable and cash generative for the past seven years. Demand in Scotland for Protected Trust Deeds, which help individuals who are having difficulty servicing their debt, grew by 14% in 2005 and is expected to grow by 20% in 2006.

Blanc Brasseries Holdings plc

Blanc Brasseries owns Le Petit Blanc chain of quality restaurants. The business was acquired from Loch Fyne Restaurants ('LFR') and will continue to be managed by the LFR management team, which successfully built up the chain to around 30 restaurants.

Recent Transactions

Since 31 August 2006 Eclipse 4 completed 2 further investments.

Golddigga

Eclipse 4 invested alongside the other Eclipse funds to finance the £18.5 million management buy-out of the Golddigga fashion brand. Golddigga, launched in 1995, is a fast growing fashion brand targeting girls between 15 and 25. Turnover has grown strongly from £4.5 million in 2004 to £10 million in 2006.

Audio Visual Machines Limited ('AVM')

Eclipse 4 invested alongside the other Eclipse funds in AVM in early October 2006. The business is a leading audio visual systems integrator and service provider. AVM works with some of the UK's leading businesses including BP, PricewaterhouseCoopers and LloydsTSB as well as public sector bodies such as Surrey Police, Transport for London and Westminster City Council.

Investment Manager's Review (continued)

Summary of investments made by other funds managed by Octopus Investments Limited

It is a requirement that Octopus discloses the full extent of its interest across all of its funds in any companies in which Eclipse 4 holds an investment. Details of these are shown below.

	% equity held by Eclipse VCT 4	% equity held by other funds managed by Octopus
Abcam plc	0.1	0.5
Autoclenz Holdings plc	0.9	11.9
BBI Holdings plc	0.3	4.2
Blanc Brasseries Holding plc	0.7	2.3
Capital Pub Company 2 plc	1.2	10.0
Cohort plc	0.2	1.7
CSL Dualcom Limited	10.0	30.0
Healthcare Locums plc	0.3	1.6
Invocas plc	0.1	1.1
James Harvard International Limited	2.5	24.8
Ovum plc	0.3	2.9
Perfect Pizza Limited	4.8	34.3
Red-M Group limited	2.0	10.2
Tanfield Group plc	0.3	5.4
Worthington Nichols Group plc	1.5	6.8

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
26 October 2006

Details of advisers

Secretary and Registered office
Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP

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

Investment manager
Octopus Investments Limited ("Octopus")
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VCT status advisers
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Treasury Management
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EC1A 7HD

Treasury Management
UBS
1 Curzon Street
London
W1J 5UB

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

Details of Directors

Greg Melgaard (Ronald Gregory Melgaard) (56 Non-Executive Chairman) is Managing Director of Palmaris Capital PLC, a mining investment company. He is also Chairman of ICW Power Limited, a London-based manufacturer of sophisticated power systems, a director of Mining Scotland Limited, the UK's second largest coal miner and a director of two Australian quoted companies.

Prior to his involvement with these organisations, Greg was a founding director of AFP Investment Corporation Limited, an Australian based international investment firm. AFP specialised in taking significant minority positions in public companies and working with management to increase shareholder value. Over a period of seven years AFP built up interests in resources, textiles, office equipment, fire protection, media, agribusiness and brewing.

Prior to co-founding AFP, he was a management consultant with McKinsey & Company, working in the US and Australia where he specialised in business strategy and finance. He has degrees in science and economics from Monash University and an MBA from Stanford University.

Matt Cooper (Matthew Jonathan Cooper) (39 Non-Executive Director) is the chairman of Octopus Investments Limited, the Investment Manager of Eclipse 4. 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.

Alex Hambro (The Hon. Alexander Hambro) (44 Non-Executive Director) has spent the last 17 years in the venture capital sector, much of this time at Hambros PLC and associate organisations. As a director of Hambro Group Investments, he was responsible for the establishment and operations of the Hambro Private Equity Group, which sponsored nine fund managers in the UK, Europe, USA and Australia. Since leaving Hambros in 1999, he has assisted a number of venture capital organisations with their fundraising and marketing programmes and has acted as a consultant to a number of investors on their venture capital investment strategies.

Directors' Report

The Directors present their report and the audited financial statements for the period 22 June 2005 to 31 August 2006.

Activities and status

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

The company was incorporated on 22 June 2005.

The Chairman's Statement, on page 3, 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 10. The Directors have managed the affairs of the Company with the intention of maintaining its status as an approved Venture Capital Trust for the purposes of S842AA of the Income and Corporation Taxes Act 1988. The Company was not at any time up to the date of this report a close company within the meaning of S414 of the Act.

Results and dividend

	Period ended 31 August 2006 £'000
Revenue return attributable to shareholders	218
<hr/>	
Appropriations:	
Final dividend proposed – 0.7p per share	207

The proposed final dividend will, if approved by shareholders, be paid on 8 December 2006 to shareholders on the register on 10 November 2006.

Directors

According to the Register of Directors' Interests, the Directors of Eclipse VCT 4 plc during the period and their interests in the issued ordinary shares of 10p were as follows:

	Ordinary shares of 10p each At 31 August 2006
Mr R G Melgaard (Chairman)	15,750
Mr M J Cooper	5,250
The Hon A Hambro	7,875

There have been no changes in the Directors' share interests between 31 August 2006 and the date of this report.

Instant Companies Limited was appointed as a director on 22 June 2005 and resigned on 22 June 2005.
 Swift Incorporations Limited was appointed as a director on 22 June 2005 and resigned on 22 June 2005.
 Mr N D Osmond was appointed as a director on 22 June 2005 and resigned on 12 August 2005.
 Ms T R K Baker was appointed as a director on 22 June 2005 and resigned on 12 August 2005.
 Mr R G Melgaard was appointed as a director on 2 August 2005.
 Mr M J Cooper was appointed as a director on 2 August 2005.
 The Honourable A R Hambro was appointed as a director on 2 August 2005.

All the Directors will retire by rotation and being eligible, offer themselves for re-election. The Board has considered provision A.7.2 of the Combined Code 2003 and believes each Director continues to be effective and demonstrate commitment to his role. The Board therefore recommends re-election at the forthcoming Annual General Meeting.

Brief biographical notes on the Directors are given on page 12.

Financial risk management objectives and policies

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

Further details of the Company's risk management policies are provided in note 18 to the financial statements.

Directors' report (continued)

Directors' and officers' liability insurance

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

Creditor payment policy

The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The Company does not follow any code or standard with regard to creditor payment practice. At 31 August 2006 there were no trade creditors.

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 and 19 to the financial statements. Mr M Cooper is a Director of Octopus.

Open offers and offers for subscription

29,534,207 shares were allotted during the period to 31 August 2006 for cash at a price of 100p per share which after issue costs resulted in the initial net assets being equal to 95p per share.

Purchase and cancellation of own shares

During the period, the Company purchased 3,060 shares for cancellation at an average price of 95p per share.

Fixed assets

Movements in fixed asset investments during the period are set out in Note 9 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 2006 annual general meeting of the Company and a form of proxy for those unable to attend that meeting can each be found at the end of this document.

Authority to permit the Directors to allot up to 10% of the existing share capital and to renew the authority to purchase shares in the market for cancellation and for the Directors to disapply pre-emption rights is sought, although the Directors have no current intention of using such authority.

Independent auditor

Grant Thornton UK LLP were appointed auditor on 9 February 2006 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. A resolution to reappoint Grant Thornton UK LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

C L Whitten FCIS
Secretary
26 October 2006

Directors' remuneration report

Introduction

This report is submitted in respect of the period ended 31 August 2006.

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 period (although the Directors expect from time to time to review the fees against those paid to the boards of directors of other Venture Capital Trusts).

Statement of the Company's policy on Directors' remuneration

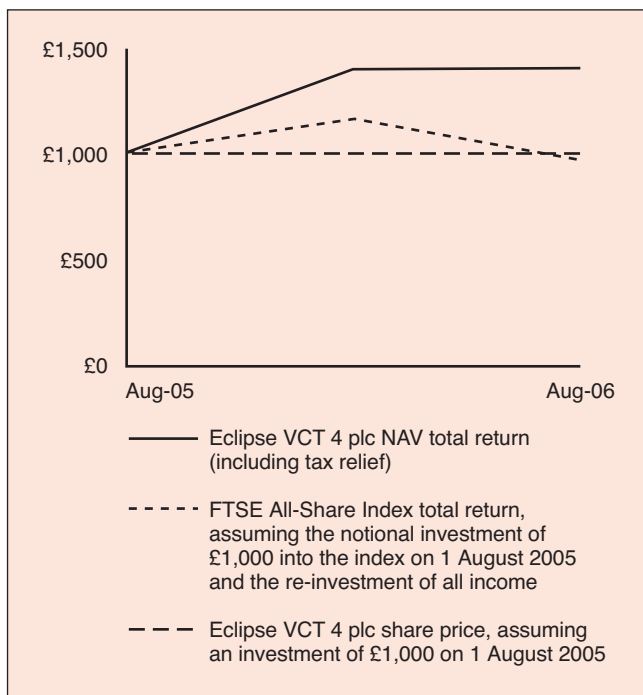
The Board consists entirely of Non-Executive Directors, who meet at least four times a year and on other occasions as necessary, to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will serve for, at least, a period of three years. All Directors will retire at the first General Meeting after election and thereafter one third of all Directors will be subject to retirement by rotation at subsequent Annual General Meetings. Re-election will be recommended by the Board but dependent upon shareholder vote.

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

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. They should be sufficient to attract candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid higher fees than the other Directors in recognition of his more onerous role. The policy is to review these rates from time to time, although such review will not necessarily result in any changes.

Company performance

The graph below compares the share price of Eclipse 4 over the period from August 2005 to August 2006 with the total return from a notional investment in the FTSE All-Share index over the same period. This index is considered to be the most appropriate broad equity market index for comparative purposes.



Directors' emoluments

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

Annual rate of Directors' fees	Period ended 31 August 2006
Mr R G Melgaard (Chairman)	£11,250
Mr M J Cooper	£6,000
The Hon A Hambro	£6,000
<hr/> Total	<hr/> £23,250

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 period to any of the current Directors.

By Order of the Board

C L Whitten FCIS
Secretary
26 October 2006

Shareholder Information

The Company

Eclipse VCT 4 plc is a Venture Capital Trust managed by Octopus Investments Limited. Eclipse 4 was launched in August 2005 and raised just under £30 million through an offer for subscription. The objective of Eclipse 4 is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long-term.

Venture Capital Trusts ('VCT')

VCTs were introduced by the UK Government in 1995 to encourage individuals to invest in UK smaller companies. The Government achieved this by offering VCT investors a series of very attractive tax benefits.

You are entitled to 40% income tax relief on your Eclipse 4 investment provided you hold your shares for three years. This means that if you had invested £10,000 in Eclipse 4, you would be entitled to £4,000 of income tax relief. In addition, as the value of a VCT's investments rise, profits can be paid out to investors as a stream of tax-free income.

Eclipse 4 has been provisionally approved as a VCT by the Inland Revenue. 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 quoted on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £15 million at the time of investment.

Financial Calendar

The Company's financial calendar is expected to be as follows:

7 December 2006	–	Annual General Meeting
8 December 2006	–	2006 final dividend paid
May 2007	–	Interim report for six months to 28 February 2007 published
December 2007	–	Final dividend and preliminary results for year to 31 August 2007 announced; annual report and financial statements published

Share Price and Buy-Back Facility

The Company's mid-market share price currently stands at 100p and, as is normal with a VCT in its early stages, there have been very few transactions. We will be asking shareholders at the annual general meeting to renew the Board's powers to purchase shares in the market for cancellation. Eclipse 4 has a share buy-back facility, proposing to buy-back shares at no more than a 10% discount to the prevailing NAV. This should assist the marketability of the shares and help prevent the shares from trading at a wide discount to NAV.

In the period under review, Eclipse 4 repurchased 3,060 shares at 95p. Shareholders should note that if they sell their shares within three years of original purchase they forfeit any tax relief obtained. If you need to sell your shares, for whatever reason, please contact Octopus Investments on 020 7710 2800.

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

Corporate governance

The Company is committed to maintaining high standards in corporate governance. The Directors consider that the Company has, throughout the period under review, complied with the provisions set out in section 1 of the Combined Code on Corporate Governance published by the UK Listing Authority in July 2003, except that, as all the Directors are non-executive, it is not considered appropriate to appoint a Remuneration Committee (B2.1) and that due to the size of the Board and the nature of the Company's business, appraisal and performance evaluation processes have not been put in place (A1.3 and A6.1)

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 the Company's investment manager. The Board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the Board. The Board has a formal schedule of matters specifically reserved for its decision.

In respect of the period under review the following were held:

4 full board meetings	1 Audit Committee meeting
All directors attended all meetings with the exception of Matt Cooper who was unable to attend one of those meetings.	All Members attended

Additional meetings were held as required to address specific issues including considering recommendations from the investment manager, share issues and repurchases. A brief biographical summary of each Director is given on page 12.

The Company's Articles of Association require that all the Directors retire at the end of the first accounting period and seek re-election at the next annual general meeting. In subsequent years, 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.

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

Audit committee:

Alex Hambro (Chairman)
Greg Melgaard

The audit committee deals with matters relating to audit, financial reporting and internal control systems. The committee meets as required and has direct access to Grant Thornton UK LLP, the Company's auditor. The committee met in relation to the period ended 31 August 2006 and reviewed the operational systems and controls.

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

Nomination committee:

Greg Melgaard (Chairman)
Alex Hambro

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

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.

Corporate governance (continued)

Internal control

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. Secretarial matters are delegated to Celia L Whitten of Woodside Secretaries Limited.

The Directors confirm that they have established a continuing process throughout the period and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Turnbull guidelines for internal control. The Board does not consider it necessary to maintain a separate internal audit function.

Risk management

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

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

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice.)

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Directors are aware:

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

Going concern

After making the necessary enquiries, the Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Directors believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

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

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-eight Combined Code provisions throughout the accounting year. 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 period to 31 August 2006 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 of the Board, its committees, the individual directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise.
3. The Company has two independent Directors, Greg Melgaard and Alex Hambro, as defined by the Combined Code issued in July 2003. Mr Cooper holds directorships of other companies with the same investment manager and with the investment manager itself. The Board considers that all directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code.
4. The Company does not have a chief executive officer or senior independent director. The Board does not consider this necessary for the size of the company.
5. The Company does not conduct a formal review as to whether there is a need for an internal audit function. The Directors do not consider that an internal audit would be an appropriate control for a venture capital trust.
6. The non-executive directors do not have service contracts, whereas the recommendation is for fixed term renewable contracts.
7. The company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive directors at a specific meeting other than the annual general meeting.

Report of the Independent Auditor to the members of Eclipse VCT 4 plc

We have audited the financial statements of Eclipse VCT 4 plc for the period ended 31 August 2006 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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 and whether the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions with the Company is not disclosed.

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

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the financial summary, Chairman's statement, investment manager's review, details of Directors, Directors' report, the unaudited part of the Directors' remuneration report, shareholder information, and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Report of the Independent Auditor to the members of Eclipse VCT 4 plc (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 August 2006 and of its return for the period 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 period ended 31 August 2006.

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

26 October 2006

Income Statement

	Notes	Period to 31 August 2006		
		Revenue £'000	Capital £'000	Total £'000
Unrealised gains on investments	9a	–	196	196
Income	2	600	–	600
Investment management fees	3	(93)	(282)	(375)
Other expenses	4	(238)	–	(238)
Return on ordinary activities before tax		269	(86)	183
Tax	6	(51)	51	–
Return on ordinary activities after tax		218	(35)	183
Basic and diluted return per share	8	1.1p	(0.1)p	1.0p

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

Reconciliation of movements in shareholders' funds

	31 August 2006 £'000
Total gains and losses recognised in period	183
Shares purchased for cancellation	(3)
Issue of redeemable non-voting preference shares	(50)
Redemption of redeemable non-voting preference shares	50
Net proceeds of share issue	28,067
Shareholders' funds at 31 August 2006	28,247

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

Balance Sheet

	Notes	As at 31 August 2006	
		£'000	£'000
Fixed asset investments	9a		3,280
Current assets			
Investments	9b	25,045	
Debtors	10	15	
Cash at bank		11	
		25,071	
Creditors: amounts falling due within one year	11	(104)	
Net current assets			24,967
Net assets			28,247
Called up equity share capital	12		2,953
Share premium	13		25,114
Capital reserve realised	13		(231)
Capital reserve unrealised	13		196
Revenue reserve	13		215
Total equity shareholders' funds			28,247
Net asset value per share	14		95.7p

The statements were approved by the Directors on 26 October 2006 and are signed on their behalf by:

R Gregory Melgaard
Chairman

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

Cash flow statement

	Notes	Period to 31 August 2006	
		£'000	£'000
Net cash inflow from operating activities	15		76
Financial investment:			
Purchase of investments	9	(3,084)	
Net cash outflow from financial investment			(3,084)
Management of liquid resources:			
Increase in cash funds			(25,045)
Financing:			
Issue of own shares		29,131	
Share issue expenses		(1,064)	
Repurchase of own shares		(3)	
Total financing			28,064
Increase in cash resources	17		11

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

Notes to the financial statements

1. Accounting policies

Basis of accounting

The Company is an investment company as defined in s266 of the Companies Act 1985. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards in the UK and with the Statement of Recommended Practice "Financial statements and investment trust companies" issued in January 2003 and revised in December 2005.

Fixed asset investments

Investments in AIM-listed companies are stated at bid prices. Unlisted investments are valued in accordance with the International Private Equity and Venture Capital ("IPEVC") valuation guidelines. The company's investments have been designated by the Directors as being stated at fair value through profit and loss ("FVTPL") for the purposes of FRS 26. In the case of investments quoted on a recognised stock exchange, fair value is established by reference to the closing bid price on the relevant date (that is 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; where no reliable fair value can be estimated using such techniques, unquoted investments are carried at cost subject to provision for impairment where necessary.

Realised surpluses and deficits on the disposal of investments are taken through the income statement to the realised capital reserve; unrealised surpluses and deficits are taken through the income statement to the unrealised capital reserve.

Current asset investments

Current asset investments comprise money market deposits and are shown at amortised cost.

Income

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

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

Expenses

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

Taxation

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

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

Capital reserve – realised

The following are accounted for in this reserve:

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

Capital reserve – unrealised

The following are accounted for in this reserve:

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

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

2. Income

	31 August 2006
	£'000
Interest receivable on bank balances and money market securities	600

3. Management fees

	31 August 2006	
	Revenue	Capital
	£'000	£'000
Investment management fee	93	282

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 4 October 2005 and may be terminated at any time thereafter by not less than twelve months' notice given by either party. The basis upon which the management fee is calculated is disclosed within note 19 to the financial statements.

4. Other expenses

	31 August 2006	
	£'000	
Accounting and administration services	56	
Directors' remuneration	26	
Auditor's remuneration – audit services	9	
– non audit services	2	
Other expenses	145	
	238	

Non-audit services relate to corporation tax compliance work.

5. Directors' Remuneration

	31 August 2006	
	£'000	
Directors' emoluments		
R Gregory Melgaard (Chairman)	14	
M Cooper	6	
A Hambro	6	
	26	

None of the Directors received any other remuneration or benefit during the period. The Company has no employees other than non-executive Directors. The average number of non-executive Directors in the period was three.

6. Tax on ordinary activities

The corporation tax charge for the period was nil.

Factors affecting the tax charge for the current period:

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

Current tax reconciliation:	31 August 2006
	£'000
Profit on ordinary activities before tax	183
Current tax at 19%	35
Non-taxable income	(37)
Unutilised tax losses	2
Total current tax charge	–

7. Dividends

	31 August 2006
	£'000
Proposed final dividend 0.7p per share	207

8. Return per share

The revenue return per share is based on the revenue return from ordinary activities after tax of £218,000 and on 18,516,747 shares, being the weighted average number of shares in issue during the period.

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

9a. Fixed asset investments

	Unquoted investments 31 August 2006 £'000	Aim-quoted investments 31 August 2006 £'000	Total investments 31 August 2006 £'000
Valuation and net book amount:			
Additions at cost:			
Equity investments	890	1,166	2,056
Loan notes	1,028	–	1,028
Revaluation in the period	(58)	254	196
Valuation at 31 August 2006	1,860	1,420	3,280

Further details of the fixed asset investments held by the Company are shown within the Investment Manager's Review on pages 5 to 10.

9b. Current asset investments

Current asset investments at 31 May 2006 comprised money market securities.

	31 August 2006
	£'000
Money market securities at cost:	
Money market funds	25,045
Valuation as at 31 August 2006	25,045

10. Debtors**31 August 2006****£'000**

Prepayments and accrued income

15

11. Creditors: amounts falling due within one year**31 August 2006****£'000**

Accruals

104

12. Share capital**31 August 2006****£'000**

Authorised:

Equity – 100,000,000 ordinary shares of 10p

10,000

Allotted and fully paid up

Equity – 29,531,147 ordinary shares of 10p

2,953

During the period to 31 August 2006 the Fund allotted and repurchased for cancellation the following shares.

Date	Shares Allotted/ repurchased	Price per share £	Consideration net of discounts £'000	Ordinary shares of 10 pence each £'000	Share premium £'000	Share issue costs £'000
4 Oct 2005	3,524,741	1.00	3,432	352	2,996	83
17 Oct 2005	790,231	1.00	772	79	672	21
31 Oct 2005	613,285	1.00	605	61	521	22
1 Nov 2005	-3,060	0.95	(3)	–	–	–
14 Nov 2005	1,155,166	1.00	1,132	116	982	35
28 Nov 2005	1,267,481	1.00	1,247	127	1,077	43
12 Dec 2005	345,752	1.00	341	35	294	12
9 Jan 2005	2,243,956	1.00	2,196	224	1,907	65
23 Jan 2005	673,137	1.00	664	67	572	25
6 Feb 2006	917,106	1.00	905	92	780	33
20 Feb 2005	1,444,516	1.00	1,430	144	1,228	58
6 Mar 2005	1,735,873	1.00	1,716	174	1,475	67
20 Mar 2005	2,985,419	1.00	2,947	299	2,538	111
23 Mar 2005	2,049,814	1.00	2,040	205	1,752	83
27 Mar 2005	1,345,300	1.00	1,336	135	1,144	57
30 Mar 2005	2,772,411	1.00	2,747	277	2,357	113
4 Apr 2005	3,547,100	1.00	3,518	355	3,015	149
4 Apr 2005	1,111,087	1.00	1,099	111	944	43
5 Apr 2005	801,757	1.00	796	80	681	35
5 Apr 2005	210,075	1.00	208	21	179	8
	29,531,147		29,128	2,953	25,114	1,064

On 14 October 2005, the Company repurchased 50,000 redeemable shares of £1 at par. These were immediately redesignated and redenominated as ordinary shares of 10 pence each.

On 1 November 2005, the Company repurchased 3,060 shares for cancellation at a price of 95p per share.

13. Reserves

	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
Premium on issue of ordinary shares	26,178	–	–	–
Share issue expenses	(1,064)	–	–	–
Share buy back	–	–	–	(3)
Management fee capitalised net of associated taxation	–	(231)	–	–
Net increase in unrealised appreciation	–	–	196	–
Return on activities after tax	–	–	–	218
As at 31 August 2006	25,114	(231)	196	215

The revenue reserve is deemed to be a distributable reserve.

14. Net asset value per share

The calculation of net asset value per share as at 31 August 2006 is based on net assets of £28,247,000 divided by the 29,531,147 ordinary shares in issue at that date. There is no dilution in this calculation as a result of the shares issued in the period.

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

	31 August 2006 £'000
Profit on ordinary activities before tax	183
Increase in debtors	(15)
Increase in creditors	104
Unrealised gain on fixed asset investments	(196)
Net cash inflow from operating activities	76

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

	31 August 2006 £'000
Increase in cash in period	11
Movement in liquid resources	25,045
Closing net funds	25,056

17. Analysis of changes in net funds

	Date of incorporation £'000	Cashflows £'000	At 31 August 2006 £'000
Cash at bank	–	11	11
Current asset investments	–	25,045	25,045
	–	25,056	25,056

18. Financial instruments**Management of risk**

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

The Company's financial instruments may comprise:

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

The Company has no derivative financial instruments and has no financial assets or liabilities for which hedge accounting has been used. Fixed assets are valued at fair value as determined by the Directors on the basis set out in the accounting policies. The fair value of certain unlisted investments has been calculated by reference to a multiples earning model which uses the price/earnings ratio. In determining these valuations, the industry sector ratios have been used, adjusted as necessary to take into account the associated risks on an individual investment basis.

At 31 August 2006 the fair value of the financial assets designated as fair value through profit and loss was £28,325,000. During the course of the current period, there has been an unrealised appreciation of £196,000 which has been credited to the unrealised capital reserve. The designation of the financial assets as at fair value through profit and loss is in accordance with the documented strategy of the Company.

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

Market price risk

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

Liquidity risk

The funds raised since incorporation are currently used to fund the Company's primary objective of investing in venture capital opportunities which accord with its investment strategy. Some 11% of these funds had been utilised in this investment process at 31 August 2006 and the remaining funds were primarily represented by cash and liquid resources shown as current asset investments in the balance sheet. As investment opportunities are identified, the money market securities held within current assets will be converted into fixed asset investments.

Interest rate risk

The Company finances its operations through share capital raised and retained profits including both realised and unrealised capital profits. At the period end and throughout the period, the Company had no liabilities that were subject to interest rate risk and had no borrowing facilities. The Company's financial assets are invested in short term money market funds (typically of one to three months duration) at fixed rates. The weighted average interest rate on such funds was approximately 4.4% during the period.

Credit risk

The Company's principal financial asset is cash deposits. The credit risk associated with these cash deposits is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

Fair values of financial assets and liabilities

There was no material difference between the fair values of financial assets and liabilities and their book values at the balance sheet date. This is described in greater detail within the accounting policies disclosed within note 1 to the financial statements.

19. Related party transactions

Matt Cooper, a non-executive Director of Eclipse 4, is a Director of Octopus. Eclipse 4 has employed Octopus throughout the period as investment managers. Eclipse 4 has paid Octopus £375,000 in the period 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. The net asset value is calculated on an annual basis at the balance sheet date. 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. The net asset value is calculated on an annual basis at the balance sheet date. During the period £56,000 was paid to Octopus and there is £nil outstanding at the balance sheet date, for the accounting and administrative services.

In addition, Octopus is entitled to an annual performance related incentive fee in the event that performance criteria in relation to the increase in net assets, after adding back distributions, are exceeded. No performance fee is payable until after August 2008.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Eclipse VCT 4 plc will be held at 8 Angel Court, London, EC2R 7HP on Thursday, 7 December 2006 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the period to 31 August 2006 and the directors' and auditors' reports thereon.
2. To approve a final dividend of 0.7p per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Matthew Jonathan Cooper as a director.
5. To re-elect The Hon Alexander Hambro as a director.
6. To re-elect Ronald Gregory Melgaard as a director.
7. 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 8 as an Ordinary Resolution and Resolutions 9 and 10 as Special Resolutions:-

8. **AUTHORITY TO ALLOT RELEVANT SECURITIES**
 THAT the directors be generally and unconditionally authorised in accordance with Section 80 of the Act to allot shares up to a maximum nominal amount of £295,411 (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).
9. **EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES**
 To empower the Directors pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority referred to in resolution 8 as if Section 89(1) of the Act did not apply to any such allotments and so that:
 - (a) reference to allotment in this Resolution shall be construed in accordance with Section 94 of the said Act; and
 - (b) the power conferred by this Resolution shall enable the company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the annual general meeting of the company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

10. AUTHORITY TO MAKE MARKET PURCHASES

THAT the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 10p each in the company ("ordinary shares") provided that:

- (a) the maximum number of ordinary shares so authorised to be purchased shall not exceed 14.99% of the present issued Ordinary share capital of the company;
- (b) the minimum price which may be paid for an ordinary share shall be 10p;
- (c) the maximum price, exclusive of expenses, which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;
- (d) the authority conferred comes to an end at the conclusion of the next annual general meeting of the Company or upon the expiry of 15 months from the passing of this resolution, whichever is the later; and
- (e) that the company may enter into a contract to purchase its ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

By Order of the Board
C L Whitten FCIS
Secretary
26 October 2006

8 Angel Court
London
EC2R 7HP

NOTES

- a) A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.
- b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the company, Capita Registrars, Proxy Department, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA so as to be received by no later than 48 hours before the time the annual general meeting is scheduled to begin. The completion and return of the form of proxy will not affect the right of a member to attend and vote at the annual general meeting.
- c) Copies of the Directors' Letters of Appointment, the Register of Directors' Interests in the ordinary shares of the Company kept in accordance with Section 325 of the Companies Act 1985 and a copy of the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company during usual business hours on any weekday from the date of this notice until the Annual General Meeting, and for at least 15 minutes prior to the commencement of the meeting until its conclusion.

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Proxy Form

Eclipse VCT 4 plc Annual General Meeting – 7 December 2006

I/We
(BLOCK CAPITALS PLEASE)

of
being a member of Eclipse VCT 4 plc, hereby appoint

.....
or failing him/her the Chairman of the meeting to be my/our proxy and vote for me/us on my/our behalf at the annual general meeting of the company to be held on 7 December 2006, notice of which was sent to shareholders with the directors' report and the accounts for the period to 31 August 2006, 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 period to 31 August 2006	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of 0.7p 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 Matthew Jonathan Cooper as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect The Hon. Alexander Hambro as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Ronald Gregory Melgaard as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Grant Thornton UK LLP as auditor and authorise the directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the directors to allot shares (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To disapply Section 89(1) of the Companies Act 1985 (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the directors to make market purchases of its own shares by utilising distributable reserves of the company (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed: Dated: 2006

NOTES

1. A member wishing to appoint a person other than the Chairman of the meeting as proxy should insert the name and address of such person in the space provided.
2. Use of the proxy form does not preclude a member from attending and voting in person.
3. Where this form of proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.
4. If the proxy form is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
5. To be valid, the proxy form must be received by the Registrars no later than 48 hours before the commencement of the meeting.



Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No MB122



**Capita Registrars
Registrars for Eclipse VCT 4 plc
Proxy Department
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA**

First Fold

Second fold

