



# JPMorgan European Investment Trust plc

(Formerly JPMorgan Fleming Continental European Investment Trust plc)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

# Chairman's Statement

## Company Reorganisation

At an Extraordinary General Meeting of the Company held on 1st August 2006, shareholders approved proposals to re-classify the Company's ordinary shares as Growth shares and to create a new Income share class. As a result, the Company now has two classes of shares in issue, each with its own investment objective, policies and benchmark and each separately listed and traded on the London Stock Exchange. The Company's new structure offers shareholders greater investment flexibility, with the opportunity twice each year to convert part or all of their holdings between the Company's two share classes. Such conversions are not, under current law, treated as disposals for UK capital gains tax purposes.

## Performance

I am pleased to report that in the six months to 30th September 2006, the Company's Growth portfolio produced a total return (capital plus net income reinvested) of +2.3%, against a total return on the benchmark index, the FTSE World Europe (ex-UK) Index, of +0.6% (both in sterling terms). The Growth share price (adjusted for the five for one sub-division on 2nd August 2006) fell by 1.8% over the six months, but with net dividends reinvested, the return to shareholders was +1.0%. The discount at which the Growth shares trade to the net asset value (with debt at fair value) narrowed slightly from 7.5% to 7.4% over the period. As stated in the shareholder circular dated 7th July 2006, it is the Board's intention that over any rolling 30 day period, the discount on both share classes should average 5% or better, although (as in the two months since the date of the reorganisation to the end of the period) there

will be times when the discount is greater than this. As at the time of writing, the discount on the Growth shares is approximately 5.5%.

It is of course very early days for the new Income portfolio and it has not yet paid a dividend, but in the period from 2nd August to 30th September 2006, the portfolio produced a capital return of +4.5%, compared with the total return (i.e. with dividends reinvested) on the benchmark index, the MSCI Europe Net Index, of +3.9%. The share price rose by 2.8% over that period. The discount on the Income shares ended the period at 4.7%.

The background against which the Company's portfolios performed is discussed in more detail in the Investment Managers' Report.

## Change of Name

At the Extraordinary General Meeting held on 1st August 2006, shareholders approved the change of the Company's name from JPMorgan Fleming Continental European Investment Trust plc to JPMorgan European Investment Trust plc.

## Revenue and Dividends

Earnings per share on the Growth portfolio for the six months to 30th September 2006 amounted to 10.11 pence per share (2005: 3.32 pence). Prior to the Company's reorganisation, a special dividend of 10.00 pence per share was declared, which was paid on 27th July 2006. The Growth portfolio has a focus on capital growth and accordingly dividends on the Growth shares are likely to be of a small amount and, in some years, sufficient revenue may not be available to pay a dividend. To the extent possible, dividends will be paid semi-annually in April and October of each year commencing with a dividend to be declared in

March 2007 and payable in April 2007 in relation to the period to 15th March 2007.

Earnings per share on the Income portfolio for the period to 30th September 2006 amounted to 0.25 pence per share. The Income Shares aim to deliver an initial annualised yield to investors in the region of 3.25% to 3.5%. However, this does not constitute a forecast of the profits or returns from investment in the Income shares and there can be no guarantee of any particular level of profits or return. It is expected that dividends will be paid semi-annually in April and October of each year commencing with a dividend to be declared in March 2007 and payable in April 2007 in relation to the period to 15th March 2007.

### Share Repurchases

Since July 2005, the Board has adopted a more proactive and structured approach to the use of its share repurchase powers. The Board believes that the Company's reorganisation has improved the overall marketability, and liquidity, of the shares and consistent with this and the commitment to enhance shareholder value, it has stated its proposal to carry out share repurchases on an ongoing basis with the aim of establishing long-term average levels of discount for both the Growth shares and Income shares at or below 5% (both with debt valued at par). Shares are only repurchased at prices which represent a discount to the prevailing net asset value ('NAV') per share. Any shares repurchased may be cancelled and the number of shares in issue reduced accordingly, or held in treasury (provided such number does not represent more than 10% of the shares in issue of the relevant share class). Shareholders have given

their approval for any shares held in treasury to be issued at a discount to the NAV per share, provided that the discount is narrower than the average discount at which the Company repurchased the shares then held in treasury, or at a premium to the NAV per share. The precise level and timing of any repurchases and issues carried out pursuant to this policy depends upon prevailing market conditions at the relevant time.

The Board has authority to make market repurchases of both Growth and Income shares representing 14.99% of each share class, such authority having been renewed at an Extraordinary General Meeting of the Company held on 21st September 2006. The Board intends to maintain sufficient authority to enable it to fulfil its share repurchase policy.

During the six months ended 30th September 2006, the Company repurchased a total of 32,755,779 Growth shares (adjusted for the five for one share sub-division on 2nd August 2006) and 4,750,000 Income shares for cancellation. These repurchases were made at discounts between 5.0% and 6.1% (with debt valued at par). Since 30th September 2006, the Company has repurchased a further 3,669,000 Growth shares and 3,186,432 Income shares for cancellation and also cancelled a total of 100,000 Income shares held in treasury. A total of 16,673,813 Growth shares and 7,208,190 Income shares are currently held in treasury.

### Andrew Murison

Chairman

15th December 2006

# Investment Managers' Report

Since the end of our last financial year, we have had a very eventful six months, crowned by the restructuring of the Company into two portfolios with complementary investment briefs, between which the Company's shareholders can convert some or all of their holdings. Under current law, such conversions are not treated as a disposal for UK capital gains tax purposes. The Growth portfolio, which continues the Company's traditional approach, grew its NAV by 2.3% on a total return basis, against a benchmark which returned +0.6%. The return to shareholders in the Growth portfolio was +1.0%. For the Income portfolio, which aims to out-perform Europe including the UK on a total return basis while providing an above average yield, the NAV grew by 4.5% against a benchmark which returned +3.9%. The return to shareholders was +2.8%. However, I would emphasise that these numbers are only for the two months from the portfolio's inception at the beginning of August.

The market background over the period under review was one of considerable volatility. The powerful first quarter rally continued until the middle of May, when there was an abrupt setback as investors started to fret about stubbornly high US inflation. The ensuing correction saw European markets decline by around 14%, and there was an abrupt shift away from smaller companies and

high beta stocks which had performed well in the first quarter. In mid June the markets stabilised, and between then and September there was a gradual recovery which continued beyond the end of our reporting period and took markets to new highs. In the Growth portfolio we took advantage of the market weakness in May to increase gearing, and we therefore benefited from the recovery before taking effective gearing back to zero in September. Our sense is that markets will continue in the medium term to work their way back to their 2000 highs, but we do not think that the period of volatility is finished and we would not rule out a setback in the next few months, possibly triggered by renewed concerns about economic growth, or by pressure on the US Dollar. We would view such a setback as a buying opportunity, and would seek to deploy our gearing in both portfolios in order to maximise returns for shareholders.

Within both portfolios we have continued to benefit from our exposure to the best of value and the best of growth within Europe. We do not seek to move aggressively between sectors or countries: we are stock-pickers, and we ply our trade by steady adherence to our core belief that companies in the value and growth parts of the spectrum with positive business catalysts will see share price appreciation.



The fundamental objective of the Company has always been capital growth from Europe and we now offer two different strategies for achieving this aim. We would emphasise that our perspective is long term, but we are confident that the environment for fulfilling this mandate remains positive, and we feel that the increased flexibility from the new structure will enhance shareholder choice and value.

**Stephen Macklow-Smith**

**Alexander Fitzalan Howard**

Investment Managers

15th December 2006

# Interim Performance (Growth Shares)

TOTAL RETURNS for the six months to 30th September 2006

|       |                                     |
|-------|-------------------------------------|
| +1.0% | Return to shareholders <sup>1</sup> |
| +2.3% | Return on net assets <sup>2</sup>   |
| +0.6% | Benchmark return <sup>3,4</sup>     |

## Long Term Performance

|   | Return to shareholders <sup>1</sup> | Net asset value return <sup>2</sup> | Benchmark return <sup>3,4</sup> |
|---|-------------------------------------|-------------------------------------|---------------------------------|
| <b>3 Year Performance</b><br>(1st Oct 2003 - 30th Sept 2006)  | <b>111.8%</b>                       | <b>82.2%</b>                        | <b>77.0%</b>                    |
| <b>5 Year Performance</b><br>(1st Oct 2001 - 30th Sept 2006)  | <b>85.6%</b>                        | <b>79.3%</b>                        | <b>66.9%</b>                    |
| <b>10 Year Performance</b><br>(1st Oct 1996 - 30th Sept 2006) | <b>169.1%</b>                       | <b>173.1%</b>                       | <b>138.8%</b>                   |

### OBJECTIVE

#### GROWTH

Capital growth from Continental European investments, by consistent out-performance of the benchmark and a rising share price over the longer term by taking carefully controlled risks through an investment method that is clearly communicated to shareholders.

|  | 30th SEPT<br>2006  | 31st MARCH<br>2006       | %<br>CHANGE        |
|--|--------------------|--------------------------|--------------------|
| <b>FINANCIAL DATA</b>  |                    |                          |                    |
| Shares in issue (excluding shares held in treasury)                                      | <b>154,863,218</b> | 244,497,500 <sup>5</sup> | -36.7              |
| Total net assets (£'000)   | <b>333,583</b>     | 537,128 <sup>5</sup>     | -37.9 <sup>6</sup> |
| Net asset value per ordinary share with debt at par value                                | <b>219.3p</b>      | 223.1p <sup>5</sup>      | -1.7               |
| Net asset value per ordinary share with debt at fair value <sup>7</sup>                  | <b>215.4p</b>      | 219.7p <sup>5</sup>      | -2.0               |
| Ordinary share price   | <b>199.5p</b>      | 203.2p <sup>5</sup>      | -1.8               |
| Discount of ordinary share price to net asset value with debt at par value <sup>7</sup>  | <b>7.8%</b>        | 8.7%                     |                    |
| Discount of ordinary share price to net asset value with debt at fair value <sup>8</sup> | <b>7.4%</b>        | 7.5%                     |                    |

<sup>1</sup>Change in share price with net dividends reinvested. (Source: Standard & Poor's – www.funds-sp.com).

<sup>2</sup>Change in net asset value (bid to bid) per share (with debt valued at par) with net dividends reinvested. (Source: Fundamental Data Ltd).

<sup>3</sup>Change in value of index with net dividends reinvested. (Source: FTSE).

<sup>4</sup>The Growth portfolio's benchmark is the FTSE World Euro (ex UK) Index in sterling terms. Comparison of the portfolio's performance is made with this benchmark. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the investment universe. The investment strategy does not 'track' this benchmark and, consequently, there may be some divergence between its performance and that of the Growth portfolio.

<sup>5</sup>These items have been adjusted for the five for one share sub-division on 2nd August 2006.

<sup>6</sup>The reduction in the Growth pool's total net assets is due in part to the capital reorganisation, pursuant to which approximately 16% of Growth shareholders opted to convert their holdings to Income shares, and to the significant level of shares that have been repurchased.

<sup>7</sup>Source: Bloomberg. The net asset value of 219.3p as per the accounts includes revenue for the period but no accrual for proposed dividends where applicable. This treatment is in accordance with Financial Reporting Standard 21.

<sup>8</sup>The fair value of the €12.4m (2005: €35m) and €100m loans have been calculated by estimating the cost of breaking the interest rate swaps.

# Ten Largest Investments<sup>1</sup>

as at 30th September 2006

| Company          | Country     | Valuation<br>£'000 | % <sup>2</sup> |
|------------------|-------------|--------------------|----------------|
| Total            | France      | 10,840             | 2.7            |
| UBS              | Switzerland | 10,616             | 2.6            |
| ING              | Netherlands | 10,548             | 2.6            |
| Allianz          | Germany     | 9,043              | 2.2            |
| Société Générale | France      | 8,807              | 2.1            |
| ENI              | Italy       | 8,716              | 2.1            |
| Credit Suisse    | Switzerland | 8,696              | 2.1            |
| Nokia            | Finland     | 8,057              | 2.0            |
| Roche            | Switzerland | 7,497              | 1.8            |
| BASF             | Germany     | 7,131              | 1.7            |
| <b>Total</b>     |             | <b>89,951</b>      | <b>21.9</b>    |

<sup>1</sup>Does not include the Company's investments in liquidity funds as these are held as an alternative to cash.

<sup>2</sup>Based on total assets less current liabilities of £411.1m.

As of 31st March 2006, the value of the ten largest investments amounted to £143,312,000, representing 22.6% of total assets less current liabilities.

## Portfolio Analysis

| Sector Breakdown                 | 30th September 2006 |                | 31st March 2006 |                |
|----------------------------------|---------------------|----------------|-----------------|----------------|
|                                  | Portfolio<br>%      | Benchmark<br>% | Portfolio<br>%  | Benchmark<br>% |
| Financials                       | 36.5                | 34.5           | 33.5            | 33.9           |
| Liquidity Funds                  | 17.8                | —              | 9.5             | —              |
| Industrials                      | 10.7                | 10.9           | 12.4            | 10.7           |
| Consumer Goods                   | 7.6                 | 12.6           | 8.3             | 12.5           |
| Oil & Gas                        | 5.9                 | 6.2            | 6.5             | 6.2            |
| Healthcare                       | 5.2                 | 7.9            | 5.7             | 8.3            |
| Utilities                        | 4.7                 | 7.2            | 5.0             | 6.8            |
| Basic Materials                  | 4.1                 | 4.9            | 3.9             | 4.9            |
| Telecommunications               | 3.7                 | 6.1            | 3.9             | 6.3            |
| Consumer Services                | 3.1                 | 5.4            | 2.8             | 5.3            |
| Technology                       | 2.8                 | 4.3            | 3.3             | 5.1            |
| Net current (liabilities)/assets | (2.1)               | —              | 5.2             | —              |

Based on total assets less current liabilities of £411.1m (31st March 2006: £633.3m).

| Geographic Breakdown             | 30th September 2006 |                | 31st March 2006 |                |
|----------------------------------|---------------------|----------------|-----------------|----------------|
|                                  | Portfolio<br>%      | Benchmark<br>% | Portfolio<br>%  | Benchmark<br>% |
| Liquidity Funds                  | 17.8                | —              | 9.5             | —              |
| France                           | 17.3                | 23.2           | 17.3            | 22.7           |
| Germany                          | 15.2                | 15.7           | 16.1            | 16.4           |
| Switzerland                      | 11.2                | 14.9           | 13.8            | 14.4           |
| Italy                            | 10.2                | 9.6            | 7.4             | 9.7            |
| Netherlands                      | 5.6                 | 8.4            | 8.0             | 8.0            |
| Spain                            | 5.1                 | 9.5            | 5.1             | 9.0            |
| Finland                          | 4.4                 | 2.5            | 4.7             | 2.9            |
| European Funds                   | 4.2                 | 0.1            | 2.7             | 0.6            |
| Belgium                          | 3.4                 | 2.6            | 4.3             | 2.6            |
| Sweden                           | 2.5                 | 5.4            | 2.0             | 5.6            |
| Portugal                         | 1.5                 | 0.9            | 0.2             | 0.8            |
| Norway                           | 1.3                 | 1.5            | 0.5             | 1.7            |
| Denmark                          | 1.1                 | 1.5            | 1.7             | 1.5            |
| Austria                          | 1.1                 | 1.1            | 1.2             | 0.9            |
| Greece                           | 0.2                 | 1.4            | 0.3             | 1.4            |
| Ireland                          | —                   | 1.7            | —               | 1.8            |
| Net current (liabilities)/assets | (2.1)               | —              | 5.2             | —              |

Based on total assets less current liabilities of £411.1m (31st March 2006: £633.3m).

# Income Statement

for the six months ended 30th September 2006

|   | (Unaudited)<br>Six months ended<br>30th September 2006 |                            |                          | (Unaudited)<br>Six months ended<br>30th September 2005 |                            |                          | (Audited)<br>Year ended 31st March 2006 |                            |                          |
|---|--|----------------------------|--------------------------|--|----------------------------|--------------------------|---|----------------------------|--------------------------|
|   | Revenue<br>Return<br>£'000                             | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 | Revenue<br>Return<br>£'000                             | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 | Revenue<br>Return<br>£'000              | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 |
| <b>(Losses)/gains from Investments</b>          |  |                            |                          |  |                            |                          |   |                            |                          |
| <b>held at fair value through</b>               |  |                            |                          |  |                            |                          |   |                            |                          |
| <b>profit or loss</b>                           | —  | (17,099)                   | (17,099)                 | —  | 61,690                     | 61,690                   | —                                       | 151,736                    | 151,736                  |
| Income from investments                         | 11,650   | —                          | 11,650                   | 11,242   | —                          | 11,242                   | 14,313                                  | —                          | 14,313                   |
| Other interest receivable and<br>similar income | 458  | —                          | 458                      | 273  | —                          | 273                      | 691                                     | —                          | 691                      |
| <b>Gross revenue and capital</b>                |  |                            |                          |  |                            |                          |   |                            |                          |
| <b>(loss)/gains</b>                             | 12,108   | (17,099)                   | (4,991)                  | 11,515   | 61,690                     | 73,205                   | 15,004                                  | 151,736                    | 166,740                  |
| Management fee                                  | (439)  | (1,024)                    | (1,463)                  | (527)  | (1,228)                    | (1,755)                  | (1,104)                                 | (2,577)                    | (3,681)                  |
| Performance fee                                 | —  | (1,611)                    | (1,611)                  | —  | (2,410)                    | (2,410)                  | —                                       | (4,524)                    | (4,524)                  |
| Other administrative expenses                   | (347)  | —                          | (347)                    | (366)  | —                          | (366)                    | (707)                                   | —                          | (707)                    |
| <b>Net return/(loss) on ordinary</b>            |  |                            |                          |  |                            |                          |   |                            |                          |
| <b>activities before finance</b>                |  |                            |                          |  |                            |                          |   |                            |                          |
| <b>costs and taxation</b>                       | 11,322   | (19,734)                   | (8,412)                  | 10,622   | 58,052                     | 68,674                   | 13,193                                  | 144,635                    | 157,828                  |
| Finance costs                                   | (844)  | (1,968)                    | (2,812)                  | (838)  | (1,955)                    | (2,793)                  | (1,658)                                 | (3,868)                    | (5,526)                  |
| <b>Net return/(loss) on ordinary</b>            |  |                            |                          |  |                            |                          |   |                            |                          |
| <b>activities before taxation</b>               | 10,478   | (21,702)                   | (11,224)                 | 9,784  | 56,097                     | 65,881                   | 11,535                                  | 140,767                    | 152,302                  |
| Taxation  | (1,346)  | —                          | (1,346)                  | (1,466)  | —                          | (1,466)                  | (1,692)                                 | —                          | (1,692)                  |
| <b>Net return/(loss) on ordinary</b>            |  |                            |                          |  |                            |                          |   |                            |                          |
| <b>activities after taxation</b>                | 9,132  | (21,702)                   | (12,570)                 | 8,318  | 56,097                     | 64,415                   | 9,843                                   | 140,767                    | 150,610                  |
| <b>Return/(loss) per Growth share</b>           | 10.11p   | (24.03)p                   | (13.92)p                 | 3.32p  | 22.42p                     | 25.74p                   | 3.98p                                   | 56.83p                     | 60.81p                   |

All revenue and capital items in the above statement derive from continuing operations. During the period the Company reorganised its single class of shares into two classes of shares, Growth shares and Income shares. More details are given in note 1 on page 17.

The total column of this statement is the profit and loss account of the Growth pool of assets and the revenue and capital columns represent supplementary information.

# Balance Sheet

|   | (Unaudited)<br>30th September 2006<br>£'000 | (Unaudited)<br>30th September 2005<br>(restated)*<br>£'000 | (Audited)<br>31st March 2006<br>£'000 |
|---|---|--|---------------------------------------|
| <b>Fixed assets</b>   |   |  |                                       |
| Investments at fair value through profit or loss                    | 346,619                                     | 544,383  | 540,040                               |
| Investments in liquidity funds at fair value through profit or loss | 73,003                                      | 9,814  | 60,279                                |
| <b>Total portfolio</b>  | <b>419,622</b>                              | 554,197  | 600,319                               |
| <b>Current assets</b>   |   |  |                                       |
| Debtors   | 2,329                                       | 583  | 1,442                                 |
| Cash at bank and in hand  | 419   | 4,050  | 44,454                                |
|   | <b>2,748</b>                                | 4,633  | 45,896                                |
| <b>Creditors:</b>   |   |  |                                       |
| amounts falling due within one year                                 | (5,179)                                     | (3,241)  | (4,535)                               |
| Derivative financial instruments                                    | (6,053)                                     | (12,965)   | (8,384)                               |
| <b>Net current (liabilities)/assets</b>                             | <b>(8,484)</b>                              | (11,573)   | 32,977                                |
| <b>Total assets less current liabilities</b>                        | <b>411,138</b>                              | 542,624  | 633,296                               |
| <b>Creditors:</b>   |   |  |                                       |
| amounts falling due after more than one year                        |   |  |                                       |
| Bank loans  | (75,454)                                    | (91,068)   | (93,312)                              |
| <b>Provisions for liabilities and charges</b>                       |   |  |                                       |
| Performance fee   | (2,101)                                     | (1,305)  | (2,856)                               |
| <b>Total net assets</b>   | <b>333,583</b>                              | 450,251  | 537,128                               |
| <b>Net asset value per Growth share</b>                             | <b>215.4p</b>                               | 182.5p   | 219.7p                                |

\*Restated to include cash flow hedge at fair value.

Note: The reorganisation of the Company's share capital, which resulted in the reclassification of the Company's ordinary shares as Growth shares and the creation of a new Income share class, effective 2nd August 2006, has resulted in a decrease in the assets within this portfolio.

# Interim Performance (Income Shares)

RETURNS since inception to 30th September 2006

|       |                                     |
|-------|-------------------------------------|
| +2.8% | Return to shareholders <sup>1</sup> |
| +4.5% | Return on net assets <sup>2</sup>   |
| +3.9% | Benchmark return <sup>3,4</sup>     |

The Income class is a new share class, created on the 2nd August 2006, following the reorganisation of the Company's share capital.

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## OBJECTIVE

### INCOME

To provide a growing income together with the potential for long-term capital growth from a diversified portfolio of investments in pan-European stockmarkets.

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30th SEPT  
2006

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## FINANCIAL DATA

|  |            |
|--|------------|
| Shares in issue (excluding shares held in treasury)                                      | 68,459,515 |
| Total net assets (£'000)   | 72,875     |
| Net asset value per ordinary share with debt at par value                                | 107.8p     |
| Net asset value per ordinary share with debt at fair value <sup>5</sup>                  | 106.5p     |
| Ordinary share price   | 101.5p     |
| Discount of ordinary share price to net asset value with debt at par value <sup>5</sup>  | 4.9%       |
| Discount of ordinary share price to net asset value with debt at fair value <sup>6</sup> | 4.7%       |

<sup>1</sup>Change in share price. (Source: Standard & Poor's – www.funds-sp.com).

<sup>2</sup>Change in net asset value (bid to bid) per share (with debt valued at par). (Source: Fundamental Data Ltd).

<sup>3</sup>Change in value of index with net dividends reinvested. (Source: MSCI).

<sup>4</sup>The Income portfolio's benchmark is the MSCI Europe Net. Comparison of the portfolio's performance is made with this benchmark. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the investment universe. The investment strategy does NOT 'track' this benchmark and, consequently, there may some divergence between its performance and that of the Income portfolio.

<sup>5</sup>Source: Bloomberg. The net asset value of 107.8p as per the accounts includes revenue for the period but no accrual for proposed dividends where applicable. This treatment is in accordance with Financial Reporting Standard 21.

<sup>6</sup>The fair value of the €22.6m loan has been calculated by estimating the cost of breaking the interest rate swap.

# Ten Largest Investments<sup>1</sup>

As at 30th September 2006

| Company                | Country     | Valuation<br>£'000 | % <sup>2</sup> |
|------------------------|-------------|--------------------|----------------|
| Total                  | France      | 2,468              | 2.8            |
| BP                     | UK          | 2,220              | 2.5            |
| HSBC                   | UK          | 2,143              | 2.4            |
| GlaxoSmithKline        | UK          | 1,467              | 1.7            |
| Nestlé                 | Switzerland | 1,435              | 1.6            |
| UBS                    | Switzerland | 1,258              | 1.4            |
| Royal Bank of Scotland | UK          | 1,141              | 1.3            |
| Banco Santander        | Spain       | 978                | 1.1            |
| Royal Dutch Shell      | UK          | 973                | 1.1            |
| BNP Paribas            | France      | 953                | 1.1            |
| <b>Total</b>           |             | <b>15,036</b>      | <b>17.0</b>    |

<sup>1</sup>Does not include the Company's investments in liquidity funds as these are held as an alternative to cash.

<sup>2</sup>Based on total assets less current liabilities of £88.2m.

## Portfolio Analysis

| Sector Breakdown           | 30th September 2006 |                |
|----------------------------|---------------------|----------------|
|                            | Portfolio<br>%      | Benchmark<br>% |
| Financials                 | 34.9                | 30.6           |
| Industrials                | 9.5                 | 8.5            |
| Energy                     | 8.7                 | 10.2           |
| Consumer Discretionary     | 7.9                 | 9.6            |
| Utilities                  | 7.7                 | 6.1            |
| Liquidity Funds            | 6.2                 | —              |
| Consumer Staples           | 5.8                 | 9.3            |
| Materials                  | 5.2                 | 7.0            |
| Telecommunication Services | 3.3                 | 6.1            |
| Healthcare                 | 1.9                 | 9.0            |
| Information Technology     | 1.3                 | 3.6            |
| Net current assets         | 7.6                 | —              |

Based on total assets less current liabilities of £88.2m.

| Geographic Breakdown | 30th September 2006 |                |
|----------------------|---------------------|----------------|
|                      | Portfolio<br>%      | Benchmark<br>% |
| UK                   | 28.7                | 34.9           |
| France               | 12.4                | 14.0           |
| Germany              | 7.1                 | 10.3           |
| Switzerland          | 6.7                 | 10.3           |
| Italy                | 6.7                 | 5.6            |
| Liquidity Funds      | 6.2                 | —              |
| Spain                | 6.2                 | 5.9            |
| Netherlands          | 4.3                 | 5.7            |
| Sweden               | 4.1                 | 3.6            |
| Norway               | 1.7                 | 1.2            |
| Belgium              | 1.7                 | 1.8            |
| Finland              | 1.5                 | 2.1            |
| Denmark              | 1.3                 | 1.1            |
| Greece               | 1.2                 | 0.9            |
| Ireland              | 1.1                 | 1.3            |
| Austria              | 0.9                 | 0.8            |
| Portugal             | 0.6                 | 0.5            |
| Net current assets   | 7.6                 | —              |

Based on total assets less current liabilities of £88.2m.

# Income Statement

for the period 2nd August 2006 to 30th September 2006

|  | (Unaudited)                      |                            |                          |
|--|----------------------------------|----------------------------|--------------------------|
|  | Period ended 30th September 2006 |                            |                          |
|  | Revenue<br>Return<br>£'000       | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 |
| <b>Gains from investments held at fair value through profit or loss</b>    |                                  |                            |                          |
| Income from investments  | 308                              | —                          | 308                      |
| Other interest receivable and similar income                               | 52                               | —                          | 52                       |
| <b>Gross revenue and capital gains</b>                                     | <b>360</b>                       | <b>2,814</b>               | <b>3,174</b>             |
| Management fee   | (52)                             | (79)                       | (131)                    |
| Other administrative expenses  | (37)                             | —                          | (37)                     |
| <b>Net return on ordinary activities before finance costs and taxation</b> | <b>271</b>                       | <b>2,735</b>               | <b>3,006</b>             |
| Finance costs  | (86)                             | (128)                      | (214)                    |
| <b>Net return on ordinary activities before taxation</b>                   | <b>185</b>                       | <b>2,607</b>               | <b>2,792</b>             |
| Taxation   | (11)                             | —                          | (11)                     |
| <b>Net return on ordinary activities after taxation</b>                    | <b>174</b>                       | <b>2,607</b>               | <b>2,781</b>             |
| <b>Return per income share</b>   | <b>0.25p</b>                     | <b>3.71p</b>               | <b>3.96p</b>             |

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

The total column of this statement is the profit and loss account of the Income pool of assets and the revenue and capital columns represent supplementary information.

# Balance Sheet

|   | (Unaudited)<br>30th September 2006<br>£'000 | (Unaudited)<br>2nd August 2006<br>£'000 |
|---|---|---|
| <b>Fixed assets</b>   |   |   |
| Investments at fair value through profit or loss                    | 76,086                                      | 78,262                                  |
| Investments in liquidity funds at fair value through profit or loss | 5,425                                       | —                                       |
| <b>Total portfolio</b>  | <b>81,511</b>                               | 78,262                                  |
| <b>Current assets</b>   |   |   |
| Debtors   | 205   | —                                       |
| Cash at bank and in hand  | 7,573                                       | 15,947                                  |
|   | <b>7,778</b>                                | 15,947                                  |
| <b>Creditors:</b>   |   |   |
| Amounts falling due within one year                                 | (177)                                       | —                                       |
| Derivative financial instruments                                    | (911)                                       | —                                       |
| <b>Net current assets</b>   | <b>6,690</b>                                | 15,947                                  |
| <b>Total assets less current liabilities</b>                        | <b>88,201</b>                               | 94,209                                  |
| <b>Creditors:</b>   |   |   |
| Amounts falling due after more than one year                        |   |   |
| Bank loans  | (15,326)                                    | (15,421)                                |
| <b>Total net assets</b>   | <b>72,875</b>                               | 78,788                                  |
| <b>Net asset value per Income share</b>                             | <b>106.5p</b>                               | 102.6p                                  |

# Aggregated Income Statement

for the six months ended 30th September 2006

|   | (Unaudited)<br>Six months ended<br>30th September 2006 |                            |                          | (Unaudited)<br>Six months ended<br>30th September 2005 |                            |                          | (Audited)<br>Year ended<br>31st March 2006 |                            |                          |
|---|--|----------------------------|--------------------------|--|----------------------------|--------------------------|--|----------------------------|--------------------------|
|   | Revenue<br>Return<br>£'000                             | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 | Revenue<br>Return<br>£'000                             | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 | Revenue<br>Return<br>£'000                 | Capital<br>Return<br>£'000 | Total<br>Return<br>£'000 |
| <b>(Losses)/gains from Investments</b>          |  |                            |                          |  |                            |                          |  |                            |                          |
| <b>held at fair value through</b>               |  |                            |                          |  |                            |                          |  |                            |                          |
| <b>profit or loss</b>                           | —  | (14,285)                   | (14,285)                 | —  | 61,690                     | 61,690                   | —  | 151,736                    | 151,736                  |
| Income from investments                         | 11,958   | —                          | 11,958                   | 11,242   | —                          | 11,242                   | 14,313                                     | —                          | 14,313                   |
| Other interest receivable and<br>similar income | 510  | —                          | 510                      | 273  | —                          | 273                      | 691  | —                          | 691                      |
| <b>Gross revenue and capital</b>                |  |                            |                          |  |                            |                          |  |                            |                          |
| <b>(loss)/gain</b>                              | 12,468   | (14,285)                   | (1,817)                  | 11,515   | 61,690                     | 73,205                   | 15,004                                     | 151,736                    | 166,740                  |
| Management fee                                  | (491)  | (1,103)                    | (1,594)                  | (527)  | (1,228)                    | (1,755)                  | (1,104)                                    | (2,577)                    | (3,681)                  |
| Performance fee                                 | —  | (1,611)                    | (1,611)                  | —  | (2,410)                    | (2,410)                  | —  | (4,524)                    | (4,524)                  |
| Other administrative expenses                   | (384)  | —                          | (384)                    | (366)  | —                          | (366)                    | (707)                                      | —                          | (707)                    |
| <b>Net return/(loss) on ordinary</b>            |  |                            |                          |  |                            |                          |  |                            |                          |
| <b>activities before finance</b>                |  |                            |                          |  |                            |                          |  |                            |                          |
| <b>costs and taxation</b>                       | 11,593   | (16,999)                   | (5,406)                  | 10,622   | 58,052                     | 68,674                   | 13,193                                     | 144,635                    | 157,828                  |
| Finance costs                                   | (930)  | (2,096)                    | (3,026)                  | (838)  | (1,955)                    | (2,793)                  | (1,658)                                    | (3,868)                    | (5,526)                  |
| <b>Net return/(loss) on ordinary</b>            |  |                            |                          |  |                            |                          |  |                            |                          |
| <b>activities before taxation</b>               | 10,663   | (19,095)                   | (8,432)                  | 9,784  | 56,097                     | 65,881                   | 11,535                                     | 140,767                    | 152,302                  |
| Taxation  | (1,357)  | —                          | (1,357)                  | (1,466)  | —                          | (1,466)                  | (1,692)                                    | —                          | (1,692)                  |
| <b>Net return/(loss) on ordinary</b>            |  |                            |                          |  |                            |                          |  |                            |                          |
| <b>activities after taxation</b>                | 9,306  | (19,095)                   | (9,789)                  | 8,318  | 56,097                     | 64,415                   | 9,843                                      | 140,767                    | 150,610                  |
| <b>Return/(loss) per share</b>                  |  |                            |                          |  |                            |                          |  |                            |                          |
| <b>(see note 5)</b>                             |  |                            |                          |  |                            |                          |  |                            |                          |
| Growth share                                    | 10.11p   | (24.03)p                   | (13.92)p                 | 3.32p  | 22.42p                     | 25.74p                   | 3.98p                                      | 56.83p                     | 60.81p                   |
| Income share                                    | 0.25p  | 3.71p                      | 3.96p                    | —  | —                          | —                        | —  | —                          | —                        |

All revenue and capital items in the above statement derive from continuing operations. During the period the Company reorganised its single class of shares into two classes of shares, Growth shares and Income shares. More details are given in note 1 on page 17.

The total column of this statement is the profit and loss account of the Company and the revenue and capital columns represent supplementary information.

# Aggregated Statement of Total Recognised Gains and Losses

for the six months ended 30th September 2006

|  | (Unaudited)                          |                 |                | (Audited)                  |                |                |
|--|--------------------------------------|-----------------|----------------|----------------------------|----------------|----------------|
|  | Six months ended 30th September 2006 |                 |                | Year ended 31st March 2006 |                |                |
|  | Revenue                              | Capital         | Total          | Revenue                    | Capital        | Total          |
|  | Return                               | Return          | Return         | Return                     | Return         | Return         |
|  | £'000                                | £'000           | £'000          | £'000                      | £'000          | £'000          |
| Movement in value of cash flow hedge during the period | —                                    | 1,419           | 1,419          | —                          | 6,987          | 6,987          |
| Total return/(loss) from ordinary activities           | 9,306                                | (19,095)        | (9,789)        | 9,843                      | 140,767        | 150,610        |
| <b>Total recognised gains/(losses) for the period</b>  | <b>9,306</b>                         | <b>(17,676)</b> | <b>(8,370)</b> | <b>9,843</b>               | <b>147,754</b> | <b>157,597</b> |

# Aggregated Reconciliation of Movements in Shareholders' Funds

(Unaudited)

for the six months ended 30th September 2006

|  | Called up share capital | Share premium | Capital redemption reserve | Capital reserve | Other reserve  | Revenue reserve | Total          |
|--|-------------------------|---------------|----------------------------|-----------------|----------------|-----------------|----------------|
|  | £'000                   | £'000         | £'000                      | £'000           | £'000          | £'000           | £'000          |
| <b>At 31st March 2005 (as restated)<sup>1</sup></b>  | <b>12,846</b>           | —             | <b>3,474</b>               | <b>394,585</b>  | —              | <b>4,013</b>    | <b>414,918</b> |
| Adjustment to opening shareholders funds at 1st April 2005 to reflect the adoption of bid prices | —                       | —             | —                          | (51)            | —              | —               | (51)           |
| Loss on cash flow hedge at 1st April 2005  | —                       | —             | —                          | —               | (15,371)       | —               | (15,371)       |
| Repurchase of shares for cancellation  | (621)                   | —             | 621                        | (18,672)        | —              | —               | (18,672)       |
| Total return from ordinary activities  | —                       | —             | —                          | 140,767         | —              | 9,843           | 150,610        |
| Revaluation of cash flow hedge   | —                       | —             | —                          | —               | 6,987          | —               | 6,987          |
| Dividends appropriated in the year   | —                       | —             | —                          | —               | —              | (1,293)         | (1,293)        |
| <b>At 31st March 2006</b>  | <b>12,225</b>           | —             | <b>4,095</b>               | <b>516,629</b>  | <b>(8,384)</b> | <b>12,563</b>   | <b>537,128</b> |
| Repurchase of shares for cancellation  | (1,757)                 | —             | 1,757                      | (75,847)        | —              | —               | (75,847)       |
| Purchase of shares into treasury   | —                       | —             | —                          | (38,995)        | —              | —               | (38,995)       |
| Shares issued  | —                       | 5,938         | —                          | —               | —              | —               | 5,938          |
| Total (loss)/return from ordinary activities   | —                       | —             | —                          | (19,050)        | —              | 9,306           | (9,744)        |
| Revaluation of cash flow hedge   | —                       | —             | —                          | —               | 1,419          | —               | 1,419          |
| Dividends appropriated in the period   | —                       | —             | —                          | —               | —              | (13,441)        | (13,441)       |
| <b>At 30th September 2006</b>  | <b>10,468</b>           | <b>5,938</b>  | <b>5,852</b>               | <b>382,737</b>  | <b>(6,965)</b> | <b>8,428</b>    | <b>406,458</b> |

<sup>1</sup>Restated in accordance with the requirements of Financial Reporting Standard 21.

# Aggregated Balance Sheet

as at 30th September 2006

|   | (Unaudited)<br>30th September 2006<br>£'000 | (Unaudited)<br>30th September 2005<br>(restated)*<br>£'000 | (Audited)<br>31st March 2006<br>£'000 |
|---|---|--|---------------------------------------|
| <b>Fixed assets</b>   |   |  |                                       |
| Investments at fair value through profit or loss                    | 422,705                                     | 544,383  | 540,040                               |
| Investments in liquidity funds at fair value through profit or loss | 78,428                                      | 9,814  | 60,279                                |
| <b>Total portfolio</b>  | <b>501,133</b>                              | 554,197  | 600,319                               |
| <b>Current assets</b>   |   |  |                                       |
| Debtors   | 2,534                                       | 583  | 1,442                                 |
| Cash at bank and in hand  | 7,992                                       | 4,050  | 44,454                                |
|   | <b>10,526</b>                               | 4,633  | 45,896                                |
| <b>Creditors:</b>   |   |  |                                       |
| amounts falling due within one year                                 | (5,356)                                     | (3,241)  | (4,535)                               |
| Derivative financial instruments                                    | (6,964)                                     | (12,965)   | (8,384)                               |
| <b>Net current (liabilities)/assets</b>                             | <b>(1,794)</b>                              | (11,573)   | 32,977                                |
| <b>Total assets less current liabilities</b>                        | <b>499,339</b>                              | 542,624  | 633,296                               |
| <b>Creditors:</b>   |   |  |                                       |
| amounts falling due after more than one year                        |   |  |                                       |
| Bank loans  | (90,780)                                    | (91,068)   | (93,312)                              |
| <b>Provisions for liabilities and charges</b>                       |   |  |                                       |
| Performance fee   | (2,101)                                     | (1,305)  | (2,856)                               |
| <b>Total net assets</b>   | <b>406,458</b>                              | 450,251  | 537,128                               |
| <b>Capital and reserves</b>   |   |  |                                       |
| Called up share capital   | 10,468                                      | 12,333   | 12,225                                |
| Share premium   | 5,938                                       | —  | —                                     |
| Capital redemption reserve  | 5,852                                       | 3,987  | 4,095                                 |
| Capital reserve   | 382,737                                     | 435,858  | 516,629                               |
| Other reserve   | (6,965)                                     | (12,965)   | (8,384)                               |
| Revenue reserve   | 8,428                                       | 11,038   | 12,563                                |
|   | <b>406,458</b>                              | 450,251  | 537,128                               |
| <b>Net asset values (see note 6):</b>                               |   |  |                                       |
| <b>Net asset value per Growth share</b>                             | <b>215.4p</b>                               | 182.5p   | 219.7p                                |
| <b>Net asset value per Income share</b>                             | <b>106.5p</b>                               | N/A  | N/A                                   |

\*Restated to include cash flow hedge at fair value.

# Aggregated Cash Flow Statement

for the six months ended 30th September 2006

|  | (Unaudited)<br>Six months ended<br>30th September 2006<br>£'000 | (Unaudited)<br>Six months ended<br>30th September 2005<br>£'000 | (Audited)<br>Year ended<br>31st March 2006<br>£'000 |
|--|---|---|---|
| Net cash inflow from operating activities                                | <b>3,800</b>  | 7,243   | 7,873   |
| Net cash outflow from returns on investments<br>and servicing of finance | <b>(2,798)</b>  | (2,742)   | (5,449)   |
| Taxation recovered   | <b>173</b>  | 116   | 422   |
| Net cash inflow from capital expenditure<br>and financial investment     | <b>84,756</b>   | 8,986   | 54,170  |
| Dividends paid   | <b>(13,441)</b>   | (1,293)   | (1,293)   |
| Net cash outflow from financing  | <b>(107,438)</b>  | (14,816)  | (18,672)  |
| <b>(Decrease)/increase in cash for the period</b>                        | <b>(34,948)</b>   | (2,506)   | 37,051  |

# Notes to the Accounts

## 1. Reorganisation

During the period the Company reorganised its single class of ordinary shares into two classes of shares, Growth shares and Income shares, each of which has rights over the capital and revenue of a discrete pool of assets. The holders of 7,680,318 ordinary shares elected to reclassify their shares into Income shares which were then subdivided on the basis that shareholders held ten Income shares for every Ordinary share in respect of which an election was made. Such reclassification and subdivision took effect on 2nd August 2006. The remaining shares were reclassified as Growth shares on the basis of five Growth shares for every one Ordinary share. The movements in share capital during the period are as follows:

|  |         |
|--|---------|
| <b>Ordinary shares</b>   | £'000   |
| Opening balance at 31st March 2006 of 48,899,500 Ordinary shares of 25p each   | 12,225  |
| Repurchase of 3,675,000 shares for cancellation  | (919)   |
| Reclassification of 37,544,182 shares into Growth shares on 2nd August 2006  | (9,386) |
| Reclassification of 7,680,318 shares into Income shares on 2nd August 2006   | (1,920) |
|  | —       |
| <b>Growth shares</b>   | £'000   |
| Ordinary shares reclassified into Growth shares on 2nd August 2006 and subdivided into 187,720,910 shares on the basis of five Growth shares of 5p each for every Ordinary share | 9,386   |
| Purchase of 16,673,813 shares into treasury  | (834)   |
| Repurchase of 14,380,779 shares for cancellation   | (719)   |
| Net conversion decrease of 1,803,100 shares  | (90)    |
| Subtotal   | 7,743   |
| 16,673,813 shares held in treasury   | 834     |
| Closing balance <sup>1</sup>   | 8,577   |
| <sup>1</sup> Represented by 171,537,031 shares including 16,673,813 shares held in treasury  |         |
| <b>Income shares</b>   | £'000   |
| Ordinary shares reclassified into Income shares on 2nd August 2006 and subdivided into 76,803,180 shares on the basis of ten Income shares of 2.5p each for every Ordinary share | 1,920   |
| Purchase of 7,208,190 shares into treasury   | (180)   |
| Repurchase of 4,750,000 shares for cancellation  | (119)   |
| Net conversion increase of 3,614,525 shares  | 90      |
| Subtotal   | 1,711   |
| 7,208,190 shares held in treasury  | 180     |
| Closing balance <sup>2</sup>   | 1,891   |
| <sup>2</sup> Represented by 75,667,705 shares including 7,208,190 shares held in treasury.   |         |

## 2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" dated 31st December 2005. The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 31st March 2006. The Directors have further adopted the following accounting bases after the reorganisation during the period:

### Expenses

The costs of the reorganisation proposal, which include advisers' fees, printing and other ancillary costs have been borne by the Company as a whole and allocated to the Growth pool and the Income pool pro rata in accordance with their aggregate net asset values at the date of reclassification. The costs of the initial reclassification, which includes administrative costs, the cost of realigning the gearing of the Income pool and the realigning the portfolio of the Income pool have been deducted from the assets of the Income pool. Shareholders subsequently converting some or all of their shares into shares of the other class will bear the costs of conversion up to a maximum of 2% of the value of shares being converted. Any costs in excess of this cap will be borne by all the shareholders of the Company.

The management fees and finance costs of the Income pool are allocated 60% to capital and 40% to revenue. The management fees and finance costs of the Growth pool will continue to be allocated 70% to capital and 30% to revenue. Performance fees payable to the manager in respect of both pools will be charged between capital and revenue on a basis to be determined by the Directors. Prior to the reorganisation, performance fees were allocated 100% to capital.

### Taxation

A pool which generates taxable revenues in excess of tax deductible expenses may benefit from the excess of tax deductible expenses in another pool. In this instance compensation amounting to half the tax savings in the taxable pool will be transferred to the non taxable pool.

## 3. Comparative figures

The Company's accounts for the six months ended 30th September 2005 and the year ended 31st March 2006 have been presented as comparative for the results of the Growth pool because the Growth pool has maintained materially the same economic exposure as if the reorganisation had not been implemented. The investment objective, investment policy, benchmark and management fee arrangements have remained the same as for the ordinary shares in issue prior to the reorganisation.

There are no comparatives for the income statement of the Income pool. The balance sheet of the Income pool on 2nd August, which was the date of the reorganisation, is presented as a comparative. The balance sheet as at 2nd August 2006 comprises the assets and liabilities transferred in accordance with the terms contained in the shareholder circular dated 7th July 2006. The loan is included at par value.

| 4 Dividends  | (Unaudited)<br>Six months ended<br>30th September 2006<br>£'000 | (Unaudited)<br>Six months ended<br>30th September 2005<br>£'000 | (Audited)<br>Year ended<br>31st March 2006<br>£'000 |
|--|---|---|---|
| Final dividend of 17,50p <sup>1</sup> per share<br>paid July (2005: 2.60p) | 8,557   | 1,336   | 1,336   |
| Special dividend of 10p <sup>1</sup> per share<br>paid July (2005: nil)    | 4,890   | —   | —   |
| Overaccrued due to buybacks  | (6)   | (43)  | (43)  |
|  | <b>13,441</b>   | 1,293   | 1,293   |

<sup>1</sup>Paid to ordinary shareholders on the register on 7th July 2006, prior to the date of the reorganisation, regardless of whether or not they had elected to reclassify some or all of their shares into Income shares.

## 5. Return/(loss) per share

## Growth share (Ordinary share prior to reorganisation on 2nd August 2006):

|  | (Unaudited)<br>Six months ended<br>30th September 2006<br>£'000 | (Unaudited)<br>Six months ended<br>30th September 2005<br>£'000 | (Audited)<br>Year ended<br>31st March 2006<br>£'000 |
|--|---|---|---|
| <b>Return per share is based on the following:</b>         |   |   |   |
| Revenue return   | 9,132   | 8,318   | 9,843   |
| Capital (loss)/return                                      | (21,702)  | 56,097  | 140,767   |
| Total (loss)/return  | (12,570)  | 64,415  | 150,610   |
| <sup>1</sup> Weighted average number of shares<br>in issue | 90,317,696  | 250,261,390 <sup>1</sup>  | 247,683,175 <sup>1</sup>                            |
| Revenue return per share                                   | 10.11p  | 3.32p   | 3.98p   |
| Capital (loss)/return per share                            | (24.03)p  | 22.42p  | 56.83p  |
| Total (loss)/return per share                              | (13.92)p  | 25.74p  | 60.81p  |

<sup>1</sup>Adjusted for the five for one subdivision on 2nd August 2006.

## Income share:

|  | (Unaudited)<br>Period ended<br>30th September 2006<br>£'000 |
|--|---|
| <b>Return per share is based on the following:</b> |   |
| Revenue return                                     | 174   |
| Capital return                                     | 2,607   |
| Total return                                       | 2,781   |
| Weighted average number of shares<br>in issue      | 70,337,145  |
| Revenue return per share                           | 0.25p   |
| Capital return per share                           | 3.71p   |
| Total return per share                             | 3.96p   |

**6. Net asset values**

Net asset value per Growth share is calculated by dividing Growth shareholders' funds of £333,583,000 (30th September 2005: £450,251,000 and 31st March 2006: £537,128,000) by the 154,863,218 Growth shares in issue at 30th September 2006 excluding shares held in treasury (30th September 2005: 246,672,500 Ordinary shares and 31st March 2006: 244,497,500 Ordinary shares, as adjusted for the five for one subdivision on 2nd August 2006).

Net asset value per Income share is calculated by dividing Income shareholders' funds of £72,875,000 (2nd August 2006: £78,788,000) by the 68,459,515 Income shares in issue at 30th September 2006 excluding shares held in treasury (2nd August 2006: 76,803,180 shares).

**7. Non statutory accounts**

The figures and financial information for the year ended 31st March 2006 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies act 1985.

# Capital Structure and Conversion between Share Classes

The Company has two share classes, each with distinct investment policies, objectives and underlying asset pools. Each share class is listed separately and traded on the London Stock Exchange. This capital structure means that shareholders may benefit from greater investment flexibility in a tax-efficient manner.

## Capital Structure

- **Growth Shares**

Capital growth from Continental European investments, by consistent out-performance of the benchmark and a rising share price over the longer term by taking carefully controlled risks through an investment method that is clearly communicated to shareholders.

- **Income Shares**

To provide a growing income together with the potential for long-term capital growth from a diversified portfolio of investments in pan-european stockmarkets.

## Conversion Opportunities

Shareholders in any of the two share classes are able to convert some or all of their shares into shares of the other classes without such conversion being treated, under current law, as a disposal for UK capital gains tax purposes.

The conversion mechanism allows shareholders to alter their investment profile to match their changing investment needs in a tax-efficient manner.

Conversion dates will arise every six months on 15th September and 15th March (if such a date is not a business day, then the conversion date will move to the next business day).

The Company, or its Manager, makes no administrative charge for any of the above conversions.

## Conversion between the share classes

Those who hold shares through the JPM Investment Trust Share Plan/PEP/ISA or Pension Account must submit a conversion instruction form which can be found at [www.jpmeuropean.com](http://www.jpmeuropean.com). Instructions for CREST holders can also be found at this address. Those who hold shares in certificated form on the main register must complete the conversion notice printed on the reverse of their certificate.

Instructions must be received in the month of August for September conversions and in the month of February for March conversions.

The number of shares that will arise upon conversion will be determined on the basis of the relative net asset values of each share class.

More details concerning conversion dates and conversion instruction forms can be found on the Company's web site: [www.jpmeuropean.com](http://www.jpmeuropean.com).

# Information about the Company

## Financial Calendar

|   |                            |
|---|----------------------------|
| <b>Financial year end</b>                         | 31st March                 |
| <b>Interim results announced</b>                  | December                   |
| <b>Final results announced</b>                    | June                       |
| <b>Conversion dates</b>                           | 15th September, 15th March |
| <b>Dividends on Growth and Income shares paid</b> | April and October          |
| <b>Annual General Meeting</b>                     | July                       |

### History

JPMorgan Fleming Continental European Investment Trust plc was formed in 1929 as The London and Holyrood Trust Limited and was a general investment trust until 1982 when the name was changed to The Fleming Universal Investment Trust plc. Under this name the portfolio became more internationally invested until November 1988, when the Board decided to concentrate on Continental European investments. In 1992 shareholders approved a formal adoption of this specialisation and a change of name to Fleming Continental European Investment Trust plc. The Company's name was changed to JPMorgan Fleming Continental European Investment Trust plc in July 2003. The Company adopted its present name in August 2006 following the Company's capital reorganisation.

### Directors

Andrew Murison (Chairman)  
Robin Faber  
Stephen Russell  
Ferdinand Verdonck  
Alexander Zagoreos

### Company Numbers

Company registration number: 237958  
London Stock Exchange Sedol numbers:  
Growth: B18JK16  
Income: B17XWW4

### Bloomberg Codes:

Growth: JETG LN  
Income: JETI LN

### Reuters Codes:

Growth: JETX.L  
Income: JETI.L

### Market Information

The Company's net asset value ('NAV') is published daily via the London Stock Exchange.

The Company's shares are listed on the London Stock Exchange. The market price of the shares is shown daily in the Financial Times, The Guardian, The Times, The Daily Telegraph, The Independent, The Herald, The Scotsman, on BBC Ceefax and on the JPMorgan Internet site at [www.jpmeuropean.com](http://www.jpmeuropean.com), where it is updated every fifteen minutes during trading hours.

### Share Transactions

The shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA), Personal Equity Plan (PEP) and Pension Account.

### Manager and Secretary

JPMorgan Asset Management (UK) Limited

### Company's Registered Office

Finsbury Dials  
20 Finsbury Street  
London EC2Y 9AQ  
Telephone number: 020 7742 6000

*For company secretarial and administrative matters please contact Jonathan Latter.*

### Registrar

Lloyds TSB Registrars, Reference 1080,  
The Causeway  
Worthing  
West Sussex BN99 6DA  
Telephone number: 0870 600 3984

*Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1080.*

*Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).*

### Savings Product Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details overleaf.

### Independent Auditors

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

### Brokers

Winterflood Securities  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA  
Telephone 020 7621 0004



## **JPMorgan Helpline**

**Freephone 0800 40 30 30** or 020 7742 9999

**9.00 am to 5.30 pm Monday to Friday**

## **JPMorgan Pension Helpline**

**Freephone 0800 413 176** or 01722 414 888

**9.00 am to 5.00 pm Monday to Friday**

Please use this service if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security.

**[www.jpmeuropean.com](http://www.jpmeuropean.com)**