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## Financial Summary

### Period to 28 February 2006

Net assets	£12,311,000
Net asset value per share	94.9p
Revenue return after tax	£16,000
Revenue return per share*	0.2p
Total loss per share*	(0.2)p

\*Based on a weighted average of 6,540,148 shares in issue during the period.

Eclipse VCT 4 plc ('Eclipse 4' or 'Fund') is a Venture Capital Trust ('VCT') and is managed by Octopus Asset Management Limited ('Octopus' or 'Manager'). Eclipse 4 was launched in August 2005 and had raised over £29.1 million (£28.1 million net of expenses), through an offer for subscription by the time it closed on 5 April 2006. It invests primarily in unquoted and AIM listed companies and aims to deliver absolute returns on its investments.

For further information, please contact:

Simon Rogerson  
 Chief Executive  
**Octopus Asset Management**  
**020 7710 2800**

## Chairman's Statement

I am pleased to present the first interim report to shareholders in Eclipse VCT 4 plc.

### Fund Raising

I would like to thank all our shareholders for investing in Eclipse 4. The Fund raised £29.1 million by its close on 5 April 2006 and was one of the largest VCT funds raised in the 2005/06 tax year. Eclipse VCT 4 was launched in August 2005 in tandem with Eclipse VCT 3 and as a follow on to the successful Eclipse VCT and Eclipse VCT 2 funds, which raised £49 million between them.

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.

### Investment Portfolio

This interim report relates mainly to the fund raising period so few investments were made. At 28 February 2006, Eclipse 4 had made eight investments totalling £1.5 million in unquoted and AIM listed companies. At 30 April 2006 a further four investments had been made bringing the total invested to £1.7 million representing approximately 6% of the Fund (by net asset value). All of these investments were made alongside the other Eclipse funds, on a pro-rata basis to fund size at the time of investment approval, and in the case of investments in AIM listed companies alongside other funds managed by Octopus.

The unquoted investments have been valued in accordance with British Venture Capital Association ('BVCA') guidelines and are all held at cost. As set out in the BVCA 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.

Of the twelve investments made to date, seven are AIM listed investments and five are in unquoted companies. When fully invested, we expect the portfolio to be spread across 20 to 30 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 portfolio holdings can be found in the Investment Manager's Review.

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

### Net Asset Value ('NAV') per share

The net assets of the Fund were £12 million at the end of the period under review, equivalent to 94.9p per share.

It is too early in the investment cycle to make a meaningful comment on the performance of the Fund to date but, as already noted, progress has been made in developing the portfolio across a range of sectors.

## Chairman's Statement (continued)

### Dividend

As the Fund is at an early stage of its investment cycle, dividends are 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 which Octopus believes have reached a fair 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 94.9p. 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 Asset Management on 020 7710 2800.

### 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 30 April 2006, Eclipse 4 was approximately 6% invested (by net asset value) in qualifying holdings, which is in line with our expectations at this early stage in the Fund's life.

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

As with all VCT funds the challenge is for the Manager to see a good range of quality investment opportunities so it can be suitably selective in the investment decisions whilst meeting the investment target in order to comply with the VCT regulations. The progress towards meeting these objectives in this first period is encouraging. The investment team at Octopus continues to see a steady pipeline of investment opportunities and expects a healthy investment rate to continue in the current year.

R Gregory Melgaard  
Chairman  
26 May 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. Since the Fund launch, twelve investments have been made totalling £1.7 million including four transactions completed since the period end.

Of the twelve investments held by the Fund at 30 April 2006, seven were in AIM listed companies and five were in unquoted companies. We expect that approximately 20% of the Fund will be invested in AIM listed 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.

### **Qualifying Status**

VCTs have three years to invest 70% of their money into qualifying companies. At 30 April 2006, Eclipse 4 had invested approximately 6% of the Fund. This is in line with our expectations at this stage of the Funds life.

### **Portfolio Activity**

In the period to 28 February 2006 the Fund had made eight investments, all of which are detailed later in this report.

## Portfolio of Investments

	Investment at Cost	Unrealised appreciation/ depreciation	Carrying Value
	£'000	£'000	£'000
<b>Unquoted investments</b>			
James Harvard International Limited	245	-	245
The Capital Pub Company 2 plc	199	-	199
Red-M Group Limited	241	-	241
Smart First Limited	372	-	372
	1,057	-	1,057
<b>AIM-listed investments</b>			
Tanfield Group plc	150	(11)	139
Autoclenz Holdings plc	125	1	126
Healthcare Locums plc	100	12	112
Abcam plc	44	18	62
	419	20	439
<b>Total</b>	<b>1,476</b>	<b>20</b>	<b>1,496</b>

## Holdings as at 28 February 2006

### 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](http://www.jamesharvard.com).

Investment date	30 November 2005
Equity held	2.5%
Cost	£244,750
Valuation	£244,750
Valuation basis	Cost (New Investment)

First Audited financial information Will be available for the period to 31 December 2005

### 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 £10 million was initially 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, seven sites have been acquired and more are in the pipeline.

Further information can be found at the company's website [www.capitalpubcompany2.com](http://www.capitalpubcompany2.com).

Investment date	23 December 2005
Equity held	1.2%
Cost	£199,500
Valuation	£199,500
Valuation basis	Cost (New Investment)

Audited financial information	30 September 2005
	£'000
Sales	1,518
Profit before taxation	68
Retained profit	45
Net assets	10,500

### 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](http://www.red-m.com).

Investment date	12 December 2005
Equity held	2.0%
Cost	£240,625
Valuation	£240,625
Valuation basis	Cost (New Investment)

First audited financial information Will be available for the period to 31 October 2006

**Smart First Ltd (trading as Perfect Pizza)**

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.

Investment date	23 February 2006
Equity held	4.8%
Cost	£372,000
Valuation	£372,000
Valuation basis	Cost (New Investment)

First audited financial information Will be available for the period to 31 March 2006

**Tanfield Group plc**

Tanfield supplies assembly and technical engineering services and owns Smith Electric Vehicles, which manufactures zero emission vehicles for the dairy, airport and delivery markets.

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

Investment date	21 December 2005
Equity held	0.4%
Cost	£150,000
Valuation	£139,000
Valuation basis	Bid price

First audited financial information	31 December 2005
	£'000
Sales	22,431
Profit before taxation	2,000
Retained profit	1,694
Net assets	23,926

**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 web site [www.autoclenz.co.uk](http://www.autoclenz.co.uk).

Investment date	1 December 2005
Equity held	0.9%
Cost	£125,000
Valuation	£126,000
Valuation basis	Bid Price

First audited financial information Will be available for the period to 31 December 2006

**Abcam plc***Healthcare*

Abcam is an internet based company focused on the development and distribution of high quality antibodies to universities, research institutes and pharmaceutical companies.

Investment date	31 October 2005
Equity held	0.1%
Cost	£44,447
Valuation	£62,500
Valuation basis	Bid price

First audited financial information Will be available for the period to 31 June 2006

**Healthcare Locums plc***Recruitment in healthcare industry*

Healthcare Locums is a specialist player in the healthcare staffing market, targeting the market for the supply of temporary doctors, GPs, social workers and other healthcare professionals.

Investment date	17 November 2005
Equity held	0.3 %
Cost	£100,000
Valuation	£112,000
Valuation basis	Bid price

Audited financial information	31 December 2005
	£'000
Sales	43,839
Profit before taxation	1,628
Retained profit	1,142
Net assets	15,400

**Recent Transactions**

Since 28 February 2006 Eclipse 4 completed four further investments.

**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. This data is packaged into detailed research documents and distributed through a range of bespoke and tailored products. Current clients include IBM, BT, and Vodafone as well as Government bodies such as the Department of Trade and Industry. Eclipse 4 invested £75,000 at flotation.

**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. Eclipse 4 invested £40,000 in the recent flotation.

**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 market for technical services, outside of the recently privatised government agency Qinetiq, is largely fragmented but has been consolidating. Cohort's strategy is to acquire complementary technical services companies and position them alongside the fast-growing SCS business.

**Blanc Brasseries Holdings plc**

In April 2006, Eclipse 4 invested £55,000 in a £6 million private placing by Blanc Brasseries, which owns the Le Petit Blanc chain of quality restaurants. The business was acquired from Loch Fyne Restaurants (LFR) and will continue to be managed by the LFR management team, which successfully built up this chain to around 30 restaurants.

**Outlook**

The challenge for all venture capital funds is to attract a strong flow of good quality investment opportunities.

At Octopus, we have spent a considerable amount of time and effort over the last few years in establishing and developing our network of deal introducers. The number and the quality of the investment opportunities we are currently seeing is testament to this hard work and we are confident that we will build an attractive portfolio of investments for Eclipse 4. With the four VCT funds under the Eclipse banner we now have more flexibility from an investment standpoint. For example, the Eclipse funds can invest up to £4 million per company (i.e. four times the amount of a single VCT).

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

**Income statement**

	<b>for the period to 28 February 2006</b>		
	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>
Unrealised gain on investments	-	20	20
Income	92	-	92
Investment management fees	(18)	(52)	(70)
Other expenses	(54)	-	(54)
Return/(loss) on ordinary activities before tax	20	(32)	(12)
Tax on ordinary activities	(4)	4	-
Return/(loss) on ordinary activities after tax	16	(28)	(12)
Return(loss) per share	0.2p	(0.4)p	(0.2)p

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

**Reconciliation of movements in shareholders' funds**

	<b>for the period to 28 February 2006 £'000</b>
Total losses recognised in period	(12)
Repurchase of ordinary share capital	(3)
Issue of redeemable non-voting preference shares	(50)
Redemption of redeemable non-voting preference shares	50
Net proceeds of share issue	12,326
Shareholders' funds at 28 February 2006	12,311



**Cash flow statement**

	<b>for the period to 28 February 2006</b>	
	<b>£'000</b>	<b>£'000</b>
Net cash outflow from operating activities		(51)
Financial investment :		
Purchase of investments	(1,476)	
Net cash outflow from financial investment		(1,476)
Financing :		
Issue of own shares	12,723	
Share issue expenses	(397)	
Repurchase of own shares	(3)	
Shares awaiting issue	1,076	
Total financing		13,399
Increase in cash resources		11,872

## Reconciliation of operating profit to net cash inflow from operating activities

	<b>for the period to 28 February 2006</b>	
		<b>£'000</b>
Loss on ordinary activities before tax		(12)
Unrealised gain on investments		(20)
Increase in debtors		(49)
Increase in creditors		30
Net cash outflow from operating activities		(51)

## Notes to the interim results

### 1. Accounting policies

#### Basis of accounting

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

#### Investments

The Company's investments have been designated as fair value through profit and loss and accordingly the unrealised gain or loss resulting from the valuation of investments is recognised in the income statement as required by FRS 26 "Financial Investments: Measurement".

Investments in AIM-listed companies are stated at bid price discounted where necessary to reflect lack of liquidity.

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

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

#### Income

Investment income 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 which are intended to be held to maturity are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.

**Notes to the interim results (continued)****Expenses**

All expenses are accounted for on an accruals basis. Expenses are charged wholly to revenue with the exception of:

- a) expenses incidental to the acquisition or disposal of an investment, which are included within the cost of the investment or deducted from the disposal proceeds as appropriate, and;
- b) 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, except as otherwise required by FRS 19.

**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.

**Notes to the interim results (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 and investments in money market managed funds.

2. The calculation of the revenue and capital return per share is based on the return on ordinary activities after tax for the period and on 6,540,148 ordinary shares, being the weighted average number of shares in issue during the period to 28 February 2006.
3. The calculation of net asset value per share is based on the net assets at 28 February 2006 and on 12,972,311 being the number of shares in issue at the same date. It should be noted that the value of shares awaiting issue are excluded from this calculation.
4. The unaudited interim results for the period ended 28 February 2006 do not constitute statutory accounts under the meaning of section 240 of the Companies ACT 1985 and have not been delivered to the Registrar of Companies
5. Copies of this statement are being sent to all shareholders. Copies are available from the registered office of the Company at 8 Angel Court, London EC2R 7HP.





