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# Eaglet Investment Trust plc

Report & accounts for the year ended 30 June 2008

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An investment company as defined under Section 833  
of the Companies Act 2006

REGISTERED IN ENGLAND No. 2812946

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## Company summary

### Investment Policy

The investment policy of Eaglet Investment Trust plc (the “Company” or the “Trust”) is to achieve a capital return in excess of that of the Extended Hoare Govett Smaller Companies Index (excluding Investment Companies) (the “Extended HGSCI”) by investing in a diversified portfolio selected from among quoted companies with market capitalisations of up to £150 million at the point of investment.

It is the aim of the Investment Manager (the “Manager”) to identify and invest in a diversified portfolio of smaller companies whose shares appear undervalued by the market and which have some or all of the following characteristics:

- experienced and well-motivated management;
- products and services supplying growing markets;
- sound operational and financial controls; and
- cash generation to finance ongoing development allied with a progressive dividend policy.

The Manager believes that the development of a sound knowledge and understanding of investee companies is of paramount importance, given the sparseness and infrequency of stockbrokers’ research provided on companies within the sector and this includes, where appropriate, company visits.

The Manager has employed gearing when appropriate and during the period under review the Company had an overdraft facility of £40 million.

In accordance with the Listing Rules, the Company has a policy to invest no more than 15% of its gross assets in other investment companies.

A change in the Investment Policy has been proposed by the Board and will be put before Shareholders for approval at the Extraordinary General Meeting on 20 November 2008.

### Performance Statistics

	<i>Six months to 30 Jun 2008</i> %	<i>Six months to 31 Dec 2007</i> %	<i>Twelve months to 30 Jun 2008</i> %	<i>Three years to 30 Jun 2008</i> %	<i>Five years to 30 Jun 2008</i> %
Basic NAV	-10.0	-26.6	-34.0	+0.6	+22.4
Extended HGSCI* (excl. Investment Companies)	-15.7	-13.2	-26.9	+9.9	+63.0
Outperformance/underperformance	+5.7	-13.4	-7.1	-9.3	-40.6

\* The Company's Benchmark

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## Directors

The Directors were appointed by Shareholder approval at the AGM held on 11 December 2007.

### **Jonathan Carr (aged 69) – Chairman**

Mr Carr worked at Phillips and Drew from 1962 to 1967 and at L Messel & Co from 1968 to 1986, specialising in investment trusts. He was manager of the corporate division of Thomson T-Line from 1987 to 1989 and from 1990 to 1993 was director in charge of the London office of Bell Lawrie White. From 1993 to 1997 he was a director of S G Warburg Securities (now UBS), specialising in investment trust corporate broking.

Mr Carr is Chairman of Galaxy Asset Management Limited, Royal London UK Equity & Income Trust plc and Talisman 1st Venture Capital Trust plc. He was formerly a non-executive director of Income & Growth Trust plc, Framlington 2nd Dual Trust plc and BFS Income & Growth Trust plc. He was also Chairman of Premier Absolute Growth & Income Trust and Govett Enhanced Income Trust in the last five years.

### **Nicholas Jeffrey (aged 66) – Senior Independent Director**

Mr Jeffrey has a successful track record in re-organisation and strategic development of businesses both for public and private companies. He is currently non-executive director of Coffee Republic Plc, Fountains Plc, Robinson Healthcare Ltd, FMG Ltd and Templeton Insurance Limited, a company within the Knox D'Arcy Group, and serves as Chairman for Equable Properties Plc.

Previous directorships include Nightspeed Holdings Ltd, Maccess Ltd, Eurocity Properties plc, United Industries plc, Harveys Furnishings plc, Neepsend plc, Hallamshire Investments plc and Cantors plc.

### **Garth Milne (aged 65)**

Mr Milne has been involved with investment funds in the City for over 30 years. He was formerly head of the investment funds team at UBS Warburg, having originally set up the team at Laing & Cruickshank.

Mr Milne is a director of several investment companies including Real Estate Opportunities Limited, Utilico Emerging Markets Limited, Invesco Perpetual UK Smaller Companies Trust Plc and SovGEM Limited. He was formerly Chairman of Premier UK Dual Return Trust PLC and Govett Asia Income & Growth Trust PLC. He was formerly a director of Ukraine Opportunity Trust PLC, Henderson Far East Income Trust plc, Murray Extra Return Investment Trust and Invesco Continental Smaller Companies Trust PLC.

## Manager and Secretary

### **Manager**

Investment management services during the year were provided by Unicorn Asset Management Limited ("Unicorn") and Knox D'Arcy Investment Management Limited ("Knox D'Arcy").

On 5 November 2007 the Company served notice on Unicorn of its intention to terminate with one year's notice, its appointment as investment manager of the Company with effect from 5 November 2007. The notice may be withdrawn by the Company, if it so decides, during the notice period.

Knox D'Arcy was appointed as interim investment manager and adviser to the Company on 13 March 2008 with responsibility in relation to investments made pursuant to the Company's investment policy.

Details of the fees paid in relation to investment management services provided during the year are outlined on page 41 and 42.

### **Secretary**

Capita Sinclair Henderson Limited ("CSH") provides company secretarial and administrative services for the Company and a number of other investment trusts. CSH is a subsidiary of The Capita Group Plc.

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## Chairman's statement

I and my fellow Directors, Garth Milne and Nicholas Jeffrey, were appointed to the Board of the Company at the Company's Annual General Meeting on 11 December 2007 and at that same meeting Shareholders voted against the re-appointment of Peter Cowan, Guy Crawford, Robert Wade and Frank Dee. On 12 December 2007 Lady Judge resigned as Chairman and as a director of the Company, and I was appointed Chairman. These changes followed a long period of sustained and significant underperformance.

During the period under review, the investment policy of Eaglet Investment Trust PLC ("the Company") has been to achieve a capital return in excess of the Extended Hoare Govett Smaller Companies Index (excluding Investment Companies) (the "Extended HGSCI Index" or "the Index") by investing in a diversified portfolio of quoted companies with a market capitalisation of up to £150 million at the point of investment.

During the twelve month period under review, your Company's net asset value per share ("NAV") fell by 34.0% compared with a fall in the benchmark Index of 26.9%. This means that Eaglet's NAV has underperformed its benchmark index by 7.1% over the year. During the second six months of the year since 31 December 2007, Eaglet's NAV has outperformed its benchmark by 5.7% due to the realisation of a number of the Company's holdings, the consequent degearing and the holding of cash balances. The decrease in NAV over the twelve month period under review was caused by poor stock selection combined with an inappropriate level of gearing in a falling market prior to the new Board's appointment. No new investments have been made since the new Board's appointment.

Your new Board has considered how best to deliver value for shareholders. In the light of the failure of the current investment policy your Board has placed the following proposals before shareholders:

- a change in the Company's investment policy so that the Company will invest in UK listed shares which are identified as having patterns of directors' dealing which suggest that following such signals will lead to superior investment performance;
- a tender offer under which shareholders on the register on 3 March 2008 will be able to sell up to 49% of their shares to the Company for cancellation at a price close to net asset value; and
- the sale of a proportion of the remaining portfolio companies to Laxey Partners for cash at a price close to net asset value and an off-market purchase of 1,041,424 of the Company's shares held by Laxey Partners.

The proposals are outlined in a Circular sent to shareholders on 27 October 2008 and posted on the Company's website.

Subject to the proposals being approved by shareholders at the forthcoming Extraordinary General Meeting, the Company's new investment policy will be to achieve attractive returns for shareholders primarily through capital appreciation by investing generally in companies listed on regulated investment exchanges in the United Kingdom. The investment premise of The Directors' Dealing Investment Trust Plc (as the Company is proposed to be re-named) is that directors of listed companies are better informed than the market generally and therefore their investments in the companies they manage are expected to outperform the market.

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## Chairman's statement

The Directors' Dealing Investment Trust Plc will invest in shares of UK listed companies which are identified as having patterns of directors' trading which suggest that following such patterns could lead to attractive investment returns. These patterns have been combined to form various trading strategies which have historically outperformed the relevant FTSE index. The Board and Knox D'Arcy Asset Management ("KAM"), the proposed investment manager of the Company, believe that no other listed investment trust in the United Kingdom offers investors the opportunity to gain exposure to such trading strategies.

Whilst part of the current portfolio may meet the criteria of the Company's proposed investment policy, it is anticipated that the change in policy will result in a realignment of the portfolio and the disposal of a number of the existing holdings in the portfolio. During the realignment process the Company's investments will be managed as two distinct portfolios. The first portfolio will comprise existing portfolio holdings that do not meet the criteria of the new investment policy (the "Residual Portfolio"). The second will comprise existing holdings that satisfy the new investment policy and new holdings acquired as part of the new investment policy (the "Directors' Dealing Portfolio"). The Company intends to report the performance of these two portfolios separately as it disposes of the Residual Portfolio. Given that the Residual Portfolio is relatively illiquid, an activist approach may be applied to certain holdings in the Residual Portfolio where value may be realised from such an approach.

**J Carr**

**Chairman**

30 October 2008

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## Investment Manager's Report

Knox D'Arcy was appointed Investment Manager following the appointment of the new Directors at the Annual General Meeting of the Company on 11 December 2007. During the period under review, the investment policy of the Company has been to achieve a capital return in excess of the Extended Hoare Govett Smaller Companies Index (excluding Investment Companies) (the "Extended HGSCI Index" or "the Index") by investing in a diversified portfolio of quoted companies with a market capitalisation of up to £150 million at the point of investment.

During the twelve month period under review, the Company's net asset value per share ("NAV") fell by 34.0% compared with a fall in the benchmark Index of 26.9%. This means that the Company's NAV has underperformed its index by 7.1% over 1 year, it has underperformed by 9.3% over 3 years and it has underperformed by 40.6% over 5 years. During the first half year up to 31 December 2007 the Company's NAV underperformed its benchmark by 13.4%. This was offset by out performance of the benchmark during the second half of the year of 5.7%.

The decrease in NAV over the twelve month period under review was caused by poor stock selection combined with an inappropriate level of gearing in a falling market prior to the new Board's appointment. This gearing was paid off during the second half of the financial year. Even without taking into account the effect of gearing, 16 of the 31 holdings in the portfolio on 30 June 2008 fell by 40% or more during the twelve months under review and in excess of two thirds (23 holdings) fell by 20% or more.

The outperformance during the second half of the year was the result of the realisation of a number of portfolio holdings and the holding of cash balances. During that period, 32 investments to the value of £38m have been realised at an aggregate premium to NAV of 1.17%. This has been achieved through the application of activist strategies notwithstanding the receipt of offers for a number of such holdings at discounts to net asset value of 30% or more. To date offers for portfolio holdings at a significant discount have been rejected.

The market for the smaller/micro capitalisation companies that the Company has invested in is at present very illiquid. Even on the assumption that the Company could carry out 50% of the 10 day average volume traded in the market, then 57% of the portfolio holdings would require in excess of 240 trading days to sell. In order to achieve disposals in such circumstances at close to NAV, the Company has pursued an activist approach to certain of the portfolio holdings where value could be realised from such an approach. Whilst the next twelve months are likely to be challenging for all investors, we shall continue to seek opportunities to realise value for shareholders in this way as we realign the portfolio. In the medium term we believe that, subject to shareholder approval, the new investment policy offers a unique opportunity to deliver value to shareholders.

The new investment policy, if approved by shareholders at the forthcoming extraordinary general meeting is based on the premise that directors of listed companies are better informed than the market generally and therefore their investments in the companies they manage are expected to outperform the market.

The Directors' Dealing Investment Trust Plc (as the Company will be renamed if the new investment policy is approved by shareholders) will invest in shares of UK listed companies which are identified as having patterns of directors' trading which suggest that following such patterns could lead to attractive investment returns.

Investors will often consider whether directors hold shares or have interests in the companies which they manage and whether there has been any recent buying or selling activity when making an investment decision. Such trading activity is often highlighted in the financial press as being a possible indicator of future share price performance.

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## Investment Manager's Report

The investment approach is based upon independent empirical research into directors' trading in the UK market. The original research analysed directors' trades in shares of UK listed companies from 1994 to 2002 and identified a number of directors' dealing strategies which outperformed the market. Subsequent analysis of directors' trades from 2002 to 2007 confirmed the original research and both have been used to develop the trading strategies to be employed by the Company should the new investment policy be approved.

Approximately 182,000 directors' trades between January 1994 and December 2007 have been analysed and a number of key trading criteria have been developed based on this analysis. These criteria have been combined to form various simulated trading strategies which have historically outperformed the relevant FTSE index.

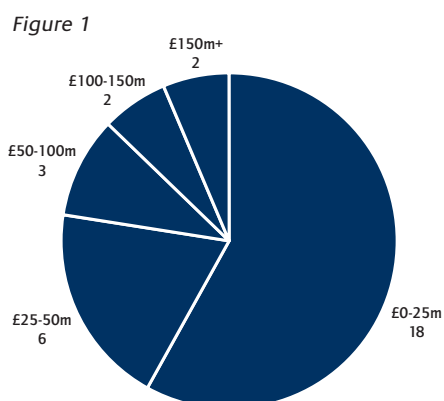
As outlined in the Chairman's Statement, the new investment policy will be implemented within the Directors' Dealing Portfolio during the realignment process. Given the scalability of the directors' dealing strategy, we anticipate that the Directors' Dealing Portfolio will commence with a limited amount of capital and will grow over the next year as we dispose of the holdings in the Residual Portfolio. We believe that the directors' dealing investment policy will generate attractive returns for Shareholders over the medium to long term.

**Knox D'Arcy Investment Management Limited**  
30 October 2008

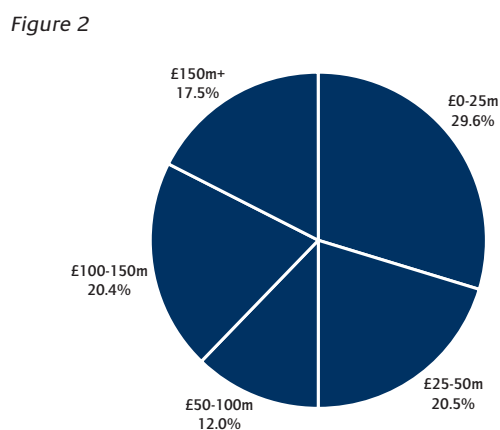
## Portfolio review

### Portfolio breakdown by market capitalisation as at 30 June 2008

Number of companies



Percentage of portfolio



Number of holdings	31
Number of declarable holdings (above 3%)	25

## Investment performance

### Performance Statistics

	Six months to 30 Jun 2008 %	Six months to 31 Dec 2007 %	Twelve months to 30 Jun 2008 %	Three years to 30 Jun 2008 %	Five years to 30 Jun 2008 %
Basic NAV	-10.0	-26.6	-34.0	+0.6	+22.4
Extended HGSCI* (excl. Investment Companies)	-15.7	-13.2	-26.9	+9.9	+63.0
Outperformance	+5.7	-13.4	-7.1	-9.3	-40.6

\* The Company's Benchmark

## Principal portfolio investments as at 30 June 2008

	Market value £'000	% of portfolio	Market capitalisation £m
Concateno	4,909	12.6	129
Abcam	4,139	10.6	159
Harvey Nash Group	3,371	8.7	25
NCC Group	3,036	7.8	140
RWS Holdings	2,679	6.9	159
Nationwide Accident Repair Services	2,088	5.4	57
Glisten	1,648	4.2	46
Advance AIM Value Realisation	1,639	4.2	13
Cohort	1,630	4.2	75
OpSec Security Group	1,409	3.6	21
Fountains	1,406	3.6	18
Property Recycling	1,164	3.0	8
Zetar	1,116	2.9	36
Driver Group	994	2.6	22
Avesco Group	993	2.6	16
Rapid Realisations	970	2.5	58
TMN Group	943	2.4	34
Clerkenwell Ventures	908	2.3	21
Cains Beer	657	1.7	11
Third Advance Value Realisation	597	1.5	11
<b>Total</b>	<b>36,296</b>	<b>93.3</b>	

The above holdings are in the ordinary shares of investee companies.

The 20 principal investments represent 93.3% of the investment portfolio.

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## Twenty largest holdings

### Classification and main activities

Holding	Sector
<b>Concateno</b> Drug and alcohol testing provider and manufacturer of clinical diagnostic products.	Healthcare Equipment & Services
<b>Abcam</b> Production and distribution of research-grade antibodies via an online catalogue featuring detailed technical data sheets on each product.	Pharmaceuticals & Biotechnology
<b>Harvey Nash Group</b> A global multi-service recruitment organisation with 3,000 staff worldwide and 28 offices covering the USA, Europe and Asia-Pacific.	Support Services
<b>NCC Group</b> Provision of IT assurance through Escrow solutions, consultancy and testing solutions to both the public and private sectors.	Software & Computer Services
<b>RWS Holdings</b> Provision of intellectual property support services (patent translations and technical searches) to the medical, pharmaceutical, chemical, aerospace, defence, automotive and telecoms industries.	Support Services
<b>Nationwide Accident Repair Services</b> Repair of motor vehicles and the provision of accident claim management services.	Support Services
<b>Glisten</b> The group is involved in the manufacture and sale of confectionery, ingredients and snacking products to a wide range of outlets in the UK and abroad.	Food Producers
<b>Advance AIM Value Realisation</b> To realise value from a portfolio of AIM securities and progressively return cash to shareholders.	Equity Investment Instruments

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## Twenty largest holdings

### Classification and main activities

#### Holding

#### Sector

##### Cohort

Provider of independent technical consultancy support and services, primarily although not exclusively to the defence sector. Provider of niche secure communications hardware and software, electronic warfare software and support services and management of secure IT facilities and services, again primarily, although not exclusively to the defence sector.

Aerospace and Defence

##### OpSec Security Group

The group provides governments and corporations worldwide with industry leading anti-counterfeiting technologies solutions and services. Its unprecedented expertise in optical sciences, software, films, materials handling and supply chain management allow it to tailor individual solutions for each of its customers, effectively addressing the growing problem of counterfeiting.

Support Services

##### Fountains

Environmental and forestry management service provider to local authorities, utility companies and landowners.

Support Services

##### Property Recycling

The company identifies and acquires previously developed land, referred to as brownfield sites, where it can see the opportunity to improve valuation significantly through remediation and planning gain.

Real Estate

##### Zetar

Manufacture of novelty and niche chocolate products, sold under private label, Kinnerton or other chocolate manufacturer's brands within the UK, Australia and other export markets; Sourcing, preparation and supply of premium quality dried fruits and nuts, fruit and other snacks, primarily within the UK.

Food Producers

##### Driver Group

Provision of specialist commercial and dispute resolution services to the construction industry.

Construction and Materials

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## Twenty largest holdings

### Classification and main activities

Holding	Sector
<p><b>Avesco Group</b> Provision of media services to the corporate presentation, entertainment and broadcast markets.</p>	Media
<p><b>Rapid Realisations</b> To exploit the investment opportunity represented by companies in pre-IPO and other late stage situations with a view to arbitraging differences in public and private company valuations.</p>	Equity Investment Instruments
<p><b>TMN Group</b> Provision of online marketing and online market research services.</p>	Media
<p><b>Clerkenwell Ventures</b> Acquisition, development and operation of leisure businesses.</p>	General Financial
<p><b>Cains Beer</b> Brewing, packaging and distribution of beers and lagers and the management of public houses.</p>	Travel & Leisure
<p><b>Third Advance Value Realisation</b> To manage its investments to provide value and liquidity to its investors.</p>	Equity Investment Instruments

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## Sector analysis of portfolio as at 30 June 2008

Sector weightings	Market value %
Support Services	30.1
Healthcare Equipment & Services	12.6
Pharmaceuticals & Biotechnology	10.6
Software & Computer Services	9.2
Equity Investment Instruments	8.2
Food Producers	7.1
Media	5.0
Real Estate	4.3
Aerospace & Defence	4.2
Construction & Materials	2.6
General Financial	2.5
Travel & Leisure	1.7
General Retailers	0.9
Electronic & Electrical Equipment	0.9
Non Life Insurance	0.1
<b>Total</b>	<u>100.0</u>

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## Report of the Directors

The Directors present their Report and Accounts for the year ended 30 June 2008.

### Business Review

#### *Background*

In accordance with financial reporting requirements the Company is required to provide a Business Review within the Report of the Directors. The purpose of the Business Review is to provide a balanced view of the activities and development of the Company together with an explanation of the principal risks faced by the Company.

#### *Principal Activity and Status*

The principal activity of the Company is to carry on the business of an investment trust company. A description of the Company's activities and developments in the twelve month period to 30 June 2008 is shown in the Chairman's statement on pages 4 and 5 and the Investment Manager's Report and the Portfolio review on pages 6 to 8 which should be read in conjunction with this Business Review.

Following the appointment of the new Directors on 11 December 2007, your Board has considered how best to deliver value for shareholders. In the light of the failure of the current investment policy your Board has placed the following proposals before shareholders:

- a change in the Company's investment policy so that the Company will invest in UK listed shares which are identified as having patterns of directors' dealing which suggest that following such signals will lead to superior investment performance;
- a tender offer under which those shareholders on the register on 3 March 2008 will be able to sell up to 49% of their shares to the Company for cancellation at a price close to net asset value; and
- the sale of a proportion of the remaining portfolio companies to Laxey Partners for cash at a price close to net asset value and an off-market purchase of 1,041,424 of the Company's shares held by Laxey Partners.

The proposals are outlined in a Circular sent to shareholders on 27 October 2008 and posted on the Company's website.

The Company is an investment company as defined under Section 833 of the Companies Act 2006 and has received written approval from the HM Revenue and Customs as an authorised investment trust, under Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA"), for the year ended 30 June 2007, although under the Corporation Tax Self Assessment regime this approval is subject to any enquiry that may be raised. The Company has been approved as an investment trust in all previous years since its formation. Since 12 December 2007, the Company has disposed of investments to the value of £38 million in anticipation of the proposed Tender Offer outlined on page 18. The Company has deposited cash from these disposals in an interest bearing bank account. As a result, the Company's eligible investment income in the period commencing 1 July 2008 may not be sufficient to meet the requirements of section 842 of the ICTA, resulting in the Company losing its investment trust status. In the event that the Company fails to qualify as an investment trust company, it could become subject to Capital Gains Tax.

Although the Company may not meet the requirements of Section 842 of the ICTA for the period commencing 1 July 2008, the Directors intend to run the Company thereafter in such a way as to ensure it meets the requirements of Section 842 of the ICTA.

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## Report of the Directors

The Company's shares are currently fully eligible for inclusion in ISAs and PEPs and the Directors anticipate that this status will be maintained in the future. Shareholders are periodically entitled to vote on the continuation of the Company. A proposal to extend the latest date on which a continuation resolution is to be put to the shareholders will be considered by the members at an Extraordinary General Meeting to be held on 20 November 2008.

### *Investment Policy*

The Company's Investment Policy is outlined on page 2.

### *Principal Risks and Uncertainties Associated with the Company*

The Board is committed to the principles of the Combined Code, published in 2006, as detailed in the corporate governance section of this report. The Company is a member of the AIC and is committed to compliance with the provisions of the AIC Code of Corporate Governance as outlined on page 23. The Board also seeks to mitigate risk through regular monitoring and review processes that are designed to ensure that all compliance, regulatory and contractual obligations relating to the Company are adhered to at all times. These processes are regularly reviewed by the Board in accordance with the Turnbull Report guidance on internal controls to provide the ongoing means to manage risk which have been in place during the period and to the date of this report. The principal risks faced by the Company under its current Investment Policy are set out below.

#### *i). Investment and Strategy*

As an investment company, the returns generated by Eaglet are largely dependent upon the stock market performance of the companies within the portfolio. The Company could underperform its benchmark index because of poor stock selection, poor sector allocation or through inadequate diversification across the portfolio.

The Company is also exposed to a range of economic and market force risks including interest rates, exchange rates and the general performance of stock markets, which are viewed as part of the Company's normal business environment. The Board recognises that investing in smaller companies and AIM companies can carry greater risks than those generally associated with large capitalisation companies as they are likely to be less well established, may not have access to the financial resources available to their larger counterparts and are relatively illiquid and under-researched.

The Board discusses the Company's investment performance and portfolio at each Board meeting and reviews comprehensive information concerning each of the Company's portfolio investments and the sector allocation.

#### *ii). Gearing*

The use of gearing magnifies both positive and negative movements in the NAV. The Company has the ability to use gearing equating to a maximum of 30% of the investment valuation and at 30 June 2008 the Company's had no borrowings (2007: £10.8 million, representing 8.8% of the investment valuation).

In order to provide flexibility in setting the level of gearing employed, the Company only uses short-term bank borrowings. The Board considers the degree of gearing by reference to the Investment and Strategy review processes described above, the liquidity of the Company's portfolio and consideration of the Manager's opinions about the prospects for the portfolio companies and stock markets in general.

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## Report of the Directors

### *Share Price and Discount*

As an investment company, Eaglet is also termed a closed-end fund. The share prices of closed-end funds often trade at a discount to their NAVs. At 30 June 2008 the discount was 21.37%. The level of this discount is likely to fluctuate on a daily basis and can vary significantly over time. It is therefore possible that over given periods of time the share price could go down despite an increase in the NAV, or that the share price could appreciate at an inferior rate to the NAV, or that the share price could fall to a greater degree than the NAV.

The Board monitors the discount at which the shares trade and where possible seeks to manage the discount in order to limit discount volatility and to enhance liquidity in the Company's shares. The Company has the ability to buy back shares for immediate cancellation and to purchase shares into Treasury which can potentially be re-issued at a later date. During the period under review the Company purchased 640,000 shares for cancellation (representing 2.61% of the issued capital) and 75,000 shares were purchased to be held in Treasury (representing 0.31% of the issued capital). The total consideration paid for shares repurchased during the period was £2.15m. At the date of this report there remains an unused authority to purchase a further 1,731,720 shares. Full details are set out in Note 14, on pages 47 and 48.

### *Operational*

The Company, in line with the majority of investment companies, does not have any employees and consequently relies upon the provision of services by a number of third parties. The Board is therefore dependent on the monitoring and control procedures of these third parties which include the Company's Manager, Custodian, Company Secretary, Banker, Solicitor, Registrar and Broker.

The Board reviews the internal control procedures of its third party service providers and the Board's Audit Committee assesses the risks to the Company's operations semi-annually. Further details are shown in the 'internal control assessment process' section of this report.

### *Regulatory*

The principal legislation and regulations that apply to Eaglet are the Companies Acts 1985 and 2006, the Listing Rules and Disclosure and Transparency Rules of the FSA and the ICTA. A breach of the requirements of the ICTA could result in the Company losing its status as an investment trust company and becoming subject to Capital Gains Tax (see page 14).

The Board is not aware that the Company has breached any applicable laws or regulations during the year under review. At each Board meeting the legislative and regulatory status of the Company is reviewed to ensure that all requirements continue to be adhered to by the Company and its service providers.

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## Report of the Directors

### *Key Performance Indicators*

The key measures by which the Board judge the success of the Company, are the growth in share price and NAV. Due to the nature of the Company's strategy to invest in a limited number of relatively small companies, the portfolio does not mirror the benchmark index. This, therefore, may not be the best index by which the Company's short-term performance should be measured. The Company's NAV performance is however, reviewed by comparison to the HGSCI (excluding Investment Companies), other relevant indices and the NAV performance of a peer group of similar investment companies that invest in UK smaller companies. The Board also considers the performance of the FTSE SmallCap Index (excluding Investment Companies), the FTSE AIM All-Share Index and the FTSE All-Share Index.

Given the stated investment policy of the Company is to achieve a NAV return in excess of that of the benchmark index over the longer-term the Board considers performance relative to each of the above comparators over periods of one, three and five years and since launch.

The Company's NAV performance for the twelve month period to 30 June 2008 is set out on page 2 while further reference to performance is made in the Investment Manager's Report.

The Board regularly reviews the Company's discount which is monitored by the Manager on a daily basis. The Manager will notify the Board of any material short-term change in the discount. The level of discount is considered by comparison to the discounts of a peer group of similar investment companies. As detailed under Share Price and Discount above, the Board seeks to manage the discount in order to limit discount volatility and to enhance liquidity in the Company's shares.

The Board reviews the expenses incurred operating the Company at each Board meeting and considers the Company's Total Expense Ratio ("TER") by comparison to industry and peer group average TERs. Eaglet's TER at 30 June 2008 was 2.84% (2007: 1.47%).

### *Results and Dividends*

The results for the year and the net revenue are set out in the Income statement on page 34 and are summarised below:

	2008 £'000	2007 £'000
Revenue return after taxation	(330)	439
Capital return after taxation	(37,358)	20,053
Total return after taxation	(37,688)	20,492
Proposed annual dividend (pence per share)	nil	0.70p

### *Net Asset Value ("NAV")*

At 30 June 2008 the NAV per share, which includes revenue reserves, was 320.48p (2007: 485.57p).

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## Report of the Directors

### Events Subsequent to 30 June 2008 and Future Developments

As a result of market movements since the year-end, the Company's Net Asset Value has fallen by 17.5% in the period 30 June 2008 to 27 October 2008. This compares to a fall of 36.1% in the benchmark Index and represents out performance of the benchmark Index of 18.6%.

The fall in the Company's Net Asset Value since 30 June 2008 includes an impairment in the value of a holding in Cains Beer that was valued at £656,784 at 30 June 2008 and presently has nil value. Cains Beer shares have been suspended since 1 August 2008. The year-end balance sheet has not been adjusted on the grounds of materiality.

On 27 October 2008 a Circular and Notice of Extraordinary General Meeting was sent to Shareholders outlining the proposals for a change of investment policy, change of name, amendments to the Articles of Association, Tender Offer to purchase up to a maximum of 49 per cent. of the Shares in issue, sale of a proportion of Portfolio Companies, Off-Market Purchase of Shares, New Investment Management Agreement, Management Warrants Deed, Investment Advisory Agreement and cancellation of share premium account (the "Proposals").

The Directors consider that the following specific risk factors should be considered in association with the Proposals.

### *The Shares*

The value of, and the income derived from, the Shares can fluctuate and may go down as well as up. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their original investment. Due to the potential difference between the market price of the Shares and the price at which Shares can be sold, there is no guarantee that the realisable value of the Shares will reflect their market price.

### *Discount*

Notwithstanding the existence of share buy-back powers, there is no guarantee that the market price of the Shares will fully reflect their underlying Net Asset Value

### *Performance*

Past performance is not necessarily an indication of the future performance.

### *Economic conditions*

Changes in economic conditions (including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors) can substantially and adversely affect stocks and shares and, as a consequence, the Company's prospects.

### *Taxation*

Any change in the Company's tax status, including any failure to satisfy the conditions of, or any change in the conditions required to satisfy, section 842 of the ICTA, or in taxation legislation or in the interpretation or application of taxation legislation, could affect the value of investments held by the Company, the Company's ability to achieve its stated objective, the ability of the Company to provide returns to Shareholders and/or alter the post-tax returns of Shareholders.

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## Report of the Directors

### *Change of Investment Policy*

As part of the Proposals, the Company is proposing to change its investment policy. There can be no guarantee that the new investment policy of the Company will be achieved.

### *Investment Manager and Investment Adviser*

The returns on investment by the Shareholders will be dependent on the diligence, skill and performance of Knox D'Arcy Asset Management Ltd ("KAM") and Knox D'Arcy Investment Management Ltd as the proposed new investment manager and investment adviser respectively. Future success will depend to a significant extent on the continued involvement of the individuals whose services are retained by KAM and Knox D'Arcy.

### *Investments*

The success of any of the investments in the Company is subject to risks related to:

- (i) the quality of its management and the management of the companies in which it invests;
- (ii) its ability successfully to select investment opportunities;
- (iii) general economic conditions;
- (iv) its ability to liquidate its investments. Some of the companies in which the Company will invest may be in an early stage of development or without a significant operating history and may lack fully developed produce lines, experienced management or a proven market for their products.

### *Approval of Shareholders*

The Proposals are subject to certain conditions (including the need for the approval of the Shareholders), the non-fulfilment of which would mean that the Proposals cannot be implemented. In such an event, the Company would bear the costs in relation to the Proposals, which would reduce the Net Asset Value of the Company.

### *Insufficiency of Available Distributable Profits*

In light of the fact the Directors consider that the Company may not, taking into account the maximum number of Shares that could be tendered pursuant to the Tender Offer, have sufficient profits available for distribution to enable it to settle the Tender Offer in full, settlement of the Tender Offer will not take place until confirmation of the cancellation of the Company's share premium account and subsequent preparation of interim accounts. Such cancellation requires approval of the Court and there can not be any certainty that such cancellation will be approved by the Court. As a consequence, were the cancellation of share premium account not to be confirmed and the Company not otherwise in a position whereby it had sufficient distributable reserves available to settle the Tender Offer, the Tender Offer would lapse.

### *Risks associated with the Proposals*

As a result of the Tender Offer and the Off-Market Purchase, the issued share capital of the Company will be reduced and the Company will be smaller. Consequently the fixed costs of the Company will be spread over fewer Shares and the Company's total expense ratio will increase.

### *Risks associated with the Tender Price*

The Tender Price will be dependent, inter alia, on the total number of Shares tendered pursuant to the Tender Offer, and may represent a significant discount to the NAV per Share as the costs of the Proposals will be borne, pro rata, by those Shareholders whose Shares are to be repurchased by the Company pursuant to the Tender Offer and the Off-Market Purchase Agreement.

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## Report of the Directors

### Annual General Meeting

At the forthcoming Annual General Meeting, an ordinary resolution, Resolution 5, will be proposed, to give the Directors a general authority to allot unissued Ordinary shares of the Company having a nominal value not exceeding £2,041,994 so as to expire on the earlier of the date of the next Annual General Meeting and 31 December 2009. A special resolution, Resolution 6, will, if passed, authorise the Directors, in certain circumstances, to issue Ordinary shares for cash, otherwise than by way of a rights issue to shareholders.

As special business, members are also being asked to vote on a resolution (Resolution 7 in the Notice of AGM) to adopt new Articles of Association in substitution for the Company's Articles of Association in force at the date of the AGM. The Company's Articles of Association in force at the date of the AGM will, depending upon the outcome of the EGM convened for 20 November 2008, be either (i) the Company's Articles of Association in force at the date of this report or (ii) if all the proposed resolutions are passed at the EGM, the new Articles of Association approved at that EGM. The proposed new Articles of Association will update the Company's Articles of Association in force at the date of the AGM primarily to reflect the provisions of the Companies Act 2006 that have already come into force. An explanation of the principal changes between the proposed and existing Articles of Association is set out on pages 58 to 60.

### Section 992 Companies Act 2006

The following information is disclosed in accordance with Section 992 of the Companies Act 2006.

- The Company's capital structure and voting rights are summarised on page 47 and 48.
- Details of the substantial shareholders in the Company are listed on page 21.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 24.
- Amendment of the Company's Articles of Association and the giving of powers to issue or buy back the Company's shares require a special resolution to be passed by shareholders. The Board's current powers to buy back shares are stated on page 16.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

### Performance of the Board

At the Annual General Meeting of the Company held on 11 December 2007, shareholders voted against the re-appointment of Peter Cowan, Guy Crawford, Robert Wade and Frank Dee as Directors of the Company and voted to appoint Jonathan Carr, Nicholas Jeffrey and Garth Milne as Directors of the Company.

Each of the Directors in office during the year has a letter of appointment with the Company. Jonathan Carr's letter of appointment is dated 13 June 2008, Nicholas Jeffrey and Garth Milne each have letters of appointment dated 11 June 2008.

The Board has implemented a procedure for reviewing its effectiveness on both an individual and collective basis through a documented appraisal process of performance evaluation questionnaires and formal written submissions from each Director. The Chairman is responsible for reviewing the appraisal of each of the Directors.

The Board's policy is that Directors should seek re-election every three years and every year for Directors serving more than nine years.

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## Report of the Directors

The Senior Independent Director is Mr Jeffrey, who provides an additional channel for the referral of any shareholder concerns. The Company has not appointed a deputy Chairman, due to the size of the Board making such an appointment unnecessary.

### Appointment of Directors

The Board recommends the re-election of Jonathan Carr based on his contribution to the operation of the Board and his experience of the investment trust industry.

### Directors' Beneficial Interests

The beneficial interests of the Directors and their families in the shares of the Company are set out below:

	30 June 2008 Ordinary shares	30 June 2007 Ordinary shares
Jonathan Carr	–	–
Nicholas Jeffrey	–	–
Garth Milne	–	–

There have been no changes to the beneficial interests of the Directors and their families from 30 June 2008 to the date of this report.

### Substantial Shareholdings

At the date of this report the Company had been notified of the following material interests in 3% or more of the voting rights of the Company:

Ordinary shares	Number of shares	% of issued share capital
QVT Financial LP	6,386,612	28.9
Funds under the discretionary management of Laxey Partners Limited	2,042,006	9.2
Perpetual Unit Trust Management Limited	1,551,335	7.0
MF Global UK Limited	1,400,394	6.3
Legal & General Group Plc	1,110,219	5.0
Carrousel Capital Limited	800,000	3.6
CG Asset Management Limited	684,000	3.1

Knox D'Arcy Investments Limited, QVT Financial LP and Laxey Partners Limited are currently considered to be persons acting in concert for the purposes of the Takeover Code in relation to the Company. The Directors were nominated as directors of the Company by Knox D'Arcy Investments Limited, QVT Financial LP and Laxey Partners at the Company's annual general meeting held in December 2007 and are thus also considered to be members of the Concert Party. The members of the Concert Party (other than the Directors) have entered into irrevocable commitments with each other (other than the Directors) to, among other things, vote together in relation to certain resolutions in relation to the Company. As at 23 October 2008, the members of the Concert Party between them owned 8,743,618 Ordinary Shares, representing approximately 39.5 per cent. of the issued Ordinary Share capital of the Company (excluding Ordinary Shares held in Treasury).

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## Report of the Directors

The total number of shareholders on the register at 30 October 2008 was 1,087 (2007: 1,268).

### Management and Secretarial Agreements

The Company entered into an agreement with Unicorn Asset Management Limited (“Unicorn”) by way of a deed of novation in favour of Unicorn dated 4 July 2000. Notice was given to Unicorn on 5 November 2007 and accordingly fees will be payable until the end of the notice period, 5 November 2008, subject to the agreement of any termination fee.

The Unicorn management fee is calculated monthly at the rate of 0.08333% of the funds under management and is payable in arrears. Unicorn is entitled to receive an additional annual fee (“bonus”) equating to 5% of any outperformance in excess of a margin of 2% above the Extended HGSCI (excluding Investment Companies) subject to a maximum amount of 0.7% of gross assets. Where the Company under performs the Extended HGSCI (excluding Investment Companies) by a margin of 2% or more the amount of such under performance shall be added to the target performance in respect of the following year. No compensation is payable to Unicorn in the event that the agreement is terminated; however, in the event that the Company terminates the agreement, Unicorn will be entitled to fees, excluding any performance fee, due to the date of termination. No additional fees were paid to Unicorn during the year (2007: nil).

The Company’s investments are managed by Knox D’Arcy under a Management Agreement dated 13 March 2008. Knox D’Arcy received a fee of £10,000 per week commencing on 11 December 2007 subject to a maximum amount of £250,000 being so paid (representing payment in respect of a total of 25 weeks). Thereafter, no further fee has been paid notwithstanding that Knox D’Arcy continues to provide services to the Company.

As disclosed in the Circular sent to Shareholders on 27 October 2008, a new investment management agreement will be considered by the Shareholders for approval at the Extraordinary General Meeting to be held on 20 November 2008.

Under an agreement, dated 21 June 1993, company secretarial services and the general administration of the Company are undertaken by Capita Sinclair Henderson Limited. This agreement may be terminated by one year’s notice.

### Continuing Appointment of the Investment Manager

The Board keeps the performance of the Investment Manager under regular review. The most recent review was carried out on 18 September 2008. The Board considers Knox D’Arcy’s continuing appointment to be in the best interest of the shareholders for the reasons set out in the Chairman’s Statement on pages 4 and 5.

### Payment of Suppliers

It is the Company’s policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by those terms.

There were no trade creditors at the year end (2007: nil), representing nil creditor days (2007: nil days).

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## Report of the Directors

### Institutional Investors – Use of Voting Rights

The Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

### Corporate Governance

Compliance with the Provisions of the AIC Code of Corporate Governance

The Company joined the Association of Investment Companies ("AIC") on 20 May 2008.

The Board of Eaglet has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Eaglet.

The Board considers that reporting under the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and in the Preamble to the Combined Code, the Board considers that these provisions are not relevant to the position of Eaglet, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The AIC Code recommends that a full portfolio listing is made available to shareholders at least once a year, and where it is not contained in the Annual Report, a reference should be given explaining where it can be found. The Company discloses the top 20 holdings within its portfolio, representing 93.3% of the portfolio as at 30 June 2008. The full portfolio is not disclosed as the stocks outside the top 20 holdings are largely transitional holdings.

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## Report of the Directors

From the start of the period until 11 October 2007, when Peter Webb resigned from the Board, the Board consisted of six Directors, all non-executive and, except for Mr Webb, all were considered to be independent. At the AGM held on 11 December 2007 Shareholders voted against the election of Messrs Cowan, Dee, Wade and Crawford. Messrs Carr, Jeffrey and Milne were appointed by Shareholders at the same AGM. Lady Barbara Judge resigned from the Board on 12 December 2007.

The Board has noted the recommendations of the AIC Code with respect to the criteria for assessing the independence of Directors and it has reached the conclusion that each of the Directors can be deemed independent.

In accordance with the Listing Rules, the current Chairman of the Board, Jonathan Carr is considered by his fellow Directors to be free of any conflicts of interest and independent of the Investment Manager. He considers himself to have sufficient time to commit to the Company's affairs. The Board further considers that the position of a non-executive chairman of an investment trust such as Eaglet does not de-facto impede independence and therefore preclude membership of the Board's Committees. The status of both Mr Milne and Mr Jeffrey have been evaluated by their fellow Directors and they are considered to be independent. The Company has no full time employees, thus there is not a chief executive, and all management and administrative duties are delegated and carried out by third parties. The Directors review at each Board Meeting the Company's investments and all other important issues, to ensure that control is maintained over the Company's affairs.

Board procedures were formalised in February 1995 in a schedule of matters specifically reserved for the Board's approval, which has been adopted since then for all Meetings and is reviewed regularly. Day to day management of the Company's portfolio is delegated to the Investment Manager under the terms of the investment management agreement described above and other administrative functions are carried out, principally, by the Secretary and Administrator, the Registrar and the Custodian. The Board is ultimately responsible for the strategic direction of the Company, the appointment of all service providers, including the Company's bankers, determining the level of gearing, selecting suitable accounting policies and the publication of annual and half-yearly reports and other forms of shareholder communication. On 24 February 1995 the Board formalised the arrangements under which Directors, in the furtherance of their duties, may take independent professional advice. The Company has in place Directors' and Officers' liability insurance which includes cover for the reimbursement of legal expense costs.

The Board meets regularly and receives written and verbal reports from the Investment Manager, principally on portfolio performance, to ensure that the Company's investment policy is attained. Additional meetings will be held as required. At all of its meetings the Board follows a formal agenda prepared by the Secretary in consultation with the Chairman that encompasses all matters relevant to the overall direction of the Company. The Secretary and Investment Manager prepare reports as required, including management accounts, analysis of the level of share price discount to net asset value, comparative performance, shareholder relations, significant movements in the Company's share register and any economic or regulatory developments that may affect the Company.

The Company's Articles of Association require one-third of the Directors to retire by rotation each year but do not provide for Directors to retire every three years, as recommended by the AIC Code. The policy on tenure provides for all Directors to retire every three years and every year for Directors serving more than nine years since their first election.

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## Report of the Directors

### *Social Environmental and Ethical Policy*

The Trust's Social Environmental and Ethical policy ("SEE") is that the Manager should take into consideration SEE matters when making an investment or reviewing an existing investment subject to the fundamental requirement that the Trust's financial interests should be treated as being of the greatest importance.

### *Committees*

The Audit Committee operates within clearly defined terms of reference, a copy of which is available from the Secretary, and during the year comprised all independent non-executive Directors in office at the time. Due to the size of the Board it is deemed appropriate that all Directors serve on the Committee. Nicholas Jeffrey is Chairman of the Committee. It provides a forum through which the Company's external Auditors report to the Board of Directors. Each of the Audit Committee members, including Jonathan Carr who is the Chairman of the Board, is a non-executive Director and deemed to be independent. In reaching this opinion the Board has noted that Mr Jeffrey is a non-executive director of Templeton Insurance Limited, a company within the Knox D'Arcy Group, and believe that this appointment does not impede his independence as a Director of the Company. Mr Jeffrey has been appointed Chairman of the Audit Committee due to his successful track record and wide range of experience of both public and private companies.

The Audit Committee meets twice a year to oversee the production of the annual and half-yearly accounts, compliance with accounting standards and regulatory requirements. The terms of reference delegate specific responsibility for making recommendations to the Board as regards the appointment, re-appointment, and remuneration of the Auditor. The Committee has considered the independence and objectivity of the Auditor, including a review of non audit services that the Auditor has provided totalling £398,000 during the period, and has advised the Board that it is satisfied in these respects that KPMG Audit Plc has fulfilled its obligations to the Company and its shareholders. It also reviews the effectiveness of the Company's financial reporting and internal control policies. The Company's Auditor attends the meetings of the Audit Committee to review the annual accounts and has direct access to Committee members between meetings.

The Audit Committee has reviewed the "whistle blowing" procedures of the Investment Manager and Company Secretary to ensure that the concerns of staff at Knox D'Arcy and Capita Sinclair Henderson Limited may be raised in a confidential matter.

The same independent non executive Directors also comprise the Management Engagement Committee which is responsible for reviewing the terms of the Manager's contract and those contracts of the Company's other third party service providers. Copies of the Committee terms of reference are available from the Secretary. Garth Milne is the Chairman of the Committee.

The Nomination Committee, comprising of the independent non-executive Directors and chaired by Garth Milne meets for the purpose of considering appointments to, and removals from, the Board. Copies of the Committee's terms of reference are available from the Secretary. The Committee also considers the rationale for the re-election of all retiring Directors in light of their performance.

The Remuneration Committee, comprising of the same Directors and Chaired by Garth Milne meets to discuss the level of remuneration paid to the Board. Due to the size of the Board it is deemed appropriate that all Directors serve on the Committee. The Directors are responsible for ensuring that all statutory disclosure provisions are made regarding Directors' remuneration including the publication of the remuneration report on pages 29 and 30. Copies of the Committees' Terms of Reference are available from the Secretary.

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## Report of the Directors

### *Frequency and Attendance at Board and Committee Meetings*

During the year the number of Board and Committee meetings held and attendance by each Director who served during the year was as follows:

	Board Meetings	Audit Committee	Management Engagement Committee	Remuneration Committee	Nomination Committee
Jonathan Carr*	6(6)	2(2)	1(1)	1(1)	1(1)
Nicholas Jeffrey*	5(6)	2(2)	1(1)	1(1)	1(1)
Garth Milne*	5(6)	2(2)	1(1)	1(1)	1(1)
Lady Judge	5(6)	1(1)	-	-	-
Peter Cowan	9(10)	1(1)	-	-	-
Guy Crawford	10(10)	1(1)	-	-	-
Robert Wade	9(10)	1(1)	-	-	-
Frank Dee	8(9)	0(1)	-	-	-
Peter Webb	0(1)	N/A	N/A	N/A	N/A

Figures in brackets indicate the number of meetings in the year which each Director was eligible to attend.

\* Currently a Director of the Company.

### *Dialogue with Shareholders*

The Directors are always available to enter into dialogue with shareholders. All shareholders have the opportunity to attend and vote at the Annual General Meeting during which the Board and the Investment Manager are available to discuss issues affecting the Company.

### *Going Concern*

The Directors, after due consideration, are of the opinion that it is appropriate to presume that the Company will continue in business for the foreseeable future and accordingly have continued to adopt the going concern basis in preparing the accounts.

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## Report of the Directors

### *Internal Control Assessment Process*

The Board is responsible for establishing and maintaining the Company's system of internal control and for maintaining its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed and by their very nature provide reasonable but not absolute assurance against material misstatement or loss and the systems are designed to manage rather than eliminate the risk of failure to achieve the Company's objective. The Directors have reviewed the effectiveness of the system of internal controls, including financial, operational and compliance controls and risk management.

Throughout the year under review and up until the date of this report, there has been an ongoing documented process for formally identifying, evaluating and managing the significant risks faced by the Company, which accords with guidance in the document entitled "Internal Control: Guidance for Directors on the Combined Code" and is reviewed on a regular basis by the Board. The process involves reports from the Company Secretary and Investment Manager as described below. In addition, the Board receives internal control statements from all of the third parties to which it delegates functions. The key procedures, which have been established to provide effective internal control, are as follows:

- Investment management is provided by Knox D'Arcy. The Board is responsible for setting the overall investment policy and monitors the activity of the Investment Manager at regular Board meetings. The Investment Manager provides reports at these meetings, which cover investment performance and compliance issues.
- Capita Sinclair Henderson Limited is responsible for the provision of administration and company secretarial duties. It also reports to the Board on risk control issues for the Company as a whole.
- Custody of assets is undertaken by HSBC.
- The duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- The non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Management Engagement Committee after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements.
- Mandates for authorisation of investment transactions and expense payments are set by the Board.
- The Board reviews financial information produced by the Investment Manager and Company Secretary in detail on a regular basis.
- The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties whose internal controls are reviewed by the Board. Therefore, this function is not felt to be required. However, the need for one is reviewed periodically.

The Board considers that it has carried out a review of the system of internal controls as it has operated throughout the year.

### **Directors Service Contracts**

As explained on page 29 Directors are not appointed for specific terms but offer themselves for re-election at least every three years.

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## Report of the Directors

### Auditor

KPMG Audit Plc have expressed their willingness to continue in office as Auditor and, in accordance with Section 385 of the Companies Act 1985, a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board  
**Capita Sinclair Henderson Limited**  
Secretary 30 October 2008

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## Directors' remuneration report

The Board has prepared this report, in accordance with the requirements of the Directors Remuneration Report Regulations 2002 in respect of the year ended 30 June 2008. An ordinary resolution will be put to members seeking approval of the report at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain disclosures provided. Where disclosures have been so audited, they are indicated. The Auditor's opinion is included in its report on pages 32 and 33.

### Remuneration Committee

The Committee comprises all the Directors and is chaired by Mr Milne.

### Policy on Directors' Remuneration

The Board's policy is that the Directors' remuneration should reflect the value of their contribution and experience and be determined also by reference to remuneration in comparable organisations and appointments. It is intended that this policy will continue for the year ended 30 June 2009.

Directors' fees are determined within the limits set out in the Company's Articles of Association. They are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

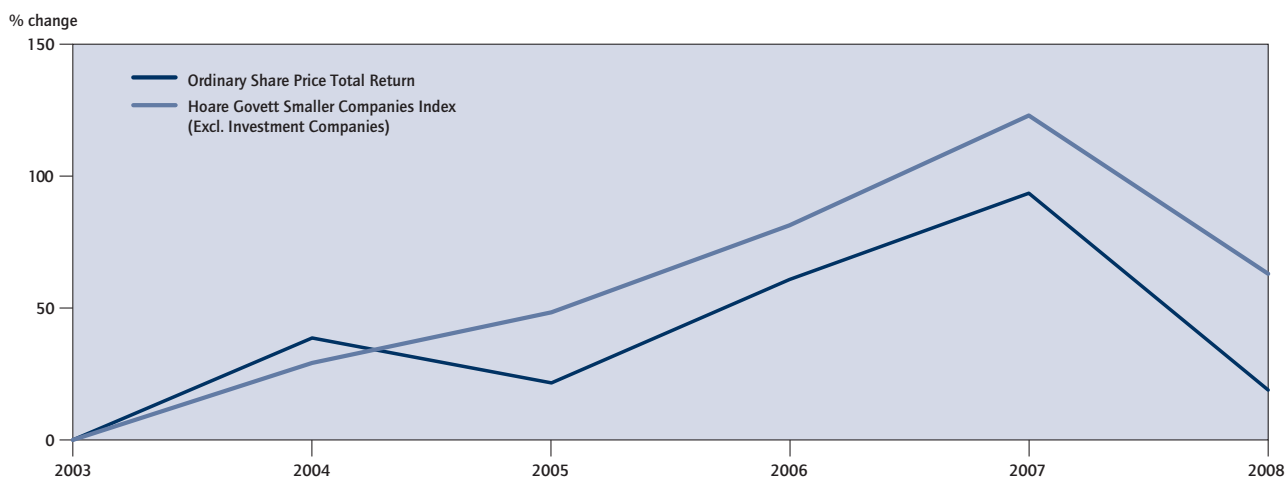
### Directors' Service Contracts

None of the Directors has a contract of service with the Company, nor has there been any contract or arrangement between the Company and any Director at any time during the year. The terms of the Articles of Association provide that one third of the Directors shall retire and be subject to re-election every year. At a Board meeting on 24 August 1999 the Directors adopted a new policy providing for Directors to retire and be subject to re-election every three years. Subsequently, and in accordance with the AIC Code, the Board agreed that all Directors who had served more than nine years since their first election should retire and seek re-election annually. The Directors are not entitled to compensation when they leave office by retirement.

If a Director is requested to resign from office he shall be entitled to 3 months notice.

## Directors' remuneration report

### Your Company's Performance



The graph compares the total return of the Ordinary 25p Shares (including dividends reinvested) against the Extended HGSCI (excl. Investment Companies) for each of the last five financial years.

The Extended HGSCI (excl. Investment Companies) was selected as the most appropriate benchmark against which the performance of the Company's share price may be adequately assessed as set out in the investment policy.

### Directors' Emoluments for the Year (Audited)

The Directors who served in the year received the following emoluments in the form of fees:

	2008 £	2007 £
Jonathan Carr (Chairman)	16,613	–
Nicholas Jeffrey	15,792	–
Garth Milne	11,909	–
Lady Judge	12,500	25,000
Peter Cowan	7,139	14,000
Guy Crawford	7,139	14,000
Robert Wade	7,139	14,000
Frank Dee	3,584	–

Peter Webb waived his fees of £4,515 for the year ended 30 June 2008 (2007: £14,000). He resigned from the Board on 11 October 2007.

### Sums paid to Third Parties

The Directors' fees for Nicholas Jeffrey are paid to Riley Croft Partnership of which he is a partner.

### Approval

The Directors' remuneration report was approved by the Board of Directors on 30 October 2008 and signed on its behalf by:

**Jonathan Carr**  
Chairman

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## 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 financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Report of the Directors, Directors Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors state, to the best of their knowledge, that:

- the financial statements, prepared in accordance with UK Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

**Jonathan Carr**

Chairman

30 October 2008

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## Independent Auditors' Report to the members of Eaglet Investment Trust plc

We have audited the financial statements of Eaglet Investment Trust plc for the year ended 30 June 2008 which comprise the Income Statement, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, the Reconciliation of Movements in Shareholder's funds and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

### Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 31.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

The information given in the Report of the Directors includes that specific information presented in the Chairman's Overview and the Portfolio review that is cross referred from the Business Review section of the Report of the Directors

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

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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# Independent Auditors' Report to the members of Eaglet Investment Trust plc

## Basis of audit opinion

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

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

## KPMG Audit Plc

100 Temple Street  
Bristol BS1 6AG  
Registered Auditor  
30 October 2008

## Income statement

for the year ended 30 June 2008

		2008			2007		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value	10	-	(36,231)	(36,231)	-	21,061	21,061
Income	2	1,593	-	1,593	1,757	-	1,757
Investment management fee	3	(695)	(695)	(1,390)	(616)	(616)	(1,232)
Other expenses	4	(1,005)	(209)	(1,214)	(310)	-	(310)
<b>Net return before finance costs and taxation</b>		<b>(107)</b>	<b>(37,135)</b>	<b>(37,242)</b>	<b>831</b>	<b>20,445</b>	<b>21,276</b>
Interest payable and similar charges	6	(223)	(223)	(446)	(392)	(392)	(784)
<b>Return on Ordinary activities before taxation for the financial year</b>		<b>(330)</b>	<b>(37,358)</b>	<b>(37,688)</b>	<b>439</b>	<b>20,053</b>	<b>20,492</b>
Taxation	7	-	-	-	-	-	-
<b>Return on Ordinary activities after taxation for the financial year</b>		<b>(330)</b>	<b>(37,358)</b>	<b>(37,688)</b>	<b>439</b>	<b>20,053</b>	<b>20,492</b>
<b>Return per Ordinary share (p)</b>	9	<b>(1.46)</b>	<b>(165.18)</b>	<b>(166.64)</b>	<b>1.87</b>	<b>85.51</b>	<b>87.38</b>

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance issued by the Association of Investment Companies ("AIC").

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

The Board have not recommended a dividend payable in respect of the year ended 30 June 2008 (2007: 0.7p).

The notes on pages 40 to 54 form part of these financial statements.

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## Statement of total recognised gains and losses

for the year ended 30 June 2008

	2008 £'000	2007 £'000
Net return after taxation	(37,688)	20,492
Total recognised (losses)/gains during the year	(37,688)	20,492
Total recognised (losses)/gains per share (p)	(166.64)	87.38

The notes on pages 40 to 54 form part of these financial statements.

## Balance sheet

as at 30 June 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments at fair value	10	<u>38,967</u>	<u>123,681</u>
<b>Current assets</b>			
Debtors	12	415	225
Cash at bank		<u>32,538</u>	<u>8</u>
		<b>32,953</b>	<b>233</b>
<b>Creditors – amounts falling due within one year</b>	13		
Bank overdraft		–	(10,825)
Creditors		(382)	(1,976)
Accruals		<u>(635)</u>	<u>(214)</u>
Net current assets/(liabilities)		<u>31,936</u>	<u>(12,782)</u>
<b>Net assets</b>		<u><b>70,903</b></u>	<u><b>110,899</b></u>
<b>Share capital and reserves represented by:</b>			
Called up share capital	14	6,126	6,286
Own shares held in Treasury	14	(8,847)	(8,544)
Share premium account		28,319	28,319
Capital redemption reserve		1,838	1,678
Capital reserve – realised		53,709	86,727
– unrealised		(13,946)	(7,759)
Revenue reserve		<u>3,704</u>	<u>4,192</u>
<b>Shareholders' funds – equity interests</b>		<u><b>70,903</b></u>	<u><b>110,899</b></u>
<b>Net asset value per Ordinary share</b>	18	<b>320.48p</b>	<b>485.57p</b>

These financial statements were approved by the Board of Directors on 30 October 2008 and were signed on its behalf by:

**Jonathan Carr**  
Chairman

## Statement of cash flows

for the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
<b>Operating activities</b>			
Investment income received		1,371	1,834
Bank interest received		31	9
Investment management fees paid		(1,253)	(1,218)
Secretarial fees paid		(52)	(55)
Other cash expenses		(670)	(229)
<b>Net cash (outflow)/inflow from operating activities</b>	16	<b>(573)</b>	<b>341</b>
<b>Servicing of finance</b>			
Interest paid		(487)	(776)
<b>Net cash outflow from servicing of finance</b>		<b>(487)</b>	<b>(776)</b>
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(23,149)	(55,471)
Sales of investments		69,656	62,912
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>46,507</b>	<b>7,441</b>
<b>Equity dividends paid</b>		<b>(158)</b>	<b>(168)</b>
<b>Net cash inflow before financing</b>		<b>45,289</b>	<b>6,838</b>
<b>Financing</b>			
Reorganisation costs		(166)	–
Ordinary shares purchased for cancellation		(1,465)	(1,274)
Ordinary shares purchased for Treasury		(303)	(4,365)
<b>Net cash outflow from financing</b>		<b>(1,934)</b>	<b>(5,639)</b>
<b>Increase in cash</b>	17	<b>43,355</b>	<b>1,199</b>

The notes on pages 40 to 54 form part of these financial statements.

## Reconciliation of movements in shareholders' funds for the year ended 30 June 2008

	Share capital £'000	Own shares held in Treasury £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>Year ended 30 June 2008</b>								
<b>30 June 2007</b>	6,286	(8,544)	28,319	1,678	86,727	(7,759)	4,192	110,899
Net revenue return after taxation for the year	-	-	-	-	-	-	(330)	(330)
Dividends paid	-	-	-	-	-	-	(158)	(158)
Net losses on realisation of investments	-	-	-	-	(33,737)	-	-	(33,737)
Transfer between reserves*	-	-	-	-	11,959	(11,959)	-	-
Fair value movement in investments	-	-	-	-	(8,266)	5,772	-	(2,494)
Costs allocated to capital	-	-	-	-	(1,127)	-	-	(1,127)
Cost of shares held in Treasury	-	(303)	-	-	-	-	-	(303)
Cost of shares purchased for cancellation	-	-	-	-	(1,847)	-	-	(1,847)
Nominal value of shares purchased for cancellation	(160)	-	-	160	-	-	-	-
<b>30 June 2008</b>	<b>6,126</b>	<b>(8,847)</b>	<b>28,319</b>	<b>1,838</b>	<b>53,709</b>	<b>(13,946)</b>	<b>3,704</b>	<b>70,903</b>

\* With effect from 1 April 2007, changes in fair value of investments which are readily convertible into cash, without accepting adverse terms, at the balance sheet date are included in realised, rather than unrealised, capital reserves. The balances on both reserves at 1 July 2007 have been amended by a reserve transfer to reflect this change.

In accordance with TECH 01/08, gains and losses arising from changes in the fair value of investments are considered to be realised to the extent that they are readily convertible to cash, without accepting adverse terms, at the Balance Sheet date. Fair value gains on unlisted investments are not considered to be readily convertible to cash and therefore treated as unrealised. The treatment of listed investments is dependent upon the individual circumstances of each holding. In general, listed investments with a market capitalisation of over £100 million are considered to be readily convertible into cash, and therefore any fair value gains and losses are shown as realised.

A block discount of 10% has been applied, in respect of four investments, indicating that the proceeds following 100% disposal of the holding may be less than the value recognised in the balance sheet.

The notes on pages 40 to 54 form part of these financial statements.

## Reconciliation of movements in shareholders' funds for the year ended 30 June 2008 (continued)

	Share capital £'000	Own shares held in Treasury £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
<b>Year ended 30 June 2007</b>								
<b>30 June 2006</b>	6,367	(4,179)	28,319	1,597	70,029	(9,840)	3,921	96,214
Net revenue return after taxation for the year	-	-	-	-	-	-	439	439
Dividends paid	-	-	-	-	-	-	(168)	(168)
Net gains on realisation of investments	-	-	-	-	18,980	-	-	18,980
Fair value movements in investments	-	-	-	-	-	2,081	-	2,081
Costs allocated to capital	-	-	-	-	(1,008)	-	-	(1,008)
Cost of shares held in Treasury	-	(4,365)	-	-	-	-	-	(4,365)
Cost of shares purchased for cancellation	-	-	-	-	(1,274)	-	-	(1,274)
Nominal value of shares purchased for cancellation	(81)	-	-	81	-	-	-	-
<b>30 June 2007</b>	<u>6,286</u>	<u>(8,544)</u>	<u>28,319</u>	<u>1,678</u>	<u>86,727</u>	<u>(7,759)</u>	<u>4,192</u>	<u>110,899</u>

The notes on pages 40 to 54 form part of these financial statements.

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## Notes to the accounts

### at 30 June 2008

#### 1 Accounting policies

##### Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments, and in accordance with applicable accounting standards in the United Kingdom and with the Statement of Recommended Practice 2003 regarding the Financial Statements of Investment Trust Companies (“SORP”), as revised in December 2005.

##### Income recognition

Dividend income is included in revenue when the investments concerned are quoted ‘ex-dividend’ and shown net of any associated tax credit. Deposit interest and underwriting commission receivable are included on an accruals basis.

##### Management fees and finance costs

Management fees and finance costs are split equally between the revenue account and realised capital reserve. This is based on the expected long-term returns of the Company. Any performance fee paid to the Manager is charged 100% to the capital reserve since the outperformance is entirely based on capital appreciation. All other expenses are allocated in full to the revenue account, except for the incidental costs of purchasing and selling investments which are allocated to capital.

##### Investments

All investments held by the Company are classified as ‘fair value through profit or loss’. Investments are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the Balance sheet date, without adjustment for transaction costs necessary to realise the asset. Where investments have been suspended the shares have been valued using a valuation technique.

Any unrealised profits and losses are allocated to the unrealised capital reserve. Any realised profits and losses arising on the disposal of investments are allocated to the realised capital reserve.

In accordance with TECH 01/08, gains and losses arising from changes in the fair value of investments are considered to be realised to the extent that they are readily convertible to cash, without accepting adverse terms, at the balance sheet date. A block discount is to be applied if any investments are traded on an active market, to indicate that proceeds of disposal of 100% of the holding may be less than the value recognised in the balance sheet. Fair value gains on unlisted investments are not considered to be readily convertible to cash and therefore treated as unrealised. The treatment of listed investments is dependent upon the individual circumstances of each holding.

##### Realisation of losses

During the year ended 30 June 2008, the Company realised £27.3m of previously unrealised losses, that arose due to suspension or becoming delisted and therefore have no current market value. It is not anticipated that any funds will be recovered on these investments.

These investments are detailed in note 10.

## Notes to the accounts

### at 30 June 2008

#### 1 Accounting policies – continued

##### Taxation

The charge for taxation is based on the net revenue for the year. Deferred taxation is provided in accordance with Financial Reporting Standard No. 19: Deferred Tax (“FRS 19”) on all timing differences that have originated but not reversed by the Balance sheet date. Deferred taxation assets are only recognised to the extent that they are regarded as recoverable, and are measured on a non-discounted basis.

##### Dividends payable to shareholders

Dividends paid by the Company are accounted for in the period in which the dividend has been approved in general meeting.

##### Capital Reserves

###### i) Capital Reserve – Realised:

Gains and losses on realisation of investments and changes in fair value of instruments which are readily convertible to cash, without accepting adverse terms, are dealt with in this reserve. This reserve is also used for the purchases of the Company's own shares for cancellation, 50% of the management fees, including any related VAT, and 50% of finance costs in accordance with the Company's objectives.

###### (ii) Capital Reserve – Unrealised:

Changes in fair value of investments which are not readily convertible to cash, without accepting adverse terms, are dealt with in this reserve.

2 Income	2008	2007
	£'000	£'000
<b>Income from UK listed investments</b>		
UK dividend income	1,323	1,745
<b>Other income</b>		
Bank interest receivable	270	12
<b>Total income</b>	<b>1,593</b>	<b>1,757</b>
<b>Total income comprises:</b>		
Dividends	1,323	1,745
Interest	270	12
	<b>1,593</b>	<b>1,757</b>

#### 3 Investment management fee

	2008			2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	673	673	1,346	524	524	1,048
VAT thereon (note 21)	22	22	44	92	92	184
	<b>695</b>	<b>695</b>	<b>1,390</b>	<b>616</b>	<b>616</b>	<b>1,232</b>

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## Notes to the accounts

### at 30 June 2008

#### 3 Investment management fee – continued

Of these, the amounts payable to both Investment Managers, throughout the year was as follows:

	2008 £'000	2007 £'000
Unicorn	1,140	1,232
Knox D'Arcy	250	–
	<u>1,390</u>	<u>1,232</u>

The investment management fees have been calculated in accordance with the management agreements set out on page 22.

At 30 June 2008 £244,129 (2007: £108,588) was due to Unicorn Asset Management Limited “Unicorn”.

No performance fees were payable to the Investment Managers (2007: £nil).

#### 4 Other expenses

	2008 £'000	2007 £'000
Secretarial services	57	55
Auditor's remuneration for audit	20	25
Directors' remuneration (note 5)	82	74
Directors' expenses	10	4
Brokers' fees	36	29
Directors' insurance	15	14
Registrars' fees	19	19
Fees in respect of Savings Scheme	15	15
Printing	16	21
Professional fees	684	–
Other	51	54
	<u>1,005</u>	<u>310</u>

Included in “Other” for the previous year to 30 June 2007 is a donation of £3,000 equally divided between the three charities nominated by Mr Underhills family: Diabetes UK, St Michael's Church and Headway.

Professional fees of £684,495 were paid in respect of non-recurring corporate advice incurred by the Company's previous Board in relation to the request by certain Shareholders to appoint three Directors at the Annual General Meeting of the Company on 11 December 2007. Of this amount, £398,000 was paid to KPMG for corporate finance advice.

## Notes to the accounts at 30 June 2008

<b>4 Other expenses – continued</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Auditors remuneration:</b>		
Audit of financial statements	20	25
Corporate finance fees*	398	–
	<u>418</u>	<u>25</u>

\* Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates.

<b>5 Directors' remuneration</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
Total fees	<u>82</u>	<u>74</u>
	£	£
Remuneration to Directors:		
J Carr (Chairman) (appointed 11 December 2007)	16,613	–
G Milne (appointed 11 December 2007)	11,909	–
N Jeffrey (appointed 11 December 2007)	15,792	–
Lady Judge (Chairman) (resigned 12 December 2007)	12,500	25,000
Peter Cowan (resigned 11 December 2007)	7,139	14,000
Guy Crawford (resigned 11 December 2007)	7,139	14,000
Peter Underhill*	–	6,650
Robert Wade (resigned 11 December 2007)	7,139	14,000
Frank Dee (retired 12 December 2007)	<u>3,584</u>	<u>–</u>

Peter Webb waived his fees of £4,515 until the point of his resignation on 11 October 2007 (year ended 30 June 2007: £14,000).

\* Fees paid until Peter Underhill's death in January 2007.

<b>6 Interest payable and similar charges</b>	2008			2007		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
On bank overdraft	<u>223</u>	<u>223</u>	<u>446</u>	<u>392</u>	<u>392</u>	<u>784</u>

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## Notes to the accounts

### at 30 June 2008

#### 7 Taxation

The Company is subject to corporation tax at 29.50% (2007: 30%). However, UK dividends are not liable to corporation tax. Consequently, the tax deductible expenses substantially exceed the taxable income of the Company and, as a result, there is no taxation charge.

	2008 £'000	2007 £'000
Net revenue return on ordinary activities before tax	<u>(330)</u>	<u>439</u>
Net revenue return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.50% (2007: 30%)	(98)	132
UK dividends not chargeable to corporation tax	(390)	(524)
Expenses not deductible for tax purposes	72	9
Expenses charged to capital reserve	(332)	(302)
Excess expenses of period	<u>748</u>	<u>685</u>
Total current tax	<u>-</u>	<u>-</u>

At 30 June 2008, the Company had surplus management expenses and non-trade losses of £26.1 million (2007: £23.6 million), which have not been recognised as a deferred taxation asset of £7.32 million and £7.08 million respectively. This is because the Company is not expected to generate taxable income in future periods in excess of the deductible expenses of those future periods, and accordingly, it is unlikely that the Company will be able to reduce future taxation liabilities through the use of existing surplus expenses.

#### 8 Dividend paid

	2008 £'000	2007 £'000
Payment of final dividend of 0.70p (2007: 0.70p) per share	158	168
	<u>158</u>	<u>168</u>

No final dividend has been proposed in respect of the year ended 30 June 2008.

## Notes to the accounts at 30 June 2008

### 9 Return per Ordinary share

	*Net return £'000	2008 Ordinary shares	Per share pence	*Net return £'000	2007 Ordinary shares	Per share pence
<b>Revenue</b>						
Return per share	(330)	22,615,798†	(1.46)	439	23,450,818†	1.87
<b>Capital</b>						
Return per share	(37,358)	22,615,798†	(165.18)	20,053	23,450,818†	85.51
<b>Total</b>						
Return per share	(37,688)	22,615,798†	(166.64)	20,492	23,450,818†	87.38

\* Net return on ordinary activities attributable to Ordinary shareholders.

† Weighted average number of Ordinary shares in issue during the year (excluding treasury shares).

### 10 Investments

	2008 £'000	2007 £'000
UK listed investments	<u>38,967</u>	<u>123,681</u>

All listed investments are of equity shares in quoted companies.

During the year the Company incurred transaction costs of £107,546 and £160,334 (2007: £81,094 and £97,758) on purchases and sales of investments respectively. The amounts are included within gains on investments at fair value, as disclosed in the Income statement.

	2008 Total £'000	2007 Total £'000
<b>Analysis of investment portfolio movements</b>		
Opening book cost	131,439	118,230
Opening fair value adjustment	(7,758)	(9,839)
Opening valuation	<u>123,681</u>	<u>108,391</u>
Movements in the year:		
Purchases at cost	21,173	53,747
Sales – proceeds	(69,656)	(59,518)
– realised losses on sales	(33,737)	18,980
Changes in fair value	(2,494)	2,081
Closing valuation	<u>38,967</u>	<u>123,681</u>
Closing book cost	49,219	131,439
Closing fair value adjustment	(10,252)	(7,758)
	<u>38,967</u>	<u>123,681</u>

With effect from 1 April 2007, changes in fair value of listed investments which are readily convertible into cash, without accepting adverse terms, at the balance sheet date are considered to be realised, rather than unrealised, dependant upon the market capitalisation of the investment. As at 30 June 2008 total valuation losses of £10,252,000 have been allocated as £13,946,000 unrealised losses and £3,694,000 realised gains.

## Notes to the accounts at 30 June 2008

### 10 Investments – continued

	30 June 2008			30 June 2007		
	Realised £'000	Unrealised £'000	Total £'000	Realised £'000	Unrealised £'000	Total £'000
<b>Net gains on investments at fair value through profit or loss</b>						
(Losses)/gains on sales	(33,737)	–	(33,737)	18,980	–	18,980
Changes in fair value – 2007	11,959	(11,959)	–	–	–	–
Changes in fair value	(8,266)	5,772	(2,494)	–	2,081	2,081
	<b>(30,044)</b>	<b>(6,187)</b>	<b>(36,231)</b>	<b>18,980</b>	<b>2,081</b>	<b>21,061</b>

#### Realisation of losses

During the year ended 30 June 2008, the Company realised £27.3m of previously unrealised losses, that arose due to suspension or becoming delisted and therefore have no current market value. It is not anticipated that any funds will be recovered on these investments.

The investments are detailed below:

Investment	Holding	Bookcost
Angel Realisations 6 Ltd, NPV	700,000	–
Sfi Holdings A Shares	700,000	1,030,177
Stenoak Associate Services, Ord 10p	940,000	1,231,795
Eurodis Electron, Ord 1p	121,891,010	15,975,318
PressAC, Ord 5p	18,700,501	9,083,678
		<u>27,320,968</u>

### 11 Significant holdings

The Company has no interests exceeding 20% in the nominal value of the allotted shares of investee companies.

The Company has 25 holdings over 3% including the following which are considered to be material:

Name of undertaking	Class of share	Market	% held
		capitalisation £m	
Harvey Nash Group	Ordinary	25	13.687
Concateno	Ordinary	129	3.806
Nationwide Accident Repair Services	Ordinary	57	3.634

Materiality has been defined as 5% or more of the Company's gross assets.

## Notes to the accounts at 30 June 2008

12 Debtors – amounts falling due within one year	2008 £'000	2007 £'000
Dividends receivable	158	206
Prepayments and accrued income	257	19
	<u>415</u>	<u>225</u>

13 Creditors – amounts falling due within one year	2008 £'000	2007 £'000
Bank overdraft	–	10,825
Amounts due to brokers re: trade purchases	–	1,976
Amounts due to brokers re: purchases for cancellation	382	–
Accruals	635	214
	<u>1,017</u>	<u>13,015</u>

The bank overdraft was secured by a charge by way of formal mortgage over the investment portfolio.

14 Called up share capital	2008 £'000	2007 £'000
Authorised:		
48,000,000 (2007: 48,000,000) Ordinary shares of 25p each	<u>12,000</u>	<u>12,000</u>
Allotted, called up and fully paid:		
24,503,926 (2007: 25,143,926) Ordinary shares of 25p each	<u>6,126</u>	<u>6,286</u>

During the year the following Ordinary shares were purchased for cancellation:

Date	Number of shares	Total cost of purchase including expenses	% of issued shares at that date
12/09/2007	150,000	£586,075	0.60
25/09/2007	25,000	£94,408	0.10
05/06/2008	115,000	£273,304	0.46
17/06/2008	75,000	£188,060	0.30
23/06/2008	75,000	£193,345	0.30
24/06/2008	50,000	£128,897	0.20
30/06/2008	150,000	£382,916	0.61
	<u>640,000</u>	<u>£1,847,005</u>	

## Notes to the accounts at 30 June 2008

### 14 Called up share capital – continued

During the year the following Ordinary shares were purchased for Treasury:

<i>Date</i>	<i>Number of shares</i>	<i>Total cost of purchase including expenses</i>	<i>% of issued shares at that date</i>
Year ended 30/06/07	2,305,000	£8,544,122	
26/07/07	50,000	£202,914	0.20
26/07/07	25,000	£100,200	0.10
	2,380,000	£8,847,236	

The aggregate nominal value of the shares held in Treasury is £595,000.

Since 30 June 2008 the Company has not purchased any further shares for cancellation or any shares for Treasury.

One vote is attached to each Ordinary share in issue. Own shares held in treasury do not carry voting rights.

### 15 Commitments and contingent liabilities

At 30 June 2008 there were no commitments (2007: £1,430,000 in respect of a placing commitment).

<b>16 Reconciliation of net revenue before finance costs and taxation to net cash (outflow)/inflow from operating activities</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Net return before finance costs and taxation	(37,242)	21,276
Add back/(less): losses/(gains) on investments	36,231	(21,061)
Add back: capital expenses	209	–
Increase in creditors and accruals	419	33
(Increase)/decrease in prepayments and accrued income	(238)	4
Decrease in dividends receivable	48	89
	(573)	341

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## Notes to the accounts

at 30 June 2008

<b>17 Reconciliation of net cash flow to net cash/(debt)</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Beginning of year	(10,817)	(12,016)
Net cash inflow	43,355	1,199
End of year	<u>32,538</u>	<u>(10,817)</u>

The balance of net cash/(debt) is shown in the accounts as follows:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank	32,538	8
Overdraft	-	(10,825)
	<u>32,538</u>	<u>(10,817)</u>

### 18 Net asset value per Ordinary share

The basic net asset value per Ordinary share is based on net assets of £70,903,000 (2007: £110,899,000) and on 22,123,926 (2007: 22,838,926) Ordinary shares being the number of shares in issue at the year end, excluding shares held in Treasury (see note 14).

### 19 Related party transactions

Under the Listing Rules the Manager is regarded as a related party of the Company. The amounts paid and due to the Manager are disclosed in note 3. However, the existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies, and therefore, in terms of FRS8: "Related Party Transactions", the Manager is not considered a related party. The relationship between the Company, its Directors and the Investment Manager is disclosed in the Report of the Directors.

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## Notes to the accounts at 30 June 2008

### 20 Analysis of financial instruments

#### Background

The Company's financial instruments comprise securities, cash balances and debtors and creditors that arise from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

The principal risks the Company faces in its portfolio management activities are:

- market price risks i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement;
- interest rate risk;
- liquidity risk;
- credit risk; and
- gearing.

The Manager's policies for managing these risks are summarised below and have been applied throughout the year:

#### Policy

##### (i) Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments. The value of shares and the income from them may fall as well as rise and shareholders may not get back the full amount invested. The Investment Manager continues to monitor the prices of financial instruments held by the Company on a real time basis. Adherence to the Company's investment policy shown on page 2 mitigates the risk of excessive exposure to one issuer or investment sector by divesting the portfolio across many sectors.

The Board manages the market price risk inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and, at each meeting, reviews the investment performance, the investment portfolio and the rationale for the current investments to ensure consistency with the Company's objectives and investment policy. The portfolio does not seek to reproduce the benchmark Index, investments are selected based upon the merit of individual companies and therefore the portfolio may well diverge from the short term fluctuations of the benchmark.

Investments in smaller companies and AIM traded Companies by their nature, involve a higher degree of risk than investments in the mass market.

Fixed asset investments are valued at their bid price, which equates to their fair value. A list of the Company's twenty largest equity investments is given on page 9. In addition, an analysis of the portfolio by market capitalisation of holdings is given on page 13.

The maximum exposure to market price risk is the fair value of investments of £38.9 million (2007: £123,681 million).

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## Notes to the accounts at 30 June 2008

### 20 Analysis of financial instruments – continued

If the investment portfolio valuation fell by 1% from the amount detailed in the financial statements as at 30 June 2008, it would have the effect (assuming all other variables held constant) of reducing the net capital return before taxation by £390,000 (2007: £1,237,000). An increase of 1% in the investment portfolio valuation would have an equal and opposite effect on the net capital return before taxation.

#### (ii) Interest Rate Risk

Changes in interest rates may cause fluctuations in the income of the Company. The Company receives interest on the cash deposits at a rate of 1% below bank base rate. The interest received during the year amounted to £270,000 (2007: £12,000). The interest rate risk profile of the Company is detailed later on in this note.

If interest rates had reduced by 1% from those paid as at 30 June 2008 it would have the effect (assuming all other variables held constant) of increasing both net revenue and net capital returns before taxation on an annualised basis by £35,000 (2007: £65,000). If interest rates had increased by 1%, there would have been an equal and opposite effect on the net revenue return before taxation. The calculations are based on a weighted average of interest rates to interest paid during the year and are therefore only approximate.

#### (iii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Investment Manager does not invest in unlisted securities. However, the investments held by the Company consist of UK quoted small companies which are inherently less liquid than quoted large companies.

Liquidity risk is mitigated by the fact that the Company has £32,538,000 (2007: £8,000) cash held at bank which can satisfy its creditors and that as a closed end fund assets do not need to be liquidated to meet redemptions. The Board has deemed that the Company's listed investments with a market capitalisation of over £100 million are readily realisable as cash. Exposure to listed investments with a market capitalisation of less than £100 million is £24.2 million.

Short term flexibility is achieved through the use of overdraft facilities.

#### (iv) Credit Risk

Credit risk is the risk of financial loss to the Company if the contractual party to a financial instrument fails to meet its contractual obligations.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

The Company's listed investments are held on its behalf by HSBC, the Company's custodian, acting as agent. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Company's risk by reviewing the custodian's internal controls reports.

Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered in its obligations before any transfer of cash or securities away from the Company is completed.

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## Notes to the accounts

### at 30 June 2008

#### 20 Analysis of financial instruments – continued

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality.

The maximum exposure to credit risk at 30 June 2008 was:

	<i>30 June 2008</i>	<i>30 June 2007</i>
	<i>£'000</i>	<i>£'000</i>
Investments at fair value	<b>38,967</b>	123,681
Cash at bank	<b>32,538</b>	8
Debtors and prepayments	<b>415</b>	225
	<b>71,920</b>	123,914

None of the Company's assets are past due or impaired.

#### (v) Gearing

Gearing can have amplified effects on the net asset value of the Company. It can be positive for a company's performance, although can have negative effects on performance in falling markets. It is the Company's policy to determine the adequate level of gearing appropriate to its own risk profile and the appropriate level of gearing is regularly monitored by the Board.

The Company had no borrowings as at 30 June 2008 (2007: £10,825,000) representing nil% (2007: 9.8%) of the net asset value.

#### Fair values of financial assets and financial liabilities

All of the financial assets and liabilities of the Company are held at fair value.

#### Financial assets

The Company holds fixed asset investments which are UK listed and are traded on the London Stock Exchange. All of the Company's assets are in sterling and accordingly the Company has no currency exposure.

The investments are classified as fair value through profit or loss, and measured at fair value. For investments actively traded in organised financial assets, fair value is determined by reference to Stock Exchange quoted market bid prices.

The Company's financial assets are substantially equity shares and debtors which neither pay interest nor have a fixed maturity date.

#### Financial liabilities

The only financial liabilities of the Company are Creditors which are due within one year, as disclosed in note 13.

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## Notes to the accounts

at 30 June 2008

### 20 Analysis of financial instruments – continued

#### Use of derivatives

It is not the Company's policy to enter into derivative contracts.

As required by Financial Reporting Standard No. 29: "Derivatives and other financial instruments", an analysis of financial assets and liabilities, which identifies the risk to the Company of holding such items, is given below:

The interest rate profile of the Company's financial liabilities as at 30 June 2008 is shown below:

	<i>Total</i> <i>£'000</i>	<i>Weighted</i> <i>average</i> <i>interest rate</i> <i>%</i>	<i>Period until</i> <i>maturity</i> <i>Years</i>
Amounts drawn under sterling bank overdraft facility	–	–	–
Financial liabilities upon which no interest is paid	<b>1,017</b>	–	–
	<b>1,017</b>		

The interest rate profile of the Company's financial liabilities as at 30 June 2007 is shown below:

	<i>Total</i> <i>£'000</i>	<i>Weighted</i> <i>average</i> <i>interest rate</i> <i>%</i>	<i>Period until</i> <i>maturity</i> <i>Years</i>
Amounts drawn under sterling bank overdraft facility	10,825	6.5	–
Financial liabilities upon which no interest is paid	2,190	–	–
	<b>13,015</b>		

The maturity profile of the Company's financial liabilities is as follows:

	<i>As at</i> <i>30 June 2008</i> <i>£'000</i>	<i>As at</i> <i>30 June 2007</i> <i>£'000</i>
In one year or less	<b>1,017</b>	13,015
In more than one but not more than two years	–	–
In more than two but not more than five years	–	–

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## Notes to the accounts

at 30 June 2008

### 21 Contingent asset

In 2004, the Association of Investment Companies (“AIC” and JP Morgan Claverhouse Investment Trust plc launched a case against HM Revenue & Customs (“HMRC”) in which they claimed that management fees charged to UK investment trusts should be exempt from VAT. On 28 June 2007, the European Court of Justice found in favour of AIC/Claverhouse in respect of the specific questions referred to it by the UK VAT Tribunal. HMRC accepted this judgement in November 2007.

Your Company is taking appropriate steps to reclaim the relevant VAT that has been paid on management fees between 2001 and 2007. The timings and quantum of this repayment, together with the status of the pre-2001 payments, are still to be determined.

On the basis of this, no contingent asset has been disclosed.

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## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Eaglet Investment Trust plc will be held at the offices of Covington & Burling LLP, 265 Strand, London, WC2R 1BH at 11am on 16 December 2008 for the following purposes:

### Ordinary Business

1. To receive the Report and Accounts for the financial year ended 30 June 2008, together with the Reports of the Directors and Auditor thereon.
2. To receive the Directors' remuneration report for the year ended 30 June 2008.
3. To re-elect Mr J Carr a Director.
4. To re-appoint KPMG Audit Plc as Auditor to the Company, to hold office from the conclusion of this Meeting until the next General Meeting at which accounts are laid before the Company, and to authorise the Directors to determine their remuneration.

### Special Business

To consider and, if thought fit, to pass the following resolutions of which Resolution 5 will be proposed as an ordinary resolution and Resolutions 6 and 7 will be proposed as special resolutions:

5. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution for any authorities previously granted to the Directors), pursuant to Section 80 of the Companies Act 1985 ("the Act"), to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £2,041,994 (one third of the total issued share capital on 30 June 2008) provided that this authority shall expire on the earlier of the date of the next Annual General Meeting of the Company and 31 December 2009 save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.
6. THAT, subject to the passing of Resolution 5 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95(1) of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 5 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £306,299, being approximately 5 per cent of the issued share capital on 30 June 2008, at a price of not less than the net asset value per share and shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 31 December 2009 save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

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## Notice of Annual General Meeting

7. THAT with effect from the end of the meeting, the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the Company's Articles of Association in force as at the date of the meeting.

Registered Office:  
Beaufort House  
51 New North Road  
Exeter EX4 4EP

By Order of the Board  
**Capita Sinclair Henderson Limited**  
Secretary  
30 October 2008

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# Notice of Annual General Meeting

## NOTES:

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar no later than 48 hours before the time of the meeting. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he is the holder.
2. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.
3. As at 30 October 2008 (being the last business day prior to the publication of this notice) the Company's issued share capital was 24,503,926 (including 2,380,000 shares held in Treasury. Therefore the total voting rights amounted to 22,123,926 ordinary shares carrying one vote each.
4. Members should note that, because new Articles of Association are being proposed for approval of members at the EGM convened for 20 November 2008, it is not known, as at the date of this Notice of AGM, which Articles of Association will be in force at the date of the AGM. Consequently, two versions of the proposed new Articles of Association will be available for inspection: one showing the amendments to the Articles of Association currently in force, and one showing the amendments to the Articles of Association as they would be if the amendments proposed at the EGM convened for 20 November 2008 are adopted.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered on the Register of Members of the Company as at 11 am on 14 December 2008 (or in the event that the meeting is adjourned, only those Shareholders registered on the Register of Members of the Company as at 12pm on the day which is two days prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting so that:
  - (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that corporate Shareholder present at the meeting then, on a poll, those corporate representatives will give voting directions to the Chairman of the meeting and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives in attendance on behalf of the corporate Shareholder who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in paragraph (i) of this Note 6.
7. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to:
  - (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
8. The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the offices of Covington & Burling LLP, 265 Strand, London WC2R 1BH from 10:45am until the conclusion of the meeting:
  - a) Copies of the letters of appointment of the Chairman and the Non-executive Directors of the Company.
  - b) A copy of the current Articles of Association of the Company
  - c) A copy of each version of the proposed new Articles of Association of the Company referred to in note 4 above.

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# Notice of Annual General Meeting

## Appendix

### Explanatory notes of principal changes to the Company's Articles of Association

It is proposed in Resolution 7 in the Notice of AGM to adopt new Articles of Association (the "New Articles") in order to update the Company's Articles of Association in force at the date of the AGM (the "Pre-AGM Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006 ("2006 Act").

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act have not been noted in the Appendix. The New Articles showing all the changes to the Pre-AGM Articles are available for inspection, as noted above.

#### 1. Articles Which Duplicate Statutory Provisions

*Provisions in the Pre-AGM Articles which replicate provisions contained in the 2006 Act are in the main amended to bring them into line with the 2006 Act. Certain examples of such provisions include provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.*

#### 2. Form of Resolution

*The Pre-AGM Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the 2006 Act.*

#### 3. Issue of Share Certificates

*Under the 2006 Act, a company must issue a share certificate where a share warrant is surrendered for cancellation, unless the articles provide otherwise. The New Articles provide that a person surrendering a share warrant shall be entitled to a share certificate within two months of surrender.*

#### 4. Chairman

*The 2006 Act permits a proxy to act as Chairman at general meetings. The possibility of this is precluded by the wording of the proposed New Articles (although this would also have been precluded by the wording of the Pre-AGM Articles).*

#### 5. Registration of share transfers

*The Pre-AGM Articles provide that the directors may refuse to register a transfer of shares without providing the transferee with further information. The 2006 Act makes it clear that the reasons for a refusal to transfer shares must be given as soon as possible (and, in any case, within two months) to the transferee and the directors must also provide the transferee with any further information about the reasons for the refusal as the transferee may reasonably request. Changes are included in the New Articles to reflect this.*

#### 6. Convening Extraordinary General Meetings

*The provisions in the Pre-AGM Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the 2006 Act. In particular, a general meeting to consider a special resolution can now be convened on 14 days' notice whereas previously 21 days' notice was required.*

#### 7. Votes of Members and Proxies

*Under the 2006 Act proxies are entitled to vote on a show of hands whereas under the Pre-AGM Articles proxies are only entitled to vote on a poll. The New Articles allow proxies to vote on a show of hands.*

*The New Articles allow multiple proxies to be appointed by a member provided that each proxy is appointed to exercise the rights attached to a different share held by the member. Multiple corporate representatives may be appointed (but if they purport to exercise their rights in different ways, then the power is treated as not being exercised).*

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## Notice of Annual General Meeting

### Appendix

*Whilst not a requirement of the 2006 Act, the New Articles provide that no instrument appointing a proxy shall be valid after 12 months from the date of its execution (save in certain limited circumstances).*

*In addition, the time limits for the appointment or termination of proxy appointment have been altered by the 2006 Act so that a company's articles cannot now provide that a proxy should be received (i) more than 48 hours before the meeting or adjourned meeting or, (ii) in the case of a poll taken more than 48 hours after it was demanded, more than 24 hours before the time for the taking of the poll, or (iii) in the case of a poll not taken more than 48 hours after it was demanded, the time which it was demanded. Weekends and bank holidays are excluded for this purpose. Changes are included in the New Articles to reflect and clarify this*

#### 8. Corporate Representatives

*The 2006 Act expressly confirms the right of a corporate shareholder to appoint multiple corporate representatives. Unlike the position of multiple proxies (see paragraph 7 above), multiple corporate representatives must exercise each of their powers in the same way, failing which they are treated as having exercised no power at all. Changes are included in the New Articles to reflect this and also to clarify that duly authorised corporate representatives may vote at general meetings.*

#### 9. Notice of Directors' Meetings

*Under the Pre-AGM Articles, when a director is abroad he may request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice whilst he is away. This provision has been updated, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.*

#### 10. Directors' written resolutions and delegation of powers to a committee.

*The current article in the Pre-AGM Articles permitting written resolutions of the directors has been adjusted to clarify that a resolution in writing of the directors can be passed using electronic means. The new wording also eliminates the restriction excluding directors outside the UK from the decision-making process. The directors must either sign the written resolution or otherwise indicate their agreement, in writing, to the written resolution.*

*The New Articles also clarify the scope of the directors to delegate any of their powers or discretions to committees of the board. The powers that may be delegated include the power to delegate the determination of any fee, remuneration or other benefits which may be paid or provided to any directors.*

#### 11. Conflicts of Interest

*The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.*

*There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.*

*It is also proposed that the New Articles should contain provisions relating to confidential information to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.*

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## Notice of Annual General Meeting

### Appendix

*It is the intention of the board of directors to report annually on the Company's procedures for ensuring that the board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.*

#### 12. Electronic and Web Communications

*The principal changes to reflect the provisions of the 2006 Act relate to electronic communications with members. The New Articles allow communications to be made by the Company to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by electronic means, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member may still request a hard copy version of the document or information. This new regime, while continuing to ensure that members are able to receive communications and documents in hard copy if that is their preference, will enable the Company to take advantage of the efficiencies and cost savings inherent in electronic communications to a greater extent than is currently possible. Generally, the opportunity has been taken to update and conform the notice provisions in the New Articles.*

#### 13. The Seal

*The article relating to the Company's seal has been adjusted in the New Articles to reflect the provisions of the 2006 Act whereby the execution of an instrument by a director in the presence of a witness will have the same effect as if such instrument had been executed under the seal of the Company.*

#### 14. Directors' Indemnities and Loans to Fund Expenditure

*The 2006 Act has widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The exemption in the Pre-AGM Articles allowing the Company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to directors of associated companies.*

*The current provisions in the Pre-AGM Articles providing for an indemnity to be granted to auditors have been adjusted to clarify that the directors have discretion as to whether to grant any indemnity in favour of the auditors and such an indemnity is not automatically granted by the Company. Any such exercise by the directors of this discretion will be subject to the requirements of company law.*

#### 15. General

*Generally, the opportunity has been taken to clarify and conform the language used in the New Articles. When specific statutory provisions are referred to, these have been updated to make references to the appropriate sections of the 2006 Act.*

# Form of proxy

## for use at the Annual General Meeting of Eaglet Investment Trust plc

I/We (Block capitals please) .....

.....

a member/members of the Eaglet Investment Trust plc ("the Company"), hereby appoint the Chairman of the Meeting, or (insert name)

.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Covington & Burling LLP, 265 Strand, London, WC2R 1BH at 11am on 16 December 2008, and at any adjournment thereof.

Signature .....

Dated ..... 2008

Please indicate with an X in the spaces below how you wish your votes to be cast.

Please tick here to indicate that this proxy appointment is one of multiple appointments being made.

		For	Against	Vote Withheld
<b>Resolution 1</b>	To receive the Report and accounts for the financial year ended 30 June 2008 together with the Reports of the Directors and Auditor thereon.			
<b>Resolution 2</b>	To receive the Directors' remuneration report.			
<b>Resolution 3</b>	To re-elect Mr J Carr a Director.			
<b>Resolution 4</b>	To re-appoint KPMG Audit Plc as Auditor to the Company, and to authorise the Directors to determine their remuneration.			
<b>Resolution 5</b>	To authorise Directors to allot securities in accordance with Resolution 5 set out in the Notice of Meeting.			
<b>Resolution 6</b>	To authorise the Directors to allot securities for cash in accordance with Resolution 6 set out in the Notice of Meeting.			
<b>Resolution 7</b>	To adopt new Articles of Association of the Company.			

**NOTES:**

1. You may appoint one or more proxies of your choice. If you require any proxy, other than the Chairman of the meeting, delete the words 'the Chairman of the Meeting', add the name of the proxy you wish to appoint and initial the alteration. The proxy need not be a member of the Company and is entitled to vote on any other business which may properly come before the meeting. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which he or she is authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement.
2. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may copy this form. Please indicate in the box next to the proxy holders name the number of shares in relation to which he or she is authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The "Vote Withheld" option is provided to enable you to instruct the registered holder to abstain from voting. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" or "Against" a Resolution.
4. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
5. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
6. If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
7. To be valid, this form must be completed and deposited at the office of the Company's Registrar not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.



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Lancing  
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## Shareholder information

### Contact details

<b>Company Secretary:</b>	Capita Sinclair Henderson Limited Beaufort House 51 New North Road Exeter EX4 4EP	Tel: 01392 412122 Fax: 01392 253282
<b>Registrar:</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	Tel: 0870 600 3970 Fax: 0870 600 3980 www.shareview.co.uk
<b>Investment Manager:</b>	Knox D'Arcy Investment Management Limited 11 St James's Place London SW1A 1NP	Tel: 020 7495 2202

### Sources of further information

The Company's Shares are listed on the London Stock Exchange. The mid-market prices are quoted daily in the Financial Times, the Daily Telegraph and the Daily Mail. Monthly information updates are available on the Company from [www.trustnet.com](http://www.trustnet.com). The Company has its own website at [www.eagletinvestmenttrust.co.uk](http://www.eagletinvestmenttrust.co.uk).

### Share dealing

Shares can be purchased and sold through your usual stockbroker or through The Eaglet Savings Scheme.

### Key dates

Company's year end	30 June
Annual results announced	31 October 2008
Annual General Meeting	16 December 2008

### Frequency of NAV publication

The Company's net asset value is released to the Stock Exchange weekly.

<b>Banker:</b>	HSBC Bank PLC 8 Canada Square London E14 5HQ	<b>Solicitors:</b>	Covington & Burling LLP 265 Strand London WC2R 1JN
<b>Auditor:</b>	KPMG Audit Plc 100 Temple Street Bristol BS1 6AG	<b>Broker:</b>	Arbuthnot Securities Limited 20 Ropemaker Street London EC2Y 9AR

