02133976

ECLECTIC

ECLECTIC INVESTMENT COMPANY PLC
Report and accounts 23 November 2009

CONTENTS

FINANCIAL CALENDAR

Ordinary shares ex-dividend	1 September 2010
AGM	27 October 2010
Dividend payment	30 September 2010

OBJECTIVE, INVESTING POLICY, AND APPROACH

OBJECTIVE

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

Eclectic seeks to invest in undervalued investments worldwide

Investing Strategy and Investment Allocation
The Company looks to identify and invest in investments where the underlying value is not reflected in the market price This perceived undervaluation may arise from any number of factors including technological, market motivation, prospective financial engineering opportunities, competition or shareholder apathy

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

The portfolio is focused on absolute performance

The Company's investing 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 may invest 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, subject to unlisted securities not exceeding in aggregate 30 per cent of the Company's gross assets.

The investing policy is not compelled to focus on any country, sector or industry The Investment Manager seeks to maintain and enhance diversification within the portfolio by investing in a range of sectors, markets and instruments as attractive opportunities arise The allocation of assets between sectors, markets and instruments will depend on market conditions and the judgement of the Investment Manager and the Board of Directors as to what is in the best interests of the Company and shareholders and so the proportions of the portfolio invested in individual situations, sectors or markets will be flexible. As such, not more than 15 per cent of the Company's Gross Assets shall be invested in the securities of any one company or group at the time the investment is made

The Company may use bank debt, derivative instruments such as contracts for difference, financial futures, options and warrants to enhance its investment performance It may, from time to time, seek actively to 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 Furthermore, the Company looks to invest in instruments that provide additional protection such as convertible notes

The Company has the ability to use bank debt to provide long term structural gearing which will be restricted to 100 per cent of its net assets However the Board may adopt a lower limit in line with the prevailing level of market risk and the risk associated with each investment on a case by case basis

CHAIRMAN'S STATEMENT

The period ended 23 November 2009 has demonstrated some encouraging signs, with your Company's net asset value rising strongly by 32.3%. This reflects the good performance of our portfolio, relative to the increase over the same period in the Company's benchmark index, the 5 to 10 years Government Securities UK Gilts Index, of 5.9% and the increase in the FTSE All Share index of 19.2%. This performance has also been reflected in the share price of the Ordinary shares which has increased by 100% with the discount to net asset value narrowing to 1.4% from 34.8% at the last year end.

The Directors proposed an interim dividend of 0.75p per ordinary share for the period 1 June 2009 to 23 November 2009 (year to 2009: 0.5p). The interim dividend for the period ended 23 November 2009 will be payable on 30 September 2010 to shareholders on the register at 3 September 2010 (ex-dividend 1 September 2010).

This period has also seen the implementation of one of the proposals outlined in the last annual report and approved by shareholders at the AGM in October 2009. The Company is now an investment company. The other proposal, of being listed on AIM instead of the Main Market of the London Stock Exchange, took place on 24 November 2009. As we reiterated at that time, the Board continues to believe that the size of the Company is below the optimal level and will continue to monitor the capital structure and strategy for the Company's future.

Following discussions with the Company's advisers, it was decided that it would be in shareholders best interests to shorten the previous accounting reference period from 31 May 2010 to 23 November 2009, the last day the Company was an investment trust listed on the Main Market of the London Stock Exchange, and prepare separate accounts for that period.

The total value of investments in the Company has risen by 28.8% to £15.2m, reflecting the increase in asset value and the rise in gearing to £2.7m. The gearing on net assets was 15.8% at the period end, a conservative level of leverage. The approach to hedging of markets and currencies has remained cautious.

The number of investments in the portfolio has risen from 38 at the previous year end to 44 which illustrates the ongoing development and diversification of the portfolio. Similarly, the concentration in the ten largest investments fell to 63.6% from 72.6% of gross assets.

While we are encouraged by the recovery in value shown in the Company's assets, there are still uncertainties in the outlook for the economic and investment future. Recovery has come to a number of markets and we are, in the main, optimistic. The Company has a solid portfolio, albeit still relatively focused and concentrated, and low gearing so is well based to take advantage of value opportunities and withstand further possible downturns.

Anthony Bushell
Chairman
17 September 2010

INVESTMENT MANAGER'S REPORT

Portfolio Review

The value of the investment portfolio rose by 28 8% to £15 2m, gross assets were £19 8m, up 40 4% on the previous year end

The Trust Company remains the largest single investment, at £6 3m (up 33 3% on 31 May 2009), accounting for 31 9% of gross assets Eclectic holds 5 7% of the issued shares Its share price has risen by 29 1% over the period, and the investment value has also benefited from the strengthening of the Australian dollar Although the results for The Trust Company's first half year of 2009 to 31 August reflected the challenging operating conditions in the financial markets, with no gearing, strong operating cash-flow and a liquid underlying financial position the company is well placed to benefit from improving equity markets The new CEO, appointed in 2009, has undertaken a strategic review identifying significant growth opportunities and the results for 2010 are expected to be at the upper end of forecasts

eBet rose to the second largest holding at £1 4m, 7 2% of gross assets, as a result of the 42 0% rise in the share price and the strength of the Australian dollar eBet is continuing to focus on building recurring revenues and its half year report to 30 June 2009 showed growth in net profit arising from a strategic acquisition and cost cutting Eclectic holds 6 1% of the Ordinary shares

Resolute Mining is the third largest holding. During the period we sold our holding in ordinary shares and part of our convertible shares holding, at a net profit over book cost of £0 5m In the second half of 2009 Resolute announced a A$44m capital raising to finance a debt restructure and working capital for the development of mining projects The convertible share price rose by 54% during the period under review

The only new holding in the top ten during the period was CQS Rig Finance Fund, which was the fourth largest holding at £0 7m This company is a closed end Guernsey investment company focusing primarily on debt instruments to finance construction, modification, and refurbishment of rigs and other infrastructure/equipment used in offshore exploration and production of oil and natural gas. At 23 November 2009, CQS Rig had a net asset value per share of 16 94p, and the shares were trading at a discount of 38% to net asset value Eclectic holds 6 7% of the issued shares

The investments in the Indian banking sector have continued to perform During the period we sold the investment in Dhanalakshmi Bank at a profit over book cost We have also taken some profits from our holdings in South Indian Bank and City Union Bank, although these still remain in our top ten holdings Total profit realised from these transactions was £0 3m over book cost

North Atlantic Smaller Companies Investment Trust continues to trade at a significant discount to net asset value, 44 8% to basic undiluted net assets as at the period end date The share price has risen by 9% in this period.

Argus Group is Bermuda's largest insurance company providing a range of insurance, retirement and financial services to businesses and individuals. The results for the 6 months to 30 September 2009 showed a return to profitability with earnings of B$12 2m against a corresponding loss of B$42m, largely arising from the growth in investment values in the global recovery and a maintained dividend The company remains strongly capitalised with the underlying businesses reporting solid results, and a reduction in operating costs an ongoing focus

The investment in F&C Asset Management subordinated bonds has seen value growth of 28 2% over the period and is yielding 10 3% at the current price

The Bank of N T Butterfield & Son has had a difficult period with the share price declining by 30 4%, reflecting the difficult conditions in financial markets

During the period, total sales of investments were £3 4m at a book profit of £1 0m and purchases of investments totalled £2 7m

Balance Sheet and Financial Gearing

At the period end date the level of bank debt and overdrafts was £2 7m, representing gearing on net assets of 15 8%, still a modest level of leverage

The cash and cash equivalents on the balance sheet was mainly offset by derivative liabilities

Hedging Strategy

The Investment Manager has continued to manage the modest hedging programme with a view to maximising protection

Return

The consolidated profit for the period on the revenue account was £0 2m and on the capital account was £4 1m, a total return of £4 3m

Outlook

Many world markets have seen some recovery in recent months, however we remain cautious and still consider the outlook has uncertainties The Company continues its low gearing strategy to protect values and preserve capital while seeking value opportunities for investment The steps to develop and balance the portfolio continue

The investments in financial market companies have performed well over this period and we will continue to identify sectors and instruments offering attractive characteristics for investment

TEN LARGEST INVESTMENTS

(ORDINARY SHARES UNLESS OTHERWISE STATED)

This Period	*Year to 31 May 2009*	Company *(Country of listing)* Description	At 23 November 2009 Fair Value £'000	% of Gross Assets
1	*(1)*	The Trust Company *(Australia)* Trustee and financial services	6,324	31.9
2	*(3)*	eBet – Ordinary and 10% Redeemable Conv Notes 30/09/2010 *(Australia)* Gaming systems	1,434	7.2
3	*(2)*	Resolute Mining – 12% Conv Notes 31/12/2012 and Options 31/12/2011 *(Australia)* Developer and operator of mines	1,240	6.3
4	*(-)*	CQS RIG Finance Fund *(Guernsey)* Investment Management	731	3.7
5	*(4)*	South Indian Bank *(India)* Banking	666	3.4
6	*(6)*	City Union Bank *(India)* Banking	563	2.8
7	*(5)*	North Atlantic Smaller Companies Investment Trust Ordinary and 10% Conv Notes 31/05/2013 *(UK)* Investment Company	538	2.7
8	*(7)*	Argus Group *(Bermuda)* Insurance	469	2.4
9	*(9)*	F&C Asset Management 6 75% 20/1/2026 *(UK)* Investment Management	333	1.7
10	*(8)*	The Bank of N.T. Butterfield & Son *(Bermuda)* Banking	307	1.5
Ten largest investments			**12,605**	**63.6**
Other investments (34)			**2,605**	**13.1**
Total investments			**15,210**	**76.7**
Current assets less current liabilities (excluding bank loans and overdrafts)			**4,623**	**23.3**
Gross Assets			**19,833**	**100.0**

Please refer to note 18 to the Financial Statements on pages 35 and 36 regarding significant investment exposure to investments in contracts for difference

CLASSIFICATION OF ASSETS

	23 November 2009		31 May 2009	
	£'000	**%**	£'000	%
Equities	**12,041**	**60.7**	9,289	66 1
Convertible Securities	**2,255**	**11.4**	1,924	13 6
Fixed Interest Securities	**914**	**4.6**	588	4 2
Current assets less current liabilities (excluding bank loans and overdrafts)	**4,623**	**23.3**	2,260	16 1
Gross Assets	**19,833**	**100.0**	14,061	100 0

GEOGRAPHICAL ANALYSIS

	23 November 2009		31 May 2009	
	£'000	**%**	£'000	%
Australia	**9,540**	**48.1**	7,783	55 4
United Kingdom	**2,468**	**12.4**	1,351	9 6
India	**1,578**	**8.0**	1,537	10 9
Bermuda	**776**	**3.9**	914	6 5
Europe	**429**	**2.2**	55	0 4
New Zealand	**376**	**1.9**	154	1 0
United States	**36**	**0.2**	—	—
Asia	**7**	**—**	7	0 1
Current assets less current liabilities (excluding bank loans and overdrafts)	**4,623**	**23.3**	2,260	16 1
Gross Assets	**19,833**	**100.0**	14,061	100 0

DIRECTORS, INVESTMENT TEAM, ADMINISTRATOR AND SECRETARY

DIRECTORS

Anthony Bushell†
Chairman, aged 77, was a non-executive director of a number of investment trusts, and formerly 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 63, 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 68, 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 64, formerly a stockbroker and investment banker, is now an adviser in fund management and business strategy to companies He is a director of The Trust Company Limited, Bermuda Commercial Bank Limited and Intellect Solutions 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 fulfils 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 53, is a director of Eclectic's Investment Manager, ICM He is a chartered accountant with experience in corporate finance and corporate investment He has been a director of a number of investment trusts and utility companies

Sandra Pope
Aged 47, 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 PERIOD ENDED 23 NOVEMBER 2009

The Directors submit their Report together with the audited financial statements of the Company and Group for the period ended 23 November 2009

Results and Dividend
The total profit for the period was £4,251,000 of which a profit of £189,000 is attributable to revenue (31 May 2009 total loss of £16,835,000, of which a profit of £106,000 was attributable to revenue) An interim dividend of 0 75p per Ordinary share was proposed by the Directors in respect of the period ended 23 November 2009 (31 May 2009 0 5p per Ordinary share) The dividend will be paid on 30 September 2010 to shareholders whose names appear on the register at the close of business on 3 September 2010 (ex-dividend 1 September 2010).

Activities and Status
The Company is an investment company as defined in Section 833 of the Companies Act 2006

As an investing company, the Directors conducted the affairs of the Company with a view to obtaining approval under 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 2009, this does not preclude HMRC from undertaking a subsequent enquiry into the Company's tax return

At the Annual General Meeting of the Company on 26 October 2009, shareholders approved the following matters

- a change of name to Eclectic Investment Company plc,
- a move from a listing on the Main Market of the London Stock Exchange to trading on the Alternative Investment Market (AIM) of the London Stock Exchange,
- cancellation of investment trust status with effect from the commencement of trading on AIM,
- deletion of the Company's Memorandum of Association and adoption of new Articles of Association,
- an increase in the aggregate remuneration payable to Directors from £75,000 to £100,000, and
- a new Investing Policy for the Company

Pursuant to the above, the name of the Company was changed from Eclectic Investment Trust plc to Eclectic Investment Company plc on 27 October 2009 Trading in the Company's Ordinary shares on the main market ceased on 23 November 2009, and trading on AIM commenced on 24 November 2009

Business Review
The position of the Company, analysis of the development and performance of the Company's business during the period and main trends/factors likely to affect future development are discussed in the Chairman's Statement on page 3 and the Investment Manager's Report on page 4 The performance of the Company's net asset value 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 Section 842 Income and Corporation Taxes Act 1988 (for so long as the Company carries on business as an investment trust) or breach of the UKLA Listing Rules.

The principal risks in relation to financial instruments and how these are managed are discussed in the Financial instruments and capital disclosures on pages 32 to 36

The Company has one employee, who was employed at the period end and is engaged on flexible terms for mutual convenience Their employment may be terminated on 3 months' prior notice other than in respect of a 'for cause' termination As an investment company, whose sole business is to invest shareholders' monies, the Company has no direct impact on social, community or environmental matters

Following discussions with the Company's advisers, it was decided that it would be in shareholders best interests to shorten the previous accounting reference period from 31 May 2010 to 23 November 2009, the last day the Company was an investment trust listed on the Main Market of the London Stock Exchange, and prepare separate accounts for that period

Directors
Details of the Directors, all of whom served throughout the period under review, are set out on page 6

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

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

	Ordinary shares of 25p	
	23 November 2009	31 May 2009
A F Bushell	30,000	30,000
P I Burrows	1,282,525	1,282,525
B C Hervey	—	—
W J McLeland	50,000	50,000

No changes in the above interests occurred between 23 November 2009 and 17 September 2010 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 notes 4 and 6 to the Financial Statements on pages 24 and 25

The Board is of the opinion that the continued engagement of ICM under the current terms is in the interests of shareholders

Substantial Shareholdings
In addition to the Directors' holdings listed on page 7, the Company had been notified of the following significant holdings of 3% or more of the Company's Ordinary shares carrying unrestricted voting rights as at 23 November 2009 and 17 September 2010

	% held 23 November 2009	% held 17 September 2010
National Life & Pensions (L) Limited	52.2	52.5
Ingot Capital Management Pty Ltd	7.3	7.4
Lazard Asset Management	6.8	6.8
Custody Equity Management Limited	4.3	4.4

Share capital
At 31 May 2009 and 23 November 2009, the authorised share capital was £10,500,000 divided into 42,000,000 Ordinary shares of 25p each The issued share capital of the Company at the period end was £4,429,875 divided into 17,719,502 Ordinary shares of 25p each (31 May 2009 £4,429,875 divided into 17,719,502 Ordinary shares of 25p each) Between 23 November 2009 and the date of this report the Company bought back and placed in treasury 100,000 Ordinary shares Accordingly at the date of this report the total voting rights attaching to the shares in issue number 17,619,502

At the Annual General Meeting of the Company held on 26 October 2009 shareholders approved a special resolution for the Company to make market purchases of up to 2,656,150 Ordinary shares of the Company During the period the Company did not buy back any shares (year to 31 May 2009. 510,000 Ordinary shares for an aggregate consideration of £204,410) as part of its stated policy to buy back shares where available

The following sets out the respective rights and obligations attaching to the Ordinary shares of the Company

a) Voting The Ordinary shares confer the right to receive notice and to attend and vote at any General Meeting of the Company;

b) Dividend The Ordinary shares carry the right to dividends declared in accordance with the Articles of Association of the Company;

c) Winding up The assets of the Company may, on a winding up, with the sanction of a resolution of the shareholders, be vested in trustees upon trust for members or may be divided amongst the members on the basis determined by the liquidator, subject to relevant statutory protections

Powers of the Board
Subject to the provisions of the Companies Act, the Articles of Association of the Company and any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given

The Directors may, by power of attorney or otherwise, appoint any person to be the agent of the Company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers

The Directors may, subject to the restrictions set out in the Articles, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities

Corporate Governance
The Company's statement on corporate governance which forms part of this Report, can be found on pages 10 to 12

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 23 November 2009 or 31 May 2009

Auditor
Grant Thornton UK LLP, Statutory Auditor and Chartered Accountants, are the independent auditor for the Company

On behalf of the Board
pp Phoenix Administration Services Limited
Secretary
17 September 2010

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 requires the Directors to prepare financial statements for each financial period Under that law the Directors have to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group for that period

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,
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business, and
- prepare a Directors' Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 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 Rules of the UK Listing Authority

Financial statements of the Company are published on www eclecticinvest 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

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information

Going Concern

The Directors have carefully reviewed the Company's current financial resources, the majority of net assets being securities which are reasonably readily realisable, and the projected expenses for the Group for the next 12 months On the basis of that review 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 Group's financial statements on a going concern basis

Declaration

The non-executive Directors listed on page 6, being the persons responsible, hereby confirm to the best of their knowledge

- that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and
- the Management Report (which comprises the Chairman's Statement and the Business Review) includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces

This Report and the Group financial statements were approved by the Board on 17 September 2010 and signed on behalf of the Board by the Chairman, Mr Anthony Bushell

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement forms part of the Report of the Directors

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") ("the Combined Code")' and the Principles contained within the Code of Corporate Governance published in March 2009 by the Association of Investment Companies ("AIC") ("the AIC Principles") [1]

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 period to 23 November 2009 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 6 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 during the period is given below, together with individual Director's attendance or participation by telephone conference call at those meetings

	Board	Audit Committee
Number held	**2**	**1**
A F Bushell	2	1
P I Burrows	1	n/a
B C Hervey	2	1
W J McLeland	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 UK Listing Authority Rules, the statutory provisions of the Companies Acts 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 and the Secretary 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 led by Mr B Hervey; using regular informal evaluations The Board is satisfied from the results of these 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

1 The Combined Code and the AIC Principles are respectively available on the following web-sites www frc org uk/corporate/ukcgcode cfm
www theaic co uk/files/technical/AICCode pdf

Remuneration Committee

The Board as a whole fulfils the function of a Remuneration Committee which meets periodically Notwithstanding Provision B 2 1 of the Combined Code, the Board considers that as only two of the Directors are based in the UK, chairmanship of the Remuneration Committee by the Chairman of the Board is the most appropriate arrangement for the Company Pursuant to the Company's Articles of Association, the aggregate remuneration of the Directors shall not exceed £100,000 per annum

Under the UK Listing Rules, where an investment trust company has no executive directors, the Code's provisions relating to executive directors' remuneration do not apply Details of the Directors' fees are given in the Directors' Remuneration Report on pages 13 and 14 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

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

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 5

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 The facility was renewed by the Bank in January 2010 at a borrowing limit of £5 0m (January 2009 £3 0m)

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 period ended 23 November 2009 and up to the date of approval of the Annual Report 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, the Investment Manager, the Secretary and Administrator with 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 Audit Committee had identified various risks which could materially impact on the affairs of the Company and its financial statements, and the effectiveness of the controls over these These risks are reviewed at least twice annually, in particular when reports to shareholders are being considered, to ensure that potential errors are minimised and, were the Company's independent auditor to identify any significant control weakness during its audit work, it would bring such to the attention of the Board so that appropriate remedial action (if required) can be taken

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 Corporation 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 competence and experience

The Audit Committee monitors the integrity of the financial statements of the Company, and reviews any formal announcements relating to the Company's financial performance and the financial reporting judgements contained therein

The Audit Committee also monitors and reviews annually the objectivity, effectiveness and qualification of the auditor, the auditor's independence, the scope and fees for non-audit work and, in particular, requires that any non-audit work is undertaken by the auditor's 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 auditor The auditor currently provides tax compliance services to the Company The Committee considers the scope of any non-audit work proposed to be undertaken by the auditor 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 ordinarily meets twice each year with representatives of the Investment 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 Auditor also attends Audit Committee meetings at least once a year and reports 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 Auditor during the period that the auditor's independence was not compromised during the period nor is likely to be compromised in the foreseeable future

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

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 Annual Report

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 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

DIRECTORS' REMUNERATION REPORT

Remuneration Committee

All Directors are non-executive and the Board as a whole fulfils the function of a Remuneration Committee The Board last reviewed the Directors' fees in February 2007 The Directors' emoluments for the period are shown in the table on page 14

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 companies 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 period ending 31 May 2010

Pursuant to the Company's Articles of Association, Directors' fees are limited to a maximum aggregate of £100,000 per financial year 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, re-election at least every three years thereafter and annually after serving on the Board for nine years or more 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 benchmark which is based on the FTSE Actuaries Government Securities UK Gilts 5 to 10 Years Index

Eclectic Investment Company plc total shareholder return against the FTSE Actuaries Government Securities UK Gilts 5 to 10 years Index

GRAPH REMOVED FROM HERE

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' Emoluments for the periods ended

	1 June 2009 to 23 November 2009 £	Year to 31 May 2009 £
A F Bushell*	**12,500**	25,000
P I Burrows†	**6,250**	12,500
B C Hervey	**6,250**	12,500
W J McLeland	**6,250**	12,500
	31,250	62,500

* Chairman of the Board and Audit Committee
† Paid to Trabatu 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 17 September 2010 and signed on their behalf by

pp Phoenix Administration Services Limited
Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ECLECTIC INVESTMENT COMPANY PLC

We have audited the financial statements of Eclectic Investment Company plc for the period ended 23 November 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 23 November 2009 and of the Group's profit for the period then ended,
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Julian Bartlett
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor,
Chartered Accountants
17 September 2010

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 23 NOVEMBER 2009

		1 June 2009 to			Year to		
		23 November 2009			31 May 2009		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
	Notes	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Income							
Investment income	2	**468**	**—**	**468**	760	1,172	1,932
Other income	3	**7**	**—**	**7**	40	—	40
Gains/(losses) on investments designated at fair value through profit or loss							
Non current assets	11	**—**	**4,125**	**4,125**	—	(15,794)	(15,794)
Gains/(losses) on current assets held at fair value through profit or loss							
Derivatives		**—**	**570**	**570**	—	(2,939)	(2,939)
Forward currency contracts		**—**	**—**	**—**	—	—	—
Exchange (losses)/gains on currency balances		**—**	**(557)**	**(557)**	—	814	814
		475	**4,138**	**4,613**	800	(16,747)	(15,947)
Expenses							
Investment management fee	4	**(35)**	**—**	**(35)**	(62)	—	(62)
Other expenses	5	**(196)**	**(76)**	**(272)**	(415)	(6)	(421)
Finance costs	7	**(51)**	**—**	**(51)**	(341)	—	(341)
		(282)	**(76)**	**(358)**	(818)	(6)	(824)
Profit/(loss) before tax		**193**	**4,062**	**4,255**	(18)	(16,753)	(16,771)
Taxation	8	**(4)**	**—**	**(4)**	124	(188)	(64)
Profit/(loss) for the period		**189**	**4,062**	**4,251**	106	(16,941)	(16,835)
Earnings per Ordinary share	10	**1.07p**	**22.92p**	**23.99p**	0 58p	(93 69)p	(93 11)p

The Company does not have any income or expense that is not included in profit for the period Accordingly, the "profit for the period" is also the "Total Comprehensive Income for the period", as defined in IAS1 (revised) and no separate Statement of Comprehensive Income has been presented

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

The notes on pages 21 to 37 form part of these Financial Statements

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 23 NOVEMBER 2009

Group
Year ended 31 May 2009

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 May 2008	4,557	7,049	500	19,918	(1,946)	30,078
Loss/(profit) for the period	—	—	—	(16,941)	106	(16,835)
Share buyback 6 February 2009	(27)	—	27	(44)	—	(44)
Share buyback 18 February 2009	(100)	—	100	(160)	—	(160)
Ordinary dividend paid (see note 9)	—	—	—	—	(137)	(137)
At 31 May 2009	4,430	7,049	627	2,773	(1,977)	12,902

Group
Period ended 23 November 2009

	Ordinary share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
At 31 May 2009	**4,430**	**7,049**	**627**	**2,773**	**(1,977)**	**12,902**
Profit for the period	**—**	**—**	**—**	**4,062**	**189**	**4,251**
Ordinary dividend paid (see note 9)	**—**	**—**	**—**	**—**	**(89)**	**(89)**
At 23 November 2009	**4,430**	**7,049**	**627**	**6,835**	**(1,877)**	**17,064**

Company
Year ended 31 May 2009

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 May 2008	4,557	7,049	500	17,589	311	30,006
Loss/(profit) for the period	—	—	—	(16,970)	135	(16,835)
Share buyback 6 February 2009	(27)	—	27	(44)	—	(44)
Share buyback 18 February 2009	(100)	—	100	(160)	—	(160)
Ordinary dividend paid (see note 9)	—	—	—	—	(137)	(137)
At 31 May 2009	4,430	7,049	627	415	309	12,830

Company
Period ended 23 November 2009

	Ordinary share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
At 31 May 2009	**4,430**	**7,049**	**627**	**415**	**309**	**12,830**
Profit for the period	**—**	**—**	**—**	**4,052**	**199**	**4,251**
Ordinary dividend paid (see note 9)	**—**	**—**	**—**	**—**	**(89)**	**(89)**
At 23 November 2009	**4,430**	**7,049**	**627**	**4,467**	**419**	**16,992**

The notes on pages 21 to 37 form part of these Financial Statements

CONSOLIDATED BALANCE SHEET
AS AT 23 NOVEMBER 2009

	Notes	**23 November 2009 £'000**	31 May 2009 £'000
Non current assets			
Investments designated at fair value through profit or loss	11	**15,210**	11,801
Current assets			
Investments designated at fair value through profit or loss	11	**2**	2
Derivatives held at fair value through profit or loss	18	**105**	488
Other receivables	12	**4,635**	129
Cash and cash equivalents		**1,151**	7,241
		5,893	7,860
Total assets		**21,103**	19,661
Current liabilities			
Derivatives held at fair value through profit or loss	18	**(613)**	(5,051)
Other payables	13	**(657)**	(549)
Bank loans and overdrafts		**(2,769)**	(1,159)
		(4,039)	(6,759)
Net assets		**17,064**	12,902
Equity attributable to equity shareholders			
Ordinary share capital	14	**4,430**	4,430
Share premium		**7,049**	7,049
Capital redemption reserve		**627**	627
Capital reserve	15	**6,835**	2,773
Revenue reserve		**(1,877)**	(1,977)
Total equity	16	**17,064**	12,902
Net asset value per Ordinary share	16	**96.30p**	72 81p

The Financial Statements on pages 16 to 37 were approved by the Board of Directors on 17 September 2010 and were signed on its behalf by

Anthony Bushell
Chairman

Registered in England and Wales No 2133976

The notes on pages 21 to 37 form part of these Financial Statements

COMPANY BALANCE SHEET
AS AT 23 NOVEMBER 2009

	Notes	**23 November 2009 £'000**	31 May 2009 £'000
Non current assets			
Investments designated at fair value through profit or loss	11	**15,212**	11,803
Current assets			
Derivatives held at fair value through profit or loss	18	**73**	—
Global Equity Risk Protection Limited 'C' designated at fair value through profit or loss	11	**50**	560
Other receivables	12	**4,635**	129
Cash and cash equivalents		**1,132**	7,113
		5,890	7,802
Total assets		**21,102**	19,605
Current liabilities			
Derivatives held at fair value through profit or loss	18	**(613)**	(5,020)
Other payables	13	**(728)**	(596)
Bank loans and overdrafts		**(2,769)**	(1,159)
		(4,110)	(6,775)
Net assets		**16,992**	12,830
Equity attributable to equity shareholders			
Ordinary share capital	14	**4,430**	4,430
Share premium		**7,049**	7,049
Capital redemption reserve		**627**	627
Capital reserve	15	**4,467**	415
Revenue reserve		**419**	309
Total equity		**16,992**	12,830

The Financial Statements on pages 16 to 37 were approved by the Board of Directors on 17 September 2010 and were signed on its behalf by:

Anthony Bushell
Chairman

The notes on pages 21 to 37 form part of these Financial Statements

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 23 NOVEMBER 2009

	Notes	**Group 1 June 2009 to 23 November 2009 £'000**	**Company 1 June 2009 to 23 November 2009 £'000**	Group Year to 31 May 2009 £'000	Company Year to 31 May 2009 £'000
Cash (outflow)/inflow from operating activities					
Profit/(loss) before taxation		**4,255**	**4,255**	(16,771)	(16,771)
(Gains)/losses on investments designated at fair value through profit or loss		**(4,125)**	**(4,125)**	15,794	15,794
Exchange losses/(gains) on currency balances		**557**	**491**	(814)	(571)
(Increase)/decrease in other debtors		**(3,762)**	**(3,594)**	3,645	1,358
(Increase)/decrease in accrued income		**(53)**	**(53)**	157	157
(Decrease)/increase in creditors		**(4,447)**	**(4,506)**	498	2,661
Taxation		**(4)**	**(4)**	(64)	(64)
Net cash (outflow)/inflow from operating activities		**(7,579)**	**(7,536)**	2,445	2,564
Investing activities					
Purchases of investments		**(2,618)**	**(2,618)**	(5,564)	(5,564)
Sales of investments		**3,143**	**3,143**	8,640	8,640
Net cash inflow from investing activities		**525**	**525**	3,076	3,076
Net cash (outflow)/inflow before financing		**(7,054)**	**(7,011)**	5,521	5,640
Net cash inflow/(outflow) from financing activities	17(a)	**1,517**	**1,517**	(5,302)	(5,302)
(Decrease)/increase in cash and cash equivalents		**(5,537)**	**(5,494)**	219	338
Exchange movements		**(603)**	**(537)**	486	243
Change in cash and cash equivalents		**(6,140)**	**(6,031)**	705	581
Cash and cash equivalents at beginning of period		**7,241**	**7,113**	6,536	6,532
Cash and cash equivalents at end of period	17(b)	**1,101**	**1,082**	7,241	7,113

The notes on pages 21 to 37 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 all the Companies in the Group is pounds Sterling because this is the currency of the primary economic environment in which the Companies operate

(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") in January 2009 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

Following discussions with the Company's advisers, it was decided that it would be in shareholders best interests to shorten the previous accounting reference period from 31 May 2010 to 23 November 2009, the last day the Company was an investment trust listed on the Main Market of the London Stock Exchange, and prepare separate accounts for that period

(b) Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but were not yet effective (and in some cases had not yet been adopted by the EU)

International Accounting Standards (IAS/IFRS)

		Effective date
IAS 23	Borrowing Costs (revised 2007)	1 January 2009
IAS 24	Related Party Disclosures (revised 2009)	1 January 2011
IAS 27	Consolidated Financial Statements (revised)	1 July 2009
IAS 32	Classification of rights issues	1 February 2010
IFRS 1	Additional exemptions for first time adopters	1 January 2010
IFRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 9	Financial Instruments	1 January 2013

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 9	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IFRIC 14	Prepayments of a Minimum Funding requirement (amended)	1 January 2011

There are also improvements to IFRSs authorised in 2009 and May 2010 with various effective dates, the earliest being 1 July 2009 and 1 July 2010 respectively

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group

(c) 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

(d) 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 833 of the Companies Act 2006, 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

(e) 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 period end are treated as revenue for the period 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

1. Accounting policies continued

commission is recognised as earned Special dividends are treated as capital or revenue according to the facts and circumstances on a case by case basis

(f) Expenses

Interest is calculated by using the effective interest rate method and is charged to finance costs in the Income Statement

All other 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

(g) 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

Current tax is the tax currently payable based on taxable profit for the period

Deferred income taxes are calculated using the liability method on temporary differences Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit Deferred tax on taxable temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets

Deferred tax liabilities are provided in full, with no discounting Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity

(h) 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 methodologies in accordance with International Private Equity and Venture Capital Valuation 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 Eclectic Stocks Limited 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 of all investments held at fair value are recognised in the Income Statement On disposal, gains and losses are also recognised in the Income Statement

(i) Cash and cash equivalents

Cash comprises cash in hand and in banks and short-term deposits and overdrafts. 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

(j) Borrowings and loans

All secured borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost

(k) Dividends payable

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

(l) 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 capital reserve

(m) 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 Any gains/losses from derivative transactions are recognised as capital within the Income Statement

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

Derivatives are classified at fair value through profit or loss and further fall within the classification of held for trading as per the accounting standards.

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

(n) Capital Reserve

Capital reserve – other

The following are taken to this reserve

- Gains and losses on the disposal of investments,
- Exchange differences of a capital nature,
- Expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies; and

Capital reserve – investment holding gains

The following are taken to this reserve

- Increase and decrease in the valuation of investments held at the period end

(o) Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business being investment business Consequently no business segmental analysis is provided

2. Investment income

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
Overseas investment income	**298**	1,691
UK investment income	**17**	53
Overseas fixed interest income	**104**	188
UK fixed interest income	**49**	—
	468	1,932
Investment income comprises		
Dividends – income	**309**	569
Special dividends – capital	**—**	1,172
Scrip dividends	**6**	3
Interest	**153**	188
	468	1,932

3. Other income

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
Deposit interest	**7**	22
Underwriting commission	**—**	18
	7	40

4. Investment management fees

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
Investment management fee	**35**	71
Back VAT on investment management fee	**—**	(9)
Investment incentive fee – capital (see note 6)	**—**	—
	35	62

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

5. Other expenses

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
Administration fee	**46**	85
Administration fee – Global Equity Risk Protection Limited 'C'	**6**	15
Directors' emoluments	**31**	63
Fees payable to the Company's auditor for		
– audit of the Group and Company Financial Statements	**16**	33
– other services relating to taxation	**—**	5
Other	**97**	214
	196	415
Capital charges	**76**	6
	272	421

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

No performance fee is payable in respect of the period ended 23 November 2009 (31 May 2009 nil) The amounts charged during the period are shown in note 4 and as at 23 November 2009 £16,000 (31 May 2009 £9,000) of the investment management fee was outstanding This agreement is terminable by either party on twelve months' 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 £90,000, increased from £85,000 on 1 March 2009 (31 May 2009: £85,000) This agreement is terminable by either party on six months' notice

7. Finance costs

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
On bank loans and overdrafts	**51**	341

8. Taxation

(a) Analysis of the charge for the period

	1 June 2009 to 23 November 2009 Revenue £'000	**Capital £'000**	**Total £'000**	Year to 31 May 2009 Revenue £'000	Capital £'000	Total £'000
UK Corporation tax at 28% (31 May 2009 28%)	—	—	—	—	63	63
Overseas tax – double tax relief	—	—	—	—	(63)	(63)
	—	—	—	—	—	—
Overseas tax suffered	4	—	4	1	63	64
Withholding tax reclaims	—	—	—	—	—	—
Tax relief to income	—	—	—	(125)	125	—
Total current tax for the period (see note 8 (b))	4	—	4	(124)	188	64

(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK for a large company (28%) The difference is explained below

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
Profit/(loss) before tax	**4,255**	(16,771)
Corporation tax at 28% (31 May 2009 28%)	**1,191**	(4,696)
Effects of		
– Non taxable (gains)/losses on investments held at fair value through profit or loss	**(1,156)**	5,017
– UK dividends which are not taxable	**(5)**	(15)
– Overseas dividends which are not taxable	**(84)**	—
– Overseas dividends taxable on receipt	**1**	48
– Disallowed expenses	**22**	10
– Current period excess expenses	**25**	—
– Brought forward eligible unrelieved foreign tax utilised	—	(26)
– Utilisation of prior years excess expenses	—	(285)
– Irrecoverable overseas tax	**4**	—
– Revaluation of CULS 2007 under IFRS	**6**	11
Tax charge for the period	**4**	64

(c) Deferred tax

Due to the Company's status as an investment trust and the accumulated unrealised losses that it is not certain will be realised, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments

There is an unrecognised deferred tax asset of £38,000 (31 May 2009 £13,000) which relates to unutilised expenses and eligible unrelieved foreign tax 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

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 May 2009 of 0 50p (2008 0 75p) per Ordinary share	**89**	137

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

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
Proposed interim dividend for the period ended 23 November 2009 of 0 75p (31 May 2009 0 50p) per Ordinary share	**133**	89

International Accounting Standard (IAS) 10 "Events after the Balance Sheet date" does not permit proposed dividends to be recognised as a 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

Total earnings per Ordinary share	**1 June 2009 to 23 November 2009**	Year to 31 May 2009
Total return	**£4,251,000**	£(16,835,000)
Weighted average number of Ordinary shares in issue during the period	**17,719,502**	18,081,968
Total earnings per Ordinary share	**23.99p**	(93 11)p

The total earnings per Ordinary share detailed above can be further analysed between revenue and capital, as set out below

Revenue earnings per Ordinary share	**1 June 2009 to 23 November 2009**	Year to 31 May 2009
Revenue return	**£189,000**	£106,000
Weighted average number of Ordinary shares in issue during the period	**17,719,502**	18,081,968
Revenue earnings per Ordinary share	**1.07p**	0 58p

Capital earnings per Ordinary share	**1 June 2009 to 23 November 2009**	Year to 31 May 2009
Capital return	**£4,062,000**	£(16,941,000)
Weighted average number of Ordinary shares in issue during the period	**17,719,502**	18,081,968
Capital earnings per Ordinary share	**22.92p**	(93 69)p

Net profit of the Company

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement
Net gain after taxation of £4,251,000 has been dealt with in the accounts of the Company (year ended 31 May 2009 net loss after taxation of £16,835,000)

11. Investments held at fair value through profit or loss

Group

	Unlisted Investments £'000	Listed Investments £'000	**Total 1 June 2009 to 23 November 2009 £'000**
Fair value at period end	1,315	13,895	**15,210**
Opening book cost	7,244	15,733	**22,977**
Opening investment holding losses	(6,041)	(5,135)	**(11,176)**
Opening fair value	1,203	10,598	**11,801**
Movements in the period			
Adjustment of opening book cost to reflect de-listing*	2,054	(2,054)	**—**
Adjustment of opening investment holding losses to reflect de-listing*	(2,050)	2,050	—
Purchases at cost	33	2,701	**2,734**
Sales – proceeds	—	(3,450)	**(3,450)**
– gains on sales	—	966	**966**
Decrease in investment holding losses for the period	75	3,084	**3,159**
Closing fair value	1,315	13,895	**15,210**
Closing book cost	9,331	13,896	**23,227**
Closing investment holding losses	(8,016)	(1)	**(8,017)**
	1,315	13,895	**15,210**
Sale proceeds	—	3,450	**3,450**
Investments at cost	—	(2,484)	**(2,484)**
Gains on sales based on historical cost	—	966	**966**
Investment holding losses recognised in previous period	—	(150)	**(150)**
Gains on sales based on carrying value at previous year's balance sheet date	—	816	**816**
Investment holding gains for the period	75	3,234	**3,309**
Net gains on investments	75	4,050	**4,125**

*Adjusted to reflect the de-listing during the period of Babcock and Brown on 1 July 2009 and Allco Finance Group, Octaviar and Record Realty on 1 September 2009

The above investments have been valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines

Investment transaction costs on purchases and sales of investments during the period to 23 November 2009 amounted to £5,000 and £10,000 respectively (31 May 2009 £23,000 and £19,000 respectively)

Significant holdings

Where the Company's holdings comprise 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 within the Investment Manager's Report. 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 two subsidiaries

Subsidiary	Principal Activity	Percentage of Equity held
Eclectic Stocks Limited	Security trading	100%
Global Equity Risk Protection Limited 'C'	Investment vehicle	100%

Eclectic Stocks Limited has a cost of £2 and a loan from the parent undertaking of £2,316,000 The loan has been fully provided against and the fair value of the investment is £2,000 (31 May 2009 £2,000) No further provision was made in the Company's accounts during the period to 23 November 2009 (31 May 2009 nil)

Global Equity Risk Protection Limited 'C' has a cost of £3,920 and a fair value as at 23 November 2009 of £50,000 (31 May 2009 £560,000)

12. Other receivables

	Group	**Company**	Group	Company
	23 November 2009		31 May 2009	
	£'000	**£'000**	£'000	£'000
Sales for future payment	**307**	**307**	—	—
Prepayments and accrued income	**205**	**205**	90	90
Amounts due from Ingot Capital Management Pty Ltd*	**3,081**	**3,081**	—	—
Cash held on margin for contracts for difference	**1,024**	**1,024**	—	—
Other debtors	**18**	**18**	39	39
	4,635	**4,635**	129	129

* Amounts due from Ingot include legal expenses for litigation relating to New Cap Reinsurance Corporation that have been paid by the Company but will be fully reimbursed by Ingot Capital Management Pty Ltd

13. Other payables

	Group	**Company**	Group	Company
	23 November 2009		31 May 2009	
	£'000	**£'000**	£'000	£'000
Purchases for future settlement	**551**	**551**	435	435
Amounts due to subsidiary undertaking	**—**	**72**	—	72
Accruals and deferred income	**106**	**105**	114	89
	657	**728**	549	596

14. Called up share capital

	23 November 2009		31 May 2009	
	No. of shares		No of shares	
	000's	**£'000**	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 period	**17,720**	**4,430**	18,230	4,557
Share buyback 6 February 2009	**—**	**—**	(110)	(27)
Share buyback 18 February 2009	**—**	**—**	(400)	(100)
Balance at end of period	**17,720**	**4,430**	17,720	4,430

15. Capital Reserve

The capital reserve includes investment holding losses of £8,017,000 (31 May 2009 losses of £11,176,000)

The Institute of Chartered Accountants in England and Wales has issued guidance stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed provided the relevant assets can be readily convertible into cash In accordance with the Company's status as a UK investment company under Section 833 of the Companies Act 2006, the capital reserve may not be distributed by way of dividend, but may be utilised for the purposes of share buybacks Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash In order to maintain investment trust status, the Company may only distribute by way of a dividend accumulated revenue profits

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 period end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share attributable		Net asset values attributable	
	23 November 2009	31 May 2009	**23 November 2009**	31 May 2009
	p	p	**£'000**	£'000
Ordinary shares (basic)	**96.30**	72 81	**17,064**	12,902

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

	£'000
Total net assets attributable at beginning of period	**12,902**
Profit for the period	**4,251**
Dividend paid in the period on Ordinary shares (see note 9)	**(89)**
Total net assets attributable at end of period	**17,064**

Basic net asset value per Ordinary share is based on Net Assets of £17,064,000 (31 May 2009 £12,902,000) and on 17,719,502 (31 May 2009 17,719,502) Ordinary shares, being the number of Ordinary shares in issue at the period end

17. Group and Company cash flow statement

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

	1 June 2009 to 23 November 2009 £'000	Year to 31 May 2009 £'000
Financing (Group and Company)		
The Royal Bank of Scotland International multi-currency loan facility	**1,560**	(5,289)
Exchange movement	**46**	328
	1,606	(4,961)
Share buyback 6 February 2009	**—**	(44)
Share buyback 18 February 2009	**—**	(160)
Equity dividend paid	**(89)**	(137)
Net cash inflow/(outflow) from financing activities	**1,517**	(5,302)

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

Group	At 1 June 2009 £'000	Cash flow £'000	Exchange movement £'000	**At 23 November 2009 £'000**
Cash at bank	7,241	(5,496)	(594)	**1,151**
Overdrafts	—	(41)	(9)	**(50)**
Total	7,241	(5,537)	(603)	**1,101**

Company	At 1 June 2009 £'000	Cash flow £'000	Exchange movement £'000	**At 23 November 2009 £'000**
Cash at bank	7,113	(5,453)	(528)	**1,132**
Overdrafts	—	(41)	(9)	**(50)**
Total	7,113	(5,494)	(537)	**1,082**

18. Financial instruments and capital disclosures

Risk management policies and procedures

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 pursuit of this objective, the Group and Company may be exposed to various forms of risk, as described below

When judged appropriate by the Investment Manager, the Company may use the multi-currency loan facility provided by The Royal Bank of Scotland International to the Sterling equivalent of up to £3 0 million (31 May 2009 £3 0 million) at floating rates of interest in order to gear the portfolio The loan is secured against the assets of the fund This facility expires on 31 January 2010

The Board sets out its investment policies and its policy on gearing (both bank borrowing and the effect of derivatives) and diversification of investments on page 2.

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, 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 period end Eclectic Stocks Limited held one investment, in New Cap Reinsurance Corporation

The Board and its Investment Manager consider and review a number of risks inherent with managing the Group and Company's assets which are detailed below

Foreign currency exposure as at 23 November 2009

	Sterling £'000	Euro £'000	A$ £'000	NZ$ £'000	US$ £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	526	372	2,041	194	36	—	3,169
Current assets – Investments held at fair value through profit or loss	—	—	2	—	—	—	2
Derivatives held at fair value through profit or loss[1]	15	—	(540)	—	17	—	(508)
Other receivables	130	1	4,499	—	—	5	4,635
Cash and cash equivalents	193	—	452	—	22	484	1,151
Other payables	(637)	—	(20)	—	—	—	(657)
RBSI multi-currency loan facility	(954)	(468)	(1,296)	—	(1)	—	(2,719)
Bank overdrafts	—	—	(50)	—	—	—	(50)
Foreign currency exposure on net monetary items	(727)	(95)	5,088	194	74	489	5,023
Investments held at fair value through profit or loss that are equities	1,942	—	7,498	182	—	2,419	12,041
Total net foreign currency exposure	1,215	(95)	12,586	376	74	2,908	17,064

[1] For a more detailed analysis of the derivatives, see pages 35 and 36, Derivative exposure.

Foreign currency exposure as at 31 May 2009

	Sterling £'000	Euro £'000	A$ £'000	NZ$ £'000	US$ £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	441	147	1,916	8	—	—	2,512
Current assets – Investments held at fair value through profit or loss	—	—	2	—	—	—	2
Derivatives held at fair value through profit or loss[1]	—	—	(5,020)	—	457	—	(4,563)
Other receivables	16	22	86	—	—	5	129
Cash and cash equivalents	194	—	6,762	—	128	157	7,241
Other payables	(461)	—	(16)	(60)	(12)	—	(549)
RBSI multi-currency loan facility	689	(16)	(1,266)	—	(566)	—	(1,159)
Foreign currency exposure on net monetary items	879	153	2,464	(52)	7	162	3,613
Investments held at fair value through profit or loss that are equities	763	—	5,867	146	—	2,513	9,289
Total net foreign currency exposure	1,642	153	8,331	94	7	2,675	12,902

[1] For a more detailed analysis of the derivatives, see pages 35 and 36, Derivative exposure

The value of the Group and Company's assets and the total return earned by the Company's shareholders can be significantly affected by foreign exchange movements as some of the Company's assets are denominated in currencies other than Sterling, the currency in which the Company's accounts are prepared The risk is partially offset by the Company's foreign currency borrowings

Over the period, Sterling strengthened against the Group and Company's principal investing currencies being, the US Dollar by 3 04% (31 May 2009 weakened by 18 40%), Sterling weakened against the remaining Group and Company's principal investing currencies being, the Euro by 2 63% (31 May 2009 weakened by 10 41%), the Australian Dollar by 10 91% (31 May 2009 weakened by 2 80%) and the New Zealand Dollar by 10 19% (31 May 2009 weakened by 0 23%)

A 5% rise or decline of Sterling against foreign currency denominated (i e non Sterling) assets held at the period end would have increased/decreased the net asset value by £793,000 or 4.65% of net asset value (31 May 2009 £563,000 or 4 36% of net asset value) The impact on the profit and loss account is impossible to estimate, since the profit and loss is the net result of all the transactions in the portfolio throughout the period

Interest rate risk

The Company is only exposed to significant interest rate risk through its multi-currency loan facility with The Royal Bank of Scotland International and investments in fixed interest securities Borrowing levels increased during the period although the facility remained at £3 0 million

At the period end the multi-currency loan facility consisted of overdraft balances in Sterling, Euros, Australian Dollars and US Dollars of £954,000, €467,000, A$1,296,000 and US$1,000 respectively to give a net Sterling equivalent draw down of £2,719,000 (31 May 2009 £1,159,000) The floating rate of interest at the period end for the Sterling loan was 2 25% (31 May 2009 n/a), the Euro loan was 3 00% (31 May 2009 2 50%), the Australian Dollar loan was 6 00% (31 May 2009 5 00%) and the US Dollar loan was 2 375% (31 May 2009 1 875%)

If the above level of borrowing were maintained for a year, a 1% change in LIBOR (up or down) would decrease or increase net revenue by £27,000 or 0 15p per Ordinary share (31 May 2009 £12,000 or 0 07p per Ordinary share)

The Company's fixed interest portfolio at the period end was valued at £3,169,000 (31 May 2009 £2,512,000) and it had a modified duration (interest rate sensitivity) of approximately 2 5 years (31 May 2009 2 1 years) A 1% change in LIBOR (up or down) would decrease or increase the portfolio values by approximately £80,000 or 0 45p per Ordinary share (31 May 2009 £67,000 or 0 38p per Ordinary share)

18. Financial instruments and capital disclosures continued

Other price risk

If the fair value of the Group and parent Company's investments at the period end increased/decreased by 10% then it would have had an effect on the Group and Company's capital return equal to £1,154,000 or 6 51p per Ordinary share (31 May 2009 £480,000 or 2 71p per Ordinary share)

An analysis of the Group's investment portfolio is shown on page 5 disclosing concentration of exposure to specific countries, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in the country

Liquidity risk

Liquidity risk is generally not significant as the majority of the Group and Company's investments are listed on recognised stock exchanges and 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 with The Royal Bank of Scotland International

All of the Company's financial liabilities as at 23 November 2009 were less than one year based on the earliest date on which payment can be required

Credit risk

Credit risk is mitigated by diversifying the counterparties through whom the Investment Manager conducts investment transactions The credit-standing of all counterparties is reviewed periodically with limits set on amounts due from any one broker Derivative transactions are only carried out with investment banks with strong credit ratings

Cash is only held at banks and in money market funds that have been identified by the board as reputable and of high credit quality

The total credit exposure of the Group at the period end was £9,046,000 (31 May 2009 £8,448,000)

Fair values of financial assets and financial liabilities

The fair value of the Group and Company's financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivatives), or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, cash at bank, due to brokers and multi-currency loans)

The fair value of the Group and Company's unquoted investments is measured by the Directors using valuation methodologies in accordance with International Private Equity and Venture Capital Valuation Guidelines

Valuation of financial instruments

The Group and Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability

The tables below set out fair value measurements of financial instruments as at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised

Financial assets at fair value through profit or loss
as at 23 November 2009

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equity investments	11,918	—	123	12,041
Fixed interest investments	1,977	—	1,192	3,169
Derivatives	32	73	—	105
	13,927	73	1,315	15,315

Financial liabilities at fair value through profit or loss
as at 23 November 2009

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Derivatives	—	(613)	—	(613)

The valuation techniques used by the Group and Company are explained in the accounting policies note on page 22

There have been no transfers during the period between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below.

Level 3 Financial assets/liabilities at fair value through profit or loss
as at 23 November 2009

	Equities	Fixed Interest Securities	Derivatives Assets	Derivatives Liabilities	Total
	£'000	£'000	£'000	£'000	£'000
Opening fair value	141	1,066	—	(4,183)	(2,976)
Purchases at cost	33	—	—	—	33
Sales proceeds	—	—	—	3,362	3,362
Total gains or losses included in gains on investments/ derivatives in the Income Statement:					
– on assets/liabilities sold	1	—	—	821	821
– on assets/liabilities held at the period end	(51)	126	—	—	75
Closing fair value	123	1,192	—	—	1,315

Derivative exposure

Derivative instruments such as contracts for difference and options may be used for purposes of efficient portfolio management to maintain or enhance the value of the investment portfolio and any gains/losses are recognised as capital within the Income Statement

As at 23 November 2009, the Company held two contracts for difference held at fair value in the balance sheet at £(540,000) (31 May 2009 £(5,020,000)) The total notional market exposure through holding contracts for difference amounts to £1,948,000 (31 May 2009 £1,406,000) Included in these contracts for difference are investments with market exposures of £290,000 in eBet Limited and of £1,658,000 in The 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 Option transactions as part of its efficient portfolio management to maintain or enhance the value of the investment portfolio and any gains/losses are recognised as capital within the Income Statement.

The Company has hedged the S&P 500 Index and the FTSE 100 Index using long Put Options with a maturity date of the 19 December 2009 and strike prices between 900 and 1,060 for the S&P 500 Index and strike prices between 5,000 and 5,100 for the FTSE 100 Index. The net hedge to the S&P 500 Index and the FTSE 100 Index was on a gross exposure amounting to £7,767,000 (31 May 2009 £5,376,000)

The option premiums paid on the purchase of these open long position contracts was £878,000 (31 May 2009 £1,167,000) and their market value as at 23 November 2009 was £32,000 (31 May 2009 £487,000) The option premiums received on the sale of open short position contracts was £nil (31 May 2009: £79,000) and their market value as at 23 November 2009 was £nil (31 May 2009 £(30,000)).

There were no open forward foreign exchange contracts as at 23 November 2009 (31 May 2009 none)

Capital management policies and procedures

The Group and Company's capital management objectives are

- to ensure that it is able to continue as a going concern, and
- to maximise shareholder value by investing in a portfolio of securities anywhere in the world through an appropriate balance of equity capital and debt

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Company's capital on an ongoing basis These reviews include

- the level of gearing, which takes account of the Company's position and the Investment Manager's views on the market, and
- the extent to which revenue in excess of that which is required to be distributed should be retained

The Company's objectives, policies and processes for managing capital are unchanged from last year.

The Company is subject to externally imposed capital requirements

- as a public company, the Company has a minimum share capital of £50,000, and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law

These requirements are unchanged since last year and the Company has complied with them at all times.

The Company has a multi-currency revolving credit ("facility") with The Royal Bank of Scotland International (the "Bank") pursuant to which the Company is required to ensure that as at the close of business on any day, the aggregate value of the Portfolio is more than 100% of the amount drawn down under the facility which in itself is not more than 25% of the net tangible assets of the Company No breaches of the covenants imposed under the facility occurred during the period under review or have occurred since the end of that period to the date hereof

19. Contingent liabilities

As at 23 November 2009 there were no contingent liabilities (31 May 2009 none) As at 23 November 2009 there were no financial commitments (31 May 2009 none)

20. Total expense ratio

	1 June 2009 to 23 November 2009	Year to 31 May 2009
Shareholders' funds	**1.56%**	2 78%

The above total expense ratio is based on average shareholders' funds of £14,798,000 (31 May 2009: £17,133,000) calculated at the end of each month during the period and revenue operating expenses incurred during the period of £231,000 (31 May 2009 £477,000)

21. Related party disclosure

Ingot Capital Management Pty Ltd acts as Investment Manager to the Company The amounts paid to the Investment Manager are disclosed in note 4 to the Financial Statements and further details of the relationship between the Company and the Investment 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 7

The amounts due from the Investment Manager are disclosed in note 12 to the Financial Statements These amounts include legal expenses for litigation relating to New Cap Reinsurance Corporation that have been paid in full by the Company but will be fully reimbursed by the Investment Manager

22. Post balance sheet events

With effect from the close of business on 23 November 2009 the Company's Ordinary shares ceased to be traded on the Main Market of the London Stock Exchange, and as a result the Company ceased to qualify for relief from liability to capital gains tax on its capital profits under Section 842 Income and Corporation Taxes Act 1988 On 24 November 2009 the Ordinary shares commenced trading on the Alternative Investment Market of the London Stock Exchange (AIM)

FIVE YEAR FINANCIAL SUMMARY

	2005* £'000	2006 £'000	2007 £'000	2008 £'000	31 May 2009 £'000	**23 November 2009 £'000**
Capital	5,523	5,527	11,606	11,606	11,479	**11,479**
Total reserves	13,573	13,611	18,569	18,472	1,423	**5,585**
Convertible Unsecured Loan Stock 2007	5,690	5,871	—	—	—	**—**
Net operating revenue	549	512	467	719	323	**244**
Taxation (revenue)	75	(15)	36	18	(124)	**4**
Net revenue	48	31	(76)	(174)	106	**189**
Dividend	180	180	273	137	89	**133**
Revenue earnings per Ordinary share	0 4p	0 3p	(0 5)p	(1 0)p	0 6p	**1.1p**
Dividend per Ordinary share	1 5p	1.5p	1 5p	0 75p	0.50p	**0.75p**
Gross interest per unit of Convertible Unsecured Loan Stock 2007	3 5p	3.5p	3 5p	—	—	**—**
Diluted net asset value per Ordinary share	136 0p	137 2p	n/a	n/a	n/a	**n/a**

*The figures for 2006, 2007, 2008 and 2009 have been calculated in accordance with International Financial Reporting Standards ("IFRS")
The figures for 2005 have been restated in accordance with IFRS

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

Company Secretary and Registered Office
Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex
CM2 5PW
Tel 01245 398950
www phoenixfundservices com
E-mail pfsinfo@phoenixfundservices com

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA
Tel 0871 664 0300
- calls cost 10p per minute plus network charges
(from outside the UK +44 (0)20 8639 3399)

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

Stockbroker and Nominated Advisor
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 website at **www.eclecticinvest.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 website

Registered in England and Wales No 2133976