

OCTOPUS ECLIPSE VCT 2 PLC

UNAUDITED HALF-YEARLY REPORT

FOR THE SIX MONTHS ENDED 31 JULY 2009



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Financial Summary

	Six months to 31 July 2009	Six months to 31 July 2008	Year to 31 January 2009
Net assets (£'000s)	13,171	17,426	13,444
Net profit/(loss) after tax (£'000s)	101	(2,631)	(5,694)
Net asset value per share ("NAV")	71.50p	92.20p	72.90p
Cumulative dividends since launch – paid and proposed	16.50p	13.25p	15.25p

Octopus Eclipse VCT 2 plc ("Eclipse 2", "Company" or "Fund") is a venture capital trust ("VCT") which aims to provide shareholders with attractive tax-free dividends and long-term capital growth, by investing in a diverse portfolio of unquoted and AIM-quoted companies. The Company is managed by Octopus Investments Limited ("Octopus" or "Manager").

Eclipse 2 was launched in January 2005 and raised over £18.4 million (£17.7 million net of expenses) through an offer for subscription. The Company co-invests with other funds managed by Octopus. This allows Eclipse 2 to invest in a wider range of opportunities and in larger and more developed companies than are typically available to a single VCT.

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

Period Ended	NAV	Dividends paid in period	NAV + cumulative dividends
31 July 2005	94.90p	–	94.90p
31 January 2006	95.00p	–	95.00p
31 July 2006	95.20p	1.25p	96.45p
31 January 2007	115.90p	–	117.15p
31 July 2007	121.90p	1.00p	124.15p
31 January 2008	110.70p	3.00p	115.95p
31 July 2008	92.20p	5.00p	102.45p
31 January 2009	72.90p	3.00p	86.15p
31 July 2009	71.50p	2.00p	86.75p

Chairman's Statement

I am pleased to report the Half-year report for the period ended 31 July 2009 for Octopus Eclipse VCT 2 plc.

Results

During the period to 31 July 2009, the total return (being NAV plus cumulative dividends paid) has increased from 86.2p to 86.8p, an increase of 0.7%. Following the decline in net asset value in the last financial year we have seen some stability return to financial markets and this is reflected in the performance in the first half of the year. As previously anticipated, there have been no new realisations in the period and the movement in NAV reflects some small valuation uplifts in the listed and unlisted portfolios.

Portfolio

As it stands, the Fund is invested in 17 unquoted and 15 AIM-quoted companies and is almost fully invested. The focus remains on the existing portfolio, which will continue to be supported where appropriate, and no new additions to the portfolio are envisaged in the near future. By value, 64.1% of the Company's net assets are in unquoted investments, 14.2% in AIM-quoted investments and 20.5% of the Company's net assets are currently in cash or cash equivalents.

Unquoted

Although our current portfolio companies undoubtedly still face tough trading conditions, they are all taking sensible steps and cutting costs to protect their profit margins. However credit conditions remain tight and consequently there have been a number of follow-on investments in support of portfolio companies, namely Bruce Dunlop (£18,000), First Sports Group (£30,000), The History Press (£165,000), Lilestone Holdings (£49,000), Promotion space (£64,000) and SweetCred (£81,000). One of the key advantages we have over many listed funds is that the Manager has a board seat on the majority of our portfolio companies. This allows the Manager to keep a close eye on trading and take action where needed.

Despite the tough economic environment, a number of our portfolio companies continue to show encouraging progress, most notably CSL Dualcom, Audio Visual Machines, Hydrobolt, Kendal and Promotion Space. Overall there has been an uplift in the valuation of the unquoted portfolio of £124,000 during the period, with individual movements set out in the table on page 5.

On another note, Covion, which we exited during the year ended January 2008, provided the Eclipse 2 with an earn-out of £47,000 in the period.

AIM-quoted

The AIM market has staged a recovery since the market lows reached in March 2009, however it still remains approximately 50% below the highs achieved during 2007. Although investor interest in the smaller AIM companies remains scarce, the market has started to recognise those businesses that have successfully navigated the prevailing

Chairman's Statement (continued)

economic conditions and continued to grow profitably. Once investor appetite for risk returns, we expect share prices of small companies to respond and the valuation discount to the FTSE All-Share to narrow further.

As at 31 July 2009 the AIM element of the portfolio consisted of 15 holdings totalling £1,875,000 by value and this accounted for 14.2% of the investment portfolio. There were no new investments during the period, however we exited two stocks. We made the decision to sell Optimisa during the period, realising a loss of £81,000, as we feared the trading environment for the company was going to deteriorate further. We also exited Concateno, which received a bid approach from US quoted Inverness Medical in July. This realised a gain of £22,000.

Principal Risks and Uncertainties

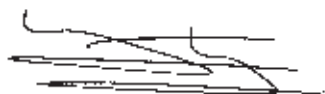
The principal risks and uncertainties are set out in note 6 of the Notes to the Half-Yearly Report on page 13.

Dividend and Dividend Policy

It is your Board's policy to strive to maintain a regular dividend flow where possible and this primarily relies on the level of profitable realisations and available cash reserves. In the current economic climate achieving full valuations for our investments on exit can be challenging. We therefore continue to place priority on maintaining a suitable quantum of cash reserves. Taking these factors into account, for the period ended 31 July 2009, the Board has declared an interim dividend of 1.25p per share. This dividend will be paid to shareholder on 30 October 2009, who are on the register on 9 October 2009.

Outlook

Despite the recent improvement in stock markets we remain cautious about the wider economic environment and the impact this may have on portfolio companies. This could be reflected directly through trading or indirectly through the availability of credit. We also need to ensure that where appropriate, portfolio companies have sufficient resources to take advantage of the opportunities that will present themselves. For this reason we will continue to maintain our strategy of seeking to keep an appropriate level of liquidity in the Fund to provide support for the portfolio going forward.



Marc Vlessing
Chairman

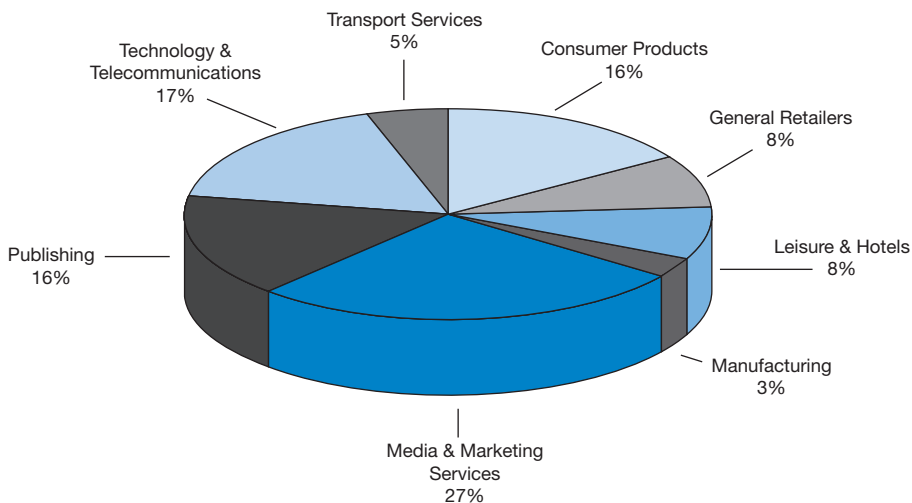
29 September 2009

Investment Portfolio

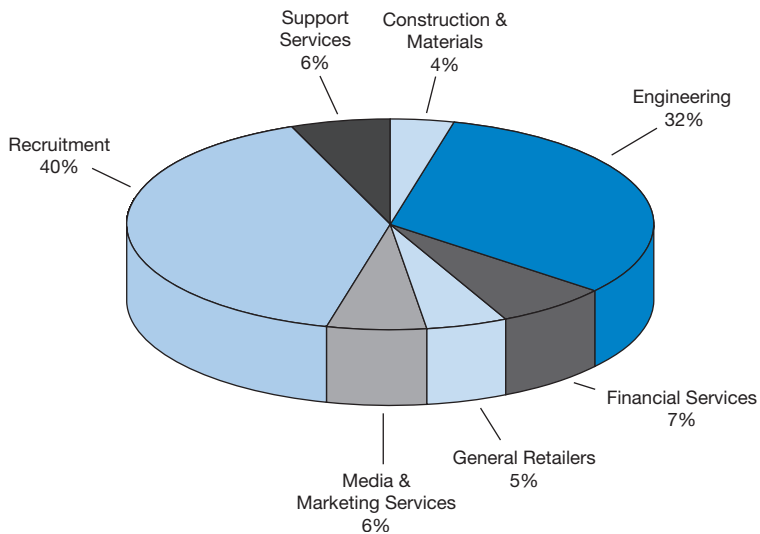
Unquoted Qualifying Investments	Sector	Investment at cost (£'000)	Unrealised profit / (loss) (£'000)	Carrying value at 31 July 2009 (£'000)	Change in Valuation in the period (£'000)	% equity held by Eclipse 2	% equity held by all funds managed by Octopus
The History Press Limited	Publishing	1,323	-	1,323	-	9.7%	60.0%
Luther Pendragon Limited	Media & Marketing Services	1,000	318	1,318	318	18.8%	37.6%
CSL DualCom Limited	Technology & Telecommunications	589	470	1,059	119	7.3%	45.8%
Promotion Space Limited	Media & Marketing Services	719	-	719	-	5.2%	41.5%
First Sports Group Limited	General Retailers	1,240	(585)	655	-	18.5%	40.0%
The Kendal Group Limited	Consumer Products	576	31	607	31	5.7%	15.9%
Audio Visual Machines Limited	Technology & Telecommunications	454	-	454	-	6.9%	43.1%
Sweet Cred Holdings Limited	Consumer Products	845	(420)	425	-	6.3%	45.0%
Tristar Worldwide Limited	Transport Services	446	(46)	400	(46)	4.5%	30.0%
Perfect Pizza Limited	Leisure & Hotels	800	(400)	400	-	10.5%	34.3%
T4 Holdings Limited	Media & Marketing Services	711	(385)	326	(52)	7.3%	41.7%
Hydrobolt Limited	Manufacturing	258	-	258	-	3.0%	43.5%
Convivial London Pubs Plc	Leisure & Hotels	350	(100)	250	(23)	2.1%	8.2%
Lilstone Holdings Limited	Consumer Products	861	(737)	124	(184)	6.9%	24.0%
Bruce Dunlop & Associates Limited	Media & Marketing Services	190	(83)	107	(54)	1.6%	30.0%
Blanc Brasseries Limited	Leisure & Hotels	62	(46)	16	15	0.7%	3.3%
Red-M Group Limited	Technology & Telecommunications	300	(300)	-	-	-	-
Total unquoted qualifying investments		10,724	(2,283)	8,441	124		
AIM-quoted Qualifying Investments	Sector	Investment at cost (£'000)	Unrealised profit / (loss) (£'000)	Carrying value at 31 July 2009 (£'000)	Change in Valuation in the period (£'000)	% equity held by Eclipse 2	% equity held by all funds managed by Octopus
Healthcare Locums plc	Recruitment	150	396	546	153	0.3%	2.4%
Plastics Capital plc	Engineering	1,067	(800)	267	(21)	4.0%	18.6%
Pressure Technologies plc	Engineering	135	(5)	130	(63)	0.8%	11.5%
Interquest plc	Recruitment	171	(43)	128	34	1.0%	5.9%
CBG Group plc	Financial Services	310	(185)	125	(160)	1.4%	19.3%
Hasgrove plc	Media & Marketing Services	200	(83)	117	(12)	0.7%	11.4%
Cohort plc	Engineering	85	31	116	21	0.2%	3.2%
Vertu Motors plc	General Retailers	150	(50)	100	71	0.3%	8.9%
Tanfield Group plc	Engineering	120	(46)	74	36	0.0%	0.6%
Brulines (Holdings) plc	Support services	92	(21)	71	(15)	0.3%	8.4%
Hexagon Human Capital plc	Recruitment	431	(362)	69	(34)	1.4%	14.3%
Northern Bear plc	Construction & Materials	200	(135)	65	(12)	0.7%	6.7%
Autoclenz plc	Support Services	206	(157)	49	25	1.6%	12.8%
Invocas plc	Financial Services	50	(40)	10	(3)	0.2%	1.2%
Cantono plc	Technology & Telecommunications	300	(300)	-	(4)	0.1%	0.9%
Total AIM-quoted qualifying investments		3,667	(1,800)	1,867	16		
Non-qualifying unquoted investments		1	-	1	-		
Non-qualifying AIM-quoted investments		21	(13)	8	1		
Total non-qualifying investments		22	(13)	9	1		
Money market securities		3,156	(548)	2,608	35		
Cash at bank		96	-	96	-		
Total investments		17,665	(4,644)	13,021	176		
Net current assets				150			
Total net assets				13,171			

Sector Analysis

Total unquoted qualifying investments by market value



Total AIM quoted qualifying investments by market value



Responsibility Statement of the Directors in respect of the Half-Yearly Report

We confirm that to the best of our knowledge:

- the half-yearly financial statements have been prepared in accordance with the statement “Half-Yearly Financial Reports” issued by the UK Accounting Standards Board;
- the half-yearly report includes a fair review of the information required by the Financial Services Authority Disclosure and Transparency Rules, being:
 - an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
 - a description of the principal risks and uncertainties for the remaining six months of the year; and
 - a description of related party transactions that have taken place in the first six months of the current financial year, that may have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board



Marc Vlessing
Chairman

29 September 2009

Income Statement

	Six months to 31 July 2009			Six months to 31 July 2008			Year to 31 January 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain/(loss) on disposal of fixed asset investments	-	74	74	-	-	-	-	(1,644)	(1,644)
Gain on disposal of current asset investments	-	-	-	-	-	-	-	11	11
Gain/(loss) on valuation of fixed asset investments	-	141	141	-	(2,470)	(2,470)	-	(3,868)	(3,868)
Gain/(loss) on valuation of current asset investments	-	35	35	-	(16)	(16)	-	(139)	(139)
Income	132	-	132	239	-	239	537	-	537
Investment management fees	(33)	(100)	(133)	(64)	(192)	(256)	(119)	(359)	(478)
VAT management fee rebate	-	-	-	-	-	-	42	128	170
Other expenses	(148)	-	(148)	(128)	-	(128)	(283)	-	(283)
(Loss)/profit on ordinary activities before tax	(49)	150	101	47	(2,678)	(2,631)	177	(5,871)	(5,694)
Taxation on profit/(loss) on ordinary activities	-	-	-	-	-	-	-	-	-
Loss/profit on ordinary activities after tax	(49)	150	101	47	(2,678)	(2,631)	177	(5,871)	(5,694)
Earnings per share – basic and diluted	(0.3)p	0.8p	0.5p	0.3p	(14.0)p	(13.7)p	0.9p	(31.0)p	(30.1)p

- the 'Total' column of this statement is the profit and loss account of the Company; the supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies
- all revenue and capital items in the above statement derive from continuing operations
- the accompanying notes are an integral part of the half-yearly report
- the Company has no recognised gains or losses other than those disclosed in the income statement.

Reconciliation of Movements in Shareholders' Funds

	Six months ended 31 July 2009 £'000	Six months ended 31 July 2008 £'000	Year to 31 January 2009 £'000
Shareholders' funds at start of period	13,444	20,928	20,928
Profit/(loss) on ordinary activities after tax	101	(2,631)	(5,694)
Net proceeds of share issue	51	468	487
Cancellation of own shares	(55)	(387)	(744)
Dividends paid	(370)	(952)	(1,533)
Shareholders' funds at end of period	13,171	17,426	13,444

Balance Sheet

	As at 31 July 2009		As at 31 July 2008		As at 31 January 2009	
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset investments		10,317		12,817		10,117
Current assets:						
Money market securities	2,608		4,610		3,156	
Debtors	272		45		187	
Cash at bank	96		107		130	
	2,976		4,762		3,473	
Creditors: amounts falling due within one year	(122)		(153)		(146)	
Net current assets	2,854		4,609		3,327	
Net assets	13,171		17,426		13,444	
Called up equity share capital	1,842		1,891		1,844	
Share premium	853		808		808	
Special distributable reserve	14,974		15,386		13,112	
Capital redemption reserve	101		45		92	
Capital reserve – Realised	(461)		–		1,436	
– Unrealised	(4,188)		(2,935)		(4,039)	
Revenue reserve	50		2,231		191	
Total equity shareholders' funds	13,171		17,426		13,444	
Net asset value per share	71.5p		92.2p		72.9p	

Cash Flow Statement

	Six months to 31 July 2009 £'000	Six months to 31 July 2008 £'000	Year to 31 January 2009 £'000
Net cash (outflow)/inflow from operating activities	(259)	242	180
Financial investment:			
Purchase of fixed asset investments	(407)	(1,071)	(1,411)
Disposal of fixed asset investments	423	8	8
Management of liquid resources:			
Purchase of current asset investments	(271)	(1,330)	(3,136)
Sale of current asset investments	854	–	5,779
Dividends	(370)	(952)	(1,533)
Financing:			
Issue of own shares	53	487	490
Share issue expenses	(2)	(19)	(3)
Cancellation of own shares	(55)	(387)	(744)
Decrease in cash at bank	(34)	(3,022)	(370)

Reconciliation of Net Cash Flow to Movement in Net Funds

	Six months to 31 July 2009 £'000	Six months to 31 July 2008 £'000	Year to 31 January 2009 £'000
Decrease in cash at bank	(34)	(3,022)	(370)
(Decrease)/increase in cash equivalents	(548)	1,315	(2,768)
Opening net cash resources	3,286	6,424	6,424
Net cash resources at end of period	2,704	4,717	3,286

Reconciliation of Profit before Taxation to Cash Flow from Operating Activities

	Six months to 31 July 2009 £'000	Six months to 31 July 2008 £'000	Year to 31 January 2009 £'000
Profit/(loss) on ordinary activities before tax	101	(2,631)	(5,694)
(Gain)/loss on disposal of fixed asset investments	(74)	–	1,644
Gain on disposal of current asset investments	–	–	(11)
(Gain)/loss on valuation of fixed asset investments	(141)	2,470	3,868
(Gain)/loss on valuation of current asset investment	(35)	16	139
(Increase)/decrease in debtors	(78)	830	688
Decrease in creditors	(32)	(443)	(454)
Net cash (outflow)/inflow from operating activities	(259)	242	180

Notes to the Half-Yearly Report

1. Basis of preparation

The unaudited half-yearly results which cover the six months to 31 July 2009 have been prepared in accordance with the Accounting Standard Board's (ASB) statement on half-yearly financial reports (July 2007) and adopting the accounting policies set out in the statutory accounts of the Company for the year ended 31 January 2009, which were prepared under UK GAAP and in accordance with the Statement of Recommended Practice for Investment Companies issued by the Association of Investment Companies in January 2009.

2. Publication of non-statutory accounts

The unaudited half-yearly results for the six months ended 31 July 2009 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies. The comparative figures for the year ended 31 January 2009 have been extracted from the audited financial statements for that year, which have been delivered to the Registrar of Companies. The independent auditor's report on those financial statements under Section 235 of the Companies Act 1985 was unqualified. This half-yearly report has not been reviewed by the Company's auditor.

3. Earnings per share

The earnings per share at 31 July 2009 is calculated on the basis of 18,473,994 (31 January 2009: 18,932,260 and 31 July 2008: 19,191,116) shares, being the weighted average number of shares in issue during the year.

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

4. Net asset value per share

The net asset value per share is based on net assets as at 31 July 2009 divided by 18,424,677 (31 January 2009: 18,442,669 and 31 July 2008: 18,569,454) shares in issue at that date.

5. Dividends

The interim dividend of 1.25 pence per share for the six months ending 31 July 2009 will be paid on 30 October 2009, to those shareholders on the register on 9 October 2009. This will be paid from Capital reserves.

A final dividend, for the year ending 31 January 2009, of 2.0 pence per share was paid on 25 June 2009 to shareholders on the register on 29 May 2009. This was paid with 0.5p from revenue reserves and 1.5p from capital reserves.

6. Principal Risks and Uncertainties

The Company's assets consist of equity and fixed-rate interest investments, cash and liquid resources. Its principal risks are therefore market risk, credit risk and liquidity risk. Other risks faced by the Company include economic, loss of approval as a VCT, investment and strategic, regulatory, reputational, operational and financial risks. These risks, and the way in which they are managed, are described in more detail in the Company's Annual Report and Accounts for the year ended 31 January 2009. The Company's principal risks and uncertainties have not changed materially since the date of that report.

7. Related Party Transactions

Octopus acts as the investment manager of the Company. Under the management agreement, Octopus receives a fee of 2.0 per cent per annum of the net assets of the Company for the investment management services. During the period, the Company incurred management fees of £133,000 (31 January 2009: £478,000 and 31 July 2008: £256,000) payable to Octopus. At the period end there was £Nil (31 January 2008: Nil and 31 July 2008: Nil) outstanding to Octopus. Furthermore, Octopus Investments Limited provides administration and company secretarial services to the Company. Octopus Investments Limited receives a fee of 0.3 per cent per annum of net assets of the Company for administration services and £10,000 per annum for company secretarial services.

8. Copies of this statement are being sent to all shareholders. Copies are also available from the registered office of the Company at 8 Angel Court, London, EC2R 7HP, and will also be available to view on the Investment Manager's website at www.octopusinvestments.com.

Details of Advisers

Secretary and Registered Office

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