

Octopus Eclipse VCT 4 plc
(formerly Eclipse VCT 4 plc)

Annual Report & Accounts for
the 11 months ended 31 July 2009

Contents

	Page
About Octopus Eclipse VCT 4 plc	2
Financial Summary	2
Chairman's Statement	3
Investment Manager's Review	5
Shareholder Information	13
Details of Board and Advisers	14
Details of Directors	15
Directors' Report	16
Directors' Remuneration Report	26
Directors' Responsibility Statement	28
Report of the Independent Auditor	29
Income Statement	31
Reconciliation of Movements in Shareholders' Funds	32
Balance Sheet	33
Cash Flow Statement	34
Notes to the Financial Statements	35
Notice of Annual General Meeting	46

About Octopus Eclipse VCT 4 plc

Octopus Eclipse VCT 4 plc ('Eclipse 4' or 'Company') is a venture capital trust (VCT) which aims to provide shareholders with attractive tax-free dividends and long-term capital growth, by investing in a diverse portfolio of unquoted and AIM-quoted companies. The Company is managed by Octopus Investments Limited ('Octopus' or 'Manager').

Eclipse 4 was launched in August 2005 and raised approximately £29.1 million (£28.7 million net of expenses) through an offer for subscription. The Company co-invests with other funds managed by Octopus. This allows Eclipse 4 to invest in a wider range of opportunities and in larger and more developed companies than are typically available to a single VCT.

Financial Summary

	11 months ended 31 July 2009	Year to 31 August 2008
Net assets (£'000s)	18,531	22,994
Net return after tax (£'000s)	(3,275)	(6,056)
Net asset value per share (NAV)	64.5p	78.0p
Dividends paid and proposed relating to the period	2.5p	2.5p
Cumulative dividends since launch – paid and proposed	7.2p	4.7p

The table below shows the NAV per share and lists the dividends that have been paid since the launch of Eclipse 4:

Period ended	NAV	Dividends paid in period	NAV + cumulative dividends
28 February 2006	94.9p	–	94.9p
31 August 2006	95.7p	–	95.7p
28 February 2007	103.0p	0.7p	103.7p
31 August 2007	101.1p	–	101.8p
29 February 2008	94.1p	1.5p	96.3p
31 August 2008	78.0p	1.0p	81.2p
28 February 2009	67.6p	1.5p	72.3p
31 July 2009	64.5p	1.0p	70.2p

Chairman's Statement

I am pleased to present the annual results for the 11-month period ended 31 July 2009.

During the 11 months to 31 July 2009, the total return (being the change in NAV plus cumulative dividends paid) was negative 14.1% (NAV decline of 13.5p to 64.5p, plus dividends paid of 2.5p). However, following the decline in NAV during the previous financial year we are now beginning to see some stability return to financial markets. This is reflected in the performance of many of our investee companies in the second half of the period under review. The total return since the half-yearly report at 28 February 2009 is negative 3.1% (NAV decline of 3.1p plus dividend of 1.0p).

The Fund is invested in 15 unquoted and 14 AIM-quoted companies and is almost fully invested. The focus continues to remain on the existing portfolio, which is being supported where appropriate. Limited new additions to the portfolio are envisaged in the near future. By value, 66.4% of the Company's net assets are in unquoted investments, 9.4% in AIM-quoted investments and 22.9% of the Company's net assets are currently in cash or cash equivalents.

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

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

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 credit and economic environment we have to be conscious that the funding options for portfolio companies are more restricted than usual. We thus continue to place priority on maintaining suitable quantum of cash reserves. Taking these factors into account, for the period ended 31 July 2009, a final dividend of 1.5p per share has been proposed. Subject to shareholder approval at the Annual General Meeting, this dividend will be paid on 15 January 2010 to those shareholders on the register on 27 November 2009. This will take dividends for the period ended 31 July 2009 to 2.5p per share.

Investment Portfolio

The period, particularly the first half, has been challenging for many businesses, with the impact of the credit crunch combining with a worsening of the economic environment. Inevitably this has had an impact on the portfolio and, as a result, some write-downs have been made. During the period, no new investments were made and two investments in the AIM portfolio were fully disposed of. There were, however, a number of follow-on investments as detailed in the Investment Manager's Review.

During the second half of the period, whilst there has been some improvement in the economy and the markets, continued support has been given to the existing portfolio companies. In this environment, it is the good companies with strong management teams and sound business models that are really proving their capabilities. Your Investment Manager is in a strong position to provide the support that companies need, which is especially crucial while banks refuse to lend, or impose high lending terms. Our strategy is thus focused on strengthening businesses for the future through guidance and funding. In these ways, we are working to ensure ongoing value from your VCT investment.

Valuations across the portfolio have been carefully evaluated, and several investments have made positive underlying progress during the period, including Audio Visual Machines Limited, Promotion Space Limited, Hydrobolt Limited and Dualcom Holdings Limited (trading as CSL (DualCom)). In the longer term these should lead to positive returns, allowing for the payment of more significant dividends.

Further details about the portfolio, including new investments and realisations can be found in the Investment Manager's Review on pages 5 to 12.

Chairman's Statement (continued)

VCT Qualifying Status

PricewaterhouseCoopers LLP provides the Board and Investment Manager with advice on the ongoing compliance with HM Revenue & Customs (HMRC) rules and regulations concerning VCTs. The Board has been advised that Eclipse 4 is in compliance with the conditions laid down by HMRC for maintaining approval as a VCT.

A key requirement is for 70% of the portfolio to be invested in qualifying investments by the end of the third accounting period following that in which new share capital was subscribed. As at 31 July 2009, over 81% of the portfolio (as measured by HMRC rules) was invested in VCT qualifying investments, in line with our expectations at this stage of the Fund's life. There is an ongoing requirement to maintain the level of qualifying investments above the 70% threshold which will be supported by the continuing deal flow from the Investment Manager.

VAT on Management Fees

The Government announced that VCTs will be exempt from paying VAT on investment management fees with effect from 1 October 2008. This followed a European Court of Justice Judgement against the Government in a case relating to VAT payable by investment trusts. It is now fully expected that a VAT repayment will be obtained for VAT paid on management fees for at least the last three years. However, the timing of the repayment is not yet known. A claim has been submitted to HMRC by Octopus on behalf of the VCT. For the purposes of these accounts, and with guidance from our advisers at Octopus, we have accrued an anticipated VAT rebate of £200,000.

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.



Greg Melgaard
Chairman
11 November 2009

Investment Manager's Review

Personal Service

At Octopus, we have a dual focus on managing your investments and keeping you informed throughout the investment process. We are committed to providing our investors with regular and open communication. Our updates are designed to keep you informed about the progress of your investment. During this time of economic upheaval, we consider it particularly important to be in regular contact with our investors. We are working hard to manage your money in the current climate.

Octopus Investments Limited was established in 2000 and has a strong commitment to both smaller companies and to VCTs. Currently we manage 15 VCTs, including this Company, and manage over £230 million in the VCT sector. Octopus has over 100 employees and has been voted as 'Best VCT Provider of the Year' by the financial adviser community for the last three years.

Investment Policy

The focus of Eclipse 4 is on generating long-term capital growth and attractive tax-free dividends. In order to achieve this goal, the Fund will focus on providing development and expansion funding to unquoted companies with a typical investment size of £0.25 million to £1 million. Additionally, up to 20% of the Fund may be invested in AIM-quoted companies.

Investment Strategy

Having reached the level of invested funds required by HMRC, we have shifted our focus to managing the portfolio. As a result, no new investments have been made in the period and liquidity has been maintained in the Fund to ensure that adequate resources are available to support further portfolio funding needs as they arise. The environment has remained challenging for smaller companies, which have felt the effects of the credit squeeze combined with the economic slowdown. As well as seeing reductions in banking facilities, small companies also find themselves under pressure from suppliers who want paying earlier, customers who delay payments and weaker trading conditions. The resulting pressure on cash will remain, even when the economy recovers, as working capital needs to increase. We are therefore keeping a close eye on all the portfolio companies to ensure that they control costs but also take advantage of some of the opportunities that occur in these circumstances.

We have sought to further support those companies that we believe have strong growth potential but need some financial support to realise it. Each company that we target is expected to have unique selling points and be capable of growing to a size that will make it attractive for acquisition by a larger company or will enable it to float on the stock market.

Portfolio Review

Since the beginning of the period the overall performance of the portfolio has been affected by the combined impact of the financial crisis and economic downturn. In addition, the quoted portfolio has been affected by the widely reported weakness in the stock market, which in many cases has also adversely impacted valuations. The second half of the period has seen some stability return and stock markets have picked up from their lowest point.

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 (£129,000), The History Press (£397,000), Lilestone Holdings (£21,470), Promotion Space (£165,011), Sweet Cred Holdings (£384,273) and T4 Holdings (£78,528). 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 encourage management to 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 and Promotion Space. Overall there has been a decline in the valuation of the unquoted portfolio of £2,186,000 during the period, with individual movements set out in the table on page 6. The bulk of this reduction was taken in the first half of the period and reflects a cautious approach to valuations.

Following the period-end, Red-M Group has been placed into administration and no recovery is expected on our investment. We had already fully written down this investment in 2007 and did not participate in the final funding round that occurred earlier in the year.

In April, the Fund received £65,000 as further proceeds following the sale of James Harvard International in 2007. This payment was based on performance following the acquisition by Hays Plc. In addition CSL Dualcom has repaid the £224,000 loan, which was advanced in August 2008.

Investment Manager's Review (continued)

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 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 14 holdings totalling £1,739,000 by value and accounted for 9.4% 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 £173,000, 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 £32,000.

Investment Portfolio

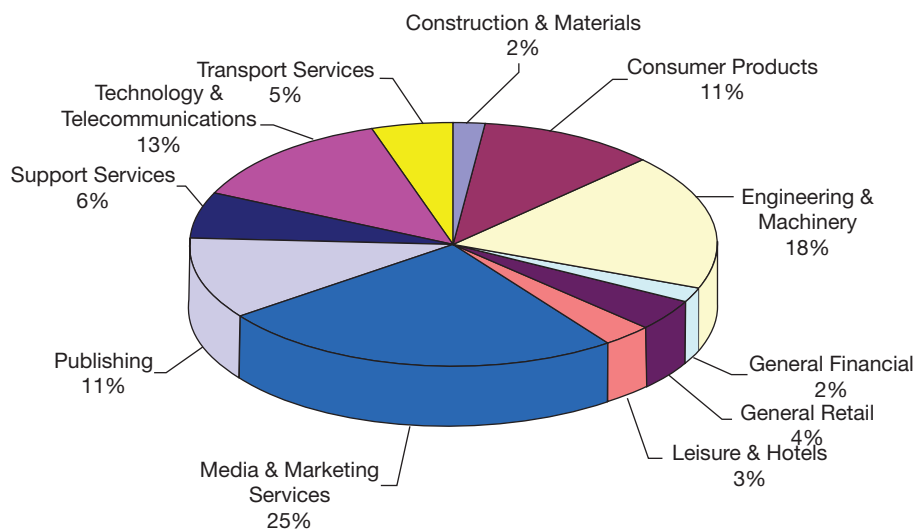
Unquoted Qualifying Investments	Sector	Investment at cost (£'000)	Movement in valuation (£'000)	Carrying value at 31 July 2009 (£'000)	% equity held by Eclipse 4	% equity held by all funds managed by Octopus
The History Press Limited	Publishing	2,068	-	2,068	15.2%	60.0%
Promotion Space Limited	Media & Marketing Services	1,843	-	1,843	12.3%	38.0%
Dualcom Holdings Limited	Technology & Telecommunications	944	770	1,714	11.5%	45.8%
Hydrobolt Limited	Engineering & Machinery	1,396	-	1,396	16.3%	48.1%
Sweet Cred Holdings Limited	Consumer Products	2,061	(1,024)	1,037	7.7%	24.5%
Vulcan Services Limited	Engineering & Machinery	1,000	-	1,000	24.5%	49.0%
Tristar Worldwide Limited	Transport Services	1,000	(103)	897	10.0%	35.0%
Bruce Dunlop & Associates Limited	Media & Marketing Services	1,379	(602)	777	9.4%	33.4%
Audio Visual Machines Limited	Technology & Telecommunications	711	-	711	10.8%	43.1%
T4 Holdings Limited	Media & Marketing Services	1,079	(584)	495	11.1%	41.7%
Perfect Pizza Limited	Leisure & Hotels	372	(184)	188	4.9%	34.3%
Convivial London Pubs plc	Leisure & Hotels	200	(57)	143	1.2%	8.2%
Lilestone Holdings Limited	General Retail	396	(281)	115	2.7%	23.4%
Blanc Brasseries Holdings plc	Leisure & Hotels	55	(41)	14	0.7%	3.3%
Red-M Group Limited	Technology & Telecommunications	242	(242)	-	3.6%	9.3%
Total unquoted qualifying investments		14,746	(2,348)	12,398		
AIM-quoted Qualifying Investments						
Healthcare Locums plc	Support Services	101	265	366	0.20%	2.60%
Hasgrove plc	Media & Marketing Services	400	(167)	233	1.60%	7.70%
Vertu Motors plc	General Retail	250	(83)	167	0.40%	7.70%
Pressure Technologies plc	Engineering & Machinery	167	(7)	160	1.00%	10.90%
CBG Group plc	General Financial	381	(227)	154	1.90%	13.90%
Plastics Capital plc	Engineering & Machinery	500	(375)	125	1.90%	17.90%
Brulines (Holdings) plc	Support Services	148	(34)	114	0.50%	5.50%
Hexagon Human Capital plc	Support Services	677	(568)	109	2.60%	16.30%
Northern Bear plc	Construction & Materials	299	(202)	97	1.10%	7.60%
Cohort plc	Engineering & Machinery	68	25	93	0.10%	2.40%
Tanfield Group plc	Engineering & Machinery	143	(60)	83	0.20%	3.00%
Autoclenz plc	Support Services	125	(95)	30	1.00%	12.70%
Invocas plc	General Financial	40	(32)	8	0.10%	1.20%
Cantono plc	Technology & Telecommunications	420	(420)	-	1.40%	9.80%
Total AIM-quoted qualifying investments		3,719	(1,980)	1,739		
Total qualifying investments		18,465	(4,328)	14,137		
Fixed income securities		4,470	(286)	4,184		
Cash at bank		63	-	63		
Total investments and cash at bank		22,998	(4,614)	18,384		
Net current assets				147		
Total net assets				18,531		

Please refer to notes 10 & 11 in the Notes to the Financial Statements to provide clarity on the unrealised loss/gain carried forward.

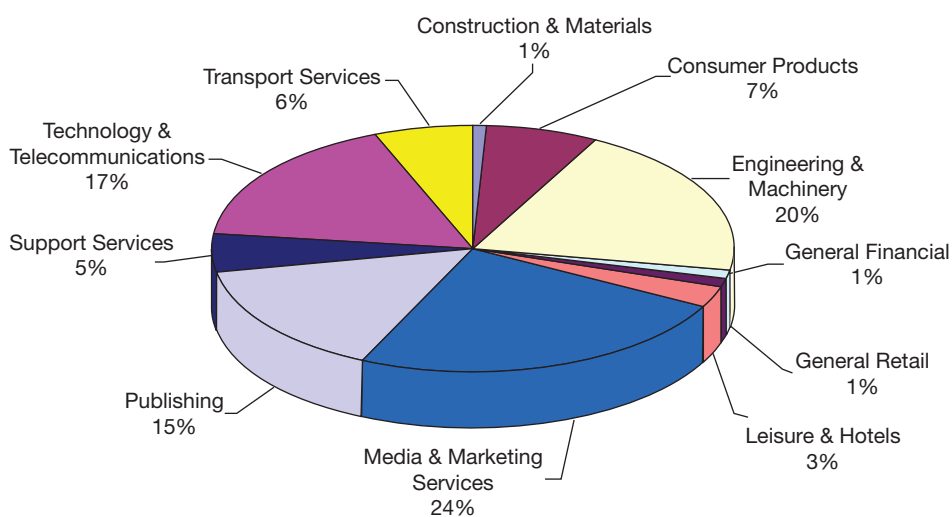
Investment Manager's Review (continued)

Sector Analysis

Total Qualifying Investments by Book Cost



Total Qualifying Investments by Value



Investment Manager's Review (continued)

Review of Investments

At 31 July 2009, the Eclipse 4 qualifying portfolio comprised investments in 15 unquoted and 14 AIM-quoted companies. The unquoted investments are in Ordinary shares with full voting rights as well as loan note securities.

The AIM-quoted investments are in Ordinary shares, also with full voting rights.

Quoted and unquoted investments are valued in accordance with the accounting policy set out on page 42, which takes account of current industry guidelines for the valuation of venture capital portfolios and is compliant with International Private Equity and Venture Capital Valuations guidelines and current financial reporting standards. Provision against cost is made where an unquoted investment is under-performing significantly, and unquoted investments are not normally revalued upwards within 12 months of acquisition.

Ten Largest Holdings

Listed below are the ten largest investments by value as at 31 July 2009:

The History Press Limited

The History Press is the UK market leading publisher of distinctive 'local interest' history books. It also has operations in France, Germany, Ireland, Belgium and the US. The Group houses four main imprints: Pitkin, Phillimore, Spellmount and The History Press. Significant costs have been taken out of the business post acquisition and the operations of the business have improved. The retail environment has been challenging in 2009. Books, and in particular specialist books, have been less affected, with sales to the consumer in line with the previous year. The major retailers, however, have been destocking and this has had an impact on turnover. The overseas operations continue to perform strongly and the US business has shown significant growth.

Initial investment date:	December 2007
Cost:	£2,068,000
Valuation:	£2,068,000
Valuation basis:	Fair Value (earnings multiple)
Equity held:	15.2%
Last audited accounts:	N/A



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

Promotion Space Limited

Promotion Space works directly with major brands who wish to access consumers in shopping centres. It also works with shopping centres to generate revenue by organising promotional activities. Octopus provided £1.5 million of funds to develop a Retail Merchandising Unit business within major shopping centres and also to follow an acquisition strategy. Octopus provided a further £600,000 in November 2007 to facilitate the first acquisition, Fitting Exposure, the UK market leader in changing room advertising media. In April 2008 a further investment of £371,000 was made by the Fund as part of a £2.75 million fund-raising to support the acquisition of major competitor Brandspace. Together with organic growth, this business has more than trebled sales since our first investment and has achieved a significant market position.

Initial investment date:	April 2007
Cost:	£1,843,000 (Ordinary shares and loan notes)
Valuation:	£1,843,000
Valuation basis:	Fair Value (earnings multiple)
Equity held:	12.3%
Last audited accounts:	31 March 2009
Revenues:	£6.0 million
Loss before interest & tax:	£1.3 million
Net assets:	£3.6 million



Further information can be found at the company's website
www.promotion-space.co.uk

Investment Manager's Review (continued)

Dualcom Holdings Limited (trading as CSL (DualCom))

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 or broadband connection and a wireless link from Vodafone, which has been a partner since 2000. CSL Dualcom has developed a number of new products for the sector, which have enabled the business to steadily grow its market share of new connections and its profitability since the initial investment. There has been an uplift in the carrying value of this investment, in recognition of this progress.

Initial investment date:	June 2006
Cost:	£944,000
Valuation:	£1,714,000
Valuation basis:	Fair Value (earnings multiple)
Equity held:	11.5%
Last audited accounts:	31 March 2009
Revenues:	£7.2 million
Profit before interest & tax:	£0.2 million
Net assets:	£0.7 million

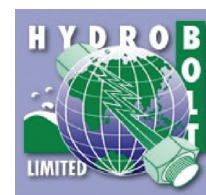


Further information can be found at the company's website www.csldual.com

Hydrobolt Limited

Eclipse 4 invested in the management buy-out of Hydrobolt Limited in April 2008 as part of £3.5 million investment across all the Eclipse funds. Hydrobolt is a specialist manufacturer of high integrity fasteners for the oil and gas and energy sectors. The business has progressed well since investment, although orders in the first half of 2009 have been impacted by the tough market conditions.

Initial investment date:	April 2008
Cost:	£1,396,000
Valuation:	£1,396,000
Valuation basis:	Fair Value (being cost)
Equity held:	16.3%
Last audited accounts:	31 March 2009
Revenues:	£17.5 million
Loss before interest & tax:	£1.2 million
Net assets:	£1.8 million



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

Sweet Cred Limited

Sweet Cred sells a wide range of products which combine sweets with toys that are themed around the five cartoon characters in the Sweet Cred gang. The range is sold through distribution partners in Europe, the US and the Middle East. In the UK, distribution is through the main wholesalers and the major multiple retailers, motorway service stations and leading toyshop chains. The business has made progress since our original investment, but trading has suffered recently from the weakness of sterling and the lack of sufficient working capital facilities during the credit crunch. The Eclipse Funds have made further investments during this period to help fund the working capital requirement. A provision has been made against the investment to recognise these current difficulties.

Initial investment date:	March 2007
Cost:	£2,061,000
Valuation:	£1,037,000
Valuation basis:	Fair Value (earnings multiple)
Equity held:	7.7%
Last audited accounts:	31 December 2008
Revenues:	£5.8 million
Profit before interest & tax:	£0.06 million
Net assets:	£2.2 million



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

Investment Manager's Review (continued)

Vulcan Services Limited

Eclipse 4 has invested in an acquisition vehicle it has formed with an experienced manager to jointly seek strategic acquisitions in the fast growing oil and gas services sector. This is a sector in which Octopus has identified a number of highly profitable, fast growing, niche manufacturing businesses. The management partner in this venture has a track record of identifying successful investments in the sector and currently sits on the board of another Octopus investment called Hydrobolt Limited. Octopus expects to complete the first acquisition in the next six to twelve months.

Initial investment date:	August 2008
Cost:	£1,000,000
Valuation:	£1,000,000
Valuation basis:	Fair value (being cost)
Equity held:	24.5%
Last audited accounts:	n/a

Tristar Worldwide Limited

Tristar is one of the world's leading chauffeur companies, carrying over 500,000 passengers for 400 clients in the last year alone. The business operates in 70 countries with its own vehicles in the UK and a rapidly expanding service in the US. It has a blue chip customer base which includes Virgin, Emirates, BP, Goldman Sachs and Bank of America-Merrill Lynch. The market for chauffeur services has been heavily affected in the current economic environment. Tristar has achieved a good performance in the circumstances where many of its competitors are suffering to a greater extent. The company's focus on a joined up international service is proving to be an important selling feature for clients, and the latest office opening in Hong Kong has been well received. We continue to work closely with the management team to contain overheads and manage cash flow in the short to medium term. Recognising short-term trading issues, a fair value adjustment has been made to the equity.

Initial investment date:	January 2008
Cost:	£1,000,000 (Ordinary shares and loan notes)
Valuation:	£897,000
Valuation basis:	Fair Value (earnings multiple)
Equity held:	10.0%
Last audited accounts:	31 May 2008
Revenues:	£40.4 million
Profit before interest & tax:	£1.8 million
Net assets:	£5.0 million



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

Bruce Dunlop & Associates Limited

Bruce Dunlop Associates provides promotion and design services to broadcasters and advertisers worldwide and also creates brand films and internal communications for leading UK corporations, including Hallmark, Barclays, Discovery and Sony. The company operates from offices in London, Munich and Dubai. Revenues have fallen against the previous year as a consequence of the tough economic climate. The business has gone through a restructuring exercise, in order to reduce costs, which included closing overseas offices. Current trading has improved and the business has seen an upturn in activity and new contract wins.

Initial investment date:	December 2007
Cost:	£1,379,000
Valuation:	£777,000
Valuation basis:	Fair Value (earnings multiple)
Equity held:	9.4%
Last audited accounts:	30 June 2008
Revenues:	£8.9 million
Loss before interest & tax:	£1.2 million
Net assets:	£5.9 million



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

Investment Manager's Review (continued)

Audio Visual Machines Limited

AVM carries out the full design, installation and support of complex Video Conferencing and Audio Visual systems and is the UK's leading VC & AV maintenance and support provider. The company employs over 250 people and has sales offices throughout the UK. Since our initial investment in 2006, AVM has made three acquisitions, including the recent acquisition of Matrix Display Systems Ltd, which principally operates in the education sector. With this acquisition, the combined AVM Group is now the largest audio visual systems integrator in the UK, with turnover of c£40million.

Initial investment date:	September 2006
Cost:	£711,000 (Ordinary shares and loan notes)
Valuation:	£711,000
Valuation basis:	Fair Value (earnings multiple)
Equity held:	10.8%
Last audited accounts:	30 June 2008
Revenues:	£17.2 million
Profit before interest & tax:	£0.3 million
Net assets:	£0.4 million



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

T4 Holdings Limited

London-based T4 Media is an innovative media company selling advertising space on ticket barriers in railway stations and car park barriers throughout the UK and Ireland. Advertisements placed on ticket machines and barriers enjoy a number of benefits. Most crucially, the advertisements are unavoidable to the consumer as they physically interact with the equipment achieving guaranteed impact. Viewership is also completely accountable as it is independently audited by the number of tickets inserted in the ticket readers. After stronger trading in 2008, the first half of 2009 was significantly weaker in line with the broader outdoor advertising market. We are working with management to contain costs and protect value at this time.

Initial investment date:	September 2007
Cost:	£1,079,000 (Ordinary shares and loan notes)
Valuation:	£495,000
Valuation basis:	Fair Value (Earnings multiple)
Equity held:	11.4%
Last audited accounts:	31 December 2007
Revenues:	£1.5 million
Loss before interest & tax:	£0.5 million
Net assets:	£0.6 million



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

The following events occurred between the balance sheet date and the signing of these financial statements:

- Investment of £147,867 in August 2009 into Bruce Dunlop & Associates Limited.
- Investment of £132,029 in September 2009 into Perfect Pizza Limited.
- Investment of £21,471 in September 2009 into Lilestone Holdings Limited.
- Investment of £41,100 in August and September 2009 into The History Press Limited.
- Investment of £186,105 in August and September 2009 into Sweet Cred Holdings Limited.

Investment Manager's Review (continued)

Outlook

Experience of previous recessions shows that further financial support for existing investments has to be considered very carefully, and is dependent on having a strong business model and exceptional management team. We will continue to consider investments in sound companies and to support existing holdings that merit capital for sensible expansion plans, including well priced acquisitions. Taking a longer term view, which a VCT is able to do, we expect economic conditions to improve, enabling the portfolio to develop and generate successful exits that will bring rewards for shareholders.

If you have any questions on any aspect of your investment, please call one of the team on 0800 316 2347.



Simon Rogerson
Chief Executive
Octopus Investments Limited

Shareholder Information

The Company

Octopus Eclipse VCT 4 plc is a venture capital trust (VCT) managed by Octopus Investments Limited which aims to provide shareholders with attractive tax-free dividends and long-term capital growth. The Company invests primarily in unquoted and AIM-quoted companies and aims to deliver absolute returns on its investments. Eclipse 4 was launched in August 2005 and raised approximately £29.1 million (£28.7 million net of expenses) through an offer for subscription which closed on 5 April 2006.

Octopus Eclipse VCT 4 plc is managed by Octopus Investments Limited, an independent specialist fund management company based in the City of London. Octopus also acts as manager of 15 other listed investment companies and has a total of approximately £1.2 billion under management.

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.

With effect from 6 April 2006, the benefits to eligible investors include income tax relief at 30% on new subscriptions of up to £200,000 per tax year, provided the shares are held for at least five years, exemption from income tax on dividends paid by VCTs (such dividends may include the VCTs capital gains as well as its income) and exemption from capital gains tax on disposal of shares in VCTs. Subscribers for shares in VCTs between 6 April 2004 and 5 April 2006 were entitled to income relief at 40% rather than 30% and the shares had to be held for at least three years rather than five years. Prior to 6 April 2004, subscribers for shares in VCTs were entitled to income tax relief at 20% and could also obtain capital gains deferral relief. Capital gains deferred by pre-6 April 2004 subscriptions are not affected by the subsequent changes in tax reliefs.

Eclipse 4 has been provisionally approved as a VCT by HMRC. In order to maintain its approval the Company must comply with certain requirements on a continuing basis. Within three years from the date of provisional approval at least 70% of the Company's investments must comprise 'qualifying holdings' of which at least 30% must be in eligible Ordinary shares. A 'qualifying holding' consists of up to £1 million invested in any one year in new shares or securities in an unquoted Company (including companies listed on AIM) which is carrying on a qualifying trade and whose gross assets do not exceed £15 million at the time of investment. The definition of a qualifying trade excludes certain activities such as property investment and development, financial services and asset leasing. The gross assets limit has been reduced to £7 million for investments made using funds subscribed after 5 April 2006. The Company has continued its compliance with these requirements.

Financial Calendar

The Company's financial calendar is as follows:

10 December 2009	–	Annual General Meeting
15 January 2010	–	2009 final dividend paid
March 2010	–	Half-yearly results to 31 January 2010 published
October/November 2010	–	Final dividend and preliminary results for year to 31 July 2010 announced; annual report and financial statements published

Share Price

The Company's mid-market share price currently stands at 58.0p. The Company's share price is published daily in the Financial Times and its FTSE classification is 'Investment Companies' 'VCTs'.

Annual and Half-yearly Reports

Previously published Annual Reports and Half-yearly Reports are available for viewing on the Investment Manager's website at www.octopusinvestments.com by navigating to Services, Investor Services, Venture Capital Trusts, Octopus Eclipse VCT 4. All other statutory information will also be found there.

Details of Board and Advisers

Board of Directors

Greg Melgaard (Chairman)
Matt Cooper
Alex Hambro

Secretary and Registered Office

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP
Registered in England No 05487744

Investment Manager

Octopus Investments Limited
8 Angel Court
London
EC2R 7HP

Cash Managers

Goldman Sachs International
Christchurch Court
10-15 Newgate Street
London
EC1A 7HD

Solicitors

Howard Kennedy
19 Cavendish Square
London
W1A 2AW

Independent Auditor and Taxation Adviser

Grant Thornton UK LLP
1 Westminster Way
Oxford
OX2 0PZ

VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank plc
31 Holborn
London
EC1N 2HR

Registrars

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

Details of Directors

Greg Melgaard (59 – Chairman) is Managing Director of Palmaris Capital plc, a mining investment company. He is also Chairman of Semper Holdings Limited, a London-based manufacturer of critical power and cooling systems, Deputy Chairman of Electrometals Technologies Limited and a Director of Scottish Resources Group Limited.

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 (42 – 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 (47 – Director) has spent the last 19 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, the US 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 ended 31 July 2009.

On 10 December 2008, following the passing of a resolution by shareholders, the Company changed its name from Eclipse VCT 4 plc to Octopus Eclipse VCT 4 plc.

This report has been prepared by the Directors in accordance with the requirements of s417 of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given in the Directors' Report (including the business review) is consistent with the financial statements. The auditor's opinion is included in their report on pages 29 and 30.

Principal Activity and Status

The principal activity of the Company is to invest in a diversified portfolio of UK smaller companies in order to generate capital growth over the long-term as well as an attractive tax-free dividend stream. The Company has been granted provisional approval as a VCT by HMRC. In order to maintain approved status, the Company must comply on a continuing basis with the provisions of s274 of the Income Tax Act 2007; in particular, the Company is required at all times to hold at least 70% of its investments (as defined in the legislation) in VCT qualifying holdings, of which at least 30% must comprise eligible Ordinary shares. For this purpose, a 'VCT qualifying holding' consists of up to £1 million invested in any one year in new shares or securities of a UK quoted company (which may be quoted on AIM) which is carrying on a qualifying trade, and whose gross assets at the time of investment do not exceed a prescribed limit. The definition of 'qualifying trade' excludes certain activities such as property investment and development, financial services and asset leasing.

Investment company status was revoked on 30 July 2007. The Directors are required by the Articles of Association to propose an Ordinary Resolution at the Company's Annual General Meeting in December 2016 that the Company should continue as a VCT for a further five-year period and at each fifth subsequent Annual General Meeting thereafter. If any such resolution is not passed, the Directors shall within four months convene a general meeting to consider the proposals for the reorganisation or winding-up of the Company.

Review of Business Activities

The Directors are required by s417 of the Companies Act 2006 to include a Business Review to shareholders. The Business Review is set out below but also includes the Chairman's Statement on pages 3 and 4, and the Investment Manager's Review on pages 5 to 12 by reference.

The purpose of this review is to provide shareholders with a snapshot summary setting out the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators (KPIs) used to measure performance.

Performance and Key Performance Indicators (KPIs)

As a VCT, 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 VCTs. The Board has a number of performance measures to assess the Company's success in meeting its objectives. Performance, measured by the change in NAV per share and total return per share, is also measured against the FTSE All-Share Index and the FTSE Small Cap Index. These indices, as broad measures of UK-quoted equities, have been adopted as an informal benchmark. Investment performance, cash returned to shareholders and share price are also measured against the Company's peer group of the other generalist VCTs. The Chairman's Statement, on pages 3 and 4, includes a review of the Company's activities and future prospects; further details are also provided within the Investment Manager's Review on pages 5 to 12. Details of the Company's risk management policies are provided in note 16 to the financial statements.

Results and Dividend

	Period ended 31 July 2009 £'000	Year ended 31 August 2008 £'000
Net return attributable to shareholders	(3,275)	(6,056)
Appropriations:		
Final dividend proposed 1.5p per share (2008 – 1.5p per share)	431	442

The proposed final dividend will, if approved by shareholders, be paid on 15 January 2010 to shareholders on the register on 27 November 2009.

Directors' Report (continued)

Objective and Investment Policy

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

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

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

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

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

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

Principal Risks, Risk Management and Regulatory Environment

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

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

Investment risk: the majority of the Company's investments are in small- and medium-sized companies which are VCT qualifying holdings, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The Directors and the Manager aim to limit the risk attached to the portfolio as a whole by careful selection and timely realisation of investments, by carrying out rigorous due diligence procedures and by maintaining a wide spread of holdings in terms of financing stage, industry sector and geographical location. The Board reviews the investment portfolio with the Manager on a regular basis.

Financial risk: as most of the Company's investments involve medium to long-term commitment and are relatively illiquid, the Directors consider that it is inappropriate to finance the Company's activities through borrowing. Accordingly, they seek to maintain a proportion of the Company's assets in cash or cash equivalents in order to be in a position to take advantage of new investment opportunities. The Company has no exposure to foreign currency risk and does not enter into derivative transactions. The Company has cash deposits which are held on the balance sheet of HSBC Bank plc and in money market funds, managed by Goldman Sachs. The risk of loss of this cash is deemed to be extremely low due to the historical solid credit ratings.

Directors' Report (continued)

Regulatory: the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Internal control risk: the Board regularly reviews the system of internal controls, both financial and non-financial, operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Competitive risk: retention of key personnel is vital to the success of the Company. Incentives to the Manager's key staff were recently strengthened.

Due to the nature of the Company, environmental, social and employee issues do not apply and therefore no disclosures in respect of these have been included in the Directors' Report.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the 'Turnbull' guidance. Details of the Company's internal controls are contained in the Corporate Governance section on pages 22 to 25.

The adverse conditions prevailing in the UK economy at present are likely to lead to a reduction in corporate activity over the next 12 months. Our Manager will take a highly selective approach to new investment and will pursue several exit opportunities where discussions are already in progress. It can be expected that some of our portfolio companies will find the immediate future challenging, but we are confident in the strength of our balance sheet and look forward to achieving good returns for shareholders in the future.

Directors

The Directors of the Company during the period and their interests (in respect of which transactions are notifiable under Disclosure and Transparency Rule 3.1.2R) in the issued Ordinary shares of 10p are shown in the table below:

	Ordinary shares of 10p each 31 July 2009	Ordinary shares of 10p each 31 August 2008
Mr R G Melgaard (Chairman)	15,750	15,750
Mr M Cooper	5,250	5,280
The Hon A Hambro	7,875	7,875

All of the Directors' shares were held beneficially. There have been no changes in the Directors' share interests between 31 July 2009 and the date of this report.

Greg Melgaard retires by rotation, and being eligible, offers himself for re-election. The Board has considered the Combined Code 2008 and believes that Greg Melgaard continues to be effective and demonstrates commitment to his role. They, therefore, recommend his re-election at the forthcoming Annual General Meeting.

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

Directors' and Officers' Liability Insurance

The Company has, as permitted by s236 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Management

Octopus Investments Limited ('the Manager') 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. Matt Cooper is Chairman of Octopus. The Manager also provides secretarial, administrative and custodian services to the Company. Liquid resources (being cash and money market securities) are managed by Goldman Sachs International.

The Company has in place an agreement with Octopus Investments to act as Fund Manager which is central to the ability of the Company to continue in business.

Directors' Report (continued)

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

The Company has established a performance incentive scheme whereby the Investment Manager is entitled to an annual performance-related incentive fee in the event that certain performance criteria are met, commencing at the end of the 2007/08 financial year. Further details of this scheme are disclosed within note 19 to the financial statements. No performance fee was payable at 31 July 2009, and given the current economic climate, the Directors do not anticipate that the criteria will be met in the short to medium-term.

Share Issues

There are no open offers and no shares were issued in the period.

Share Buy Backs

During the period, the Company purchased 760,398 shares, with a nominal value of £76,000, for cancellation at a weighted average price of 60.1p per share (2008: 33,505 shares at a weighted average price of 84.0p per share) for total consideration of £457,000. These were repurchased in accordance with the Company's share buy back facility in an attempt to assist the marketability of the shares and prevent the shares trading at a wide discount to the NAV.

Should you wish to sell your shares in Octopus Eclipse, please contact your broker. Alternatively you can contact the Investment Manager's broker, Brewin Dolphin, on 0845 059 6518.

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

The Company's share capital is £5,000,000 divided into 50,000,000 shares of 10p each, of which as at 31 July 2009 28,716,591 shares were in issue (as at that date none of the issued shares were held by the Company as Treasury shares).

Subject to any suspension or abrogation of rights pursuant to relevant law or the Company's articles of association, the shares confer on their holders (other than the Company in respect of any Treasury shares) the following principal rights:

- (a) the right to receive out of profits available for distribution such dividends as may be agreed to be paid (in the case of a final dividend in an amount not exceeding the amount recommended by the Board as approved by shareholders in a general meeting or in the case of an interim dividend in an amount determined by the Board). All dividends unclaimed for a period of 12 years after having become due for payment are forfeited automatically and cease to remain owing by the Company;
- (b) the right, on a return of assets on a liquidation, reduction of capital or otherwise, to share in the surplus assets of the Company remaining after payment of its liabilities *pari passu* with the other holders of Ordinary shares; and
- (c) the right to receive notice of and to attend and speak and vote in person or by proxy at any general meeting of the Company. On a show of hands, every member present or represented and voting has one vote, and on a poll, every member present or represented and voting has one vote for every share of which that member is the holder. The appointment of a proxy must be received not less than 48 hours before the time of the holding of the relevant meeting or adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the relevant meeting or adjourned meeting, be received after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll.

These rights can be suspended. If a member, or any other person appearing to be interested in shares held by that member, has failed to comply within the time limits specified in the Company's Articles of Association with a notice pursuant to s793 of the Companies Act 2006 (notice by the Company requiring information about interests in its shares), the Company can, until the default ceases, suspend the right to attend and speak and vote at a general meeting. If the shares represent at least 0.25% of their class, the Company can also withhold any dividend or other money payable in respect of the shares (without any obligation to pay interest) and refuse to accept certain transfers of the relevant shares. Shareholders, either alone or with other shareholders, have other rights as set out in the Company's Articles of Association and in company law (principally the Companies Act 2006).

A member may choose whether his shares are evidenced by share certificates (certificated shares) or held in electronic (un-certificated) form in CREST (the UK electronic settlement system). Any member may transfer all or any of his shares, subject in the case of certificated shares to the rules set out in the Company's Articles of Association or in the case of un-certificated shares to the regulations governing the operation of CREST (which allow the Directors to refuse to register

Directors' Report (continued)

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

Appointment and Replacement of Directors

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

Powers of the Directors

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company and any directions given by shareholders by Special Resolution, the Articles of Association specify that the business of the Company is to be managed by the Directors, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular the Directors may exercise on behalf of the Company its powers to purchase its own shares to the extent permitted by shareholders. Authority was given at the Company's 2008 Annual General Meeting to make market purchases of up to 5 per cent of the issued Ordinary share capital at any time up to the 2009 Annual General Meeting and otherwise on the terms set out in the relevant resolution, and authority is being sought at the 2009 Annual General Meeting as set out in the notice of meeting.

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.

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 July 2009 there were no trade creditors (2008: £nil).

Going Concern

After making enquiries, the Directors believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements. This is appropriate as cash reserves are significantly greater than the anticipated average annual running costs of the Company. Given the nature of the assets held, it is considered that these can be realised with sufficient ease to provide any additional cash which may be required to enable the company to meet its liabilities as they fall due for payment.

Directors' Report (continued)

Substantial Shareholdings

As at the date of this report, no disclosures of major shareholdings had been made to the Company under Disclosure and Transparency Rule 5 (Vote Holder and Issuer Notification Rules).

Annual General Meeting

Notice convening the 2009 Annual General Meeting of the Company and a form of proxy in relation to the meeting can each be found at the end of this document.

Independent Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor. A resolution to re-appoint Grant Thornton UK LLP as auditor and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

Directors' Authority to Allot Shares, to Dis-apply Pre-emption Rights

The authority proposed under Resolution 6 is required so that the Directors may offer existing shareholders the opportunity to add to their investment or to offer to potential shareholders an opportunity to invest in the Company in a tax-efficient manner without the Company having to incur substantial costs. Any consequent modest increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used, in part, to purchase Ordinary shares in the market. Resolution 6 renews the Directors' authority to allot Ordinary shares. This would enable the Directors until December 2010, to allot up to 2,871,659 Ordinary shares (representing approximately 10% of the Company's issued share capital as at 31 July 2009).

Resolution 7 renews and extends the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution would authorise the Directors, until the date falling 15 months after the date of the passing of the Resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company, to issue Ordinary shares for cash without pre-emption rights applying by way of an offer to existing shareholders, or re-issuing shares out of Treasury up to a maximum of 2,871,659 Ordinary shares (representing approximately 10% of the Company's issued share capital as at 31 July 2009). This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders, as a whole.

Directors' Authority to Make Market Purchase of its Own Shares

The authority proposed under Resolution 8 is required so that the Directors may make purchases of up to approximately 5% of the Company's issued share capital and Resolution 8 seeks renewal of such authority until the next Annual General Meeting (or the expiry of 15 months, if earlier). The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury for future re-sale in appropriate market conditions.

Alteration of the Company's Articles of Association

At the Annual General Meeting a Special Resolution will be proposed to adopt the new Articles of Association of the Company to reflect recent changes caused by the implementation of various provisions of the Companies Act 2006. The main changes from the existing Articles of Association (with the exception of minor, technical or clarifying changes) are summarised as follows:

Electronic communications

The new Articles of Association will continue to allow the Company to communicate with members in electronic form (such as by email or fax) and also permit the Company to communicate with its members by means of publication on a website. However, before the Company can communicate with a member by means of website communication, the relevant member must be asked individually to agree that the Company may send or supply notices, documents or information by means of a website and the member has agreed or the Company has not received a response within the period of 28 days beginning on the date on which the Company's request was sent. The members will be sent a notification of the presence of the notice, document or information on a website, the address of that website, the place on that website where it may be accessed, and how it may be accessed.

Directors' Report (continued)

Although this change is proposed to be incorporated into the Articles to bring them up to date, your Board does not currently envisage utilising these powers.

Form of Resolution

The concept of Extraordinary Resolutions has not been retained under the Companies Act 2006. Consequently, any references to Extraordinary Resolutions have been replaced with references to Special Resolutions.

General Meetings

Extraordinary general meetings will now be referred to as 'general meetings'. The length of the notice period required to convene general meetings have been amended to reflect the notice periods set out in the new provisions of the Companies Act 2006. Consequently, to convene a general meeting at which a Special Resolution is to be considered, the notice period required will be reduced from 21 to 14 days.

Under the new Articles of Association, the Annual General Meeting will be held within six months of the Company's financial year end, in accordance with the provisions of the Companies Act 2006. Currently, the AGM must be held within 15 months of the previous AGM.

Votes of members

In accordance with the provisions of the Companies Act 2006, under the new Articles the following changes to voting arrangements will be made:

- the Chairman of a general meeting will no longer have a casting vote;
- a proxy will be allowed to be appointed by electronic form;
- the 48-hour deadline for proxies to be deposited before a general meeting will no longer include weekends or bank holidays;
- members will be allowed to appoint multiple proxies; and
- a proxy will have the right to speak at a general meeting and vote on a show of hands as well as on a poll.

Directors' duties (including the duty to avoid conflicts of interests)

The general duties of Directors are now set out in statute under the Companies Act 2006. Whilst these duties generally codify the existing law, there have been some changes, and the new Articles require the Directors to comply with these duties in the performance of their functions. From 1 October 2008, under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The Companies Act 2006 allows directors of public companies to authorise such conflicts and potential conflicts in appropriate circumstances provided this is permitted under the Articles of Association. The new Articles of Association of the Company give the Directors authority to approve such situations and to include other provisions to allow conflicts of interests to be dealt with such that a breach of duty is avoided. Only Directors who have no interest in the matter being considered will be able to authorise the conflict of interest.

Corporate Governance

The Board of Octopus Eclipse VCT 4 plc has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the 2008 Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

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 the 2008 Combined Code on Corporate Governance with the exceptions set out in the Compliance Statement on page 25.

Board of Directors

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

Directors' Report (continued)

The Board has a formal schedule of matters specifically reserved for its decision which include:

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

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and has no involvement in the day to day business of the Company. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All of the Directors have access to the advice and services of the Company Secretary, who has administrative responsibility for the meetings of the Board and its committees. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties. As all of the Directors are non-executive, it is not considered appropriate to identify a member of the Board as the senior non-executive Director of the Company.

The Company's Articles of Association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

During the period the following were held:

4 full Board meetings

All Directors attended all meetings

2 Audit Committee meetings

All members attended

Nil Nomination Committee meetings

No meeting was held during the year – see below

Additional meetings were held as required to address specific issues including considering recommendations from the Investment Manager and share repurchases. A brief biographical summary of each Director is given on page 15.

The Company's Articles of Association require that one third of Directors should retire by rotation each year and seek re-election at the Annual General Meeting and that Directors appointed by the Board should seek re-appointment at the next Annual General Meeting. All Directors are required to submit themselves for re-election at least every three years. This practice was followed during the period under review.

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

Audit Committee:

The Hon A Hambro (Chairman)
Mr R G Melgaard

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

The Audit Committee's terms of reference include the following roles and responsibilities:

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- reviewing and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional regulatory requirements;

Directors' Report (continued)

- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the Investment Manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to propriety of financial reporting or other matters.

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

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

During the period ended 31 July 2009, the Audit Committee discharged its responsibilities by:

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

Nomination Committee:

Mr R G Melgaard (Chairman)
Mr M Cooper

The Nomination Committee considers the selection and appointment of Directors and makes recommendations to the Board as to the level of Directors' fees. It has not yet been necessary for the Committee to meet and so terms of reference will be agreed if and when appropriate. The Board does not have a separate remuneration committee as the Company has no employees or executive Directors. Detailed information relating to the remuneration of Directors is given in the Directors' Remuneration Report.

Internal Control

The Directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The Board regularly reviews financial results and investment performance with its Investment Manager.

Corporate Governance

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

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

Internal control systems include: production and review of monthly bank and management accounts. All outflows made from the VCT's accounts require the authority of two signatories from Octopus, the Manager. The VCT is subject to a full annual audit whereby the auditors are the same auditors as other VCTs managed by the Investment Manager and thus controls are tested on a frequent basis. Further to this, the Audit Partner has open access to the Directors of the VCT and the Investment Manager is subject to regular review by the Octopus Compliance Department.

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 Financial Reporting Council guidelines for internal control.

Financial Risk Management Objectives and Policies

The Company is exposed to the risks arising from its operational and investment activities. Further details can be found in note 16 to the Financial Statements.

Directors' Report (continued)

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. In addition to the formal business of the AGM, the Board is available to answer any questions a shareholder may have.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at 8 Angel Court, London EC2R 7HP. Alternatively, the team at Octopus is happy to answer any questions you may have and can be contacted on 0800 316 2396.

Compliance Statement

The Listing Rules require the Board to report on compliance with the 48 Combined Code provisions throughout the accounting year. The preamble to the Combined Code does, however, acknowledge that some provisions may have less relevance for investment companies. With the exception of the limited items outlined below, the Company has complied throughout the accounting period to 31 July 2009 with the provisions set out in the Combined Code 2008.

1. New Directors do not receive a full, formal and tailored induction on joining the Board. Such matters are addressed on an individual basis as they arise.
2. Due to the size of the Board and the nature of the Company's business, a formal performance evaluation process for of the Board, its Committees, the individual Directors and the Chairman has not been put in place or a formal evaluation been undertaken. Specific performance issues are dealt with as they arise.
3. The Company has two independent Directors, Greg Melgaard and Alex Hambro, as defined by the Combined Code issued in 2008. Matt Cooper holds directorships of other companies with the same Investment Manager and with the Investment Manager itself. The Board considers that all Directors have sufficient experience to be able to exercise proper judgement within the meaning of the Combined Code.
4. The Company does not have a Chief Executive Officer or Senior Independent Director. The Board does not consider this necessary for the size of the Company.
5. The Company conducts a formal review as to whether there is a need for an internal audit function. However, the Directors do not consider that an internal audit would be an appropriate control for a VCT.
6. The non-executive Directors do not have service contracts, whereas the recommendation is for fixed-term renewable contracts.
7. The Company has no major shareholders so shareholders are not given the opportunity to meet any new non-executive Directors at a specific meeting other than the Annual General Meeting.
8. The Company does not have a remuneration committee as it does not have any executive directors.

Insofar as each of the Directors are aware:

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

By order of the Board



Celia L Whitten, FCIS
Company Secretary
11 November 2009

Directors' Remuneration Report

Introduction

This report is submitted in accordance with s421 of the Companies Act 2006, in respect of the period ended 31 July 2009. An Ordinary Resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The Company's auditor, Grant Thornton UK LLP, is required to give its opinion on certain information included in this report; this comprises the Directors' emoluments section below only. Their report on these and other matters is set out on pages 29 and 30.

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 VCTs).

Statement of the Company's Policy on Directors' Remuneration

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

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

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

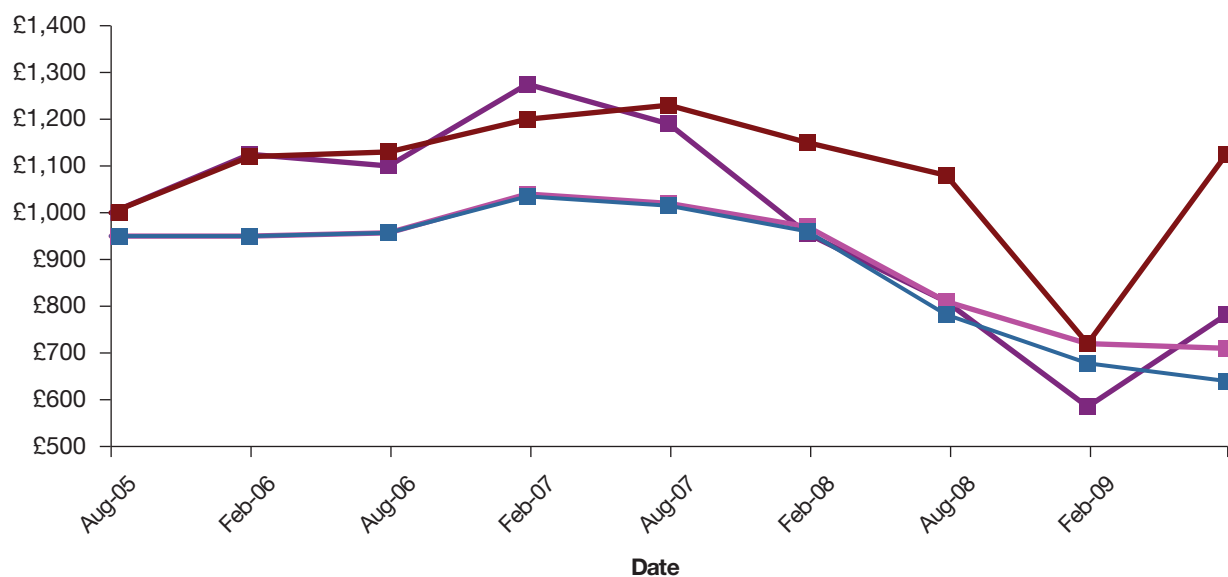
The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. The fees are not specifically related to the Directors' performance, either individually or collectively. There are no long-term incentive schemes, share option schemes or pension schemes in place. No other remuneration or compensation was paid or payable by the Company during the period to any of the current Directors.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Directors' Report. The graph overleaf compares the share price, NAV and total return (NAV plus dividends) of Eclipse 4 over the period from 31 August 2005 to 31 July 2009 with the total return from notional investments in the FTSE All-Share index and the FTSE Small Cap index over the same period. These indices are considered to be the most appropriate broad equity market indices for comparative purposes. However, the Directors wish to point out that VCTs are not able to make qualifying investments in companies quoted on the Main Market in their observance of the VCT rules.

Directors' Remuneration Report (continued)

Octopus Eclipse VCT 4 plc performance vs FTSE All-Share index and FTSE Small-Cap index over the period 31 August 2005 – 31 July 2009



- Octopus Eclipse VCT 4 plc NAV, assuming a notional investment of £1,000 on 31 August 2005.
- Octopus Eclipse VCT 4 plc NAV plus cumulative dividends, assuming a notional investment of £1,000 on 31 August 2005.
- FTSE All-Share index, assuming a notional investment of £1,000 on 31 August 2005 and the reinvestment of all income.
- FTSE Small-Cap index, assuming a notional investment of £1,000 on 31 August 2005 and the reinvestment of all income.

Directors' Emoluments (Information Subject to Audit)

Amount of each Director's emoluments:

Directors' fees	Period ended 31 July 2009	Year ended 31 August 2008
Mr R G Melgaard (Chairman)	£10,313	£11,250
Mr M Cooper	£7,333	£7,583
The Hon A Hambro	£7,333	£7,583
Total	£24,979	£26,416

The Directors do not receive any other form of emoluments in addition to the Directors' fees.

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 service contracts, 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 Directors.

By order of the Board

Celia L Whitten FCIS
Secretary
11 November 2009

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 adequate 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 2006. 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.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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.

On behalf of the Board



Greg Melgaard
Chairman
11 November 2009

Report of the Independent Auditor to the Members of Octopus Eclipse VCT 4 plc

Independent Auditor's Report to the Members of Octopus Eclipse VCT 4 plc

We have audited the financial statements of Octopus Eclipse VCT 4 plc for the period ended 31 July 2009 which comprise the income statement, the reconciliation of movements in shareholders' funds, the balance sheet, the cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2009 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' Report, set out on page 16, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review.

Tracey James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

11 November 2009

Income Statement

	Notes	11 months ended 31 July 2009		
		Revenue £'000	Capital £'000	Total £'000
Loss on disposal of fixed asset investments	10	-	(24)	(24)
Gain on disposal of current asset investments	11	-	17	17
Loss on valuation of fixed asset investments	10	-	(3,228)	(3,228)
Loss on valuation of current asset investments	11	-	(286)	(286)
Other income	2	743	-	743
Investment management fees	3	(110)	(329)	(439)
VAT rebate on management fees	3	50	150	200
Other expenses	4	(261)	-	(261)
Return on ordinary activities before tax		422	(3,700)	(3,278)
Taxation on return on ordinary activities	6	(119)	122	3
Return on ordinary activities after tax		303	(3,578)	(3,275)
Earnings per share – basic and diluted	8	1.5p	(12.7)p	(11.2)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 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.

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

Income Statement (continued)

	Notes	Year to 31 August 2008		Total £'000
		Revenue £'000	Capital £'000	
Gain on disposal of fixed asset investments	10	–	222	222
Gain on disposal of current asset investments	11	–	135	135
Loss on valuation of fixed asset investments	10	–	(5,949)	(5,949)
Loss on valuation of current asset investments	11	–	(45)	(45)
Other income	2	601	–	601
Investment management fees	3	(176)	(529)	(705)
Other expenses	4	(315)	–	(315)
Profit/(loss) on ordinary activities before tax		110	(6,166)	(6,056)
Taxation on profit/(loss) on ordinary activities	6	–	–	–
Profit/(loss) on ordinary activities after tax		110	(6,166)	(6,056)
Earnings/(loss) per share – basic and diluted	8	0.4p	(20.9)p	(20.5)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 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.

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

Reconciliation of Movements in Shareholders' Funds

	11 months ended 31 July 2009 £'000	Year ended 31 August 2008 £'000
Shareholders' funds at start of period	22,994	29,815
Return on ordinary activities after tax	(3,275)	(6,056)
Cancellation of own shares	(455)	(28)
Dividends paid	(733)	(737)
Balance as at end of period	18,531	22,994

Balance Sheet

	Notes	As at 31 July 2009		As at 31 August 2008	
		£'000	£'000	£'000	£'000
Fixed asset investments*	10		14,137		16,646
Current assets:					
Investments	11	4,184		6,214	
Debtors	12	330		208	
Cash at bank		63		53	
			4,577		6,475
Creditors: amounts falling due within one year	13	(183)		(127)	
Net current assets			4,394		6,348
Net assets			18,531		22,994
Called up equity share capital	14	2,870		2,947	
Special distributable reserve	15	24,603		25,058	
Capital redemption reserve	15	82		6	
Capital reserve – realised	15	(5,029)		(577)	
– unrealised	15	(4,577)		(4,596)	
Revenue reserve	15	582		156	
Total equity shareholders' funds			18,531		22,994
Net asset value per share	9		64.5p		78.0p

*At fair value through Income Statement.

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

The statements were approved by the Directors and authorised for issue on 11 November 2009 and are signed on their behalf by:



Greg Melgaard
Chairman

Cash Flow Statement

	Notes	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
Cash inflow/(outflow) from operating activities		177	(343)
Financial investment:			
Purchase of fixed asset investments	10	(1,184)	(12,221)
Sale of fixed asset investments	10	441	2,383
Management of liquid resources:			
Purchase of cash equivalent investments	11	(3,089)	(10,349)
Sale of cash equivalent investments	11	4,850	21,304
Dividends paid	7	(733)	(737)
Taxation		3	
Financing:			
Repurchase of own shares	14	(455)	(26)
Increase in cash at bank		10	11

Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
Increase in cash at bank		10	11
Movement in cash equivalent securities	11	(2,030)	(10,865)
Opening net funds		6,267	17,121
Net funds		4,247	6,267

Net funds at the period end comprised:

	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
Cash at Bank	63	53
Bonds	-	2,318
Money Market Funds	4,184	3,896
Net funds at the period end	4,247	6,267

Reconciliation of Profit before Taxation to Cash Flow from Operating Activities

	Notes	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
Return on ordinary activities before tax		(3,278)	(6,056)
Loss on valuation of fixed asset investments	10	3,228	5,949
Loss on valuation of current asset investments	11	286	45
Realised loss/(gain) on fixed asset investments	10	24	(222)
Realised gain on current asset investments	11	(17)	(135)
(Increase)/decrease in debtors		(122)	28
Increase in creditors		56	48
Cash inflow/(outflow) from operating activities		177	(343)

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, and in accordance with UK Generally Accepted Accounting Practice (UK GAAP), and the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trst Companies', (revised December 2005).

The principal accounting policies have remained unchanged from those set out in the Company's 2008 annual report and financial statements. A summary of the principal accounting policies is set out below.

The Company has designated all fixed and current asset investments as being held at fair value through profit and loss; therefore all gains and losses arising from investments held are attributable to financial assets held at fair value through profit and loss. Accordingly, all interest income, fee income, expenses and impairment losses are attributable to assets designated as being at fair value through profit and loss.

The preparation of the financial statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates and assumptions mainly relate to the valuation of the fixed asset investments, particularly unquoted investments. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and the assumptions are under continuous review with particular attention paid to the carrying value of the investments.

Capital valuation policies are those that are most important to the depiction of the Company's financial position and that require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The critical accounting policies that are declared will not necessarily result in material changes to the financial statements in any given period but rather contain a potential for material change. The main accounting and valuation policies used by the company are disclosed below. Whilst not all of the significant accounting policies require subjective or complex judgements; the Company considers that the following accounting policies should be considered critical.

Investments are regularly reviewed to ensure that the carrying values are appropriately stated. Quoted investments are valued in accordance with the bid-price on the relevant date, unquoted investments are valued in accordance with current Private Equity and Venture Capital (IPEVC) valuation guidelines, although this does rely on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies, asset values of subsidiary companies and liquidity or marketability of the investments held.

Investments

Purchases and sales of investments are recognised in the financial statements at the date of the transaction (trade date).

These investments will be managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy and information about them has to be provided internally on that basis to the Board. Accordingly as permitted by FRS 26, the investments will be designated as fair value through profit and loss (FVTPL) on the basis that they qualify as a group of assets managed, and whose performance is evaluated, on a fair value basis in accordance with a documented investment strategy. The Company's investments are measured at subsequent reporting dates at fair value.

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 or the last traded price, depending upon convention of the exchange on which the investment is quoted. This is consistent with the International Private Equity and Venture Capital (IPEVC) guidelines.

In the case of unquoted investments, fair value is established by using measures of value such as the price of recent transactions, 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. This is consistent with IPEVC valuation guidelines.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the income statement and allocated to the capital reserve – unrealised.

In the preparation of the valuations of assets the Directors are required to make judgements and estimates that are reasonable and incorporate their knowledge of the performance of the investee companies.

Notes to the Financial Statements (continued)

Current asset investments

Current asset investments comprise money market funds and bonds and are designated as FVTPL. Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the Income Statement and allocated to the capital reserve – realised.

The current asset investments are all invested with the Company's cash manager and are readily convertible into cash at the choice of the Company. The current asset investments are held for trading, are actively managed and the performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about them has to be provided internally on that basis to the Board.

Income

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

Dividends receivable are brought into the accounts 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 interest rate, 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 is 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.

Revenue and capital

The revenue column of the Income Statement includes all income and revenue expenses of the Company. The capital column includes realised and unrealised gains and losses on investments. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date.

Taxation

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the 'marginal' basis as recommended in the SORP.

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax. This is with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing can be deducted.

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 investments in money market managed funds.

Financing strategy and capital structure

FRS 29 'Financial Instruments: Disclosures' comprises disclosures relating to financial instruments.

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

Notes to the Financial Statements (continued)

Financial instruments

The Company's principal financial assets are its investments and the policies in relation to those assets are set out above. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Dividends

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established. This liability is established when the dividends proposed by the Board are approved by the shareholders.

2. Income

	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
	£'000	£'000
Income on money market securities and bank balances	360	395
Dividends received	24	28
Loan note interest	359	178
	743	601

3. Investment Management Fees

	11 months ended 31 July 2009			Year to 31 August 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	108	321	429	150	450	600
Irrecoverable VAT thereon	2	8	10	26	79	105
Total fees	110	329	439	176	529	705
VAT rebate	(50)	(150)	(200)	–	–	–

For the purposes of the revenue and capital columns in the income statement, the management fee has been allocated 25% to revenue and 75% to capital, in line with the Board's expected long-term return in the form of income and capital gains respectively from the Company's investment portfolio.

Octopus provides investment management and accounting and administration services to the Company under a management agreement. This agreement 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. No compensation is payable in the event of terminating the agreement by either party, if the required notice period is given. The fee payable, should insufficient notice be given, will be equal to the fee that would have been paid should continuous service be provided, or the required notice period was given. The basis upon which the management fee is calculated is disclosed within note 19 to the financial statements.

In his budget statement on 12 March 2008, the Chancellor of the Exchequer announced that the Finance Act 2008 would contain draft legislation exempting VCTs from VAT on management fees with effect from 1 October 2008. This legislation was passed in July 2008 and, as such, all VCTs are now exempt from paying VAT on management fees from this date. Therefore, VAT has not been included on management fees since 1 November 2008 and a request has been submitted to HMRC for a rebate for previous years.

Notes to the Financial Statements (continued)

4. Other Expenses

	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
Accounting and administration services	71	107
Directors' remuneration	25	26
Fees payable to the Company's auditor for the audit of the financial statements	13	12
Fees payable to the Company's auditor for other services – tax compliance	3	3
Legal and professional expenses	9	53
Other expenses	140	114
	261	315

Total annual running costs are capped at 3.5% of net assets. For the 11 months ended 31 July 2009 the running costs were 1.4% of net assets (2008: 2.7%).

5. Directors' Remuneration

	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
Directors' emoluments		
Mr R G Melgaard (Chairman)	11	12
Mr M Cooper	7	7
The Hon A Hambro	7	7
	25	26

None of the Directors received any other remuneration or benefit from the Company 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 (2008: three).

6. Tax on Ordinary Activities

The corporation tax credit for the period was £3,000 (2008: £nil).

Factors affecting the tax credit for the current period:

The current tax credit for the period differs from the standard rate of corporation tax in the UK of 28% (2008: 29%). The differences are explained below.

Current tax reconciliation:

	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
Return on ordinary activities before tax	(3,278)	(6,056)
Current tax at 28% (2008: 29%)	(918)	(1,766)
Expenses not deductible for tax purposes	1,010	1,632
(Utilised)/unrelieved tax losses	(89)	134
Total current tax credit	3	–

Excess management charges of £142,000 (2008: £426,000) have been carried forward at 31 July 2009 and are available for offset against future taxable income subject to agreement with HMRC.

Approved VCTs are exempt from tax on capital gains within the Company. Since the Directors intend that the Company will continue to conduct its affairs so as to maintain its approval as a VCT, no current deferred tax has been provided in respect of any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Financial Statements (continued)

7. Dividends

	11 months ended 31 July 2009 £'000	Year to 31 August 2008 £'000
Recognised as distributions in the financial statements for the period		
Previous year's final dividend	442	443
Current period's interim dividend	291	294
	733	737
Paid and proposed in respect of the period		
Interim dividend paid – 1.0p per share (2008: 1p per share)	293	295
Proposed final dividend – 1.5p per share (2008: 1.5p per share)	431	442
	724	737

The final dividend of 1.5p per share for the period ended 31 July 2009, subject to shareholder approval at the Annual General Meeting, will be paid on 15 January 2010 to those shareholders on the register on 27 November 2009.

8. Earnings per Share

The earnings per share is based on 29,305,663 (31 August 2008: 29,487,967) Ordinary 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. The basic and diluted earnings per share are therefore identical.

9. NAV per Share

The calculation of NAV per share as at 31 July 2009 is based on 28,716,591 (31 August 2008: 29,475,498) Ordinary shares in issue at that date.

Notes to the Financial Statements (continued)

10. Fixed Asset Investments

	Unquoted investments 31 July 2009 £'000	AIM-quoted investments 31 July 2009 £'000	Total investments 31 July 2009 £'000
Valuation and net book amount:			
Book cost as at 1 September 2008	16,931	4,352	21,283
Cumulative revaluation	(3,381)	(1,256)	(4,637)
Valuation at 1 September 2008	13,550	3,096	16,646
Movement in the period:			
Purchases at cost	1,184	-	1,184
Disposal proceeds	(301)	(140)	(441)
Profit on realisation of investments – current period	57	(81)	(24)
Revaluation in period	(2,092)	(1,136)	(3,228)
Valuation at 31 July 2009	12,398	1,739	14,137
Book cost at 31 July 2009:			
– Ordinary shares	6,429	3,719	10,148
– Loan notes/other securities	8,317	-	8,317
Revaluation to 31 July 2009:			
– Ordinary shares	(972)	(1,980)	(2,952)
– Loan notes/other securities	(1,376)	-	(1,376)
Valuation at 31 July 2009	12,398	1,739	14,137

Further details of the fixed asset investments held by the Company are shown within the Investment Manager's Review on pages 5 to 12.

All investments are designated as fair value through profit or loss at the time of acquisition, and all capital gains or losses on investments so designated. Given the nature of the Company's venture capital investments, the changes in fair value of such investments recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and accordingly these gains are treated as unrealised.

At 31 July 2009 and 31 August 2008 there were no commitments in respect of investments approved by the Manager but not yet completed.

When the Company re-values its fixed and current asset investments, any gains or losses are credited/charged to the capital reserve – unrealised unless any diminution in value is considered permanent, in which case it is charged to the capital reserve – realised.

When an investment is sold, any balance held on the capital reserve – unrealised is transferred to the capital reserve – realised as a movement in reserves.

Notes to the Financial Statements (continued)

11. Current Asset Investments

Current asset investments at 31 July 2009 and at 31 August 2008 comprised bonds and money market funds.

	£'000	£'000
Money market securities at cost at 1 September 2008:		
Bonds	2,318	
Money Market Funds	3,855	
		6,173
Revaluation as at 1 September 2008:		
Bonds	–	
Money Market Funds	41	
		41
Valuation as at 1 September 2008		6,214
Movement in the year:		
Purchases at Cost:		
Bonds	–	
Money Market Funds	3,089	
		3,089
Disposal proceeds:		
Bonds	(2,330)	
Money Market Funds	(2,520)	
		(4,850)
Profit/(loss) in year on realisation of investments:		
Bonds	12	
Money Market Funds	5	
		17
Revaluation in year:		
Bonds	–	
Money Market Funds	(286)	
		(286)
Valuation as at 31 July 2009		4,184
Cost at 31 July 2009:		
Bonds	–	
Money Market Funds	4,470	
		4,470
Revaluation to 31 July 2009:		
Bonds	–	
Money Market Funds	(286)	
		(286)
Valuation as at 31 July 2009		4,184

12. Debtors

	31 July 2009 £'000	31 August 2008 £'000
Prepayments and accrued income	330	208

13. Creditors: Amounts Falling Due Within One Year

	31 July 2009 £'000	31 August 2008 £'000
Accruals	45	59
Other creditors	138	68
	183	127

Notes to the Financial Statements (continued)

14. Share Capital

	31 July 2009 £'000	31 August 2008 £'000
Authorised:		
50,000,000 Ordinary shares of 10p	5,000	5,000
Allotted and fully paid up		
28,716,591 Ordinary shares of 10p (2008: 29,479,384)	2,870	2,947

The capital of the Company is managed in accordance with its investment policy with a view to the achievement of its investment objective as set on page 17. The Company is not subject to any externally imposed capital requirements.

The Company did not issue any shares in the period (2008: nil).

The Company has purchased 760,398 Ordinary shares for cancellation at a weighted average price of 60.1p per share.

The total nominal value of the shares repurchased was £76,000, representing 2.6% of the issued share capital.

15. Reserves

	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
As at 1 September 2008	25,058	6	(576)	(4,596)	156
Repurchase of own shares	(455)	76	–	–	–
Return on ordinary activities before tax	–	–	–	–	(3,278)
Tax on ordinary activities	–	–	122	–	(119)
Capitalisation of management fees	–	–	(329)	–	329
Prior period gains/losses on disposal	–	–	(3,533)	3,533	–
Current period gains/losses on disposal	–	–	(7)	–	7
Gains/losses on revaluation	–	–	–	(3,514)	3,514
Dividends paid	–	–	(706)	–	(27)
Balance as at 31 July 2009	24,603	82	(5,029)	(4,577)	582

When the Company revalues its investments during the period, any gains or losses arising are credited/charged to the profit and loss account. Unrealised gains/losses are then transferred to the capital reserve – unrealised. When an investment is sold any balance held on the revaluation reserve is transferred to the profit and loss account as a movement in reserves.

The purpose of the special distributable reserve was to create a reserve which will be capable of being used by the Company to pay dividends and for the purpose of making repurchases of its own shares in the market with a view to narrowing the discount at which the Company's Ordinary shares trade to NAV.

16. Financial Instruments and Risk Management

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

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

Notes to the Financial Statements (continued)

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

Market risk

The Company's strategy for managing investment risk is determined with regard to the Company's investment objective, as outlined on page 17. The management of market risk is part of the investment management process and is a central feature of venture capital investment. The Company's portfolio is managed in accordance with the policies and procedures described in the Corporate Governance statement on pages 22 to 25, having regard to the possible effects of adverse price movements, with the objective of maximising overall returns to shareholders. Investments in unquoted companies, by their nature, usually involve a higher degree of risk than investments in companies quoted on a recognised stock exchange, though the risk can be mitigated to a certain extent by diversifying the portfolio across business sectors and asset classes. The overall disposition of the Company's assets is regularly monitored by the Board.

Details of the Company's investment portfolio at the balance sheet date are set out on page 6. An analysis of investments between debt and equity instruments is given in note 10.

9.4% (31 August 2008: 13.5%) by value of the Company's net assets comprises equity securities listed on the London Stock Exchange or quoted on AIM. Every 5% increase in the bid price of these securities as at 31 July 2009 would have increased net assets and the total return for the period by £87,000 (31 August 2008: £155,000); a corresponding fall would have reduced net assets and the total return for the period by the same amount.

66.4% (31 August 2008: 58.9%) by value of the Company's net assets comprises investments in unquoted companies held at fair value. The valuation methods used by the Company include the application of a price/earnings ratio derived from listed companies with similar characteristics, and consequently the value of the unquoted element of the portfolio can be indirectly affected by price movements on the London Stock Exchange. Every 5% overall increase in the valuation of the unquoted investments at 31 July 2009 would have increased net assets and the total return for the period by £616,000 (31 August 2008: £677,500); an equivalent change in the opposite direction would have reduced net assets and the total return for the period by the same amount.

Interest rate risk

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

Fixed rate

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

	As at 31 July 2009			As at 31 August 2008		
	Total fixed rate portfolio by value £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years	Total fixed rate portfolio by value £'000	Weighted average interest rate %	Weighted average time for which rate is fixed in years
Listed fixed-interest investments	–	–	–	1,169	4.8	0.6
Fixed-rate investments in unquoted companies	9,288	6.6	2.6	12,000	7.6	3.6
	9,288			13,169		

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

Notes to the Financial Statements (continued)

Floating rate

The Company's floating rate investments comprise cash held on interest-bearing deposit accounts and, where appropriate, within interest bearing money market securities. The benchmark rate which determines the rate of interest receivable on such investments is the bank base rate, which was 0.5% at 31 July 2009 (31 August 2008: 5.0%). The amounts held in floating rate investments at the balance sheet date were as follows:

	31 July 2009	31 August 2008
	£'000	£'000
Floating rate notes	–	1,149
Cash on deposit and money market funds	4,247	3,958
	4,247	5,107

Every 1% increase in the base rate would increase income receivable from these investments and the total return for the period by £43,000 (31 August 2008: £51,000).

Credit risk

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

At 31 July 2009, the Company's financial assets exposed to credit risk comprised the following:

	31 July 2009	31 August 2008
	£'000	£'000
Investments in fixed interest instruments	9,288	13,169
Investments in floating rate instruments	–	1,149
Cash on deposit & money market funds	4,247	3,958
Accrued dividends and interest receivable	318	34
	13,853	18,310

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

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

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

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

There were no significant concentrations of credit risk to counterparties at 31 July 2009 or 31 August 2008. By cost, no individual investment exceeded 11.0% of the Company's net assets at 31 July 2009 (31 August 2008: 10.9%).

Notes to the Financial Statements (continued)

Liquidity risk

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

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

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

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. At 31 July 2009 these investments were valued at £4,262,000 (31 August 2008: £6,277,000).

17. Post-balance Sheet Events

The following events occurred between the balance sheet date and the signing of these financial statements:

- Investment of £147,867 in August 2009 into Bruce Dunlop & Associates Limited.
- Investment of £132,029 in September 2009 into Perfect Pizza Limited.
- Investment of £21,471 in September 2009 into Lilestone Holdings Limited.
- Investment of £41,100 in August and September 2009 into The History Press Limited.
- Investment of £186,105 in August and September 2009 into Sweet Cred Holdings Limited.

18. Contingencies, Guarantees and Financial Commitments

As mentioned in the Chairman's Statement on pages 3 and 4, a claim for the repayment of VAT suffered on management fees has been submitted and income of £200,000 has been recognised. It is not yet clear when repayment will be received. There were no further contingencies, guarantees or financial commitments as at 31 July 2009 (2008: £nil).

19. Related Party Transactions

Matt Cooper, a non-executive Director of Octopus Eclipse VCT 4 plc, is a Director of Octopus. Octopus Eclipse VCT 4 plc has employed Octopus throughout the period as Investment Manager. Octopus Eclipse VCT 4 plc has paid Octopus £364,000 (2008: £705,000) 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 NAV calculated at annual intervals as at 31 July. Octopus also provides accounting and administrative services to the Company, payable quarterly in advance for a fee of 0.3% of the NAV calculated at annual intervals as at 31 July. During the period £71,000 (2008: £107,000) 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. Commencing no earlier than the close of the 2008/09 financial year and in the event that distributions per share have reached 40p in aggregate, subsequently increased to 45p following approval of the Coinvestment Agreement approved at the EGM in 2006, and the performance value at that date exceeds 130p per share, then Octopus will be entitled to an incentive fee equal to 20% of the excess of such performance value over 100p per share. No performance fee was payable at 31 July 2009, on the basis that the Directors do not believe that the necessary criteria will be met in the foreseeable future.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Octopus Eclipse VCT 4 plc will be held at 8 Angel Court, London, EC2R 7HP on Thursday, 10 December 2009 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the period ended 31 July 2009 and the Directors' and Auditor's reports thereon.
2. To approve a final dividend of 1.5 pence per share.
3. To approve the Directors' Remuneration Report.
4. To re-elect Greg Melgaard as a Director.
5. To re-appoint Grant Thornton UK LLP as auditor of the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, pass Resolution 6 as an Ordinary Resolution and Resolutions 7 and 8, as Special Resolutions:

6. **AUTHORITY TO ALLOT RELEVANT SECURITIES**
 THAT the Directors be and are generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to a maximum nominal amount of £287,166 (representing approximately 10% of the Ordinary share capital in issue at today's date) such authority to expire at the later of the conclusion of the Company's Annual General Meeting next following the passing of this Resolution and the expiry of 15 months from the passing of the relevant Resolution (unless previously revoked, varied or extended by the Company in general meeting but so that such authority allows the Company to make offers or agreements before the expiry thereof, which would or might require relevant securities to be allotted after the expiry of such authority).
7. **EMPOWERMENT TO MAKE ALLOTMENTS OF EQUITY SECURITIES**
 TO empower the Directors pursuant to s571 of the Companies Act 2006 to allot or make offers or agreements to allot equity securities (as defined in s560(1) of the said Act) for cash pursuant to the authority referred to in Resolution 6 as if s561(1) of the said Act did not apply to any such allotments and so that:
 - (a) reference to allotment in this Resolution shall be construed in accordance with s560(2) of the said Act; and
 - (b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power.

And this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this Resolution.

Notice of Annual General Meeting (continued)

8. AUTHORITY TO MAKE MARKET PURCHASES

THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of s693(4) 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 5% of the present issued Ordinary share capital of the Company;
- (b) the minimum price which may be paid for an Ordinary share shall be 10p;
- (c) the maximum price, exclusive of expenses, which may be paid for an Ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased;
- (d) the authority conferred comes to an end at the conclusion of the next Annual General Meeting of the Company or upon the expiry of 15 months from the passing of this Resolution, whichever is the later; and
- (e) that the Company may enter into a contract to purchase its Ordinary shares under this authority prior to the expiry of this authority which would or might be completed wholly or partly after the expiry of this authority.

By Order of the Board

8 Angel Court
London
EC2R 7HP



Celia L Whitten FCIS
Secretary
11 November 2009

NOTES:

- (a) A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member.
- (b) A form of proxy is enclosed which, to be effective, must be completed and delivered to the registrars of the Company, **Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** 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 the Listing Rules 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 at the place of that meeting for at least 15 minutes prior to the commencement of the meeting until its conclusion, as well as on the Investment Manager's website www.octopusinvestments.com.

Proxy Form

Octopus Eclipse VCT 4 plc

Annual General Meeting – Tuesday, 10 December 2009

I/We
(BLOCK CAPITALS PLEASE)

of
being a member of Octopus Eclipse VCT 4 plc, hereby appoint the Chairman of the meeting

or,

Name of Proxy Number of Shares

as my/our proxy and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 10 December 2009, notice of which was sent to shareholders with the Directors' Report and the accounts for the period ended 31 July 2009, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolutions set out in the notice of meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made.

For the appointment of one or more proxy, please refer to the explanatory note 4 below.

Resolution number	FOR	AGAINST	WITHHELD
1. To receive, consider and adopt the financial statements for the period ended 31 July 2009	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve a final dividend of 1.5 pence 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 Greg Melgaard as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Grant Thornton UK LLP as auditor and authorise the Directors to agree their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to allot shares under s551 of the Companies Act 2006 (Ordinary Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply s561 of the Companies Act 2006 and allot shares on a non-rights issue basis (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the Directors to make market purchases of its own shares (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed: Dated: 2009

NOTES

1. To be valid, the proxy form must be received by the Registrars of Octopus Eclipse VCT 4 plc at, **Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent BR3 4BR** no later than 48 hours before the commencement of the meeting. If delivering by courier please use the full address of Capita set out in the Notice.
2. 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.
3. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
4. To appoint more than one proxy, you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
5. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
6. 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.
7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6 p.m. on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
8. The address on the envelope containing this notice is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30 a.m. – 5.30 p.m. Monday – Friday) to request a change of address form.
9. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

Please return using addressed envelope supplied

