



ECLECTIC

ECLECTIC INVESTMENT TRUST PLC

(formerly called Stocks Convertible Trust plc)

Report and accounts 2007

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FINANCIAL CALENDAR

Ordinary shares ex-dividend	10 October 2007
Dividend payment	2 November 2007
AGM	17 October 2007
Half-year 30 November 2007 announcement	January 2008

Our objective is to maximise shareholder value by investing in a portfolio of securities anywhere in the world.

Eclectic recorded a total return of £5.3m after tax, resulting in the Net Asset Value per Ordinary share increasing to 165.5p.

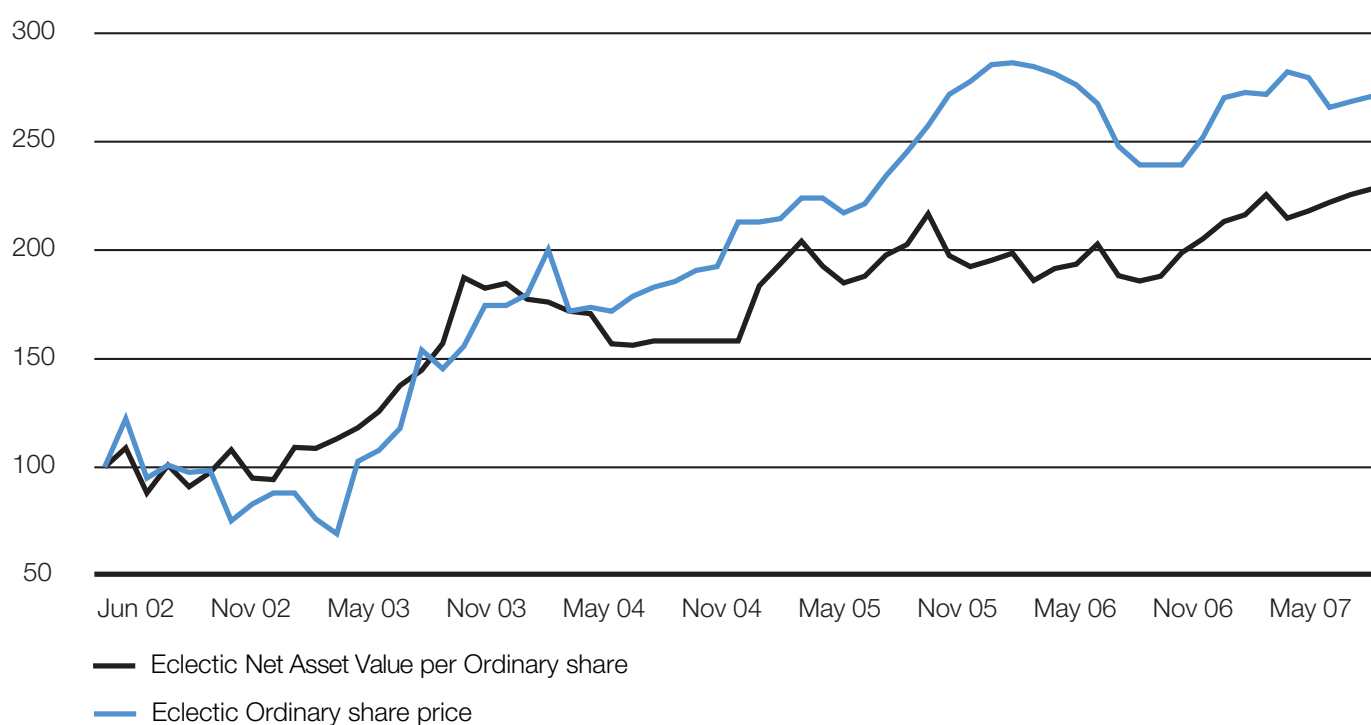
AWARDS

March 2006 - Money Observer Magazine - Best Global Trust for consistently superior performance in each of the three previous calendar years.

June 2005 - Financial Times Money Guide Funds Watch - Investment Trust Global Growth and Income Sector, ranked No.1 in each of the one, three and five years to 31 May 2005.

Eclectic Ordinary share price and Net Asset Value performance

(From 1 June 2002 to 31 May 2007)



1 June 2002 = 100

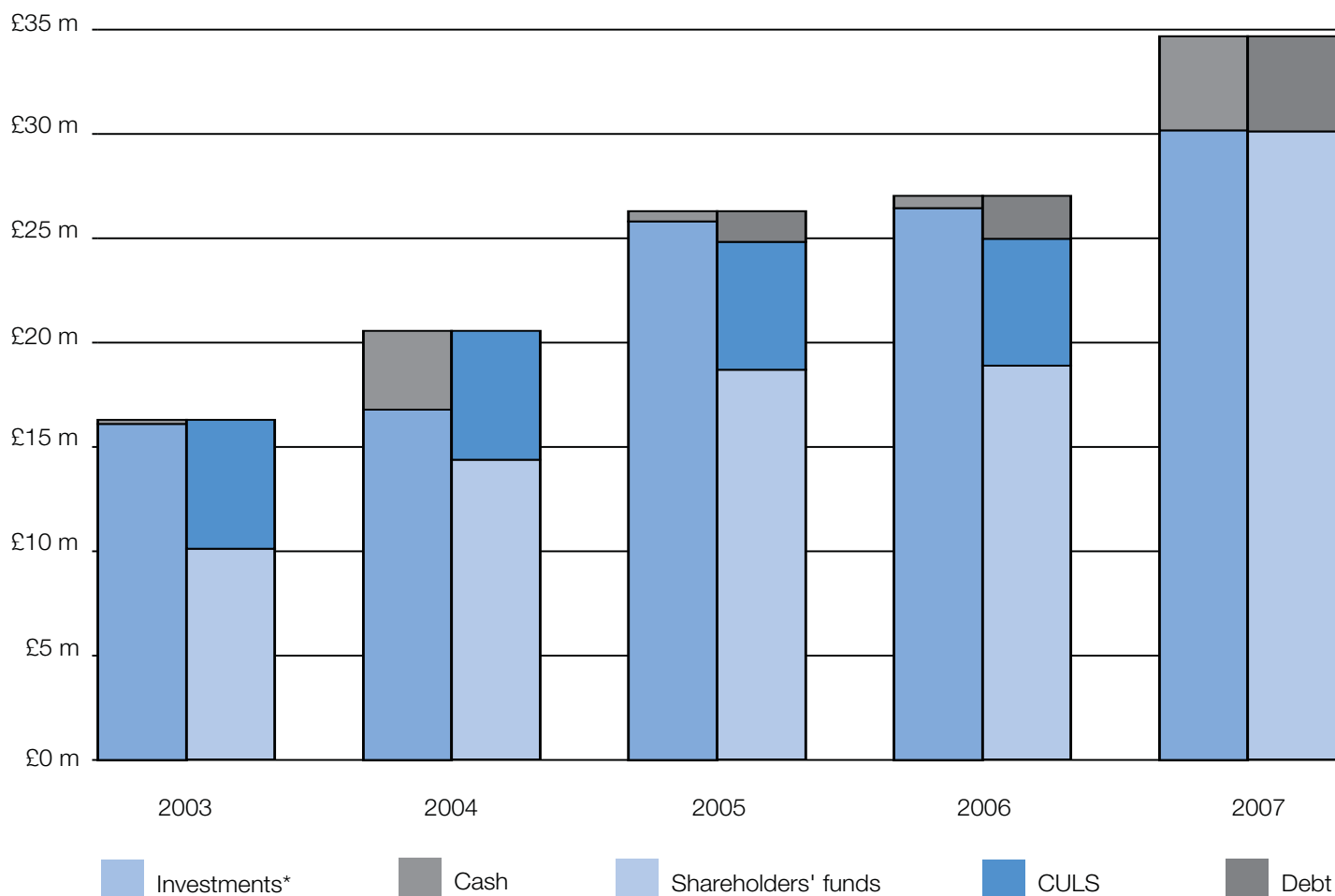
Source: Eclectic Investment Trust plc

FINANCIAL HIGHLIGHTS

- Net assets (excluding convertible unsecured loan stock) increased by 20.7% to £30.2m
- NAV per Ordinary share increased to 165.5p from 137.2p (diluted 2006 NAV)
- Total return of £5.3m after tax for the year
- Dividend per Ordinary share proposed at 1.5p
- Outstanding convertible unsecured loan stock (CULS) converted into Ordinary shares

Eclectic portfolio progression and capital structure

(From 1 June 2002 to 31 May 2007)



*includes current net assets and non-current liabilities excluding loans

Source: Eclectic Investment Trust plc

	31 May 2007	31 May 2006	% Change
Basic net asset value per Ordinary share	165.5p	159.2p	4.0
Diluted net asset value per Ordinary share	165.5p⁽¹⁾	137.2p	20.7
Ordinary share price	158.5p	145.0p	9.3
Discount	4.3%	8.9%	—
Total earnings per Ordinary share			
Basic	35.0p	1.8p	1,822.0
Diluted	29.7p	2.7p ⁽²⁾	983.2
Dividend per Ordinary share	1.5p	1.5p	0.0
Net Assets (for the year ended 31 May 2006 net assets are prior to CULS liability)	£30.2m	£25.0m	20.7
Bank loans	£4.5m	£2.1m	119.2
Gearing on net assets (for the year ended 31 May 2006 net assets are prior to CULS liability)	15.0%	8.4%	—
Total expense ratio on average shareholders' funds	2.6%⁽³⁾	2.1%	—

(1) Due to the conversion of the CULS there is no diluted NAV for the year ended 31 May 2007. However, as the net assets have been diluted during the year through the issue of 6,210,626 Ordinary shares as a result of the conversion of the CULS, for performance purposes, the NAV of 165.5p is comparable to the diluted NAV of 137.2p for the year ended 31 May 2006 and reflects the actual performance of the Company during the year.

(2) Anti-dilutive total earnings per Ordinary share.

(3) See note 20 to the Financial Statements for further details.

INVESTMENT POLICY AND APPROACH

Eclectic seeks to invest in undervalued investments worldwide.

Eclectic's investment policy is flexible and permits the Investment Manager to make investments worldwide across all sectors, and in a variety of financial instruments. Thus the Company invests in shares, bonds, convertibles and other types of securities where suitable opportunities arise. It may also invest in unlisted securities where the attractiveness of the investment justifies the risks and lower liquidity associated with such investments.

Eclectic seeks to identify and invest in undervalued investments, where the underlying value is not reflected in the market price, and to exploit market and pricing opportunities. These may arise from technology or regulatory factors, market motivation, financial engineering, competition or shareholder apathy. The portfolio is focussed on absolute performance. The investment strategy is not market driven or compelled to focus on any one sector or industry.

The Company seeks to manage risk by investing in situations where it believes there is downside protection, afforded by asset cover or other characteristics that provide the Investment Manager with additional comfort.

The Company aims to maximise value for shareholders by holding a relatively concentrated portfolio of securities and by investing in instruments appropriate to particular investments.

The Company may use derivative instruments such as CFDs, financial futures, options and warrants. It may, from time to time, seek to actively protect the portfolio and balance sheet from major corrections by the use of foreign currency hedges, interest rate hedges, stock market put options and similar instruments. It presently holds a significant number of long dated FTSE and S&P Index put options.

Strong Growth in net assets and proposed maintained dividend.

Progress will continue to be made in focussing the portfolio and enabling the Company to pursue its strategy of capital expansion in due course.

It is pleasing to report that substantial progress has been made towards the Company's longer term aims of greater investment flexibility and increase in the asset base. During the year, net assets (excluding the CULS), grew strongly rising by 20.7% to £30.2m. Measured against the new benchmark*, which increased by 8.8% during the year under review, this demonstrates outperformance of 11.9%.

Although the Company reported a small revenue loss for the year, mainly attributable to the costs of the conversion of the CULS and changes of name and investment objective in the period, the Directors propose a maintained final dividend of 1.50p per Ordinary share. If approved by shareholders at the Annual General Meeting in October, the dividend would be payable on 2 November 2007 to shareholders on the register at 12 October 2007.

As I indicated in my statement last year, the Board felt that the investment mandate at that time was too restrictive. Accordingly, in October 2006, shareholders approved a change of investment objective, to maximise shareholder value by investing in a portfolio of securities anywhere in the world and also a change of name for the Company to reflect this new mandate, to Eclectic Investment Trust plc.

The Investment Manager has made a number of new investments under this new objective, as described further in the Investment Report on pages 6 and 7. Accordingly, the percentage of total investments accounted for by the ten largest investments has fallen to 85.9% from 96.6% at last year end. This rebalancing of the portfolio will be ongoing to widen the geographical and sectoral spread of the Company's holdings over time.

At the same time, it was agreed that the Company should have the right to convert compulsorily the convertible loan stock into ordinary shares, subject to certain conditions. This has now been completed and the objective of simplifying the capital structure in readiness for a capital raising at an appropriate point in the future has been reached. The Board continues to believe that the capital base of the

Company needs to be expanded to make the overall management of it more economic and to give greater flexibility for investment within an enlarged portfolio.

A disappointing development in March was the dismissal of our case that was pursued in Australia by the Investment Manager on behalf of the Company and other claimants in respect of damages relating to investments made in 1999 pursuant to a prospectus offering by New Cap Reinsurance Corporation Holdings Limited. Having taken Counsel's advice, the Company and the other claimants, have decided to appeal against the judgement, as announced by the Company on 13 August 2007.

There continue to be a number of economic factors around the world which will impact on equity markets and economies. Interest rates and inflation continue to cause concern, with the growth rate in the world's economic activities expected to decline from the high levels of growth seen in the last year. I am pleased to advise shareholders that the Manager has significantly increased the usage of long dated put options on the FTSE and S&P Indices as a means of protecting the portfolio against adverse stockmarket movements.

However, the Board and the Investment Manager are confident that there are significant opportunities for investment and that progress will continue to be made in re-focussing the portfolio and enabling the Company to pursue its strategy of capital expansion in due course.



Anthony Bushell
Chairman

10 September 2007

* the post tax average annual yield on the FTSE Actuaries Government Securities UK Gilts 5 to 10 Years Index plus the average UK inflation by reference to the UK All Items Retail Price Index (excluding mortgage interest) plus a two percentage point hurdle.

Eclectic's diluted NAV per ordinary share increased by 20.7% to 165.5p.

New companies in ten largest investments with increased flexibility of new investment objective.

During the period under review, net assets (excluding CULS) increased by 20.7% to £30.2m, including cash of £4.5m and the investment portfolio of £29.7m. NAV per Ordinary share rose to 165.5p (basic), an effective increase of 20.7% on the year. The new investment objective gives greater flexibility, enabling investment worldwide in any sector or type of security.

Portfolio

Eclectic's key investments have generally performed well in the current year, with continuing investments held throughout the year showing significant share price increases, particularly Trust Company, Global Equity Market Securities and Law Debenture Corporation.

Trust Company's share price rose by 13.7%, with a dividend per share of 59 cents (including a special dividend) representing a dividend yield of 4.8%. Eclectic's holding in Trust Company was significantly reduced during the year to 32.9% of the portfolio, as part of the overall strategy of lowering concentration on the largest investments, generating a profit over book cost of £4.2m.

Trust Company continues to be our largest holding and a core position in the portfolio.

Global Equity Market Securities continues to accumulate value towards the redemption date next January, with a May 2007 locked in value at a 9.8% premium to the share price.

Law Debenture Corporation has delivered share price growth of 24.0% with strong asset backing provided by the investment trust and satisfactory returns from the operating trustee businesses.

New investments have been introduced into the top ten investments, Société des Bains de Mer de Monaco, News & Media NZ, DTI Group and Global Mining Investments. These investments are in a spread of geographic areas and a range of sectors, including leisure assets, media, transport services, metals and mining. Société des Bains de Mer de Monaco, where our investment stands at £2.9m, is showing a good return on cost and offers solid backing in prime leisure assets in Monaco.

In News & Media NZ, we are invested in exchangeable preference shares which convert into ordinary shares in Independent News & Media PLC, valued at a premium to our cost of investment.

Global Mining Investments was initially acquired at a 30% discount to net asset backing and has shown significant share price increase since then.

During the year under review, we have exited several investments which were in the ten largest investments at the last year end, including Utilico Investment Trust plc convertible unsecured loan stock, Invesco Income Growth Trust plc and Datang International Power Generation Co. Ltd. These investments were sold at a combined profit of £1.9m over book cost.

We have been a beneficiary of the relative increases in the Australian and New Zealand currencies as we have only partly hedged against these positions. During the year the Australian dollar strengthened against Sterling from A\$2.483 to A\$2.391 and the New Zealand dollar from NZ\$2.947 to NZ\$2.687.

It has been our intention to seek to rebalance the portfolio to reduce the concentration on the ten largest investments while maintaining a focussed portfolio approach. To this end, we have reduced the percentage of the total investments represented by the ten largest holdings to 86% from 97% last year, including the reduction in the holding in Trust Company referred to above.

It would be our intention to add new investments into the portfolio, which now stands at a total number of 28 holdings, compared to 25 at 31 May 2006, and to continue to diversify the portfolio in terms of geographical and industry spread.

The ten largest investments are covered in more detail on pages 9 and 10 of this report.

Derivatives and CFDs

The Company has been acquiring long dated index put options (S&P and FTSE) for over two years as insurance against a market decline and while put option premiums were low relative to the perceived risks. The net exposure of the put options at year end was in excess of £21m which approximates 70% of the net equity of the Company. The value of these positions has increased substantially since year end with the fall in the markets.

In addition to our put option strategy the Company has utilised CFDs

("Contracts for difference") to gain additional exposure to the market including investments in our top ten or former top ten investments such as Trust Company and ERG Limited.

Debt

During the year, Eclectic renewed its £5.0m banking facility with The Royal Bank of Scotland International and at the year end indebtedness under this facility was £4.5m, with cash held of £4.5m resulting from sales of investments before the year end.

Return

The consolidated profit after tax for the year was £5.3m, with a profit of £5.4m on capital account and a loss of £0.1m on revenue account. This loss mainly derives from an increase in other expenses largely attributable to the legal and administrative expenses incurred in connection with changes to the Company's future direction, including changes to the Company's investment objective and policy, and the conversion of the CULS, effected in October 2006.

Conclusion

The increase in shareholders' funds and net assets per share demonstrates a pleasing capital uplift during the year. The reduction in the weighting of the portfolio in the largest ten investments is a positive step in our focus on the more flexible investment mandate. The significant long put option position provides additional protection against the heightened market risk. We will continue to seek to develop the portfolio and identify new undervalued investment opportunities around the world.

TEN LARGEST INVESTMENTS

(ORDINARY SHARES UNLESS OTHERWISE STATED)

This Year	Last Year	Company (Country) Description	At 31 May 2007	
			Fair Value £'000s	% of total investments
1	(1)	Trust Company (Australia) Trustee and financial services	9,748	32.9
2	(2)	Global Equity Market Securities - 0% 18/01/2008 (New Zealand) Capital guaranteed investment product	3,851	13.0
3	(-)	Société des Bains de Mer de Monaco (Monaco) Property and leisure company	2,896	9.8
4	(3)	Law Debenture (UK) Investment trust and trustee services	2,300	7.7
5	(-)	News & Media NZ - 8.75% Conv Preference (New Zealand) Media company	2,147	7.2
6	(8)	eBet - Ordinary and 8.56% Redeemable Conv Notes 07/02/2008 (Australia) Gaming systems	1,218	4.1
7	(4)	Intellect - Ordinary, 4% Conv Notes 05/01/2010 & Options 31/12/2009 (Australia) Point of sale equipment	1,056	3.6
8	(-)	DTI - 10% Conv Notes 20/06/2009 (Australia) Transport management systems	837	2.8
9	(-)	Global Mining Investments (Australia) Investment company	771	2.6
10	(10)	Resolute Mining (Australia) Developer and operator of mines	648	2.2
Ten largest investments			25,472	85.9
Other investments (18)			4,194	14.1
Total investments			29,666	100.0

Please refer to note 18 to the Financial Statements on page 44 regarding significant investment exposure to investments in contracts for difference.

CLASSIFICATION OF ASSETS

	2007		2006	
	£'000	%	£'000	%
Equities	23,390	78.8	18,067	70.3
Convertible securities	6,276	21.2	7,633	29.7
Total investments	29,666	100.0	25,700	100.0

GEOGRAPHICAL ANALYSIS

	2007		2006	
	£'000	%	£'000	%
Australia	14,502	48.9	17,370	67.6
New Zealand	6,038	20.4	3,212	12.5
United Kingdom	3,909	13.2	4,369	17.0
Europe	3,300	11.1	185	0.7
Asia	1,435	4.8	—	—
Bermuda	482	1.6	—	—
China	—	—	564	2.2
Total investments	29,666	100.0	25,700	100.0

Trust Company Limited

www.trust.com.au

“Trust Company” is an Australian financial services company, providing a range of services to individuals, including fund management, estate administration, financial planning and charitable trustee services, and institutional clients, including custody and trustee services. Trust Company has offices in Australia, Hong Kong and Singapore and is continuing its strategy of expansion into the Asian market. The joint venture with the Bank of New York, BNY Trust Australia, provides securitisation services both globally and domestically. For the year to 28 February 2007, ongoing revenue increased by 14% and operating EBITDA by 11%. Net profit after tax was A\$25.4m for the year. A special dividend of 15c per share was declared in addition to annual dividends of 44c for the year. Trust Company expects operational EBITDA to grow in excess of 15% in its current financial year. This strong performance was reflected in the share price which rose to A\$12.19 at 31 May 2007, an increase of 13.7% over 12 months. Eclectic now holds 5.9% of Trust Company, down from 9.5% last year. During the year sales of this investment totalled £5.6m, generating profit over book cost of £4.2m.

Global Equity Market Securities Limited

“GEMS” is a capital protected investment product that provides exposure to increases in the S&P 500, FTSE 100 and Nikkei 225 indices. On maturity in January 2008, holders receive NZ\$1 plus 67% of the increase in the best performing of the three indices from inception in December 2002, calculated on an average basis over an 18 month period which began in August 2006.

The capital protection is provided by bank guarantees.

The share price of GEMS increased to NZ\$1.53 over the financial year from NZ\$1.36. At 31 May 2007, the averaged increases in the indices would have led to a gross return to investors of NZ\$1.68 although the final return will depend on the performance of the indices up to the final maturity date. During the year a further amount has been invested at prices below NZ\$1.35.

Société des Bains de Mer des Monaco

www.montecarloresort.com

“Société des Bains de Mer” operates leisure assets in the Principality of Monaco, including 5 deluxe hotels, 5 casinos, 60 conference and banqueting rooms, 33 bars and restaurants, 4 spas and other cultural and leisure venues. The State of Monaco holds two thirds of the shares. For the year to 31 March 2006, revenues were €354m with net income for the period of €35m and shareholders funds at the year end of €437m.

The share price was €720, valuing the issued share capital at €1,296m. Eclectic acquired its holding during the year and now holds 0.3% of the shares, with a value at the year end of €4.3m against a book cost for the investment of €2.6m.

The Law Debenture Corporation p.l.c

www.lawdeb.com

“Law Debenture” is a UK based company, listed on the London Stock Exchange that has two main business segments, a global growth investment trust and a provider of trustee and related services to wholesale markets and occupational pension schemes. The investment trust is externally managed and has the objective of long-term capital growth in real terms and steadily increasing income through investing in a portfolio diversified both geographically and by industry. The trustee and related services business is a leading independent provider of professional trustee, fiduciary and related services to the wholesale markets and to occupational pension schemes throughout the World.

Over the year under review, the share price of Law Debenture rose from £3.03 to £3.77, an increase of 24%, with net assets per share at 31 May 2007 of £3.51. For the year to 31 December 2006, the trustee services business generated earnings per share of 5.1p and total earnings per share were 12.2p, the dividend paid was 10.5p per share.

News & Media NZ Limited

www.apn.com.au

Eclectic holds 8.75% Convertible Exchangeable Preference Shares in “News & Media NZ”, which is an investment holding company primarily holding 60m shares in APN News & Media Limited. “APN” is a large and growing multi media company, which publishes the leading metropolitan newspaper in New Zealand and is the largest operator of regional newspapers, radio broadcasting and outdoor advertising in Australasia. News & Media NZ is a wholly owned subsidiary of Independent News & Media PLC, which is a leading international media and communications group with its main interests in Australia, India, Ireland, New Zealand, South Africa and the UK. Its activities include regional and national newspapers, radio and outdoor advertising. The Convertible Exchangeable Preference Shares mature on 31 November 2007 and can be exchanged for either NZ\$4.00 in cash or one ordinary share in Independent News & Media PLC, with a share price of €3.78 at 31 May 2007 (equivalent to NZ\$6.90). The investment was acquired during the year at an average price of NZ\$6.02 and the share price as at 31 May 2007 was NZ\$6.40.

eBet Limited

www.ebetgamingsystems.com

“eBet” is listed on the Australian Stock Exchange with operations and commercial arrangements in Australia, New Zealand, Singapore, Canada and the USA. eBet comprises two primary business units - eBet Gaming Systems and eBet Online. The Gaming Systems division develops and markets a range of networked solutions for gaming machines including player loyalty and tracking systems, cashless gaming solutions and machine management software. eBet Online develops, markets and operates online gaming technologies and works only with government sanctioned and licensed gaming operators located in regulated jurisdictions. In the year to 30 June 2006, revenue was A\$19.4m and operating profit was A\$1.0m. For the year to 30 June 2007, the company has forecast an increase in operating profit of 20% to 25%, arising from strong sales domestically and internationally and high demand for new products. eBet is also near completion of the acquisition of the assets of Octavian Limited, subject to shareholder approval, which will expand the new entity’s (to be called Octavian Global Technology) global reach, product diversification and ability to offer new technologies.

Eclectic holds ordinary shares and unlisted 8.56% redeemable convertible notes. The share price of the ordinary shares rose from 10.5 cents at 31 May 2006 to 16 cents at 31 May 2007. The 10% convertible notes held at 31 May 2006 were redeemed at par in November 2006 raising A\$2.1m, and A\$1.6m was reinvested in the short term convertible notes. Further investment in the ordinary shares was made and Eclectic now holds 3.8% of the ordinary shares.

Intellect Holdings Limited

www.intellect.be

“Intellect” designs, develops and distributes security and electronic funds transfer keyboard technology. The company’s products include smart cards, electronic funds transfer and commerce products distributed worldwide. Intellect announced a loss for the half year to 31 December 2006, principally attributed to difficulties in its supply chain, with reduced revenues despite a growing order book. The company has addressed these issues and has secured funding for additional manufacturing capacity. Intellect’s ongoing discussions regarding a possible merger continue although these long running negotiations have also impacted on performance. On the positive side, margins were maintained and operating costs reduced. Intellect is targeting a return to positive EBITDA and stronger sales in 2008.

Eclectic holds ordinary shares (which were acquired by the exercise of the rights attaching to its holding of convertible notes) and unlisted options and loan notes, subscribed at A\$1. The share price of the ordinary shares was 13 cents at the year end, down from 39 cents at 31 May 2006, reflecting the disappointing performance. Eclectic now holds 7.8% of Intellect Holdings.

DTI Group Limited

www.dti.com.au

“DTI” based in Perth, Western Australia, designs, develops, sells and manages integrated video surveillance and vehicle tracking technology for the public transport sector, including bus and rail. In Australia, DTI has contracts in Adelaide, Perth, Darwin and Brisbane. Internationally, it operates mainly in the US, primarily through an alliance with General Electric and also in the UK. For the year to 30 June 2006, revenues increased by over 40% to A\$3.1m although the company reported a loss before tax. In June 2006, Eclectic invested in redeemable convertible 10% unlisted notes. These are convertible into ordinary shares or redeemable in 2009.

Global Mining Investments Limited

www.globalmining.com.au

“Global Mining” is an Australian Stock Exchange listed investment company investing in global metal and mining sectors. The aim of the company is to maximise capital growth and to provide shareholders with exposure to a diverse portfolio of natural resource companies across global markets. Since listing in April 2004, the return on the company’s investment portfolio has outperformed its benchmark index, the HSBC Global Mining Index by 195% against 113%.

Eclectic acquired its investment in the second half at an average price of A\$1.30, a discount to net assets per share before tax of over 22%. At 31 May 2007, the share price was A\$1.65 and the net tangible assets per share before tax on unrealised gains was A\$2.04, a discount of 19%.

Resolute Mining Limited

www.resolute-ltd.com.au

“Resolute” is a developer and operator of quality gold projects, with operations in Africa, principally in Mali and Tanzania, and in Australia and is continuing to actively progress its portfolio of projects. In particular it is investing significantly in the Syama Gold Project in Mali and an underground mine at Mt Wright in Australia. The company has successfully sold its key uranium assets through the spin off and sale of a separate listed entity resulting in a profit after tax on this transaction of A\$176m. In the current financial year, there have been operational difficulties in mining and processing at the gold mines in Tanzania and Australia, which the company believes it has now addressed although these issues will continue to impact results in the current year.

Eclectic holds ordinary shares - the share price at 31 May 2007 was A\$1.40, down from A\$1.96 last year due to operational difficulties and also the longer term nature of the returns from the Syama development.

DIRECTORS

Anthony Bushell†

Chairman, aged 74, is also non-executive chairman of Smaller Companies Value Trust plc. He was previously Chief Investment Manager of the Bank of England. He was appointed to the Board on 1 April 1992 (when the Company's name was The First Spanish Investment Trust plc) and was appointed as Chairman on 26 March 1996.

Peter Burrows AO

Aged 60, a senior stockbroker with Bell Potter Securities. He was formerly the chairman/chief executive of Burrows Limited (which merged with McIntosh Baring Limited and was subsequently acquired by Merrill Lynch), chairman of Garratts Limited and, a director of FTR Holdings Limited, CRI Limited and ASX (Sydney) Limited. Appointed to the Board on 6 April 1998.

Bruce Hervey†

Aged 65, spent over 35 years in the Australian stockbroking industry. Originally a partner in an Australian company, he has latterly served with UBS Warburg and HSBC Securities Limited. Appointed to the Board on 22 January 2002.

Warren McLeland†

Aged 61, formerly a stockbroker and investment banker, is now an adviser in fund management and business strategy to companies. He is a director of Trust Company Limited and Intellect Holdings Limited, in which the Company has investments. Appointed to the Board on 6 April 1998.

All Directors are non-executive and independent

The Board as a whole fulfills the function of the Nomination Committee and the Remuneration Committee.

† Audit and Management Engagement Committee member

INVESTMENT TEAM

Investment Manager

The Investment Manager, Ingot Capital Management Pty Limited ("ICM"), is responsible for the investment portfolio. ICM is also the investment manager for Utilico Limited and Utilico Emerging Markets Limited. ICM holds an Australian Financial Services Licence.

Duncan Saville

Aged 50, is a director of Eclectic's Investment Manager, ICM. He is a chartered accountant with experience in corporate finance and corporate investment. He was formerly a director of Utilico Investment Trust plc, The Special Utilities Investment Trust plc, Eclectic Investment Trust plc, East Surrey Water plc, Dee Valley Water plc, Glasgow Prestwick International Airport Limited and Wellington International Airport Limited. He is currently a non-executive director of Infratil Ltd and ERG Ltd.

Sandra Pope

Aged 44, joined Eclectic on 1 July 2007 and assists in the running of the Company and the investment portfolio, in conjunction with the Investment Manager. She is a member of the Institute of Chartered Accountants in England and Wales and worked in corporate finance at Hill Samuel and Close Brothers for 8 years.

ADMINISTRATOR AND SECRETARY

Phoenix Administration Services Limited acts as Administrator and Secretary to the Company.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2007

The Directors submit their Report together with the audited financial statements of the Company and Group for the year ended 31 May 2007.

Results and Dividend

The profit for the year was £5,328,000 of which a loss of £76,000 is attributable to revenue (2006: £218,000, of which a gain of £31,000 was attributable to revenue). A dividend of 1.50p per Ordinary share is proposed in respect of the year ended 31 May 2007 (2006: 1.50p per Ordinary share). If approved by shareholders the dividend will be paid on 2 November 2007 to shareholders whose names appear on the register at the close of business on 12 October 2007 (ex-dividend 10 October 2007).

Activities and Status

The Directors conduct the affairs of the Company with a view to maintaining approval as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 in order to obtain exemption from United Kingdom taxation on capital gains. Such approval is given retrospectively by HM Revenue and Customs (HMRC) in respect of each accounting period of the Company and whilst HMRC approval has been given for the year ended 31 May 2006, this does not preclude HMRC from undertaking a subsequent enquiry into the Company's tax return.

The Company is registered as an investment company under Section 266 of the Companies Act 1985.

Business Review

An analysis of the development and performance of the Company's business during the year is discussed in the Chairman's Statement on page 5 and the Investment Report on pages 6 and 7. The performance of the Company's NAV against its benchmark key performance indicator is discussed in the Chairman's Statement.

The price of shares is subject to the interaction of supply and demand, market and economic influences, Net Asset Value per share and the general perceptions of investors. The share price will accordingly fluctuate and the Company cannot guarantee that it will appreciate in value. The Company's activities are conducted within operational and regulatory environments and could be materially impacted by a failure of systems at third party service providers, a loss of key member(s) of the investment management team, breach of s842 Income and Corporation Taxes Act 1988 or breach of the UKLA Listing Rules.

The principal risks in relation to financial instruments and how these are managed are discussed in the Fund Risk Profile on pages 39 to 44.

On 20 October 2006 the Company changed its name from Stocks Convertible Trust plc to Eclectic Investment Trust plc, to reflect the changes to the Company's investment objective and policy. On 22 May 2007, the Company's subsidiary changed its name from Stocks Convertible Limited to Eclectic Stocks Limited.

Directors

Details of the Directors who served throughout the year are set out on page 11.

At the forthcoming Annual General Meeting Mr B Hervey will retire in accordance with the provisions of the Combined Code and the Company's Articles of Association and, being eligible, offer himself for re-election. As Messrs A Bushell, P Burrows and W McLeland have each served as a Director of the Company for more than nine years, in accordance with the provisions of the Combined Code all will retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

The Board does not accept that length of service will necessarily affect the independence of a Director. It considers that a long period of familiarity with the Company's affairs can be an asset to the Board's deliberations and recommends that shareholders vote in favour of the Resolutions proposing the Directors' re-election.

Directors' Interests

The interests of the Directors in the securities of the Company are set out below.

	25p Ordinary Shares	
	31 May 2007	31 May 2006
A F Bushell	30,000	30,000
P I Burrows	1,282,525	1,532,525*
B C Hervey	—	—
W J McLeland	50,000	50,000

*This interest has been amended from the 1,740,000 shares previously disclosed due to a recently noted error.

No changes in the above interests occurred between 31 May 2007 and 10 September 2007. None of the Directors has been granted or exercised any rights to subscribe for shares of the Company.

No Director was a party to, or had an interest in, any contract or arrangement with the Company.

Investment Manager

The Investment Manager, Ingot Capital Management Pty Ltd ("ICM"), is engaged under the terms of an Investment Management Agreement dated 15 September 2006, as amended by a Supplemental Agreement dated 20 October 2006, which may be terminated by not less than twelve months' notice by either party. Details of the fees payable to ICM under the terms of the Agreements can be found in note 6 to the Financial Statements on page 33. Where investments include voting rights, in the absence of specific instruction from the Directors, ICM has discretion to vote such rights on behalf of the Company.

During the year the Management Engagement Committee conducted a review of the performance of ICM which it considers is satisfactory. The Board, having received the Committee's report are of the opinion that the continued engagement of ICM under the current terms is in the interests of shareholders.

Substantial Shareholdings

At 10 September 2007 the Company had been notified of the following holdings of 3% or more of the voting rights in respect of the issued shares of the Company:

	No of Ordinary 25p Shares	% of Issued Share Capital
National Life & Pensions (L) Limited	9,252,332	50.75
Apollo Fund Plc	1,450,000	7.95
Peter Burrows	1,282,525	7.03
Lazard Asset Management LLC Group	1,201,000	6.58

Changes in Capital Structure

The Company's capital structure currently comprises 18,229,502 Ordinary shares. On 2 November 2006 holders of 6,248,503 units of 3.5% (gross) Convertible Subordinated Unsecured Loan Stock 2007 ("Loan Stock") converted their Loan Stock into 5,657,722 Ordinary shares, leaving 610,639 units of Loan Stock still in issue. On 1 May 2007 a Notice was issued to holders of the remaining units of Loan Stock notifying the compulsory conversion of the outstanding 610,639 units in issue into Ordinary shares of 25p each on 31 May 2007. Accordingly on 31 May 2007, 552,904 Ordinary shares were allotted upon the conversion of the Loan Stock. Further details of changes during the year to 31 May 2007 are contained in notes 14 and 15 to the Financial Statements on pages 37 and 38.

Annual General Meeting

The notice convening the Annual General Meeting ("AGM") of the Company for 17 October 2007 is set out at the end of this Annual Report.

Ordinary business

Resolutions 1 to 8 in the notice convening the AGM set out the routine ordinary business to be transacted at the meeting. These resolutions involve the receipt and adoption of the Annual Report and Accounts, approval of the Director's Remuneration Report, the declaration of a dividend, the re-appointment of Directors, the re-appointment of Grant Thornton UK LLP as auditors and the authorisation of the Directors to set the auditors' remuneration.

Following the merger on 1 July 2007 of the Company's Auditors, RSM Robson Rhodes LLP with Grant Thornton UK LLP, RSM Robson Rhodes LLP, by letter dated 17 July 2007 to the Company, resigned as Auditors to the Company and confirmed that there were no circumstances connected with their ceasing to

hold office that they considered ought to be brought to the attention of the Company's members or creditors. Accordingly on 17 July 2007, the Board of Directors appointed Grant Thornton UK LLP to fill the casual vacancy arising. Grant Thornton UK LLP have indicated their willingness to be re-appointed as Auditor to the Company and, as special notice to propose their re-appointment has been received by the Company, a resolution to re-appoint them will be proposed at the AGM.

Special business

Resolution 9 – authority to allot unissued shares

In proposing Resolution 9, the Directors seek authority from shareholders to allot unissued share capital up to an aggregate nominal amount of £1,519,125 equivalent to 6,076,501 Ordinary Shares or approximately 33.33 per cent. of the Company's existing issued ordinary share capital as at 10 September 2007 - the latest practicable date prior to the issue of this Annual Report. The Company currently holds no Ordinary shares in Treasury. The purpose of seeking such authority is to take advantage of opportunities in the market as they arise. The Directors currently have no specific opportunities in mind although, as indicated in the Chairman's Statement, the Board has been considering carrying out a capital raising exercise for a number of years in order to increase the size of the Company's assets and to reduce its expense ratio to total assets. The Board will only issue new shares if it believes it is advantageous to the Company's existing shareholders to do so and would not result in any dilution of net asset value per share. Resolution 9 will be proposed as an ordinary resolution and if approved, the Directors' authority will lapse on 17 October 2012 unless previously renewed, varied or revoked by the Company in general meeting.

Resolution 10 – authority to make market purchases of own shares

The Board recommends that shareholders authorise the Company to make market purchases of up to an aggregate of 2,732,602 Ordinary shares, being 14.99% of the current issued share capital of the Company of 18,229,502 Ordinary shares as at 10 September 2007, the latest practicable date prior to the publication of this Annual Report. The Board believes that the ability to make market purchases of Ordinary shares is a valuable mechanism to enhance shareholder value. Purchases will only be made through the market for cash at prices below the prevailing diluted net asset value per Ordinary share when there will be a resulting financial benefit for the remaining shareholders and where such purchases would be in the best interests of shareholders generally. The Board has no current intention of exercising the authority to make market purchases of Ordinary shares.

Under the Listing Rules of the UK Listing Authority, the price which

may be paid for the Ordinary shares under any buy back of shares must not be more than 5% above the average of the market values of the Ordinary shares for the five business days before the purchase is made. Ordinary shares may not be purchased for less than their par value of 25 pence per share. The Listing Rules require that if the percentage of a class of shares in the hands of the public falls below 25%, this may result in the suspension or cancellation of listing of these shares on the Official List of the UK Listing Authority. Shares held by persons connected with a director of the issuer or any person who is interested in 5% or more of the shares of the relevant class are deemed not to be held in public hands. It is possible, given the holdings of persons in the Company who hold more than 5% of the Ordinary shares, that if the buy back authority sought in Resolution 10 to be proposed at the AGM were exercised in full, the percentage of Ordinary shares deemed to be held in public hands would fall below 25%. Accordingly, the Directors will not exercise the authority to buy back Ordinary shares where this would cause the percentage of shares deemed to be held in public hands to fall below 25%.

Resolution 10, to be proposed as a Special Resolution, will give the Directors the flexibility of either cancelling the bought back shares or holding them in treasury. The Directors currently intend that any shares purchased under this authority will be cancelled.

Resolution 11 – disapplication of statutory pre-emption rights

The Directors consider it advisable to renew their authority, due to expire at this year's Annual General Meeting, to allot equity securities for cash, other than to existing shareholders pro rata to their holdings. This authority will enable the Directors, at any time until the earlier of the next Annual General Meeting and 17 January 2009, to allot equity securities wholly for cash in connection with a rights issue or otherwise up to an aggregate nominal amount of £227,869. This limited disapplication of pre-emption rights will allow the Directors to allot up to 911,475 Ordinary Shares, representing approximately 5 per cent. of the issued equity share capital as at 10 September 2007 - the latest practicable date prior to the publication of this Annual Report. Resolution 11 will be proposed as a special resolution.

Creditors' Payment Policy

It is the Company's policy to obtain the best terms for all business including purchases of investments and to abide by those agreed terms. The Company had no trade creditors (creditors' days: nil) at either 31 May 2007 or 31 May 2006.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in

accordance with applicable law and regulations.

Company law in the United Kingdom requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the parent Company financial statements on the same basis.

The Group and parent Company financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the UK Listing Authority.

Financial statements of the Company are published on <http://www.electictrust.com>. The Directors are responsible for ensuring the maintenance and integrity of the information relating to the Company published on this website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The Directors are satisfied that the Company's resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Disclosure of information to auditors

The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all of the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and establish that the Company's auditors are aware of that information.

Auditor

On 1 July 2007 RSM Robson Rhodes LLP announced that it had completed a merger with Grant Thornton UK LLP. Accordingly on 17 July 2007 RSM Robson Rhodes resigned as Auditors to the Company and their successor firm Grant Thornton UK LLP were appointed in their place. Grant Thornton UK LLP, Chartered Accountants, have indicated their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as auditor and authorise the Directors to determine the auditor's remuneration for the ensuing year. Special Notice to propose the re-appointment of Grant Thornton UK LLP has been received by the Company.

On behalf of the Board
Phoenix Administration Services Limited
Secretary

10 September 2007

CORPORATE GOVERNANCE STATEMENT

The Board supports high standards of corporate governance and the following is the Directors' Statement of Compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council ("FRC") in June 2006 ("the Combined Code") and the Principles contained within the Code of Corporate Governance published in May 2007 by the Association of Investment Companies ("AIC") ("the AIC Principles").

The Board has carried out a review of the provisions of the Combined Code and the AIC Principles and confirms that it has complied throughout the period under review with the Combined Code and has followed the AIC Principles, subject to those aspects explained below where the Company has not complied or does not feel it appropriate for a Company of this size to do so.

The Board of Directors

For the year to 31 May 2007 the Board consisted of four members, all of whom are non-executive and independent of the Investment Manager. Particulars of the Directors are set out on page 11. The Board has considered the need to appoint a senior independent Director but believes this is not necessary as all the Directors, including the Chairman, are independent.

The Directors normally meet as a Board on a quarterly basis, the Audit Committee at least twice each year, the Management Engagement Committee at least once each year and the Nomination and Remuneration Committees meet as and when required.

The number of meetings of the Board and Committees is given below, together with individual Director's attendance or participation by telephone conference call at those meetings:

	Board	Audit Committee	Management Engagement Committee	Remuneration Committee
Number held	5	2	1	1
A F Bushell	5	2	1	1
P I Burrows	4	n/a	n/a	n/a
B C Hervey	5	2	1	1
W J McLeland	3	2	1	1

The Board lays down guidelines within which the Investment Manager implements investment policy but has a schedule of matters reserved for the resolution of the Directors. A full report on the investment holdings and performance is received from the Investment Manager and discussed at Board meetings. The Investment Manager also reports regularly to the Board on the Company's financial position.

All Board members have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring

that the Company complies with the Listing Rules of the UK Listing Authority, the statutory provisions of the Companies Act and other applicable regulations, and with Board procedures. The appointment and replacement of the Company Secretary is a matter for the Board as a whole. The Directors also have the facility to take independent professional advice, where necessary, at the Company's expense.

Board Structure

There is a clear division of responsibilities between the Chairman, the Board, the Investment Manager and other third party service providers. No single Director has unfettered powers of decision. The Chairman is responsible for leadership of the Board ensuring its effectiveness on all aspects of its role, and ensures that the Directors receive accurate, timely and clear information. The Board leads on matters concerning the Company's investment objective, gearing, capital structure, governance, the appointment of service providers and liaison with shareholders. Representatives of the Investment Manager, the Secretary and Administrator attend or participate by telephone conference call at each Board meeting. The Board, the Investment Manager and Secretary operate in a supportive and cooperative manner.

Board Independence

The Board is fully independent of the Investment Manager and recognises that its prime purpose is to direct the business so as to maximise shareholder value within a framework of proper controls.

Evaluation of the Performance of the Board

The Board conducts evaluations of the performance of the Board, its Committees, individual Directors and third-party service providers. The evaluations are led by the Chairman; other than in respect of the appraisal of his own performance which is by Mr B Hervey; using regular informal evaluations. The Board is satisfied from the results of the appraisals that the individual Directors, the Board Committees and third party service providers function effectively, collectively and individually, and that the Board contains an appropriate balance of skills and experience for the effective management of the Company.

Re-election of Directors

Principle A.7.1 of the Combined Code requires Directors to submit themselves for re-election at least every three years.

Mr B Hervey will retire and being eligible offer himself for re-election at the forthcoming Annual General Meeting in accordance with this requirement.

In accordance with Principle A.7.2 of the Combined Code, Messrs A Bushell, P Burrows and W McLeland who have each

served as Directors of the Company for more than nine years, will retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

The biographies of the Directors are set out on page 11 of this Report. None of the Directors consider longevity of service as an impairment to independence or judgement but were this to become the case the relevant Director(s) would stand down.

The individual Directors demonstrate considerable experience and expertise in the financial services and investment sectors and each Director makes a significant contribution to the Board's deliberations. The Board fully supports the re-election of each Director at the forthcoming Annual General Meeting of the Company.

Remuneration Committee

The Board as a whole fulfils the function of a Remuneration Committee. The maximum aggregate Directors' fees according to the Company's Articles of Association are £75,000 per financial year. The remuneration terms are reviewed annually.

Under Listing Rule LR 15.4.15, where an investment trust company has no executive directors, the Code's provisions relating to directors' remuneration do not apply. Details of the Directors' fees are given in the Directors' Remuneration Report on pages 20 and 21. The Company arranges appropriate insurance cover in respect of any legal action against the Directors.

Nomination Committee

The Board as a whole fulfils the function of a Nomination Committee which considers appointments to the Board. The Directors have between them many years' collective experience within the industry and a broad knowledge of individuals who would have the necessary skills to promote and develop the Company. Accordingly the Nomination Committee does not consider it necessary to engage the services of third party search consultants unless no such suitably skilled individuals can be identified by the members of the Committee.

Management Engagement Committee

The Management Engagement Committee conducted a review of the performance of the Investment Manager earlier in the year and were pleased with its performance.

It is the sole responsibility of the Investment Manager to take decisions on the purchase and sale of individual investments. The Company has authorised the Investment Manager to vote on shares held in investee companies at its discretion having regard to the best interests of the Company on ordinary business but the Investment Manager is required to consult with the Chairman before voting on special business.

Financial Reporting

A list of the ten largest investments held by the Company constituting the majority of the Company's investment in the portfolio is given on page 8.

Details of the Company's multi-currency revolving credit ("facility") with The Royal Bank of Scotland International (the "Bank") are disclosed in note 18 to the Financial Statements. The covenants relating to the facility are continuously monitored. Revisions to the valuation formula for the Company's investments were agreed by the Bank in April 2007 which will allow a greater value to be taken into account in calculating compliance with the Bank's covenants from new investments in the portfolio.

Internal Control

There is an ongoing process for identifying, evaluating and managing those risks which are significant for the Group, reflecting the guidance for Directors provided by the Financial Reporting Council ("FRC") in 'Internal Control Revised Guidance for Directors on the Combined Code.' This process has been in place for the year ended 31 May 2007 and up to the date of approval of the annual report and financial statements, and is regularly reviewed by the Board.

The Board has ultimate responsibility for ensuring that the Company's service providers implement and operate suitable accounting and internal control systems designed to prevent and detect fraud and error, and for reviewing their effectiveness. An independent custodian is appointed with responsibility for safeguarding the Group's assets. There are clearly defined responsibilities between the Board, the Custodian and the Investment Manager, and detailed operating procedures in place. The internal controls operated by the Board include the authorisation of the investment strategy and regular reviews of the investment performance and financial results. The system is designed to manage rather than eliminate the risk of being unable to meet business objectives and can provide reasonable but not absolute assurance against material misstatements or loss, as explained by the FRC's guidance. The Board has monitored the operation and effectiveness of the Group's system of internal controls during the period through its ongoing identification, assessment and management of the Group's key risks, and an annual review of the Group's Risk Matrix is undertaken by the Audit Committee.

The Board has contractually delegated the management of the investment portfolio to the Investment Manager, Ingot Capital Management Pty Limited, the day to day administration and company secretarial functions to Phoenix Administration Services Limited, and the custodial services to The Northern Trust Company. These contracts are only entered into after full

consideration by the Board of the services undertaken.

The Investment Manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal controls operated on behalf of its clients. The Investment Manager's compliance and risk department assesses and reports to the Board on the effectiveness of the internal controls and the business risk exposure of the Investment Manager.

The Administrator's internal controls provide an effective means of control covering business, operational, compliance and financial risks of the Group. A report on these internal controls is provided to the Board at least annually.

The Audit Committee undertakes an annual review of the internal and financial controls of the Investment Manager, the Administrator and the Custodian.

Audit Committee

The Group's Audit Committee comprises Mr A Bushell (as Chairman), Mr B Hervey and Mr W McLeland. The constitution of the Committee satisfies the requirement of Principle C.3.1 of the Combined Code. Notwithstanding Principle 2.4 of the Financial Reporting Council's Guidance on Audit Committees, the Board considers that as only two of the Directors are based in the UK, Chairmanship of the Audit Committee by the Chairman of the Board is the most appropriate arrangement for the Company. All members of the Committee are independent and have considerable knowledge of the investment industry. The Board is satisfied that all members of the Audit Committee have recent and relevant experience.

The Audit Committee monitors and reviews annually the objectivity, effectiveness and qualification of the auditors, the auditors' independence, the scope and fees for non-audit work and, in particular, requires that any non-audit work is undertaken by the auditors' staff not engaged in the provision of audit services. Based on the monitoring and audit process, the Audit Committee makes recommendations to the Board on the appointment, re-appointment and remuneration of the external auditor. The external auditors currently provide tax compliance services to the Company. The Committee considers the scope of any non-audit work proposed to be undertaken by the external auditors and the fees payable for such work, in advance of engagement.

The responsibilities of the Audit Committee also include the review of internal controls and the Company's risk matrix, accounting policies, financial statements and the carrying value of any unquoted investments.

The Audit Committee meets at least twice each year with representatives of the Manager who report on the proper conduct of the Investment Manager's business and internal controls in accordance with the regulatory environment in which both the Group and the Investment Manager operate. Minutes of the Audit Committee's meetings are formally recorded and reported to the Board by the Chairman. The Company's external auditors also attend Committee meetings at least once a year and report on their work procedures, the quality and effectiveness of the Company's accounting procedures and their findings in relation to the Company's statutory audit.

The Audit Committee and the Board are satisfied from a review of both the audit and non-audit work undertaken for the Company by its Auditors during the year that the auditors' independence was not compromised during the year nor is likely to be compromised in the foreseeable future. The Board has accepted the Audit Committee's recommendation that a proposal to re-appoint Grant Thornton UK LLP, the successor firm formed from the merger of RSM Robson Rhodes LLP and Grant Thornton UK LLP in July 2007, as the Group's Auditor, be considered at the forthcoming Annual General Meeting.

As the Group's investment management, accounting and custodial activities are carried out by third party service providers, the Board does not consider it necessary to have a separate internal audit function. The Audit Committee reviews the whistle blowing procedures of the Investment Manager and of the Company.

The Audit Committee satisfies itself about the effectiveness of internal controls by requiring service providers to report and give assurance on their controls to the Audit Committee. Although the Directors can thereby provide reasonable assurance against material misstatement or loss, they acknowledge that risk cannot be eliminated altogether. Their approach to managing internal control and risk conforms to the recommendations of the Internal Control - Revised Guidance for Directors on the Combined Code. The Board confirms that in this manner it has reviewed the effectiveness of the Company's internal controls for the period under review, taking into account matters arising up to the date of the Report.

Management Engagement Committee

Mr A Bushell (as Chairman), Mr B Hervey and Mr W McLeland comprise the Management Engagement Committee which considers the terms of engagement with, and the fees and other remuneration payable to Ingot Capital Management Pty Limited and Phoenix Administration Services Limited. (See note 6 to the Financial Statements).

Shareholder Relations

The Company, through the Investment Manager, has regular contact with its institutional shareholders and the views of shareholders are communicated to the Board. The Board supports the principle that the Annual General Meeting ("AGM") provides a constructive opportunity to facilitate communication with the Company's investors, and encourages shareholders to attend and participate in the AGM. The provisions of the Combined Code where appropriate in relation to the forthcoming AGM have been implemented in this Report.

The following may be inspected at the Registered Office of the Company during normal business hours:

The Terms of Reference for Committees of the Board
The terms and conditions of appointment of the Directors

Social, Economic and Environmental Matters

As an investment trust, the Company has no direct impact on social, economic and environmental issues.

Going Concern

After considering the Company's current financial resources, as the majority of the net assets of the Company are securities which are traded on recognised stock exchanges, the Directors are satisfied that its resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday 17 October 2007. In accordance with the Combined Code, the Notice of Meeting is circulated more than 20 working days before the meeting. Details of the Proxy votes received in respect of each resolution will be available to shareholders at the meeting and subsequently on the Company's website.

DIRECTORS' REMUNERATION REPORT

The Company has prepared this Report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this Report will be put to shareholders at the Annual General Meeting.

The law requires a Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in the report of the independent Auditors on pages 22 and 23.

Remuneration Committee

All Directors are non-executive and the Board as a whole fulfils the function of a Remuneration Committee. The Board reviewed the Directors' fees in February 2007 (previously reviewed in 2002) and considered that in comparison with the fees payable to Directors of similar sized investment trust companies, the level of fees for the Company's directors was at the bottom of the range. Accordingly the Board agreed that the fee for each Director be increased with effect from 1 December 2006 to £12,500 and to £25,000 for the Chairman. The Directors' emoluments for the year are shown in the table on page 21.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be

fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and a similar investment objective. It is intended that this policy will continue for the year ending 31 May 2008 and subsequent years.

Pursuant to the Company's Articles of Association, Directors' fees are limited to a maximum aggregate of £75,000 per financial year. Directors' fees paid for the year under review are shown on page 21. Directors are not eligible for bonuses, performance remuneration, pension entitlements, share options, long-term incentive schemes or other benefits. No Director may vote on his own remuneration.

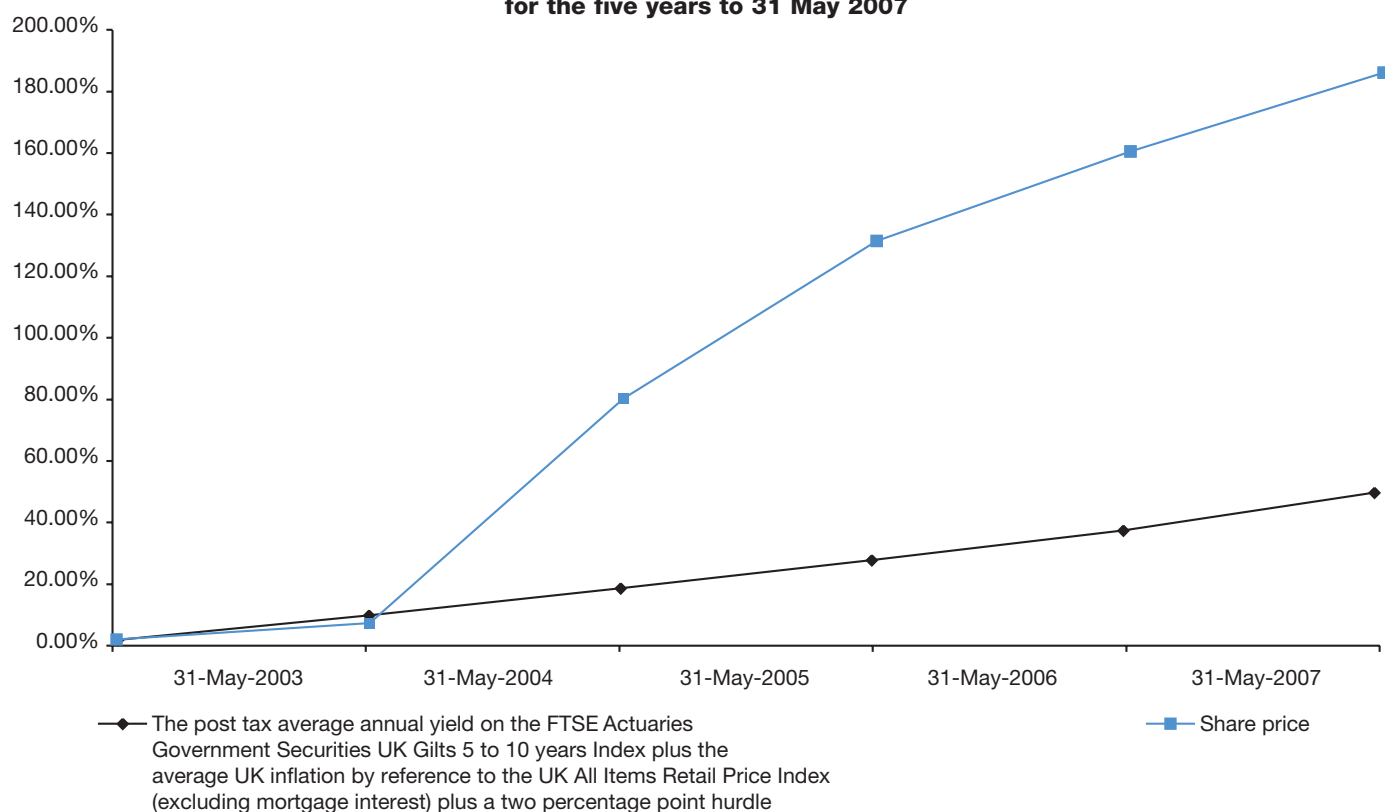
Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after their appointment and at least every three years after that. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Company's performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the Company's new benchmark which is based on the FTSE Actuaries Government Securities UK Gilts 5 to 10 Years Index.

Total shareholder return performance for Eclectic Investment Trust plc and the post tax average annual return on the FTSE Actuaries Government Securities UK Gilts 5 to 10 years Index plus the average UK inflation by reference to the UK All Items Retail Price Index (excluding mortgage interest) plus a two percentage point hurdle, for the five years to 31 May 2007



Director's Emoluments for the years ended 31 May (audited)

	2007	2006
	£	£
A F Bushell*	22,500	20,000
P I Burrows†	11,250	10,000
B C Hervey	11,250	10,000
W J McLeland	11,250	10,000
	56,250	50,000

* Chairman of the Board and Audit Committee

† Paid to Trabatú Pty Limited for the services of P I Burrows to act as a Director of the Company.

This Remuneration Report was approved by the Directors on 10 September 2007 and signed on their behalf by:

Phoenix Administration Services Limited
Secretary

INDEPENDENT AUDITOR'S REPORT

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ECLECTIC INVESTMENT TRUST PLC

We have audited the Group and parent Company financial statements (the "financial statements") of Eclectic Investment Trust plc for the year ended 31 May 2007 which comprise the Group income statement, the Group and parent Company balance sheets, the Group and parent Company cash flow statements, the Group and parent Company statements of changes in equity and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes specific information that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 May 2007 and of its profit for the year then ended
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 May 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London

10 September 2007

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2007

	Notes	31 May 2007			31 May 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income							
Investment income	2	1,101	74	1,175	879	260	1,139
Other income	3	21	—	21	35	—	35
Gains on investment held at fair value through profit or loss:							
Non current assets	11	—	9,118	9,118	—	745	745
Gains on current assets held at fair value through profit or loss:							
Derivatives		—	(2,092)	(2,092)	—	234	234
Forward currency contracts		—	(349)	(349)	—	149	149
Exchange differences		—	(91)	(91)	—	97	97
		1,122	6,660	7,782	914	1,485	2,399
Expenses							
Investment management fee	4	(165)	(556)	(721)	(129)	—	(129)
Other expenses	5	(490)	(694)	(1,184)	(273)	(1,252)	(1,525)
Finance costs	7	(507)	—	(507)	(496)	—	(496)
		(1,162)	(1,250)	(2,412)	(898)	(1,252)	(2,150)
(Loss)/profit before tax		(40)	5,410	5,370	16	233	249
Taxation	8	(36)	(6)	(42)	15	(46)	(31)
(Loss)/profit for the year		(76)	5,404	5,328	31	187	218
Earnings per Ordinary share							
	10						
Basic - Ordinary shares		(0.50)p	35.48p	34.98p	0.26p	1.56p	1.82p
Diluted - Ordinary shares*		0.04p	29.64p	29.68p	1.71p	1.03p	2.74p

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The revenue and capital columns are supplementary to this and are prepared under the guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

*Where the earnings per Ordinary share are anti-dilutive (2007: revenue earnings, 2006: revenue and total earnings), they are shown above for completeness only.

The notes on pages 29 to 44 form part of these Financial Statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2007

ECLECTIC INVESTMENT TRUST PLC
REPORT AND ACCOUNTS 2007

Group Year ended 31 May 2006

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	CULS reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
At 31 May 2005	3,004	2,519	500	393	8,947	5,030	(1,297)	19,096
Profit for the period	—	—	—	—	1,266	(1,079)	31	218
Ordinary dividend paid (see note 9)	—	—	—	—	—	—	(180)	(180)
Transfer to retained earnings (see note 1 (k))	—	—	—	(185)	—	—	185	—
Conversion of 2007 Loan Stock	1	3	—	—	—	—	—	4
At 31 May 2006	3,005	2,522	500	208	10,213	3,951	(1,261)	19,138

Group Year ended 31 May 2007

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	CULS reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
At 31 May 2006	3,005	2,522	500	208	10,213	3,951	(1,261)	19,138
Profit for the period	—	—	—	—	4,302	1,102	(76)	5,328
Ordinary dividend paid (see note 9)	—	—	—	—	—	—	(180)	(180)
Transfer to retained earnings (see note 1 (k))	—	—	—	(18)	—	—	18	—
Conversion of 2007 Loan Stock	1,552	4,527	—	(190)	—	—	—	5,889
At 31 May 2007	4,557	7,049	500	—	14,515	5,053	(1,499)	30,175

Company Year ended 31 May 2006

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	CULS reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
At 31 May 2005	3,004	2,519	500	393	8,947	2,716	945	19,024
Profit for the period	—	—	—	—	1,266	(1,079)	31	218
Ordinary dividend paid (see note 9)	—	—	—	—	—	—	(180)	(180)
Transfer to retained earnings (see note 1 (k))	—	—	—	(185)	—	—	185	—
Conversion of 2007 Loan Stock	1	3	—	—	—	—	—	4
At 31 May 2006	3,005	2,522	500	208	10,213	1,637	981	19,066

Company Year ended 31 May 2007

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	CULS reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
At 31 May 2006	3,005	2,522	500	208	10,213	1,637	981	19,066
Profit for the period	—	—	—	—	4,300	1,104	(76)	5,328
Ordinary dividend paid (see note 9)	—	—	—	—	—	—	(180)	(180)
Transfer to retained earnings (see note 1 (k))	—	—	—	(18)	—	—	18	—
Conversion of 2007 Loan Stock	1,552	4,527	—	(190)	—	—	—	5,889
At 31 May 2007	4,557	7,049	500	—	14,513	2,741	743	30,103

The notes on pages 29 to 44 form part of these Financial Statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 MAY 2007

	Notes	31 May 2007 £'000	31 May 2006 £'000
Non current assets			
Investments held at fair value through profit or loss	11	29,666	25,700
Current assets			
Investments held at fair value through profit or loss		2	2
Derivatives held at fair value through profit or loss		2,476	1,271
Forward currency contracts held at fair value through profit or loss		4,494	3,499
Other receivables	12	6,663	90
Cash and cash equivalents		4,503	575
		18,138	5,437
Total assets		47,804	31,137
Current liabilities			
Derivatives held at fair value through profit or loss		(2,395)	(446)
Forward currency contracts held at fair value through profit of loss		(4,500)	(3,470)
Corporation tax payable		—	(16)
Other payables	13	(6,196)	(126)
Bank overdrafts and loans		(4,538)	(2,070)
		(17,629)	(6,128)
Total assets less current liabilities		30,175	25,009
Non current liabilities			
Convertible Loan Stock 2007	14	—	(5,871)
Net assets		30,175	19,138
Equity attributable to equity shareholders			
Ordinary share capital	15	4,557	3,005
Share premium		7,049	2,522
Capital redemption reserve		500	500
Equity component of Convertible Loan Stock 2007		—	208
Capital reserve - realised		14,515	10,213
Capital reserve - unrealised		5,053	3,951
Revenue reserve		(1,499)	(1,261)
Total equity	16	30,175	19,138
Net asset value per Ordinary share:			
– Basic	16	165.53p	159.23p
– Diluted		n/a	137.19p

The Financial Statements on pages 24 to 44 were approved by the Board of Directors on 10 September 2007 and were signed on its behalf by:

Anthony Bushell
Chairman

The notes on pages 29 to 44 form part of these Financial Statements.

COMPANY BALANCE SHEET

AS AT 31 MAY 2007

ECLECTIC INVESTMENT TRUST PLC
REPORT AND ACCOUNTS 2007

	Notes	31 May 2007 £'000	31 May 2006 £'000
Non current assets			
Investments held at fair value through profit or loss	11	29,668	25,702
Current assets			
Derivatives held at fair value through profit or loss		36	1,271
Forward currency contracts held at fair value through profit or loss		4,494	3,499
Other receivables	12	6,663	90
Cash and cash equivalents		4,503	575
Loan to Global Equity Risk Protection 'C'		1,696	—
		17,392	5,435
Total assets		47,060	31,137
Current liabilities			
Derivatives held at fair value through profit or loss		(1,879)	(446)
Forward currency contracts held at fair value through profit of loss		(4,500)	(3,470)
Corporation tax payable		—	(16)
Other payables	13	(6,040)	(198)
Bank overdrafts and loans		(4,538)	(2,070)
		(16,957)	(6,200)
Total assets less current liabilities		30,103	24,937
Non current liabilities			
Convertible Loan Stock 2007	14	—	(5,871)
Net assets		30,103	19,066
Equity attributable to equity shareholders			
Ordinary share capital	15	4,557	3,005
Share premium		7,049	2,522
Capital redemption reserve		500	500
Equity component of Convertible Loan Stock 2007		—	208
Capital reserve - realised		14,513	10,213
Capital reserve - unrealised		2,741	1,637
Revenue reserve		743	981
Total equity		30,103	19,066

The Financial Statements on pages 24 to 44 were approved by the Board of Directors on 10 September 2007 and were signed on its behalf by:

Anthony Bushell
Chairman

The notes on pages 29 to 44 form part of these Financial Statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MAY 2007

	Notes	Group 2007 £'000	Company 2007 £'000	Group and Company 2006 £'000
Net cash outflow from operating activities		(2,106)	(2,104)	(761)
Investing activities				
Purchases of investments		(10,908)	(10,908)	(5,617)
Sales of investments		14,745	14,745	5,978
Net cash inflow from investing activities		3,837	3,837	361
Net cash inflow/(outflow) before financing				
Net cash inflow from financing activities	17(a)	2,218	2,218	1,027
Increase in cash and cash equivalents				
Exchange movements		(27)	(29)	(2)
Change in cash and cash equivalents				
Cash and cash equivalents at beginning of year		575	575	(50)
Cash and cash equivalents at end of year	17(b)	4,497	4,497	575

Reconciliation of profit before taxation to net cash outflow from operating activities

Profit before taxation		5,370	5,370	249
Gains on investments held at fair value		(9,118)	(9,118)	(745)
Exchange differences		91	93	(97)
Increase in other debtors		(6,684)	(5,940)	(3,926)
(Increase)/decrease in accrued income		(44)	(44)	31
Increase in creditors		8,320	7,576	3,650
Taxation		(59)	(59)	(108)
Notional interest charge CULS 2007	1(k)	18	18	185
Net cash outflow from operating activities		(2,106)	(2,104)	(761)

The notes on pages 29 to 44 form part of these Financial Statements.

1. Accounting policies

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee ("IASC") that remain in effect, to the extent that IFRS have been adopted by the European Union.

The functional currency of the Group is pounds sterling because this is the currency of the primary economic environment in which the Group operates. The financial statements are also presented in pounds sterling.

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("the SORP") for investment trusts issued by the Association of Investment Companies ("the AIC") is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(b) Basis of consolidation

The Group accounts consolidate the accounts of the Company, its wholly-owned subsidiary undertaking, Eclectic Stocks Limited and the "C" shares of Global Equity Risk Protection Limited.

(c) Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988.

(d) Income

Dividends receivable on equity shares are recognised as revenue for the period on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis so as to reflect the effective interest rate on the debt securities and shares. Interest receivable from cash and short-term deposits is recognised on an accrual basis. Underwriting commission is recognised as earned. Special dividends are taken to capital unless there is sufficient information available to determine otherwise.

(e) Expenses

All expenses and interest payable are accounted for on an accruals basis. Expenses have been treated as revenue except as follows:

- transaction costs incurred on the acquisition or disposal of investments are taken to the capital column of the Income Statement;
- expenses are presented in the capital column of the Income Statement where a connection with the maintenance or enhancement of the value of investments can be demonstrated;
- any performance fees payable are allocated wholly to the capital column of the Income Statement.

(f) Taxation

The tax charged is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against the capital column in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue column of the Income Statement, then no tax relief is transferred to the capital column.

(f) Taxation Continued

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with within equity.

(g) Investments held at fair value through profit or loss

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of directors.

When a purchase or sale is made under contract, the terms of which require delivery within a timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All investments are designated by the Company upon initial recognition as held at fair value through profit or loss. They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off in the Income Statement and allocated to capital at the time of acquisition) and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by using various valuation techniques in accordance with IPEVCA guidelines. These may include recent arm's length

market transactions, the current fair value of another instrument which is substantially the same, discounted cash flow analysis and option pricing models. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised.

Investments held by the subsidiary undertaking are classified as "held for trading" and are valued at fair value in accordance with the policies above for listed and unlisted holdings. Profits or losses on investments "held for trading" are taken to revenue.

Changes in fair value to all investments held at fair value are recognised in the Income Statement. On disposal, realised gains and losses are also recognised in the Income Statement.

(h) Cash and cash equivalents

Cash comprises cash in hand and in banks and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(i) Dividends payable

Final dividends are recognised in the period in which they are approved by shareholders.

(j) Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction. At each balance sheet date, monetary items and non-monetary assets and liabilities, which are fair valued and which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Such exchange differences are included in the Income Statement and allocated to capital if of a capital nature or to revenue if of a revenue nature. Exchange differences allocated to capital are taken to realised capital reserve or unrealised reserve, as appropriate.

(k) Convertible Unsecured Loan Stock 2007
(fully converted 31 May 2007)

Convertible loan stock issued by the Company is regarded as a compound instrument, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan stock and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan stock based on their relative carrying amounts at the date of issue. The proportion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan stock.

As the change to the liability becomes fully reflected in the accounts as a realised loss by virtue of the additional interest charge, then the portion of the proceeds initially credited directly to equity becomes a profit for legal purposes to the same extent therefore offsets the loss arising through the higher effect of the interest charge.

(l) Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in market prices, foreign currency exchange rates and interest rates. Derivative transactions which the Group may enter into comprise forward foreign exchange contracts (the purpose of which is to manage currency risk arising from the Group's investing activities), contracts for difference to maintain exposure to certain companies and quoted options on indices appropriate to sections of the portfolio (the purpose of which is to provide protection against falls in the capital values of the holdings). The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies as approved by the Board.

Changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Investment Income

	2007 £'000	2006 £'000
Overseas investment income	806	805
UK investment income	77	64
Overseas fixed interest income	239	171
UK fixed interest income	53	99
	1,175	1,139
Investment income comprises		
Dividends - income	809	609
Special dividends - capital	74	260
Interest	292	270
	1,175	1,139

3. Other income

	2007 £'000	2006 £'000
Deposit interest	21	14
Underwriting income	—	21
	21	35

4. Investment management fees

	2007 £'000	2006 £'000
Investment management fee	165	129
Investment incentive fee - capital (see note 6)	556	—
	721	129

Details of the investment management agreement are disclosed in note 6 to the Financial Statements.

5. Other expenses

	2007 £'000	2006 £'000
Administration fee	81	74
Directors' emoluments	56	50
Fees payable to the Company's auditor for:		
– audit of the Group and Company Financial Statements	23	21
– other services relating to taxation	6	5
– all other services	15	1
Expenses relating to the restructuring of the Company	149	—
Other	160	122
	490	273
Capital charges	11	1
Legal fees - capital (see note 19)	683	1,251
	1,184	1,525

6. Disclosure of interests

In accordance with the terms of the investment management agreement dated 15 September 2006, as amended by a Supplemental Agreement dated 20 October 2006, between the Company and Ingot Capital Management Pty Ltd ("ICM"), ICM provides investment management services to the Company for which ICM receives an annual fee of 0.5 per cent. of gross assets less current liabilities (excluding borrowings) of the Company. It is also entitled to a performance fee equal to 15 per cent. of the amount by which the net asset value of the Company at the end of any accounting period, after adding back any distributions made by the Company during the relevant accounting period, exceeds the post tax average annual yield of the FTSE Actuaries Government Securities UK Gilts 5 to 10 Years Index plus the average UK inflation by reference to the UK All Items Retail Price Index (excluding mortgage interest payments) plus a two percentage point hurdle.

A performance fee of £556,000 is payable in respect of the year ended 31 May 2007 (2006: nil). The amounts charged during the year are shown in note 4 and as at 31 May 2007 £43,000 (2006: £53,000) of the investment management fee was outstanding. This agreement is terminable by either party on one year's notice.

In accordance with an administration agreement dated 9 January 2002 between the Company and Phoenix Administration Services Limited ("Phoenix"), Phoenix provides administration and company secretarial services to the Company for which Phoenix receives an annual fee of £85,000 (2006: £80,000). This agreement is terminable by either party on three months' notice.

7. Finance costs

	2007 £'000	2006 £'000
On bank loans and overdrafts	388	95
Convertible Subordinated Unsecured Loan Stock 2007	119	401
	507	496

8. Taxation

(a) Analysis of the charge for the year

	Revenue £'000	Capital £'000	2007 Total £'000	Revenue £'000	Capital £'000	2006 Total £'000
UK Corporation tax at 19% (2006:19%)	—	—	—	—	40	40
Overseas tax - double tax relief	—	—	—	(11)	(13)	(24)
	—	—	—	(11)	27	16
Overseas tax suffered	37	6	43	12	13	25
Tax relief on expenses charge to income	—	—	—	(9)	9	—
Withholding tax reclaims	(1)	—	(1)	(1)	—	(1)
Tax charge in respect of the current year	36	6	42	(9)	49	40
Prior year adjustment	—	—	—	(6)	(3)	(9)
Total current tax for the year (see note 8 (b))	36	6	42	(15)	46	31

8. Taxation continued

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK for a large company (30%). The difference is explained below.

	2007	2006
	£'000	£'000
Profit before tax	5,370	249
Corporation tax at 30%	1,611	75
Effects of:		
– UK dividends which are not taxable	(23)	(19)
– Marginal rate relief	—	(23)
– Non taxable gains on investments held at fair value through profit or loss	(1,976)	(368)
– Disallowed expenses	208	375
– Current year excess expenses	180	—
– Irrecoverable overseas tax	42	—
– Prior year adjustment	—	(9)
Current tax charge for the year	42	31

(c) Deferred tax

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

There is an unrecognised deferred tax asset of £180,000 (2006: £nil) which relates to unutilised expenses. The deferred tax asset would only be recovered if the Company were to generate sufficient taxable profits in the future to utilise these expenses.

9. Dividends

	2007	2006
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 May 2006 of 1.50p (2005: 1.50p) per Ordinary share	180	180

Set out below is the final dividend proposed on Ordinary shares in respect of the financial year, which is the basis on which the requirements of section 842 of the Income and Corporation Taxes Act 1988 are considered.

	2007	2006
	£'000	£'000
Proposed final dividend for the year ended 31 May 2007 of 1.50p (2006: 1.50p) per Ordinary share	273	180

International Accounting Standard (IAS) 10 "Events after the Balance Sheet date" does not permit proposed dividends to be included in the profit or loss account, with the corresponding liability in the balance sheet. Dividend distributions are recognised as a liability in the period which they are approved by the Company's shareholders.

10. Earnings per Ordinary share

(i) Basic earnings

The basic earnings per Ordinary share figure is based on the net profit for the year of £5,328,000 (year ended 31 May 2006: £218,000) and on 15,229,017 Ordinary shares (year ended 31 May 2006: 12,016,911), being the weighted average number of Ordinary shares in issue during the year.

The basic earnings per Ordinary share figures detailed above can be further analysed between revenue and capital, as below.

Revenue earnings:

The revenue earnings per Ordinary share figure is based on the net loss for the year of £76,000 (year ended 31 May 2006: profit £31,000) and on 15,229,017 Ordinary shares (year ended 31 May 2006: 12,016,911), being the weighted average number of Ordinary shares in issue during the year.

Capital earnings:

The capital earnings per Ordinary share figure is based on the net profit for the year of £5,404,000 (year ended 31 May 2006: £187,000) and on 15,229,017 Ordinary shares (year ended 31 May 2006: 12,016,911), being the weighted average number of Ordinary shares in issue during the year.

(ii) Diluted earnings

The diluted earnings per Ordinary share have been calculated on the assumption that the Convertible Subordinated Unsecured Loan Stock 2007 was fully converted on the first day of the financial year, giving a weighted average of 18,229,504 Ordinary shares (year ended 31 May 2006: 18,229,504) and based on net profit for the year of £5,412,000 (year ended 31 May 2006: £499,000). The dilutive earnings per Ordinary share of 29.68p (2006: anti-dilutive 2.74p) includes the savings of finance costs on the loan stock after taxation.

The diluted earnings per Ordinary share figures detailed above can be further analysed between revenue and capital, as below.

Diluted revenue earnings:

The diluted revenue earnings per Ordinary share have been calculated on the assumption that the Convertible Subordinated Unsecured Loan Stock 2007 was fully converted on the first day of the financial year, giving a weighted average of 18,229,504 Ordinary shares (year ended 31 May 2006: 18,229,504) and based on net revenue earnings on ordinary activities after taxation of £8,000 (year ended 31 May 2006: £312,000). The anti-dilutive revenue earnings per Ordinary share of 0.04p (2006: anti-dilutive 1.71p) includes the savings of finance costs on the loan stock after taxation.

Diluted capital earnings:

The diluted capital earnings per Ordinary share have been calculated on the assumption that the Convertible Subordinated Unsecured Loan Stock 2007 was fully converted on the first day of the financial year, giving a weighted average of 18,229,504 Ordinary shares (year ended 31 May 2006: 18,229,504) and based on net capital earnings on ordinary activities after taxation of £5,404,000 (year ended 31 May 2006: £187,000).

Net profit of the Company

As permitted by section 230 of the Companies Act 1985, the Company has not presented its own Income Statement. Net profit after taxation of £5,328,000 has been dealt with in the accounts of the Company (year ended 2006: £218,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Investments held at fair value through profit or loss

Group

	Unlisted Investments £'000	Listed Investments £'000	Total 2007 £'000
Fair value at year end	2,320	27,346	29,666
Opening book cost	3,935	17,580	21,515
Opening unrealised (depreciation)/appreciation	(3,099)	7,284	4,185
Opening fair value	836	24,864	25,700
Movements in the year:			
Purchases at cost	1,448	10,189	11,637
Sales – proceeds	–	(16,789)	(16,789)
– realised(losses)/gains on sales	(94)	6,449	6,355
Decrease in unrealised depreciation/increase in unrealised appreciation	130	2,633	2,763
Closing fair value	2,320	27,346	29,666
Closing book cost	5,289	17,429	22,718
Closing unrealised (depreciation)/appreciation	(2,969)	9,917	6,948
	2,320	27,346	29,666
Sale proceeds	–	16,789	16,789
Investments at cost	(94)	(10,340)	(10,434)
Realised (losses)/gains on sales based on historical cost	(94)	6,449	6,355
Losses/(gains) recognised as unrealised in previous year	90	(1,062)	(972)
Realised (losses)/gains on sales based on carrying value at previous year's balance sheet date	(4)	5,387	5,383
Unrealised appreciation for the year	40	3,695	3,735
Net gains per the Income Statement	36	9,082	9,118

Investment transaction costs on purchases and sales of investments during the year to 31 May 2007 amounted to £72,000 and £43,000 respectively (2006: £29,000 and £16,000 respectively).

Significant holdings

Where the Company's holdings comprises 3% or more of any class of capital of an investment and the holding is material in the context of the Company's financial statements, the relevant percentage of that class is shown in the review of the ten largest investments. There are no other holdings of 3% or more of any class of capital of an investment which are material to the Company's financial statements.

Company

In addition to the investments listed above under "Group", the Company has the following subsidiary, which has a cost of £2 and a loan from the parent undertaking (fully provided against and therefore written down to a nominal value of £2,000) of £2,316,000. No further provision was made in the Company's accounts during the year to 31 May 2007 (2006: nil).

Subsidiary	Principal Activity	Percentage of Equity held
Eclectic Stocks Limited	Security trading	100%

12. Other receivables

	Group	Company	Group	Company
	2007	2007	2006	2006
	£'000	£'000	£'000	£'000
Sales for future settlement	2,044	2,044	—	—
Closed forward currency contracts for future settlement	4,483	4,483	—	—
Prepayments and accrued income	90	90	45	45
Other debtors	46	46	45	45
	6,663	6,663	90	90

13. Other payables

	Group	Company	Group	Company
	2007	2007	2006	2006
	£'000	£'000	£'000	£'000
Purchases for future settlement	729	729	—	—
Derivatives for future settlement	228	—	—	—
Closed forward currency contracts for future settlement	4,504	4,504	—	—
Amounts due to subsidiary undertaking	—	72	—	72
Accruals and deferred income	735	735	126	126
	6,196	6,040	126	198

14. Non current liabilities: Convertible Subordinated Unsecured Loan Stock 2007

	2007		2006	
	No. of units		No. of units	
	000's	£'000	000's	£'000
Convertible Subordinated Unsecured Loan Stock 2007				
Balance at beginning of year	6,859	5,871	6,863	5,690
Units converted during the year	(6,859)	(5,889)	(4)	(4)
Additional finance charge to the Income Statement (see note 1 (k))	—	18	—	185
Balance at end of year	—	—	6,859	5,871

The 3.5 per cent. (gross) Convertible Subordinated Unsecured Loan Stock 2007 was issued on 25 March 1996 at a par value of 90p. The terms provided that the proceeds of the issue would be managed in a separate portfolio until 30 September 1997, at which time the Conversion Rate was calculated as set out in the Trust Deed dated 3 April 1996. On 9 October 1997 the Company announced that the Conversion Ratio was 22.6363p in nominal amount of Ordinary share capital for each 90p in nominal amount of loan stock. Accordingly, each unit of loan stock may be converted into one Ordinary share of 25 pence nominal amount at the rate of 0.90545251 of an Ordinary share for each unit of loan stock converted. On 2 November 2006 6,248,503 units of loan stock (7 November 2005: 4,660) were converted into 5,657,722 Ordinary shares (7 November 2005: 4,219). On 31 May 2007 there was a compulsory conversion of the remaining 610,639 units of loan stock into 552,904 Ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Called up share capital

	2007		2006	
	No. of shares 000's	£'000	No. of shares 000's	£'000
Authorised: Ordinary shares of 25 pence each	42,000	10,500	42,000	10,500
Issued and fully paid:				
Balance at beginning of year	12,019	3,005	12,015	3,004
Conversion of 2007 Loan Stock units in year	6,211	1,552	4	1
Balance at end of year	18,230	4,557	12,019	3,005

On 2 November 2006 6,248,503 (7 November 2005: 4,660) Convertible Subordinated Unsecured Loan Stock 2007 units were converted into 5,657,722 (7 November 2005: 4,219) Ordinary shares. On 31 May 2007 there was a compulsory conversion of the remaining 610,639 Convertible Subordinated Unsecured Loan Stock 2007 into 552,904 Ordinary shares.

16. Net asset value per share

The consolidated net asset value per Ordinary share and the net asset values attributable to the Ordinary shares at the year end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share attributable		Net asset values attributable	
	2007 p	2006 p	2007 £'000	2006 £'000
Ordinary shares (basic)	165.53	159.23	30,175	19,138

The movements during the year of the Group's assets attributable to the Ordinary shares were as follows:

	Ordinary shares (basic) £'000
Total net assets attributable at beginning of year	19,138
Profit for the year	5,328
Dividends paid in the year on Ordinary shares (see note 9)	(180)
Conversion of 2007 Loan Stock	5,889
Total net assets attributable at end of year	30,175

Basic net asset value per Ordinary share is based on net assets of £30,175,000 (2006: £19,138,000 adjusted to reflect the deduction of the liability component of the Convertible Loan Stock) and on 18,229,502 (2006: 12,018,876) Ordinary shares, being the number of Ordinary shares in issue at the year end.

For the year ended 31 May 2006 the fully-diluted consolidated net asset value per Ordinary share is 137.19p. This has been calculated on the assumption that the 2007 Loan Stock was converted at the rates described in note 14, giving 18,229,504 shares at the year end and based on net assets (adjusted to reflect the conversion of the convertible debt at par) of £25,009,000.

17. Group cash flow statement

(a) Analysis of cash flows for headings netted in the cash flow statement

	2007	2006
	£'000	£'000
Financing		
The Royal Bank of Scotland International multi-currency loan facility	2,462	1,108
Exchange movement	(64)	99
Equity dividend paid	(180)	(180)
Net cash inflow from financing activities	2,218	1,027

(b) Analysis of cash and cash equivalents at end of year

	At		At
	1 June	Cash	31 May
	2006	flow	2007
	£'000	£'000	£'000
		movement	
		£'000	
Cash at bank	575	3,955	4,503
Overdrafts	—	(6)	(6)
Total	575	3,949	4,497

18. Fund risk profile

The investment objective of the Group and Company is to maximise Shareholder value by investing in a portfolio of securities anywhere in the world.

In addition, the Group and Company hold cash and liquid resources and various items such as debtors/creditors that arise directly from its operations.

The Group and Company also enter into derivative transactions which comprise forward foreign exchange contracts (the purpose of which is to manage currency risk arising from the Company's investing activities), quoted options on indices appropriate to sections of the portfolio (the purpose of which is to provide protection against falls in the capital values of the holdings), and contracts for difference to maintain exposure to certain companies.

The Company, as stated in the Report of the Directors on page 12, conducts its affairs so as to enable it to qualify as an investment trust. As part of the rules governing this status, no investment at the time of purchase can represent more than 15% by value of the Company's portfolio of investments.

The Company, itself, does not undertake any trading in financial instruments. Through its subsidiary, Eclectic Stocks Limited, the Group does undertake trading in financial instruments but such activities represent less than 10% of the Group's activities. At the year end Eclectic Stocks Limited held one investment, in New Cap Reinsurance Corporation.

The Group and Company have appealed against the judgement in the litigation over the investment in New Cap Reinsurance Corporation. The appeal process is not expected to result in significant additional costs to the Company.

The main risks arising from the Group and Company's financial instruments are market price risk, which includes equity price changes, foreign currency risk, interest rate risk and liquidity risk. The Directors review and agree policies with the Investment Manager, Ingot Capital Management Pty Ltd, for managing these risks. The policies have remained unchanged since 1 June 2006.

18. Fund risk profile continued

The Group and Company on occasions have large investments in the securities issued by individual companies. Details of these investments at 31 May 2007 are provided in the Review of the Ten Largest Investments on pages 9 and 10.

There is no detailed disclosure of credit risk as this is not considered material in the context of the Group's overall activities.

Market price risk

The Group and Company's exposure to market price risk comprises mainly movements in the value of the Company's investments. As at the year end the spread of the Group and Company's investment portfolio analysed geographically and by classification of assets was as set out on page 8. The Investment Manager is responsible for actively monitoring the portfolio and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Currency risk

The value of the Group and Company's assets and the total return earned by the Company's shareholders can be affected by exchange rate movements as the Group and Company's

assets and income are denominated primarily in Australian dollars and loan facilities in currencies other than sterling. The Group and Company have partially hedged the foreign currency exchange movement of the Australian and New Zealand investments in the portfolio from time to time during the year by use of forward currency contracts. At the year end, there were two forward currency contracts open.

Interest rate risk

The Group and Company's assets include fixed interest stocks, the values of which are regularly reviewed by the Board. The Company has a multi-currency loan facility with The Royal Bank of Scotland International to the sterling equivalent of up to £5 million at floating rates of interest. As at the year end, a sterling equivalent of £4,532,000 had been drawn down in various currencies, but principally in Australian and US dollars. The facility expires on 31 December 2008.

Liquidity risk

The Group and Company's investments mainly comprise listed equities and are for the most part readily realisable securities, which can be easily sold to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdrafts and the multi-currency loan facility as required.

Currency exposure

Financial Assets

The Group's financial assets comprise equity investments, fixed interest securities, convertible securities, long option contracts, contracts for difference, cash balances and short term trade receivables.

As at 31 May 2007 the Groups currency cash-flow profile of those financial assets where as follows:

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Sterling	Euro	A\$	NZ\$	US\$	Other	Total
Investment held at fair value through profit or loss	3,909	3,098	14,502	6,038	—	2,119	29,666
Investments	—	—	2	—	—	—	2
Derivatives held at fair value through profit or loss	528	—	66	—	1,882	—	2,476
Forward currency contracts held at fair value through profit or loss	4,494	—	—	—	—	—	4,494
Cash at bank	955	—	3,351	44	21	132	4,503
Debtors	34	1	4,212	2,409	6	1	6,663
	9,920	3,099	22,133	8,491	1,909	2,252	47,804

18. Fund risk profile continued

Currency exposure continued

As at 31 May 2006 the Group's currency cash-flow profile of those financial assets were as follows:

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Sterling	Euro	A\$	NZ\$	US\$	Other	Total
Investment held at fair value through profit or loss	4,369	86	17,370	3,212	564	99	25,700
Investments	—	—	2	—	—	—	2
Derivatives held at fair value through profit or loss	—	—	101	—	610	560	1,271
Forward currency contracts held at fair value through profit or loss	3,499	—	—	—	—	—	3,499
Cash at bank	108	—	392	7	24	44	575
Debtors	48	—	41	—	1	—	90
	8,024	86	17,906	3,219	1,199	703	31,137

Financial Liabilities

The Group's financial liabilities comprise of short option contracts, contracts for difference, The Royal Bank of Scotland International (RBSI) multi-currency loan facility, and other short-term trade payables.

As at 31 May 2007 the Group's currency cash-flow profile of those financial liabilities were as follows:

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Sterling	Euro	A\$	NZ\$	US\$	Other	Total
Derivatives held at fair value through profit or loss	(1,898)	—	(6)	—	(491)	—	(2,395)
RBSI multi-currency loan facility	12	—	(3,194)	—	(1,350)	—	(4,532)
Overdrafts	(6)	—	—	—	—	—	(6)
Forward currency contracts held at fair value through profit or loss	—	—	(2,087)	(2,413)	—	—	(4,500)
Creditors	(5,386)	(127)	(119)	(234)	(239)	(91)	(6,196)
	(7,278)	(127)	(5,406)	(2,647)	(2,080)	(91)	(17,629)

As at 31 May 2006 the Group's currency cash-flow profile of those financial liabilities were as follows:

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Sterling	Euro	A\$	NZ\$	US\$	Other	Total
Derivatives held at fair value through profit or loss	—	—	—	—	(54)	(392)	(446)
RBSI multi-currency loan facility	169	—	(1,274)	(193)	(561)	(211)	(2,070)
Convertible Subordinated Unsecured Loan Stock 2007	(5,871)	—	—	—	—	—	(5,871)
Forward currency contracts held at fair value through profit or loss	—	—	(1,954)	(1,516)	—	—	(3,470)
Creditors	(118)	—	(17)	(1)	(5)	(1)	(142)
	(5,820)	—	(3,245)	(1,710)	(620)	(604)	(11,999)

18. Fund risk profile continued

Interest rate risk profile of financial assets and financial liabilities

As at 31 May 2007, the carrying amount, by the earlier of contractual re-pricing or maturity date, of the Group's financial instruments were as follows:

	In 1 year or less £'000	In more than 1 year but not more than 2 years £'000	In more than 2 years but not more than 3 years £'000	Total £'000
Fair value interest rate risk				
Financial assets held at fair value through profit or loss				
Non-current assets	778	—	1,645	2,423

The effective interest rate of financial assets held at fair value in less than one year is 10.48%, and in 2 to 3 years is 10.51%.

Cash flow interest rate risk

Loans and receivables				
Cash at bank	4,376	—	—	4,376
Financial liabilities				
RBSI multi-currency loan facility	—	(4,532)	—	(4,532)

The effective interest rate of financial liabilities in 1 to 2 years is 7.84%.

No interest rate risk

Financial assets held at fair value through profit or loss				
Non-current assets	27,243	—	—	27,243
Investments	2	—	—	2
Derivatives held at fair value through profit or loss	2,476	—	—	2,476
Loans and receivables				
Cash at bank	127	—	—	127
Forward currency contracts held at fair value through profit or loss	4,494	—	—	4,494
Debtors	6,663	—	—	6,663
Derivatives held at fair value through profit or loss	(2,395)	—	—	(2,395)
Forward currency contracts held at fair value through profit or loss	(4,500)	—	—	(4,500)
Other financial liabilities				
Creditors	(6,196)	—	—	(6,196)
Overdrafts	(6)	—	—	(6)

18. Fund risk profile continued

Interest rate risk profile of financial assets and financial liabilities continued

As at 31 May 2006, the carrying amount, by the earlier of contractual re-pricing or maturity date, of the Group's financial instruments were as follows:

	In 1 year or less £'000	In more than 1 year but not more than 2 years £'000	In more than 2 years but not more than 3 years £'000	In more than 3 years but not more than 4 years £'000	In more than 4 years but not more than 5 years £'000	Total £'000
Fair value interest rate risk						
Financial assets held at fair value through profit or loss						
Non-current assets	774	99	564	3,178	59	4,674

The effective interest rate of financial assets held at fair value in less than one year is 10.87%, in 1 to 2 years is 6.68%, in 2 to 3 years is 0.71%, in 3 to 4 years is 3.58% and in 4 to 5 years is 6.25%.

Cash flow interest rate risk

Loans and receivables

Cash at bank	492	—	—	—	—	492
Financial liabilities						
RBSI multi-currency loan facility	—	—	(2,070)	—	—	(2,070)
Convertible Subordinated						
Unsecured Loan Stock 2007	(5,871)	—	—	—	—	(5,871)

The effective interest rate of financial liabilities in less than one year is 7.00%, and in 2 to 3 years is 7.56%.

No interest rate risk

Financial assets held at fair value through profit or loss

Non-current assets	21,026	—	—	—	—	21,026
Investments	2	—	—	—	—	2
Derivatives held at fair value through profit or loss						
	1,271	—	—	—	—	1,271
Loans and receivables						
Cash at bank	83	—	—	—	—	83
Forward currency contracts held at fair value through profit or loss						
	3,499	—	—	—	—	3,499
Debtors	90	—	—	—	—	90
Derivatives held at fair value through profit or loss						
	(446)	—	—	—	—	(446)
Forward currency contracts held at fair value through profit or loss						
	(3,470)	—	—	—	—	(3,470)
Other financial liabilities						
Creditors	(142)	—	—	—	—	(142)

18. Fund risk profile (continued)

Borrowing facilities

On 14 February 2006 the Company entered into a multi-currency loan facility with The Royal Bank of Scotland International to the sterling equivalent of up to £5 million. This loan facility is secured against the assets of the fund other than those assets held by HSBC Australia as disclosed in note 19 below. As at the year end a sterling equivalent of £4,532,000 has been drawn down. This facility expires on 31 December 2008.

Derivative transactions

As at 31 May 2007, there were two open forward foreign exchange contracts reducing the exposure to the Australian dollar and New Zealand dollar investments by A\$5,000,000 and NZ\$6,500,000 against Sterling of £2,068,000 and £2,406,000 respectively, which matured on 3 July 2007.

As at 31 May 2007, the Company held a number of contracts for difference held at a fair value in the balance sheet at £(1,843,000). The total notional market exposure through holding contracts for difference amounts to £5,025,000.

Included in these contracts for difference are investments with market exposures of £1,660,000 in ERG Limited and of £2,448,000 in Trust Company Limited.

Through its investment in 'C' shares of Global Equity Risk Protection Limited, the Company has entered into a number of Put and Call transactions as part of its efficient portfolio management.

The Company has hedged the S&P 500 Index and the FTSE 100 Index using long and short Put and Call Options that have varying maturity dates between June 2007 and December 2009. The net hedge to the S&P 500 Index amounted to £17,984,000 and to the FTSE 100 Index amounted to £3,250,000.

The option premiums paid on the purchase of these long position contracts was £2,451,000 and their market value as at 31 May 2007 was £2,440,000. The option premiums received on the sale of short position contracts was £481,000 and their market value as at 31 May 2007 was £(516,000).

Fair values of financial assets and financial liabilities

The Directors are of the opinion that all financial assets and liabilities of the Group and Company are stated at fair value in the balance sheet as at 31 May 2007 and 31 May 2006 other than the Convertible Unsecured Loan Stock 2007 for the year ended 31 May 2006 which had a book value of £5,871,000 and a fair value of £9,191,000 based on the mid market price.

19. Contingent liabilities

As at 31 May 2007 there was a contingent liability of £280,000 regarding the sub underwriting of a rights issue (31 May 2006: none). As at 31 May 2007 there were no financial commitments (31 May 2006: none).

Guarantee

The Company has established Bank Guarantees to the plaintiffs in connection with the Company's legal action relating to its investment in New Cap Reinsurance Corporation and investments with a market value of A\$21,333,000 (sterling equivalent £8,925,000) as at 31 May 2007 (2006: A\$18,742,000, sterling equivalent £7,548,000) which are held at HSBC Australia as security against any prospective adverse costs regarding legal action in connection with the Company's investment in New Cap Reinsurance Corporation.

Included within other expenses are legal fees of £683,000 (2006: £1,251,000) in connection with a claim for damages related to the Group and Company's investment in New Cap Reinsurance Corporation. The investment is carried in the Group and Company's accounts at a negligible value.

20. Total expense ratios	2007	2006
Total assets	2.34%	1.56%
Shareholders' funds	2.61%	2.05%

The above total expense ratios are based on average total assets of £27,980,000 (2006: £25,696,000) and average shareholders funds of £25,153,000 (2006: £19,567,000) calculated at the end of each month during the period and revenue operating expenses incurred during the year of £655,000 (2006: £402,000).

21. Related party disclosure

Ingot Capital Management Pty Ltd acts as Manager to the Company. The amounts paid to the Manager are disclosed in note 4 to the Financial Statements and further details of the relationship between the Company and the Manager are set out in note 6 to the Financial Statements. Full details of Directors' interests are set out in the Report of the Directors on page 12.

FIVE YEAR FINANCIAL SUMMARY

ECLECTIC INVESTMENT TRUST PLC
REPORT AND ACCOUNTS 2007

	2003	2004*	2005*	2006	2007
	£'000	£'000	£'000	£'000	£'000
Capital	5,520	5,521	5,523	5,527	11,606
Total reserves	4,600	9,429	13,573	13,611	18,569
Convertible Unsecured Loan Stock 2007	6,140	5,519	5,690	5,871	—
Net operating revenue	676	352	549	512	467
Taxation	120	29	75	(15)	36
Net revenue	336	(55)	48	31	(76)
Dividend	252	120	180	180	273
Revenue earnings per Ordinary share	2.8p	(0.5)p	0.4p	0.3p	(0.5)p
Dividend per Ordinary share	2.1p	1.0p	1.5p	1.5p	1.5p
Gross interest per unit of Convertible Unsecured Loan Stock 2007	3.5p	3.5p	3.5p	3.5p	3.5p
Diluted net asset value per Ordinary share	89.2p	112.3p	136.0p	137.2p	n/a

*The figures for 2006 and 2007 have been calculated in accordance with International Financial Reporting Standards ("IFRS"). The figures for 2005 and 2004 have been restated in accordance with IFRS. The figures for 2003 have not been restated.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2007 Annual General Meeting of Eclectic Investment Trust plc will be held at 68 Lombard Street, London EC3V 9LJ on Wednesday 17 October 2007 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the Accounts and the Reports of the Directors and the Auditor for the year ended 31 May 2007;
2. to approve the Directors' Remuneration Report for the year ended 31 May 2007;
3. to declare a dividend of 1.5p per Ordinary share;
4. to re-elect Mr A Bushell as a Director of the Company;
5. to re-elect Mr P Burrows as a Director of the Company;
6. to re-elect Mr B Hervey as a Director of the Company;
7. to re-elect Mr W McLeland as a Director of the Company;
8. to appoint Grant Thornton UK LLP as Auditor to the Company and authorise the Directors to determine the auditor's remuneration.

Special Business

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

9. THAT in substitution for any existing authority given in accordance with section 80 of the Companies Act 1985 (as amended) (the "Act") but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £1,519,125 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the fifth anniversary of the date of the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

To consider and, if thought fit, pass the following resolutions as Special Resolutions:

10. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (as amended) (the "Act") to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 25p each in the capital of the Company ("Ordinary Shares") provided that:
 - (i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 2,732,602;
 - (ii) the minimum price which may be paid for an Ordinary Share shall be 25 pence (exclusive of associated expenses);
 - (iii) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations of the Ordinary Shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the relevant Ordinary Share is contracted to be purchased (exclusive of associated expenses); and
 - (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting to be held in 2008 or, if earlier, on the date falling 15 months after the date of the passing of this resolution, save that the Company may prior to such expiry enter into a contract or arrangement to purchase Ordinary Shares under this authority which will or may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares pursuant to any such contract or arrangement as if the authority hereby conferred had not expired.

11. THAT in substitution for any existing power under section 95 of the Companies Act 1985 (as amended) (the "Act"), but without prejudice to the exercise of any such power prior to the passing of this resolution, the Directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to section 94(3A of the Act) wholly for cash pursuant to any existing authority given in accordance with section 80 of the Act as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

- (i) to the allotment of equity securities in connection with an offer such securities by way of rights to holders of Ordinary shares of 25p each in the capital of the Company ("Ordinary Shares") on the register of members of the Company on a fixed record date in proportion (as nearly as may be practicable) to their respective holdings of Ordinary Shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems arising under the laws of, or the requirements of, any territory or any regulatory or governmental body or authority or stock exchange; and
- (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £227,869;

and shall expire on the date of the next annual general meeting of the Company or the date falling 15 months after the date of the passing of this resolution whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to any existing authority given in accordance with section 80 of the Act" were omitted.

Dated this 10th day of September 2007

By order of the Board

Phoenix Administration Services Limited
Secretary

Notes

- (1) A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend in their place and, on a poll, vote instead of that shareholder. A proxy need not be a shareholder of the Company.
- (2) Shareholders are invited to complete and return the reply paid form of proxy which accompanies this report. Lodgement of the form of proxy will not prevent a shareholder from attending and voting at the meeting if they subsequently so decide.
- (3) To be valid, the form of proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be completed and received at the relevant address below not later than 48 hours before the time set for the meeting or adjourned meeting or; in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting, for the taking of the poll at which it is to be used:
 - a) If sent by post: Capita Registrars PO Box 25, Beckenham, Kent BR3 4BR
 - b) If delivered by hand: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- (4) Entitlement to attend and vote at the Annual General Meeting or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of shareholders of the Company at 6.00pm on 15 October 2007 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting. Changes to the register of shareholders after such time will be disregarded.
- (5) No Director has a service contract with the Company.
- (6) The Register of Directors' interests will be available for inspection at the Annual General Meeting for fifteen minutes prior to and during the meeting.

COMPANY INFORMATION

Directors

A F Bushell (Chairman)
P I Burrows
B C Hervey
W J McLeland

Investment Manager

Ingot Capital Management Pty Ltd
Level II
1 York Street
Sydney 2000
Australia
www.ingotcm.com

Company Secretary and Registered Office

Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex
CM2 5PW
Tel: 01245 398950
E-mail: info@phoenixadmin.co.uk

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Registrars

Capita Registrars
Northern House
Woodsome Park
Feney Bridge
Huddersfield
West Yorkshire
HD8 0LA
Tel: 0870 1623 100

Custodian

The Northern Trust Company
London Branch
50 Bank Street
Canary Wharf
London
E14 5NT

Brokers

Arbuthnot Securities Limited
20 Ropemaker Street
London
EC2Y 9AR
www.arbuthnot.co.uk

Shareholder Relations

Copies of the Company's annual and interim reports are available from the Company Secretary, Phoenix Administration Services Limited. The price of the Company's Ordinary shares is listed daily in the Financial Times. The Company's web site at **www.eclectictrust.com** is updated daily and provides information about the Company including 15 minute delayed prices, all RNS news announcements and a share price graph. An on-line share dealing facility is available from Hemscott Group Limited which can be accessed from the link on the Company's web-site.

Individual Savings Account ('ISA')

Eclectic Investment Trust plc is eligible to be held in an ISA account, subject to HM Revenue and Customs limits.

Registered in England and Wales No: 2133976

