

Annual Report **2010**

JPMorgan European
Investment Trust plc

Annual Report & Accounts Year Ended 31st March 2010

J.P.Morgan
Asset Management

Financial Results

Growth Share Class

+62.4%

Return to shareholders¹
(2009: -43.1%)

+53.7%

Return on net assets²
(2009: -37.5%)

+47.4%

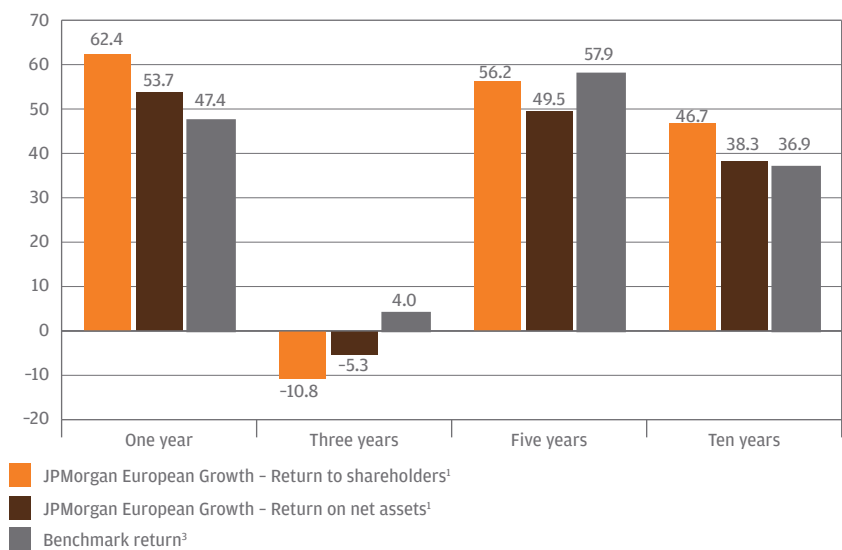
Benchmark return³
(2009: -31.1%)

4.85p Ordinary

Dividend
(2009: 7.0p, plus special
dividend of 2.5p)

Long Term Performance

for periods ended 31st March 2010



A glossary of terms and definitions is provided on page 92.

¹Source: Morningstar.

²Source: J.P. Morgan.

³Source: FTSE. The Growth portfolio's benchmark is the FTSE All World Developed Europe (ex UK) Index in sterling terms (total return).

Financial Results

Income Share Class

+64.2%

Return to shareholders¹
(2009: -33.9%)

+60.2%

Return on net assets²
(2009: -30.5%)

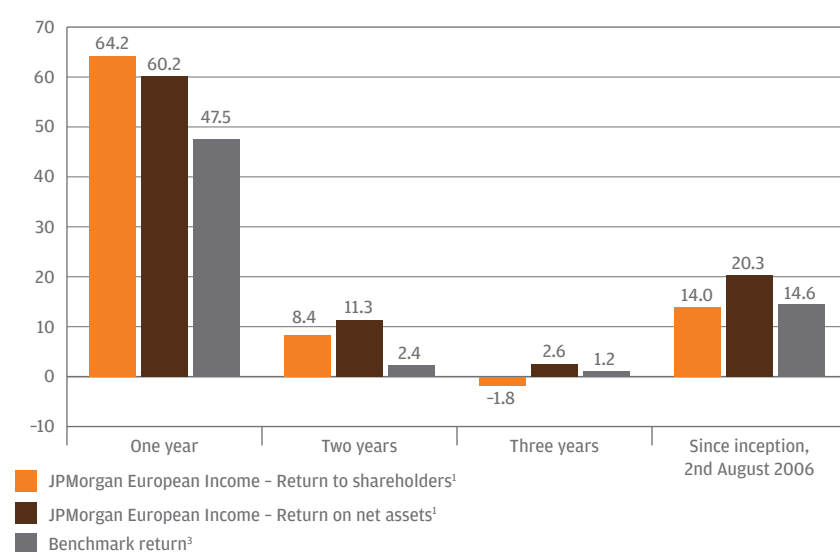
+47.5%

Benchmark return³
(2009: -30.5%)

4.0p Ordinary

Dividend
(2009: 4.0p, plus special
dividend of 1.15p)

Performance



A glossary of terms and definitions is provided on page 92.

¹Source: Morningstar.

²Source: J.P. Morgan.

³Source: MSCI. The Income portfolio's benchmark is the MSCI Europe Index in sterling terms (total return).

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Income Shares

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Objectives

Growth

Capital growth from Continental European investments, by consistent outperformance 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

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

Investment Policies

Growth

- To invest in a diversified portfolio of investments in the stockmarkets of Continental Europe.
- To emphasise capital growth rather than income, with the likely result that the dividend will fluctuate.
- To use borrowings to increase potential returns to shareholders.
- To invest no more than 15% of the assets attributable to the Growth shares in other UK listed investment companies (including investment trusts).

Income

- To invest in a diversified portfolio of investments in pan-European stockmarkets.
- To provide a growing income together with the potential for long-term capital growth.
- To manage liquidity and borrowings to increase returns to shareholders.
- To invest no more than 15% of the assets attributable to the Income shares in other UK listed investment companies (including investment trusts).

Benchmarks

Growth

The FTSE All World Developed Europe (ex UK) Index in sterling terms (total return).

Income

The MSCI Europe Index in sterling terms (total return).

Capital Structure

The Company has an authorised share capital of 354,328,617 Growth shares of 5p each and 114,142,765 Income shares of 2.5p each.

At the year end 117,622,068 Growth shares and 56,113,668 Income shares were in issue.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets.

Chairman's Statement



Performance

I am very pleased to report that both portfolios handsomely outperformed their respective benchmarks in the year to 31st March 2010. The Growth portfolio produced a total return on assets of 53.7% versus 47.4% in the FTSE All World Developed Europe (ex UK) index, an out-performance of 6.3%. The Income portfolio appreciated by 60.2% versus 47.5% in the MSCI Europe index, an out-performance of 12.7%. Narrowing discounts lifted out-performance in terms of returns to shareholders even more substantially; thus the Growth shares outperformed their index by 15.0% and the Income shares by 16.7%.

As shareholders will recall, a review of the stock selection process - following the under-performance in 2007/8 - showed that the process was fundamentally robust in the long run. The total return on net assets outperformed the benchmark index by an average of 0.63% per annum between 1989 and 2008 - equal to an outperformance of 13% over that twenty years period. The review also showed, however, that the growth/value companies that are the focus of the stock selection system sometimes under-perform the market over short periods, especially during severe bear markets. This year's out-performance has come during a period of significant market appreciation. Nonetheless, it is reassuring to note, in the performance attribution tables in the Investment Managers' report on pages 11 and 12, the significant contribution this year from stock selection in both portfolios.

But more important than performance over only one year is whether the Company has out-performed its benchmarks in the long-term, defined as over rolling periods of three years and longer.

The Growth Portfolio

The Growth portfolio's relative performance (value-added compared with benchmark performance), over rolling three and five year periods since 2000 and 1998, respectively, is shown in the table below:

	March 2003	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010
3 Yr NAV value-added (annualised) ¹	1.1%	2.3%	1.9%	1.9%	2.6%	0.8%	(3.4)%	(3.7)%
5 Yr NAV value-added (annualised) ¹	2.1%	3.8%	1.2%	1.8%	2.8%	1.0%	(1.6)%	(0.6)%

¹Source: Morningstar/JPMAM. NAV out-performance relative to benchmark.

As can be seen, the Company performed well over the rolling periods above until the debacle of 2008/09. It also shows that, despite the portfolio's out-performance this year, the three and five year periods ending 31st March 2010 still show underperformance, of 3.7% and 0.6% respectively.

Figures appearing in the Ten Year Financial Record table on page 15 suggest that it will require similar out-performance in 2011 as in 2010 before a positive three- and five-year relative performance record will once again be achieved by the Growth portfolio.

Chairman's Statement continued

The Income Portfolio

The Income portfolio has only been in existence for one period of three years. After a slow start in each of the years to 31st March 2008 and 2009, its excellent performance this year has produced out-performance over the three years ending 31st March 2010 at an annualised rate of 0.6%, and at an annualised rate of 0.7% since inception.

	March 2007	March 2008	March 2009	March 2010
1 Yr NAV value-added	0.7%*	(6.3)%	0.0%	8.6%
3 Yr NAV value-added (annualised)	–	–	–	0.6%
Value-added since inception (annualised)	–	(2.9)%	(1.9)%	0.7%

* from inception to 31st March 2007

Source: Morningstar/JPMAM. NAV out-performance relative to benchmark.

Gearing

Along with stock selection, gearing is normally the strongest contributor towards relative performance. In 2010 gearing contributed 4.3% of out-performance compared with 3.8% from stock selection, despite it being at a lower level than in past years because of economic uncertainties. Gearing is always positive in bull markets and always negative in bear markets, irrespective of stock selection; thus positive markets and positive stock selection has made the gearing particularly valuable this year, even at a relatively low level. The tactical management of gearing is fiendishly difficult, so it is good to see the Investment Managers returning to form in 2010, following gearing's negative contribution (along with stock selection) over the previous two years.

Discount

Your Board is, of course, aware that shareholders seek share price gains, rather than out-performance of the index alone, irrespective of whether the market rises or falls. It therefore keeps a close eye on the share price's discount to net asset value, so that good performance by the Manager is not dissipated for shareholders by a widening discount. Your Board's target is not to let the discount on each portfolio widen to greater than 10% or so, by buying shares in the market at below that level to support the price and to provide liquidity. A steady discount is not always easy to achieve in uncertain markets, however, and it has been particularly difficult recently, despite the largest buy backs since the discount control mechanism was introduced four years ago. Discount volatility is a more material factor for short-term investors than for those with a long-term view, to whom growth in net asset value is more important. Thus your Board believes that predictable long-term out-performance, by growing asset values faster than the market, is the best means to narrow the discount also. But buy backs at discounts raise the asset value for remaining shareholders. It will therefore continue to protect the discounts through buy-backs as necessary, while continuing to seek net asset growth as its primary discount control mechanism.

Liquidity

The Board recognises that liquidity is also a very important factor to shareholders. It wants to encourage the possibility for shareholders to deal when, and in the quantities, that they wish. An important factor that may improve liquidity (and hence help lower that proportion of the discount that follows from illiquidity) is the proposed change in regulations for Independent Financial Advisers ('IFAs') which should come into force in 2012/13. The Financial Services Authority is proposing that IFAs will no longer be able to charge commissions on sales of financial products. Instead, their remuneration must be charged in the form of bespoke advisory fees. Whereas unit trusts, the main competitors to investment trusts, now pay hefty commissions to encourage sales through intermediaries, investment trusts rarely do. This lowers expenses (and improves performance) relative to unit trusts, but discourages sales and deprives investment trusts of a ready supply of new shareholders. The unit trust industry has grown to become some seven-times larger than the investment trust industry under the current remuneration regime, despite its poorer long-term performance. Furthermore, investment trusts will no longer be categorised as high risk simply because of their ability to gear. These changes should tend to enlarge the market for investment trusts and hence improve liquidity.

Dividends

Lower levels of dividend income from portfolio companies, together with lower rates of interest on cash liquidity, has had a significant impact on total revenues this year, in both portfolios. In the Growth portfolio, income from dividends is down from £15.0 million to £8.8 million, while income from liquid investments is down from £2.9 million to £0.3 million. Thus the Company's total dividend on the Growth shares has dropped to 4.85p from 7.00p in 2009 (in addition, in 2009, Growth shareholders received a special dividend of 2.5p, resulting from the repayment of VAT).

In the Income portfolio dividend receipts also fell, from £3.8 million to £3.0 million while liquidity income fell from £0.5 million to £47,000. This produced a return of 3.92p per share. Your Board felt it was important to maintain the ordinary dividend at 4.0p per share and therefore transferred 0.08p from the Revenue Reserve to make up the revenue deficiency.

On the basis of those dividends, at the year end the Growth shares at 183.75p and the Income shares at 94.5p yielded 2.6% and 4.2%, respectively. An important point to note is that dividends from Europe are better diversified, and hence potentially more secure, than those from the UK; 70% of dividends are provided by some 500 companies in Europe, whereas in the UK 57% of dividends are provided by just 10 companies.

Annual General Meeting

The AGM will take place at Trinity House, Tower Hill, London EC3N 4DH on Thursday 15th July at 12.00 noon. In addition to the formal proceedings there will, as usual, be a presentation by the investment managers, followed by a buffet lunch where shareholders, who are always most welcome, can meet the Directors and investment managers for more informal conversation.

It would be helpful if shareholders seeking answers to detailed questions put them in writing beforehand, addressed to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ. Alternatively, questions may be submitted via

Chairman's Statement continued

the Company's website. Shareholders who hold their shares through CREST are able to lodge their proxy votes electronically.

Outlook

Given that positive stock selection and gearing is notably more productive in your Company during bull markets than bear markets, the direction of markets is of particular significance to the relative performance of your Company. But at present the problems of the Eurozone make current predictions of market direction particularly uncertain. The Eurozone is a single monetary system in which nation states operate independent fiscal and budgetary regimes. This potential structural weakness has long been noted. Had member states adhered to the Stability and Growth Pact, or had it enforced upon them, limiting budget deficits to 3% of GDP, the present problems could have been avoided. But the Pact has been comprehensively broken, not least by France and Germany, the first countries to do so, with these 'hard' creditor nations and their banks as guilty for making the loans as the 'soft' debtor nations were for seeking them. Logical investors – those who believe that the laws of economics will always prevail over faulty political constructs – are justified in their extreme concern over the current outlook. For either austerity will be belatedly enforced by the creditors to protect their loans, which will hit growth and earnings, or the loans will be forgiven ('re-structured'), which could unleash another credit crisis (and also hit growth and earnings) since German and French banks are so greatly exposed to 'soft' Eurozone public debt. Imposed austerity is likely to be a less-costly course of action than continued laxity yet Euro politicians have yet to demonstrate real conviction along this path. Until they do, the future can only remain worryingly uncertain.

Although UK commentators rarely acknowledge the fact, over the last twenty years at least, European stock markets have outperformed the UK in sterling terms (and for some periods in pure market terms also – between 1996 and 2000 European markets outperformed the UK by 75%). But the present wavering has produced simultaneous weakness in the both the Euro and in European stock markets, which have therefore underperformed so far in 2010.

So how will continuing uncertainty in Europe affect your Company? Its portfolios are composed of the Continent's strongest companies; they have global competitive advantage and are not reliant on European markets alone. Thus, despite the considerable uncertainties, your Board continues to be confident that the Manager's demonstrated capacity – to identify 'the best of value and the best of growth', from solidly-capitalised businesses with strong positions in world markets – promises safer returns in the long run than less predictable strategies in other, often equally-uncertain, equity markets around the world.

Andrew Murison
Chairman

9th June 2010

Investment Managers' Report



Stephen Macklow-Smith



Alexander Fitzalan Howard

Performance

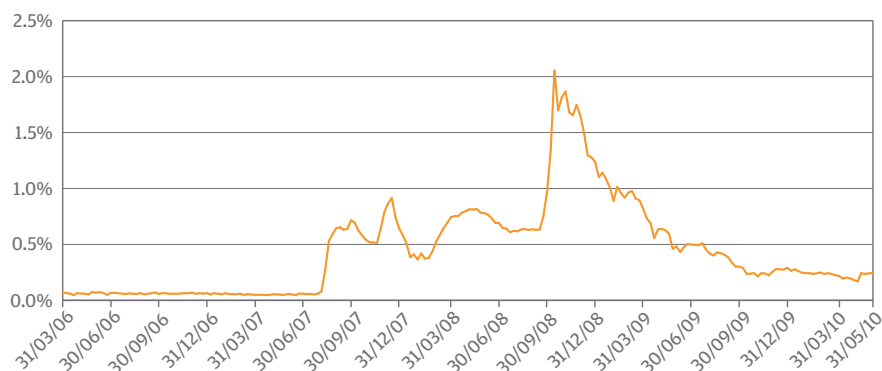
If our last financial year was a year of crisis, the year under review was a year of recovery. The measures put in place by political and monetary authorities to address the systemic shocks of 2007 and 2008 succeeded in stabilising the financial system and when we wrote this report last year we were in the early stages of what proved to be a sizeable stock market recovery. At the time we talked about the strength of corporate balance sheets, the supportive valuation and the fact that a great deal of investable money remained on the sidelines in money market funds earning a very poor return. These catalysts, allied to a huge monetary stimulus, pulled equity markets back from the brink and we saw a very powerful rally develop.

The Chairman has already discussed performance in his report. For our part we would observe that the NAV and share price return to 31st March 2010 were the best in the Company's history since it started to focus on Europe in the early 1990s. Over ten years the share price and NAV in the Growth portfolio have both shown a compound annual growth rate of 3.3% against a benchmark which has compounded at 3.2% and this marks ten years since March 2000, which was more or less the peak of the TMT frenzy. It goes without saying that our performance is shown net of all costs involved in running the Company, including investment management charges, whereas the performance of the benchmark is not hampered by those charges.

Market Background

We analysed at length in previous reports the events that led the global financial system to the brink of collapse in late 2008 and early 2009 and the scale of the response from the authorities all around the world was massive. This stimulus succeeded in restoring confidence to the financial system and we can see this by looking at the way in which interbank rates, which indicate the willingness of banks to lend to each other and which during the crisis had spiked to a substantial premium above policy rates, then normalised.

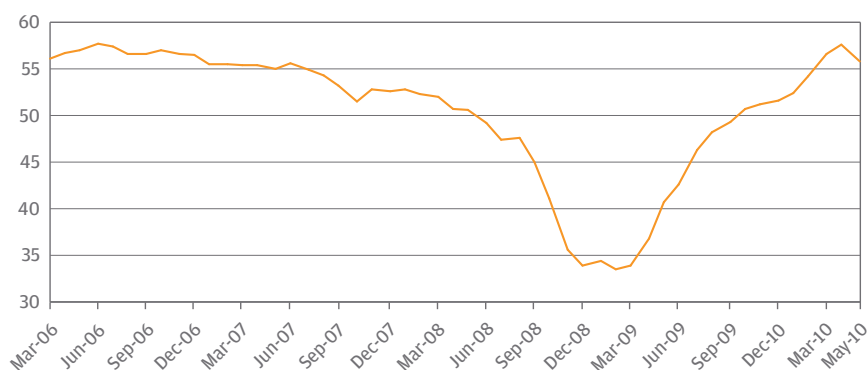
The picture shows the spread between interbank rates and swaps - in other words it roughly depicts the stresses building in the wholesale funding system for Eurozone banks. The peak in the chart comes four weeks after the US government allowed Lehman Brothers to fail. From that point on, emergency injections of liquidity by the European Central Bank and other central banks around the world succeeded in pushing interbank rates back down towards policy rates - in other words back down to a level signalling a degree of banking normality.



Source: Bloomberg

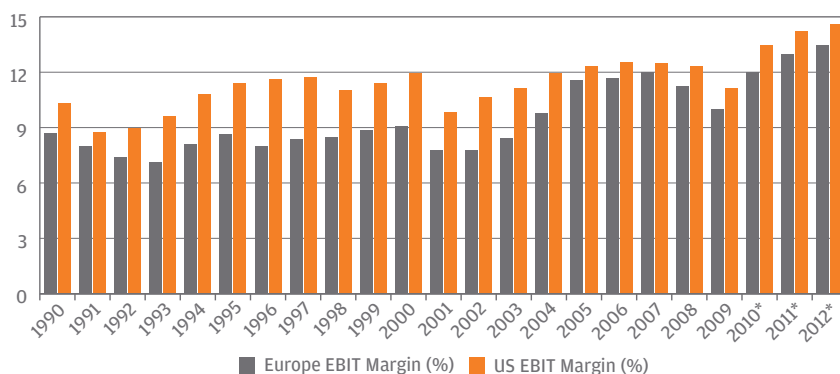
Investment Managers' Report continued

This stability in the banking system had a knock-on effect to confidence in the industrial sector. The immediate after-effect of the financial crisis was a massive inventory liquidation, which in turn pushed rates of GDP growth into substantially negative territory. Once this faded, however, confidence started to re-build and this chart shows the way in which confidence among manufacturers, which collapsed in late 2008, climbed steadily through the second half of 2009: indeed, the low point more or less coincided with the low point for stock markets.



Source: Bloomberg

As investors, we focus a great deal on analysing what is happening in the corporate sector, and from this point of view the key characteristic of the crisis of 2007/2008 was the extraordinarily robust and successful response of companies to the rapidly changing situation. In a crisis of this magnitude one would expect a massive hit to profitability as companies struggle to adapt to the drop in demand and yet the ability of corporate management to defend their margins has been little short of remarkable. The following chart makes the point rather well:



* forecast

Source: Redburn Partners

In this chart the blue bars show European pre-tax profitability for the quoted non-financial sector and the orange bars show the US numbers for comparison. US margins more or less achieved their previous peak in 2007, but the subsequent decline was substantially less severe than in the recessions in the early 1990s or the post-2000 recession and current expectation is that profitability in 2010 will exceed the previous peak. For Europe the picture is even more marked: margins in 2007 set

Growth performance attribution for the year to 31st March 2010

	%	%
Contributions to Total Returns		
Benchmark total return		47.4
Asset allocation	-1.9	
Stock selection	3.8	
Gearing/cash	4.3	
Currency	0.2	
Investment Manager contribution		6.4
Portfolio total return		53.8
Management fees/		
other expenses	-1.1	
Share repurchases	1.0	
Other effects		-0.1
Net asset value total return		53.7
Share price total return		62.4

Source: Xamin/JPMAM/AIC/Morningstar.

All figures are on a total return basis. Performance attribution analyses how the Growth portfolio achieved its recorded performance relative to its benchmark.

A glossary of terms and definitions is provided on page 92.

a new all time record and although they fell in 2008 and 2009, the trough margin in 2009 was actually *higher* than it had been at the peak of the previous cycle in 2000.

Growth Shares

The basis of our investing philosophy in the Growth portfolio is to buy cheap companies as well as companies which are already showing good stock-price performance, as long as in both cases there is a catalyst for future performance in the shape of improving profitability relative to the market. In 2008 investors ceased to pay much attention to profitability, worrying more about whether the financial system itself would survive. However, when confidence returned, in 2009, company fundamentals played a much more important part in market behaviour and consequently our investment process out-performed. The performance attribution data in this report shows for the Growth portfolio that both stock selection and gearing contributed to this performance. Over the last five years stock selection and gearing combined have made a positive contribution.

Income Shares

In the Income portfolio, the investment process focuses on selecting stocks with positive catalysts only in the higher-yielding end of the market. In 2007 and 2008 cheap stocks were out of favour, but in the market rally they out-performed and again, with greater attention being given to fundamentals, the stock selection process in the Income portfolio contributed positively, as did the gearing. Over three years, and since launch in August 2006, the NAV has out-performed the benchmark on a total return basis, and both stock selection and gearing have contributed positively to this. For the Income portfolio in particular, we would expect that its preference for higher yielding stocks will find favour with the market, since current returns on other asset classes look uninviting by comparison.

Market Outlook

Turning to the prospects for European stock markets in the next few years, we are writing this report at a time of extraordinary turbulence. Early 2010 has been marked by huge volatility in European bond markets and has also seen a sharp fall in the value of the Euro against the US Dollar. Concerns centre on the burgeoning levels of public sector debt in some of the smaller Eurozone economies, namely Greece, Ireland, Portugal and Spain, which also have very high levels of household debt. Italy, too, is viewed by some as vulnerable, although it is worth emphasising that Italy is one of the few Eurozone countries with a primary surplus (in other words current government expenditure excluding interest payments is covered by current tax receipts) and it also has a very healthy household sector as a result of a long-standing and high level of household savings.

The storm started with a sudden divergence in the levels of yield on government debt between the northern Eurozone countries (especially Germany) and those countries with large fiscal deficits. The cause of these deficits varies from country to country, but in most cases the level of downturn in GDP after the 2008 financial crisis caused a dramatic drop in tax receipts. The Chairman has alluded to the structural weaknesses

Investment Managers' Report continued

Income performance attribution for the year to 31st March 2010

	%	%
Contributions to Total Returns		
Benchmark total return		47.5
Asset allocation	0.1	
Stock selection	5.4	
Gearing/cash	7.3	
Currency	1.0	
Investment Manager contribution		13.8
Portfolio total return		61.3
Management fees/ other expenses	-1.3	
Performance fee	-0.3	
Share repurchases	0.5	
Other effects		-1.1
Net asset value total return		60.2
Share price total return		64.2

Source: Xamin/JPMAM/AIC/Morningstar.

All figures are on a total return basis. Performance attribution analyses how the Income portfolio achieved its recorded performance relative to its benchmark.

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in the Eurozone which this crisis has laid bare: perhaps the easiest way of summarising this is to say that despite the process laid down in the Maastricht treaty to encourage convergence between participating economies, important differences remain and the fact that the Eurozone is a monetary rather than a fiscal union means that no mechanism exists for making fiscal transfers from one area to another. It does not help that the Stability and Growth Pact, which was devised to prevent the accumulation of large deficits in the Eurozone, was relaxed earlier this century at the instigation of France and Germany when they were at risk of breaking it.

The European Union, together with the IMF, has come up with two separate packages to try and remedy the crisis. The first package, totalling 110 billion Euros, is specifically for Greece, while the second, totalling 750 billion Euros, is open to other countries as well. It is too early to judge their success, but it is worth noting that yields on highly indebted countries have fallen from their crisis levels, even if a premium to core Eurozone yields remains. To our way of thinking the packages have bought time. For two or three years the threat that a Eurozone government will simply run out of money has been allayed, but doubts remain about longer-term durability and the truth is that if eventual default is to be avoided a period of deep and unpleasant austerity and fiscal retrenchment is inevitable.

During this period not only will indebted countries be under pressure to implement structural reform, but the Eurozone itself will have to look at the fault lines exposed by this episode and will have to decide whether to pursue a greater degree of fiscal harmonisation. We cannot predict the outcome of this debate, but it is worth remembering when one thinks about structural fiscal reform that this has precedents: Italy in the aftermath of the 1992 ERM crisis, France in the late 1980s and early 1990s, Germany post-reunification and Ireland in the last year have all shown that unpalatable policies can be made to work.

For all the talk of a Euro crisis, it seems that commentators are missing something of great importance and that is that the fall in the value of the Euro against the US Dollar is an effective devaluation, of a type which is supposedly impossible for Eurozone countries. For the European exporting companies which make up such an important part of our investing universe, this fall in the currency has bought them a very precious competitive advantage at a time when they are enjoying a large amount of operating leverage.

Political Europe is not the same as economic Europe and economic Europe is not the same as quoted Europe. For the companies in which we invest, rates of headline growth in European GDP are much less important than the health of global trade and we have seen their ability to reap an advantage from this as the world economy has slowly picked itself up from the canvas after being floored by the financial crisis. Our sense is that as long as this recovery remains intact, profits growth for our companies will remain healthy and this is amply demonstrated by the chart of EBIT margins shown earlier, in which European profitability is forecast to hit a new all time high this year. Part of our investment process is specifically designed to identify companies whose profitability is growing faster than that of the market as a whole and it is this that has helped us to pick winners in the last year. European profits in 2010 are expected to grow by around 26%, and by a further 14% in 2011.

The valuation of European stock markets is not demanding, as shown by the fact that the dividend yield on the European index exceeds the yield on Eurozone bonds and this despite the fact that dividends are forecast to grow this year. We believe that steady adherence to the principle of finding companies whose profitability is improving on a solid and sustainable basis will allow us to continue to out-perform the stock market as a whole and we will continue to apply ourselves diligently on behalf of our shareholders.

Stephen Macklow-Smith
Alexander Fitzalan Howard
Investment Managers

9th June 2010

Summary of Results – Growth

	2010	2009	
Total Returns (capital plus income) for the year ended 31st March			
Return to shareholders ¹	+62.4%	-43.1%	
Return on net assets ²	+53.7%	-37.5%	
Benchmark return ³	+47.4%	-31.1%	
Net Asset Value, Share Price and Discount at 31st March			
			% change
Total net assets (£'000)	243,696	180,176	+35.3
Net asset value per share	207.2p	142.1p	+45.8
Share price	183.75p	116.50p	+57.7
Share price discount to net asset value	11.3%	18.0%	
Shares in issue	117,622,068	126,799,002	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	9,146	17,858	-48.8
Net revenue attributable to shareholders (£'000)	5,913	12,734	-53.6
Return per share	4.79p	9.54p	-49.8
Dividend per share:			
Ordinary dividends	4.85p	7.00p	-30.7
Special dividend	–	2.50p	
Total dividends per share	4.85p	9.50p	
Actual Gearing Factor at 31st March ⁴	103.6%	105.7%	
Total Expense Ratio ⁵	1.08%	0.81%	

A glossary of terms and definitions is provided on page 92.

¹Source: Morningstar.

²Source: J.P. Morgan.

³Source: FTSE.

⁴Actual gearing represents investments excluding liquidity fund holdings, expressed as a percentage of total net assets.

⁵Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets.

Ten Year Financial Record¹

As at 31st March	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total assets less current liabilities (£m)	614.0	542.9	522.5	375.4	453.1	508.0	633.3	454.1	420.0	272.3	315.7
Net asset value per share (p) ²	179.2	157.6	145.9	98.3	137.3	161.5	219.7	248.8	238.8	142.1	207.2
Share price (p) ²	153.0	142.4	128.7	77.1	113.7	140.0	203.2	233.8	219.0	116.5	183.8
Discount (%)	14.6	9.6	12.4	21.6	17.2	13.3	7.5	6.0	8.3	18.0	11.3
Actual gearing factor (%) ³	106.5	109.5	108.9	101.4	117.4	111.1	100.5	105.1	117.0	105.7	103.6
Year ended 31st March											
Gross revenue return (£'000)	8,751	11,171	13,326	12,898	11,315	12,148	15,004	15,111	13,799	17,858	9,146
Revenue per share (p) ²	0.41	0.89	0.64	0.99	0.14	0.53	3.98	5.71	5.07	9.54	4.79
Dividend per share (p) ²	0.40	0.88	0.64	0.98	0.14	0.52	3.50	5.80	6.33	9.50 ⁴	4.85
Total expense ratio (%) ⁵	0.74	0.70	0.75	1.03	1.14	0.78	0.92	0.69	1.05	0.81	1.08
Rebased to 100 at 31st March 2000											
Return to shareholders ⁶	100.0	93.3	84.3	51.1	76.2	93.9	136.8	164.5	158.6	90.3	146.7
Return on net assets ⁶	100.0	88.2	82.1	55.6	78.3	92.5	126.3	146.0	143.9	90.0	138.3
Benchmark ⁷	100.0	88.5	81.9	53.8	73.4	86.7	117.5	131.6	134.8	92.9	136.9

A glossary of terms and definitions is provided on page 92.

¹The Growth shares were created following a capital reorganisation on 2nd August 2006 when ordinary shareholders elected to reclassify their shares into either Growth shares or Income shares. The financial record above for periods prior to that date is that of the ordinary shares because the Growth pool 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 prior to the reorganisation.

²Adjusted for the one for five share subdivision on 2nd August 2006.

³Investments excluding liquidity fund holdings expressed as a percentage of total net assets.

⁴Includes a special dividend of 2.5p.

⁵Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets.

⁶Source: Morningstar.

⁷Source: FTSE. The Growth portfolio's benchmark is the FTSE All World Developed Europe (ex UK) Index in sterling terms (total return).

Ten Largest Equity Investments

at 31st March

Company	Country	Description	2010 Valuation		2009 Valuation	
			£'000	% ¹	£'000	% ¹
Total	France	Oil & Gas Producers	8,675	3.4	8,944	4.7
Sanofi-Aventis	France	Healthcare	7,084	2.8	5,291	2.8
BASF ²	Germany	Basic Materials	6,492	2.6	1,522	0.8
Banco Santander	Spain	Financials	5,702	2.3	3,926	2.1
Credit Suisse ²	Switzerland	Financials	5,671	2.2	954	0.5
Nestlé	Switzerland	Consumer Goods	5,559	2.2	7,707	4.1
Telefonica	Spain	Telecommunications Services	5,520	2.2	5,381	2.8
JPMorgan European Fledgeling Investment Trust ²	European Funds	Financials	5,322	2.1	3,309	1.7
Novartis	Switzerland	Healthcare	5,008	2.0	5,708	3.0
JPMorgan Europe Micro Cap ²	European Funds	Financials	4,689	1.9	3,152	1.7
Total³			59,722	23.7		

¹Based on total investments of £252.4m (2009: £190.5m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current assets.

²Not included in ten largest investments at 31st March 2009.

³At 31st March 2009, the value of the ten largest equity investments amounted to £55.0m representing 28.9% of total investments of £190.5m.

Portfolio Analyses

Geographic

	31st March 2010		31st March 2009	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
France	20.3	24.0	22.5	24.3
Germany	19.3	17.1	15.5	17.3
Switzerland	14.3	16.9	15.0	17.0
Italy	9.1	7.6	7.3	7.9
Spain	8.8	9.3	11.0	10.4
Netherlands	5.4	5.6	6.3	5.7
European Funds	5.3	–	4.2	–
Finland	4.1	2.6	2.6	2.5
Sweden	3.7	5.9	5.0	4.9
Belgium	3.3	2.1	2.9	2.0
Austria	1.5	0.8	0.9	0.7
Denmark	1.5	2.4	2.9	2.0
Norway	1.1	1.9	1.0	1.7
Portugal	1.1	0.9	1.2	0.9
Luxembourg	0.5	1.3	0.2	–
Greece	0.5	0.9	1.5	1.1
Ireland	0.2	0.7	–	0.8
Hungary	–	–	–	0.3
Poland	–	–	–	0.5
Total Portfolio	100.0	100.0	100.0	100.0

¹Based on total investments of £252.4m (2009: £190.5m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current assets.

Portfolio Analyses continued

Sector

	31st March 2010		31st March 2009	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Financials	28.3	24.9	24.1	21.3
Consumer Goods	15.2	15.2	8.7	14.6
Industrials	14.0	13.3	14.8	12.3
Basic Materials	9.6	7.5	5.7	6.4
Oil & Gas Producers	7.3	6.9	8.9	8.0
Healthcare	7.2	9.2	11.0	10.3
Consumer Services	6.0	5.3	7.0	5.8
Utilities	5.6	7.3	8.8	8.7
Telecommunications Services	4.7	6.6	7.6	8.7
Technology	2.1	3.8	3.4	3.9
Total Portfolio	100.0	100.0	100.0	100.0

¹Based on total investments of £252.4m (2009: £190.5m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current assets.

List of Investments

at 31st March 2010

Company	Valuation £'000	Company	Valuation £'000
France		Rallye	197
Total	8,675	Eurazeo	176
Sanofi-Aventis	7,084	Bull	157
BNP Paribas	4,297	JC Decaux	151
Compagnie de Saint-Gobain	2,792	Natixis	107
Technip	2,119		
LVMH	1,821	Total France	51,216
Carrefour	1,573	Germany	
Renault	1,300	BASF	6,492
Credit Agricole	1,256	E.ON	4,071
Société Générale	1,225	Allianz	3,794
Legrand Promesse	1,197	Deutsche Bank	3,306
SCOR	1,184	Daimler	2,973
CNP	1,173	RWE	2,704
Valeo	1,109	Henkel	2,598
Television Francaise	962	Lanxess	2,151
Schneider Electric	900	Hannover Rueckversicherungs	2,127
Peugeot	897	Munchener Ruckversicherungs	2,087
France Telecom	897	K&S	1,810
Rhodia	889	Bilfinger Berger	1,810
Vallourec	881	Rheinmetall	1,519
Atos Origin	829	Siemens	1,295
Vinci	819	MTU Aero Engines	1,258
Bouygues	693	Metro	1,207
Christian Dior	656	Aurubis	746
Alstom	638	ProSiebenSat.1 Media	726
BIC	632	Tognum	539
Casino Guichard-Perrachon	519	Fuchs Petrolub	527
SEB	506	BMW	479
Publicis Groupe	504	Dialog Semiconductor	473
Ciments Francais	427	Infineon Technologies	467
Groupe Steria	371	Continental	429
Vivendi	328	Freenet	352
Rexel	307	SAP	346
M6-Metropole Television	300	Bechtel	318
Ipsos	228	Aixtron	303
Vicat	224	Bertrandt	248
Alten	216	Drillisch	238

List of Investments continued

Company	Valuation £'000	Company	Valuation £'000
Asian Bamboo	229	Italy	
Hochtief	203	ENEL	4,494
Software	199	Saipem	2,934
Leoni	172	Unicredit	1,911
Krones	171	Intesa Sanpaolo	1,558
Bauer	159	Mediaset	1,268
Sixt	132	Compagnie Industriali Riunite	1,047
GEA	96	Davide Campari-Milano	877
Total Germany	48,754	Azimut	742
Switzerland		Parmalat	715
Credit Suisse	5,671	ENI	631
Nestlé	5,559	Finmeccanica	626
Novartis	5,008	Indesit	554
Zurich Financial Services	3,188	Danieli & C.	508
Compagnie Financiere Richemont	2,611	Maire Tecnimont	501
Roche	2,204	Prysmian	408
Clariant	1,761	Atlantia	396
UBS	1,649	Iride	375
Swatch	1,494	Telecom Italia	360
GAM	1,323	Buzzi Unicem	317
Sonova	931	Autostrada Torino-Milano	301
Adecco	851	Piaggio & C	293
Swisscom	722	Banca Generali	259
Sika	682	DiaSorin	258
Kuoni Reisen	453	Yoox	234
Geberit	419	Credem	225
Baloise	349	Recordati	222
Helvetia	343	Benetton	172
Swiss Reinsurance	301	Gruppo Editoriale	171
Valora	247	Brembo	154
Gategroup	183	Banca Monte dei Paschi di Siena	147
Total Switzerland	35,949	Esprinet	123
		Astaldi	85
		Total Italy	22,866

Company	Valuation £'000	Company	Valuation £'000
Spain		European Funds	
Banco Santander	5,702	JPMorgan European Fledgeling Investment Trust	5,322
Telefonica	5,520	JPM Micro Cap	4,689
Banco Bilbao Vizcaya Argentaria	3,786	JPM Europe Fund	3,400
Industria de Diseno Textil	1,747	Total European Funds	13,411
Repsol	1,175		
Prosegur Compania Seguridad	784	Finland	
Mapfre	680	Metso	2,623
Gas Natural SDG	510	Kone	2,197
EBRO Puleva	486	Sampo	1,924
Endesa	428	YIT	1,146
Viscofan Envolturas Celulosicas	367	Tieto	495
Abengoa	280	Orion	463
Construcciones Y Auxiliar De Ferr	219	Fortum	409
Obrascon Huarte Lain	182	M-Real	303
Vueling Airlines	140	Cargotec	296
Duro Felguera	122	Oriola-KD	224
Fomento de Construcciones y Contratas	118	Huhtamaki	212
Total Spain	22,246	Total Finland	10,292
Netherlands		Sweden	
Philips Electronics	2,488	Kinnevik Investment	1,576
DSM	2,426	Svenska Cellulosa	1,492
Unilever	1,690	Svenska Handelsbanken	1,423
ArcelorMittal	1,273	Electrolux	864
Royal Dutch Shell	1,179	NCC	774
Ahold	764	JM	696
Randstad	702	Industrivarden	475
Nutreco	701	Tele2	364
Imtech	629	Axfood	297
C.S.M	572	TeliaSonera	240
ING	266	KappAhl	236
TNT	197	Loomis	202
Delta Lloyd	171	Hoganas	183
Vopak	162	Boliden	178
Mediq	145	Cardo	162
Royal Boskalis Westminster	122	Skanska	104
Ordina	117	Peab	94
ASML	101	Total Sweden	9,360
Total Netherlands	13,705		

List of Investments continued

Company	Valuation £'000	Company	Valuation £'000
Belgium		Norway	
Belgacom	1,611	DnB	757
Anheuser-Busch InBev	1,520	Telenor	623
Delhaize	1,441	TGS Nopec Geophysical	385
Umicore	1,056	Ementor	328
D'Ieteren	642	Veidekke	316
Nyrstar	626	Questerre Energy	215
Bekaert	607	Golden Ocean	182
Agfa Gevaert	277		
Euronav	237	Total Norway	2,806
CFE	142		
Omega Pharma	141	Portugal	
Total Belgium	8,300	Portugal Telecom	1,390
		Energias De Portugal	1,141
		Cimpor Cimentos De Portugal	124
		Total Portugal	2,655
		Luxembourg	
		Tenaris	1,225
		Acergy	143
		Total Luxembourg	1,368
		Greece	
		Folli Follie	318
		OPAP	273
		Motor Oil (Hellas) Corinth Refineries	270
		JUMBO	260
		Titan Cement	190
		Total Greece	1,311
		Ireland	
		Kerry	220
		Glanbia	155
		Paddy Power	98
		Total Ireland	473
		Liquidity Fund	
		JPM Euro Liquidity Fund	19,165
		Total Liquidity Funds	19,165
		Total Portfolio	271,531

Income Statement

(unaudited)

for the year ended 31st March 2010

	2010			2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	82,788	82,788	–	(130,622)	(130,622)
Net foreign currency gains/(losses)	–	1,384	1,384	–	(5,357)	(5,357)
Income from investments	8,849	–	8,849	14,954	–	14,954
Other interest receivable and similar income	297	–	297	2,904	–	2,904
Gross return/(loss)	9,146	84,172	93,318	17,858	(135,979)	(118,121)
Management fee	(514)	(1,200)	(1,714)	(449)	(1,048)	(1,497)
VAT recoverable	–	–	–	2,227	2,003	4,230
Other administrative expenses	(584)	–	(584)	(563)	–	(563)
Net return/(loss) on ordinary activities before finance costs and taxation	8,048	82,972	91,020	19,073	(135,024)	(115,951)
Finance costs	(526)	(1,227)	(1,753)	(1,522)	(3,552)	(5,074)
Net return/(loss) on ordinary activities before taxation	7,522	81,745	89,267	17,551	(138,576)	(121,025)
Taxation	(1,609)	671	(938)	(4,817)	3,021	(1,796)
Net return/(loss) on ordinary activities after taxation	5,913	82,416	88,329	12,734	(135,555)	(122,821)
Return/(loss) per Growth share	4.79p	66.82p	71.61p	9.54p	(101.52)p	(91.98)p

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

Balance Sheet

(unaudited)

at 31st March 2010

	2010 £'000	2009 £'000
Fixed assets		
Investments held at fair value through profit or loss	252,366	190,527
Investments in liquidity funds held at fair value through profit or loss	19,165	13,710
Total fixed asset investments	271,531	204,237
Current assets		
Debtors	764	603
Cash and short term deposits	43,961	79,219
	44,725	79,822
Creditors: amounts falling due within one year	(605)	(11,753)
Net current assets	44,120	68,069
Total assets less current liabilities	315,651	272,306
Creditors: amounts falling due after more than one year		
Bank loans	(71,955)	(92,130)
Total net assets	243,696	180,176
Net asset value per Growth share	207.2p	142.1p

Summary of Results – Income

	2010	2009	
Total Returns (capital plus income) for the year ended 31st March			
Return to shareholders ¹	64.2%	-33.9%	
Return on net assets ²	60.2%	-30.5%	
Benchmark return ³	47.5%	-30.5%	
Net Asset Value, Share Price and Discount at 31st March			
			% change
Total net assets (£'000)	59,656	41,045	+45.3
Net asset value per share	106.3p	70.2p	+51.4
Share price	94.50p	60.25p	+56.8
Share price discount to net asset value	8.8%	14.1%	
Shares in issue	56,113,668	58,502,745	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	2,986	4,382	-31.9
Net revenue attributable to shareholders (£'000)	2,249	3,285	-31.5
Return per share	3.92p	5.48p	-28.5
Dividend per share:			
Ordinary dividends	4.0p	4.0p	–
Special dividend	–	1.15p	
Total dividends per share	4.0p	5.15p	
Actual Gearing Factor at 31st March ⁴	105.3%	104.3%	
Total Expense Ratio ⁵	1.26%	1.19%	

A glossary of terms and definitions is provided on page 92.

¹Source: Morningstar.

²Source: J.P. Morgan.

³Source: MSCI.

⁴Actual gearing represents investments excluding liquidity fund holdings, expressed as a percentage of total net assets.

⁵Management fees and all other operating expenses excluding interest and performance fees, expressed as a percentage of the average of the opening and closing net assets.

Ten Largest Equity Investments

at 31st March

Company	Country	Description	2010 Valuation		2009 Valuation	
			£'000	% ¹	£'000	% ¹
BP	UK	Energy	1,786	2.8	1,576	3.7
Royal Dutch Shell	UK	Energy	1,764	2.8	1,639	3.8
HSBC	UK	Financials	1,759	2.8	979	2.3
Nestle ²	Switzerland	Consumer Staples	1,756	2.8	–	–
Total ²	France	Energy	1,297	2.1	–	–
Vodafone	UK	Telecommunications services	1,270	2.0	1,193	2.8
Roche ²	Switzerland	Healthcare	1,218	1.9	–	–
Novartis ²	Switzerland	Healthcare	1,173	1.9	–	–
Banco Santander	Spain	Financials	1,120	1.8	722	1.7
GlaxoSmithKline	UK	Healthcare	1,058	1.7	1,063	2.5
Total³			14,201	22.6		

¹Based on total investments of £62.8m (2009: £42.8m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current assets/(liabilities).

²Not held in the portfolio at 31st March 2009.

³At 31st March 2009, the value of the ten largest equity investments amounted to £10.3m representing 24.2% of total investments of £42.8m.

Portfolio Analyses

Geographic

	31st March 2010		31st March 2009	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
United Kingdom	40.8	32.3	45.6	31.7
Spain	9.3	6.0	6.9	6.6
France	9.3	16.3	5.3	16.0
Switzerland	8.8	12.2	0.7	12.6
Germany	6.6	11.9	8.8	12.3
Sweden	5.3	4.3	3.9	3.5
Italy	5.0	5.0	4.9	5.1
Finland	3.7	1.9	5.3	1.9
Netherlands	3.1	4.1	5.8	4.1
Norway	2.0	1.1	3.7	1.1
Belgium	1.9	1.5	2.4	1.4
Portugal	1.5	0.4	0.9	0.6
Ireland	1.2	0.4	0.4	0.5
Greece	1.0	0.7	3.5	0.8
Austria	0.5	0.5	1.8	0.5
Denmark	–	1.4	0.1	1.3
Total Portfolio	100.0	100.0	100.0	100.0

¹Based on total investments of £62.8m (2009: £42.8m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

Portfolio Analyses continued

Sector

Sector	31st March 2010		31st March 2009	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Financials	22.0	23.8	23.2	19.3
Industrials	14.3	10.0	15.9	9.4
Energy	11.4	11.0	13.8	12.8
Consumer Staples	11.1	12.1	3.2	12.7
Consumer Discretionary	9.1	7.4	9.6	7.8
Healthcare	8.7	10.2	4.6	11.9
Telecommunications Services	8.2	6.7	13.1	8.3
Utilities	7.3	6.0	7.9	7.2
Information Technology	4.0	3.0	2.6	3.2
Materials	3.9	9.8	6.1	7.4
Total Portfolio	100.0	100.0	100.0	100.0

¹Based on total investments of £62.8m (2009: £42.8m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

List of Investments

at 31st March 2010

Company	Valuation £'000	Company	Valuation £'000
United Kingdom		Experian	129
BP	1,786	Britvic	129
Royal Dutch Shell	1,764	Inmarsat	129
HSBC	1,759	Bunzl	128
Vodafone	1,270	New Britain Palm Oil	128
GlaxoSmithKline	1,058	Senior	127
Unilever	912	WPP	126
British American Tobacco	768	IMI	125
AstraZeneca	708	Playtech	125
Tesco	595	Thomas Cook	122
Diageo	496	Premier Farnell	121
Imperial Tobacco	379	Chesnara	118
National Grid	319	Dairy Crest	118
BAE Systems	297	Morgan Crucible	118
Prudential	292	Greggs	117
Centrica	275	Daily Mail & General Trust	117
Pearson	224	Electrocomponents	117
BT	221	Home Retail	116
British Sky Broadcasting	182	Hammerson	116
Aviva	179	Northumbrian Water	115
Next	169	Rexam	115
Keller	168	Spectris	115
Marks & Spencer	168	ICAP	113
Legal & General	165	Meggitt	113
United Utilities	165	Davis Service	112
International Power	163	Jardine Lloyd Thompson	110
Smiths	160	Segro	110
Go-Ahead	158	IG	109
Admiral	155	Pennon	109
Investec	152	Henderson	108
Sainsbury (J)	151	Carillion	108
Sage	148	Robert Wiseman Dairies	107
Balfour Beatty	147	Stagecoach	107
Land Securities	147	International Personal Finance	106
Intercontinental Hotels	146	Aberdeen Asset Management	102
Cineworld	145	KCOM	101
Melrose	144	Amlin	100
Halfords	143	Close Brothers	100
Arriva	141	McBride	100
Standard Life	138	FirstGroup	99
British Land	137	Hays	99
Restaurant	135	Sthree	99
BBA Aviation	133	Beazley	98

List of Investments continued

Company	Valuation £'000	Company	Valuation £'000
Charter International	98	Hill & Smith	38
Micro Focus International	98	Cranswick	37
Interserve	97	WSP	35
Severn Trent	97	The Vitec	33
Ashmore	96	GAME	30
Smith (DS)	95	Rathbone Brothers	30
Ashtead	94	RPC	29
Filtrona	94	Wincanton	29
Halma	94	Chloride	22
Tate & Lyle	94	Smiths News	21
Greene King	93	888	19
Kier	93	Braemar	12
Hargreaves Lansdown	92		
Atkins (WS)	90	Total United Kingdom	25,616
Informa	89	Spain	
Whitbread	89	Banco Santander	1,120
Northern Foods	88	Telefonica	1,051
Tullett Prebon	88	Banco Bilbao Vizcaya Argentaria	570
Babcock International	87	Iberdrola	377
WH Smith	86	Repsol	280
Petrofac	85	ACS Actividades de Construccion y Servicios	184
Spirax Sarco Engineering	85	Red Electrica	183
Computacenter	81	Criteria Caixa	173
Euromoney	80	Abertis Infraestructuras	165
Brown (N)	77	Gas Natural SDG	154
Headlam	76	Banco Popular Espanol	149
Mitie	75	Mapfre	137
Brewin Dolphin	73	Enagas	123
Fenner	73	Antena 3 Television	110
Croda International	72	Fomento de Construciones y Contratas	110
Diploma	71	Zardoya Otis	105
Clarkson	69	Tecnicas Reunidas	98
Fiberweb	69	Bankinter	97
William Hill	69	Indra Sistemas	95
Devro	65	Duro Felguera	94
Provident Financial	63	Grupo Catalana Occidente	89
Elementis	59	Laboratorios Almirall	88
Moneysupermarket.Com	55	Endesa	83
ITE	54	Banco Espanol De Credito	81
Chaucer	49	Sociedad General Aguas de Barcelona	68
Hiscox	48	Bolsas y Mercados	67
Domino Printing	46		
London & Stamford Property	46	Total Spain	5,851
Stobart	46		

Company	Valuation £'000	Company	Valuation £'000
France			
Total	1,297	Valora	90
Sanofi-Aventis	851	EMS-Chemie	72
Schneider Electric	377	Liechtenstein Landesbank	62
Vinci	357	Total Switzerland	5,526
Unibail	282	Germany	
Credit Agricole	270	Allianz	651
Bouygues	210	BASF	651
PPR	174	RWE	437
Suez Environnement	154	Deutsche Telekom	404
Fonciere des Regions	135	Deutsche Post	240
Casino Guichard-Perrachon	132	Brenntag	148
Gecina	131	Delticom	131
Silic	128	Hannover Rueckversicherungs	125
ICADE	126	Tognum	108
SCOR	123	Hugo Boss	103
Rubis	112	Axel Springer	102
ABC Arbitrage	106	Symrise	100
CNP Assurances	105	Wincor Nixdorf	92
M6-Metropole Television	105	Drillisch	91
Tour Eiffel	103	Pfeiffer	89
Rallye	95	Douglas	84
Ciments Francais	88	Bilfinger Berger	83
Total Gabon	80	Generali Deutschland	71
SES FDR	74	Alstria Office	62
Generale Location	70	Sixt	62
Financiere Marc de Lacharriere	62	Cewe Color	55
Canal Plus	53	Deutsche Euroshop	55
Pierre & Vacances	33	Bechtle	52
Total France	5,833	DIC Asset	51
Switzerland		Gerry Weber International	48
Nestle	1,756	Gesco	37
Roche	1,218	Bertrandt	24
Novartis	1,173	Total Germany	4,156
Zurich Financial Services	481	Sweden	
Swisscom	190	Hennes & Mauritz	379
Banque Cantonale Vaudoise	133	TeliaSonera	237
Baloise	131	Svenska Handelsbanken	230
Helvetia	117	Skanska	199
Vontobel	103	Tele2	176

List of Investments continued

Company	Valuation £'000	Company	Valuation £'000
Svenska Cellulosa	173	Ascopiave	54
Cardo	131	Marr	40
NCC	131	Credito Artigiano	38
Hufvudstaden	129		
Securitas	126	Total Italy	3,114
Fabege	113		
Betsson	106	Finland	
Mekonomen	100	Nokia	677
Orc Software	100	Sampo	215
Ratos	98	Fortum	200
Axfood	97	Wartsila	156
Peab	91	Elisa	120
HiQ International	90	Orion	119
Angpanne Foreningen	81	Pohjola Bank	116
Intrum Justitia	77	Sonoma	107
Industrivarden	74	Tietoenator	100
Klovern	72	Konecranes	96
Wihlborg Fastigheter	72	Huhtamaki	94
Kappahl	69	Kesko	84
Duni	66	Alma Media	83
Know It	66	Uponor	79
Unibet	63	Lassila & Tikan	56
		Technopolis	21
Total Sweden	3,346	Total Finland	2,323
Italy		Netherlands	
ENI	655	KPN	352
Enel	452	Wolters-Kluwer	136
Telecom Italia	224	Binckbank	121
Mediaset	193	Corio	120
Snam Rete Gas	189	Royal Boskalis Westminster	113
Atlantia	164	Vastned Retail	112
Trasmissione Elettricit� Rete Nazio	154	Vastned Offices/Industrial	110
Parmalat	146	Accell	105
Finmeccanica	120	Delta Lloyd	99
Recordati	118	DSM	97
Iride	109	C.S.M	96
Maire Tecnimont	109	Beter Bed	95
AEM	100	TKH	79
Mediolanum	99	Fugro	66
Benetton	92	Smit Internationale	64
Edison	58	KAS Bank	56

Company	Valuation £'000	Company	Valuation £'000
Eurocommercial Property	53	CIMPOR	108
Exact	31	Banco BPI	85
Macintosh Retail	12	Redes Energeticas Nacionais	59
Total Netherlands	1,917	Sonae	59
Norway		Mota Engil	35
Statoilhydro	337	Total Portugal	938
Telenor	185	Ireland	
Seadrill	154	CRH	290
Veidekke	106	Irish Continental	106
Marine Harvest	92	United Drug	100
Frontline	75	Greencore	97
Stolt-Nielsen	75	DCC	87
Fred Olsen Energy	72	Total Produce	52
ABG Sundal Collier	43	Total Ireland	732
Bonheur ASA	36	Greece	
Sparebanken Nord Norge	33	Hellenic Petroleum	94
Ekornes	30	JUMBO	89
Total Norway	1,238	Motor Oil (Hellas) Corinth Refineries	85
Belgium		Hellenic Exchanges	77
Belgacom	193	Fourlis	69
KBC	169	OPAP	67
Solvay	155	Metka	62
Euronav	104	Thessaloniki Water Supply	43
Tessenderlo Chemie	99	Aegean Airlines	32
Cofinimmo	98	Hellenic Telecom.Organisation	30
EVS Broadcast Equipment	85	Duty Free Shops	12
GIMV	65	Total Greece	660
C.M.B.	64	Austria	
Arseus	57	OMV	148
RTL	47	Flughafen Wien	94
Warehousing & Distribution De Pauw	40	Semperit	90
Elia System Operator	35	Total Austria	332
Total Belgium	1,211	Liquidity Fund	
Portugal		JPM Euro Liquidity Fund	4,668
Portugal Telecom	169	Total Liquidity Funds	4,668
Energias de Portugal	163	Total Portfolio	67,461
Banco Espirito Santo	136		
Brisa	124		

Income Statement

(unaudited)

for the year ended 31st March 2010

	2010			2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	21,527	21,527	–	(21,988)	(21,988)
Net foreign currency gains/(losses)	–	211	211	–	(1,219)	(1,219)
Income from investments	2,939	–	2,939	3,832	–	3,832
Other interest receivable and similar income	47	–	47	550	–	550
Gross return/(loss)	2,986	21,738	24,724	4,382	(23,207)	(18,825)
Management fee	(209)	(313)	(522)	(220)	(329)	(549)
Performance fee	–	(409)	(409)	–	–	–
VAT recoverable	–	–	–	472	332	804
Other administrative expenses	(113)	–	(113)	(109)	–	(109)
Net return/(loss) on ordinary activities before finance costs and taxation	2,664	21,016	23,680	4,525	(23,204)	(18,679)
Finance costs	(157)	(236)	(393)	(387)	(581)	(968)
Net return/(loss) on ordinary activities before taxation	2,507	20,780	23,287	4,138	(23,785)	(19,647)
Taxation	(258)	92	(166)	(853)	553	(300)
Net return/(loss) on ordinary activities after taxation	2,249	20,872	23,121	3,285	(23,232)	(19,947)
Return/(loss) per Income share	3.92p	36.37p	40.29p	5.48p	(38.78)p	(33.30)p

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

Balance Sheet

(unaudited)

at 31st March 2010

	2010 £'000	2009 £'000
Fixed assets		
Investments held at fair value through profit or loss	62,793	42,804
Investments in liquidity funds held at fair value through profit or loss	4,668	3,146
Total fixed asset investments	67,461	45,950
Current assets		
Debtors	696	321
Cash and short term deposits	9,253	16,089
	9,949	16,410
Creditors: amounts falling due within one year	(438)	(21,315)
Derivative financial instruments	(64)	–
Net current assets/(liabilities)	9,447	(4,905)
Total assets less current liabilities	76,908	41,045
Creditors: amounts falling due after more than one year		
Bank loans	(16,979)	–
Provision for liabilities and charges		
Performance fees	(273)	–
Total net assets	59,656	41,045
Net asset value per Income share	106.3p	70.2p

Board of Directors



Andrew Murison
(Chairman of the Board and Nomination Committee)

A Director since 2002, Chairman since 2003

Previously Senior Bursar of Peterhouse, University of Cambridge and currently a director of Maven Income and Growth VCT 3 plc and Hg Capital Trust plc. His qualifications for Board membership are long experience of financial, investment and strategic management.



Robin Faber
(Chairman of the Audit Committee)

A Director since 2000

Finance director of The Ashfield Land Property Group and a director of a number of other companies. His qualifications for Board membership are as a qualified accountant with long experience of investment.



Stephen Goldman

A Director since September 2008

Has a wide experience of investing in European equities, having spent 12 years at NM Rothschild Asset Management, where he led the UK Equity Research team. Formerly Head of the UK Portfolio Management and the European Client Portfolio Management teams at JPMorgan and Head of Equities for the European Region at Credit Suisse Asset Management. He is a director of Cavendish Asset Management Limited.



Stephen Russell

A Director since 2005

Spent eleven years at SLC Asset Management (now CSAM), most notably as Fund Manager of £5bn of equities, before joining HSBC Investment Bank as Head of Europe & UK Equity Strategy. He is currently Investment Director at Ruffer LLP. His qualifications for Board membership are practical experience of investment in Europe and knowledge of both the institutional and private client markets.



Ferdinand Verdonck (Belgian)

A Director since 1998

Director of a number of Continental European companies and Virtus investment funds in the USA. Formerly Managing Director of the Almanij Group. His qualification for Board membership are many years' experience of European finance and industry.

All Directors are members of the Audit and Nomination Committees and are considered independent of the Manager.

Directors' Report

The Directors present their report for the year ended 31st March 2010.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 (now Section 1158 of the Corporation Taxes Act 2010) for the year ended 31st March 2009. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 31st March 2009 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 5 to 8 and in the Investment Managers' Report on pages 9 to 13.

Investment Objectives, Policies and Risk Management

JPMAM is responsible for management of the Company's assets. On a day-to-day basis the assets are managed by three investment managers based in London, supported by a 40 strong European equity team. The Board seeks to manage the Company's risk by imposing various investment restrictions and guidelines.

Growth Portfolio

Investment Objective

The investment objective of the Growth portfolio is to provide 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.

Investment Policies

- To invest in a diversified portfolio of investments in the stockmarkets of Continental Europe.
- To emphasise capital growth rather than income, with the likely result that the level of dividends will fluctuate.

- To manage liquidity and borrowings to increase returns to shareholders.

Investment Restrictions and Guidelines

- The portfolio will not invest more than 15% of the assets in any one individual stock at the time of acquisition.
- The portfolio will be no more than 120% invested in normal market conditions.
- The portfolio does not normally invest in unquoted investments and to do so requires prior Board approval.
- The portfolio does not normally enter into derivative transactions and to do so requires prior Board approval. However, the Investment Manager has authority to carry out currency hedging transactions in order to mitigate currency risk relative to the benchmark index.
- In accordance with the Listing Rules of the UK Listing Authority, the portfolio will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.

Income Portfolio

Investment Objective

The investment objective of the Income portfolio is to provide a growing income together with the potential for long-term capital growth from a diversified portfolio of investments in pan-European stockmarkets.

Investment Policies

- To invest in a diversified portfolio of investments in pan European stockmarkets.
- To provide a growing income together with the potential for long-term capital growth.
- To manage liquidity and borrowings to increase returns to shareholders.

Investment Restrictions and Guidelines

- The portfolio will not invest more than 6% of the assets in any one individual stock at the time of acquisition.
- The portfolio will be no more than 120% invested in normal market conditions.
- The portfolio does not normally invest in unquoted investments and to do so requires prior Board approval.
- The portfolio does not normally enter into derivative transactions and to do so requires prior Board approval.

Directors' Report continued

However, the Investment Manager has authority to carry out currency hedging transactions in order to mitigate currency risk relative to the benchmark index.

- In accordance with the Listing Rules of the UK Listing Authority, the portfolio will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.

The Board has set no minimum or maximum limits on the number of investments in the Company's portfolios. To gain the appropriate exposure, the Investment Managers are permitted to invest in pooled funds.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

Growth:

In the year to 31st March 2010, the Growth portfolio produced a return to shareholders of +62.4% and a return on net assets of +53.7%. This compares with the return on the benchmark index of +47.4%. As at 31st March 2010, the value of the Company's Growth portfolio was £271.5 million.

Income:

In the year to 31st March 2010, the Income portfolio produced a return to shareholders of +64.2% and a return on net assets of +60.2%. This compares with the return on the benchmark index of +47.5%. As at 31st March 2010, the value of the Company's Income portfolio was £67.5 million.

The Investment Managers' Report on pages 9 to 13 includes a review of developments during the year as well as information on investment activity within the Company's portfolios.

Total Return, Revenue and Dividends

Company:

Gross total return for the year amounted to £118.0 million (2009: £136.9 million loss) and net total return after deducting interest, management expenses, performance fee, other administrative expenses and taxation amounted to £111.5 million (2009: £142.8 million loss). Distributable income for the year amounted to £8.2 million (2009: £16.0 million).

Growth:

Gross total return for the year amounted to £93.3 million (2009: £118.1 million loss) and net total return after deducting interest, management expenses, other

administrative expenses and taxation amounted to £88.3 million (2009: £122.8 million loss). Distributable income for the year totalled £5.9 million (2009: £12.7 million). Dividends totalling 4.85 pence (2009: 7.0 pence, plus a special dividend of 2.5 pence) per Growth share were declared in respect of the year under review. These distributions cost £6.0 million and the revenue reserve after allowing for these dividends amounts to £0.4 million.

Income:

Gross total return for the year amounted to £24.7 million (2009: £18.8 million loss) and net total return after deducting interest, management expenses, performance fee, other administrative expenses and taxation amounted to £23.1 million (2009: £19.9 million loss). Distributable income for the year totalled £2.2 million (2009: £3.3 million). Dividends totalling 4.0 pence (2009: 4.0 pence, plus a special dividend of 1.15 pence) per Income share were paid in respect of the year under review. These distributions cost £2.3 million and the revenue reserve after allowing for these dividends amounts to £0.3 million.

Key Performance Indicators ('KPIs')

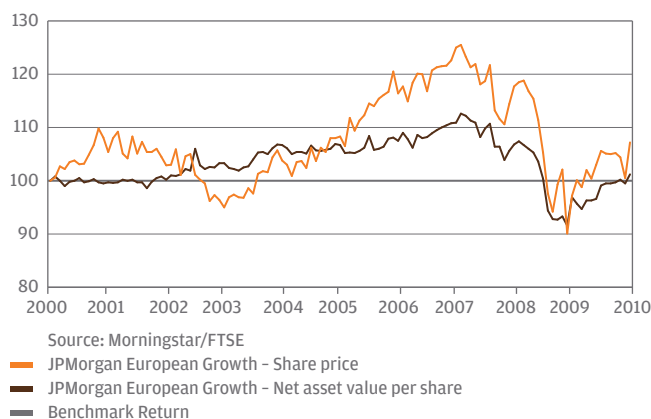
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index:**
This is the most important KPI by which performance is judged.

Growth:

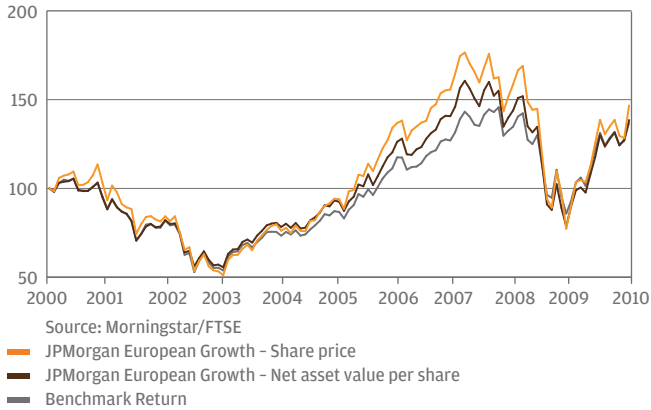
Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st March 2000



Ten Year Performance

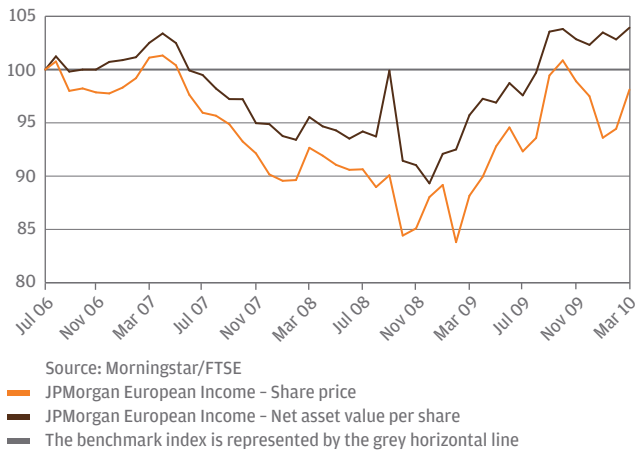
Figures have been rebased to 100 at 31st March 2000



Income:

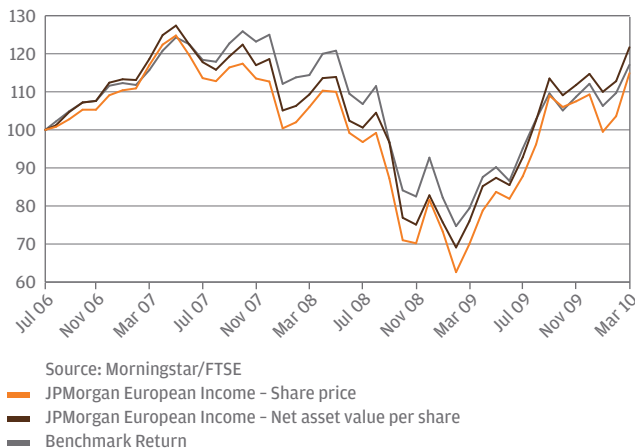
Performance Relative to Benchmark Index Since Inception

Figures have been rebased to 100 at inception



Performance Since Inception

Figures have been rebased to 100 at inception



- Performance against the Company's peers**

The principal objective of the Growth portfolio is to achieve capital growth by consistent outperformance of the benchmark. The principal objective of the Income portfolio is to provide a growing income together with the potential for long-term capital growth. However, the Board also monitors the performance of both portfolios relative to a broad range of competitor funds.

- Performance attribution**

The purpose of performance attribution analysis is to assess how each portfolio achieved its performance relative to its benchmark index, i.e. to understand the impact on each portfolio's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analyses for the year ended 31st March 2010 are given in the Investment Managers' Report on pages 11 and 12.

- Discount to net asset value ('NAV')**

The Board has for several years operated a share repurchase programme that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade. In the year to 31st March 2010, the discount on the Growth shares (with debt valued at par) ranged between 18.0% and 10.0% and the discount on the Income shares (with debt valued at par) ranged between 14.1% and 6.9%.

Growth:

Discount History



Directors' Report continued

Income:

Discount History



- **Total expense ratio ('TER')**

The TER represents management fees and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the opening and closing net assets. The Growth TER for the year ended 31st March 2010 was 1.08% (2009: 0.81%). The Income TER for the year ended 31st March 2010 was 1.26% (2009: 1.19%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Share Capital

The Company has authority to issue new shares and to repurchase shares for cancellation.

During the year, the Company repurchased a total of 9,633,138 Growth shares in the market for cancellation at a total consideration of £15,552,000 and a total of 1,475,616 Income shares in the market for cancellation at a total consideration of £1,130,000.

During the year no shares were repurchased into or sold from Treasury. No Growth shares or Income shares were held in, or cancelled from, Treasury during the year.

Since the year end, a further 1,324,560 Growth shares and 353,124 Income shares have been repurchased for cancellation.

No new shares were issued during the year, or since the year end.

Resolutions to renew the authorities to allot new shares and to repurchase shares for cancellation will be put to shareholders at the forthcoming AGM. The full text of the resolutions is set out in the Notice of Meeting on pages 84 and 85.

Conversions

The Company's capital structure allows shareholders the opportunity, twice each year, to convert part or all of their shareholdings into shares of the Company's other share class without such conversions being treated, under current law, as a disposal for UK capital gains tax purposes. More details are given on page 82.

During the year, conversions took place on 15th September 2009 and on 15th March 2010. The net result of those conversions was an increase in the Growth issued share capital of 456,204 shares, and a decrease in the Income issued share capital of 913,461 shares.

Principal Risks

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by an investment process designed to identify stocks with the best prospects and by diversification of investments through its investment restrictions and guidelines which are monitored and reported by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.
- **Market:** Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.

- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Act and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act and The UKLA Listing Rules.
- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 45 to 48.
- **Operational:** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 47.
- **Financial:** The financial risks faced by the Company include market risk (which comprises currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Further details are disclosed in note 23 on pages 74 to 80.

Future Developments

Clearly the future development of the Company is much dependent upon the success of the Company's investment strategy for the two portfolios in the light of economic and equity market developments. The Investment Managers discuss the outlook in their report on pages 11 to 13.

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract terminable on one year's notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

JPMAM is a wholly owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Manager and the support that the Company receives from JPMAM.

Management and Performance Fees

Growth Share Class

The management fee is charged at the rate of 0.45% per annum on assets less current liabilities and is calculated and paid monthly in arrears. If the Company invests in funds managed or advised by JPMAM or any of its associated companies, those investments are excluded from the calculation and therefore attract no fee.

If NAV return exceeds benchmark return plus 0.5%, the base management fee in any one year rises to 0.6% for that year. In the event of this, a performance fee is also payable and is calculated at 20% of the excess of the NAV total return over the benchmark total return plus a hurdle of 0.5%. Any performance fee earned is spread evenly over three years, with a cap of 1% of total gross assets in any one year. Any unpaid performance fee is carried forward until paid in full (or offset against subsequent under-performance). Any under-performance is offset at the first opportunity and must be fully offset before any performance fee can be paid.

In the year to 31st March 2010, the Growth portfolio's NAV total return outperformed the benchmark total return. This gave rise to an increase in the base management fee to 0.6% and a performance fee of £2,144,000. A negative performance fee of £2,446,000 was brought forward at the beginning of the Company's financial year and therefore a negative balance of £302,000 is carried forward. This must be fully offset before any performance fee can be paid.

Directors' Report continued

Income Share Class

The management fee is charged at the rate of 0.75% per annum on assets less current liabilities and is calculated and paid monthly in arrears. If the Company invests in funds managed or advised by JPMAM or any of its associated companies, those investments are excluded from the calculation and therefore attract no fee.

If NAV performance exceeds the benchmark performance plus 0.5%, a performance fee is also payable and is calculated at 15% of the excess of the NAV total return over the benchmark total return plus the 0.5% hurdle. Any performance fee earned is spread evenly over three years, with a cap of 0.75% of total gross assets in any one year. Any unpaid performance fee is carried forward until paid in full (or offset against subsequent under-performance). Any under-performance is offset at the first opportunity and must be fully offset before any performance fee can be paid.

In the year to 31st March 2010, the Income portfolio's NAV total return outperformed the benchmark. This gave rise to a performance fee of £1,103,000. A negative performance fee of £694,000 was brought forward at the beginning of the Company's financial year which must be offset against the performance fee earned this year. This gives a provision of £409,000, of which £136,000 is immediately payable. The balance of £273,000 is carried forward to be paid in full or offset against future underperformance.

Going Concern

The Directors believe that, having considered the Company's investment objectives (see page 37), risk management policies (see page 78), liquidity risk (see note 23(b) on pages 78 to 79), capital management policies and procedures (see page 81), nature of the portfolios and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st March 2010, the Company had no outstanding trade creditors (2009: nil).

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's Growth shares, are given below:

Directors	31st March 2010	1st April 2009
Robin Faber	10,000	10,000
Andrew Murison	5,050	5,050
Stephen Russell	2,171	2,050
Ferdinand Verdonck	3,036	2,867
Stephen Goldman	5,000	5,000

There were no changes to the Board of Directors during the year and up to the date of signing the accounts.

Mr Murison also had a beneficial interest in 11,174 Income shares at the end of the year and since the year end has acquired a further 1,826 Income shares.

Since the year end, Andrew Murison, Stephen Russell and Ferdinand Verdonck have acquired a further 5,000 Growth shares, 13 Growth shares and 18 Growth shares respectively.

In accordance with the Company's Articles of Association the Directors retiring by rotation at the Annual General Meeting will be Robin Faber, Andrew Murison and Ferdinand Verdonck. Mr Faber and Mr Verdonck, having served as Directors for more than nine years, stand for annual re-election. All three Directors, being eligible, offer themselves for re-election. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be re-elected.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's auditors are unaware, and

(b) each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on page 4 of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 15 to the Notice of AGM on page 87.

Notifiable Interests in the Company's Voting Rights

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	% of Total Voting Rights
1607 Capital Partners LLC	16.0
Chase Nominees ^{1,2}	13.0
JPMorgan Asset Management	7.8
Tattersall Advisory Group Inc	3.9
Legal & General Investment Management	3.8

¹Held on behalf of JPMAM Investment Account, ISA and SIPP participants.

²Non-beneficial.

The percentage of total voting rights is calculated by reference to the share voting numbers which as at 31st March 2010 were as follows:

Growth shares:	2.078
Income shares:	1.063

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

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; no agreements which the Company is party to that affects its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for loss of office.

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out on page 48. The Company has no employees.

Independent Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them and authorise the Directors to determine their remuneration for the ensuing year will be put to shareholders at the AGM.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 7 and 8)

The Directors will seek renewal of the authority at the AGM to issue up to 5,814,875 new Growth shares and 2,788,027 new Income shares for cash up to an aggregate nominal amount of £290,744 and £69,700 respectively such amount being equivalent to 5% of the present issued share capital of each share class as at the last practicable date before the publication of this document. The full text of the resolutions is set out in the Notice of Meeting on page 85. This authority will expire at the conclusion of the AGM of the Company in 2011 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than

Directors' Report continued

the net asset value (the 'NAV'), they increase the NAV per share and spread the Company's administrative expenses, other than the management fee, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's Shares (resolution 9)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2009 AGM, will expire on 15th January 2011 unless renewed at the forthcoming AGM. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder approval at the AGM to renew this authority, which will last until 14th January 2012 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on pages 85 to 86. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

(iii) Authority to make off-market purchases (resolution 10)

This resolution gives the Company authority to buy its deferred shares arising on conversion of any of the Growth or Income shares into the other class of shares. This resolution follows the requirements of Section 694 of the Companies Act 2006. The Deferred shares are repurchased for nominal consideration (as they have no economic value) in order to keep the balance sheet manageable. By law the Company can only purchase these shares off-market if such purchase is pursuant to a contract in the form approved at a general meeting of the Company.

(iv) Adoption of New Articles of Association (resolution 11)

The Company proposes to adopt new articles of association. These incorporate amendments to the current articles of association to reflect the changes in company law brought about by the Act which came into effect on 1st October 2009 and changes made to the Act in August 2009 to implement the EU Shareholder Rights Directive in the UK, as well as some minor technical or clarifying changes.

The principal changes in the new articles of association proposed to be adopted at the 2010 AGM relate to shareholder meetings and resolutions, the Company's constitution and share capital.

In August 2009, changes were made to the provisions in the Act on company meetings by The Companies (Shareholders'

Rights) Regulations 2009 ('Shareholders' Rights Regulations') to implement the EU Shareholder Rights Directive in the UK. The new articles incorporate amendments in relation to meetings to ensure consistency with the Act (as amended by the Shareholders' Rights Regulations).

Under the Act all provisions of the Company's memorandum, but most significantly the objects clause, are deemed to form part of the Company's articles from 1st October 2009. It is possible for the objects clause to be removed or amended by amending the articles by special resolution. It is not necessary under the Act for a company to set out its objects. The Act provides that, unless the articles state otherwise, a company's objects will be unrestricted.

One of the other key provisions of the memorandum which is deemed to form part of the Company's articles from 1st October 2009 is the restriction created by the existing authorised share capital statement. The Act removes the requirement for a company to place limits on its authorised share capital.

By adopting the new articles of association which do not contain the objects clause or the authorised share capital statement, the Company will remove these provisions, which would otherwise be deemed to form part of the Company's articles under section 28 of the Act, from its articles.

For a more detailed explanation of these and other amendments please refer to the Appendix to this document on pages 88 to 91.

A copy of the current articles of association and the proposed new articles of association that reflect these amendments will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of JPMAM, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ up until the close of the AGM. Copies will also be available at Trinity House, Tower Hill, London EC3N 4DH, being the place of the AGM, for 15 minutes prior to, and during, the AGM.

Recommendation

The Board considers that resolutions 7 to 11 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to approximately 0.03% of the voting rights of the Company.

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 51, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the Combined Code, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative, and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by Andrew Murison, consists of five non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the

Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 36.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board comprises entirely of non-executive directors, this is unnecessary at present. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the AGM.

The Board recommends the re-election of Robin Faber, Andrew Murison and Ferdinand Verdonck who retire by rotation at this year's AGM.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 36.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were five full Board meetings, including a private meeting of the Directors to evaluate the Manager and a separate meeting

Directors' Report continued

devoted to strategy. There were also two Audit Committee meetings and one meeting of the Nomination Committee during the year.

Directors	Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended
Andrew Murison	5	2	1
Robin Faber	4	2	1
Stephen Goldman	5	2	1
Stephen Russell	5	2	1
Ferdinand Verdonck	5	2	1

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in regulatory requirements that affect the Company and Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board conducts a formal evaluation of the Manager, its own performance and of that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, and the Chairman of the Audit Committee leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Andrew Murison, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. A variety of sources, including the use of external search consultants, may be used to ensure that a wide range of candidates is considered.

The Committee undertakes an annual performance evaluation to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate.

Audit Committee

The Audit Committee, chaired by Robin Faber, meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the interim and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Managers' Compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors; in the Directors' opinion, the auditors are considered independent. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered.

The Directors' statement on the Company's system of internal control is set out below.

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection at the Company's website, on request at the Company's registered office and at the Company's Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the annual report and accounts and the half year Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Managers are available in person to meet with shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address

shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 95.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 95. Details of the Proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

Internal Control

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls; business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material mis-statement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM. The key elements designed to provide effective internal control are as follows:

Financial Reporting - Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement - Appointment of a manager and custodian regulated by the Financial Services Authority ('FSA'), whose responsibilities are clearly defined in a written agreement.

Management Systems - The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's Compliance department which regularly monitors compliance with FSA rules.

Investment Strategy - Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Managers and its associates as follows:

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;
- the Board reviews the report on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- the Directors review every six months an independent report on the internal controls and the operations of JPMAM.

By the means of the procedures set out above, the Board confirms that in accordance with the Turnbull guidance, it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st March 2010, and to the date of approval of this Annual Report and Accounts.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows: go to www.jpmorganassetmanagement.co.uk/institutional and within the "Commentary & Analysis" tab you will find a section on Corporate Governance.

"JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect

Directors' Report continued

those companies to demonstrate high standards of governance in the management of their business.

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable we will vote at all of the meetings called by companies in which we are invested.

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues (see below). These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote."

Corporate Social Responsibility

The following is a summary of JPMAM's policy statement on corporate social responsibility which has been noted by the Board:

"We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non-financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision."

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
9th June 2010

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 52.

Directors' Remuneration¹

Director's Name	2010 £	2009 £
Robin Faber	20,000	20,000
Stephen Goldman ²	18,000	10,500
Andrew Murison	27,000	27,000
Stephen Russell	18,000	18,000
Ferdinand Verdonck	18,000	18,000
Alexander E Zagoreos ³	—	13,500
Total	101,000	107,000

¹Audited information

²Appointed a Director on 1st September 2008.

³Retired from the Board on 31st December 2008.

In the year under review Directors' fees were paid at the following rates: Chairman £27,000 per annum; Audit Committee Chairman £20,000 per annum; and the other Directors £18,000 per annum. With effect from 1st April 2010, fees have been increased to £30,000, £24,000 and £20,000 respectively.

No amounts were payable to third parties for making available the services of Directors (2009: £47,000, for making available the services of two Directors).

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the

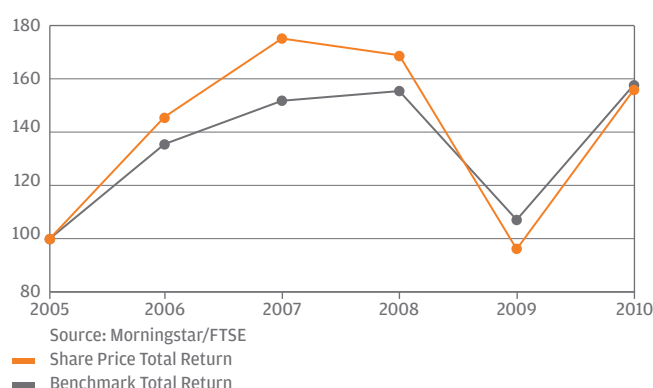
Nomination Committee reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance-related. In aggregate, fees must not exceed £150,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval. It is proposed that the maximum limit be increased to £175,000 per annum as part of the adoption of new Articles of Association at the forthcoming AGM. The terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 45.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

Graphs showing each portfolio's share price total return compared with the the relevant benchmark are shown below.

Growth:

Five Year Share Price and Benchmark Total Return to 31st March 2010



Directors' Remuneration Report continued

Income:

Share Price and Benchmark Total Return from Inception to 31st March 2010



By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
9th June 2010

Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the Directors' 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the total return 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 accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmeuropean.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Statement under the Disclosure & Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

- (a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board
Andrew Murison
Chairman
9th June 2010

Independent Auditors' Report

Independent Auditors' Report to the members of JPMorgan European Investment Trust plc

We have audited the financial statements of JPMorgan European Investment Trust plc (the 'Company') for the year ended 31st March 2010 which comprise the Income Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 51, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st March 2010 and of its net return for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 42, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Julian Young (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP, Statutory Auditor
London
9th June 2010

Income Statement

for the year ended 31st March 2010

	Notes	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	104,315	104,315	–	(152,610)	(152,610)
Net foreign currency gains/(losses)		–	1,595	1,595	–	(6,576)	(6,576)
Income from investments	3	11,788	–	11,788	18,786	–	18,786
Other interest receivable and similar income	3	344	–	344	3,454	–	3,454
Gross return/(loss)		12,132	105,910	118,042	22,240	(159,186)	(136,946)
Management fee	4	(723)	(1,513)	(2,236)	(669)	(1,377)	(2,046)
Performance fee	4	–	(409)	(409)	–	–	–
VAT recoverable	4	–	–	–	2,699	2,335	5,034
Other administrative expenses	5	(697)	–	(697)	(672)	–	(672)
Net return/(loss) on ordinary activities before finance costs and taxation		10,712	103,988	114,700	23,598	(158,228)	(134,630)
Finance costs	6	(683)	(1,463)	(2,146)	(1,909)	(4,133)	(6,042)
Net return/(loss) on ordinary activities before taxation		10,029	102,525	112,554	21,689	(162,361)	(140,672)
Taxation	7	(1,867)	763	(1,104)	(5,670)	3,574	(2,096)
Net return/(loss) on ordinary activities after taxation		8,162	103,288	111,450	16,019	(158,787)	(142,768)
Return/(loss) per share:							
Growth share	9	4.79p	66.82p	71.61p	9.54p	(101.52)p	(91.98)p
Income share	9	3.92p	36.37p	40.29p	5.48p	(38.78)p	(33.30)p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The notes on pages 58 to 81 form an integral part of these accounts.

Statement of Total Recognised Gains and Losses

for the year ended 31st March 2010

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Movement in the fair value of cash flow hedge during the year	–	–	–	–	2,044	2,044
Net return/(loss) on ordinary activities after taxation	8,162	103,288	111,450	16,019	(158,787)	(142,768)
Total recognised gains/(losses) for the year	8,162	103,288	111,450	16,019	(156,743)	(140,724)

The notes on pages 58 to 81 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 31st March 2008	9,421	16,854	9,193	360,983	(3,042)	6,802	400,211
Repurchase and cancellation of the Company's own shares	(724)	–	724	(23,437)	–	–	(23,437)
Cancellation of shares held in Treasury	(897)	–	897	–	–	–	–
Share conversions during the year	(4)	4,225	128	(4,349)	–	–	–
Net (loss)/return on ordinary activities	–	–	–	(158,787)	–	16,019	(142,768)
Cash flow hedge allocated to finance costs during the year	–	–	–	–	274	–	274
Revaluation of cash flow hedge	–	–	–	–	2,044	–	2,044
Dividends appropriated in the year	–	–	–	–	–	(15,103)	(15,103)
At 31st March 2009	7,796	21,079	10,942	174,410	(724)	7,718	221,221
Repurchase and cancellation of the Company's own shares	(522)	–	522	(16,682)	–	–	(16,682)
Share conversions during the year	–	2,999	73	(3,072)	–	–	–
Net return on ordinary activities	–	–	–	103,288	–	8,162	111,450
Cash flow hedge allocated to finance costs during the year	–	–	–	–	331	–	331
Dividends appropriated in the year	–	–	–	–	–	(12,968)	(12,968)
At 31st March 2010	7,274	24,078	11,537	257,944	(393)	2,912	303,352

The notes on pages 58 to 81 form an integral part of these accounts.

Balance Sheet

at 31st March 2010

	Notes	Growth (unaudited) £'000	2010 Income (unaudited) £'000	Total £'000	2009 Total £'000
Fixed assets					
Investments held at fair value through profit or loss		252,366	62,793	315,159	233,331
Investments in liquidity funds held at fair value through profit or loss		19,165	4,668	23,833	16,856
Total fixed asset investments	10	271,531	67,461	338,992	250,187
Current assets					
Debtors	11	764	696	1,460	924
Cash and short term deposits		43,961	9,253	53,214	95,308
Creditors: amounts falling due within one year	12	44,725	9,949	54,674	96,232
Derivative financial instruments - forward foreign currency contracts held at fair value through profit or loss		(605)	(438)	(1,043)	(33,068)
		–	(64)	(64)	–
Net current assets		44,120	9,447	53,567	63,164
Total assets less current liabilities		315,651	76,908	392,559	313,351
Creditors: amounts falling due after more than one year	13	(71,955)	(16,979)	(88,934)	(92,130)
Provision for liabilities and charges	14	–	(273)	(273)	–
Total net assets		243,696	59,656	303,352	221,221
Capital and reserves					
Called up share capital	15	5,882	1,392	7,274	7,796
Share premium	16	8,154	15,924	24,078	21,079
Capital redemption reserve	16	10,623	914	11,537	10,942
Capital reserves	16	217,673	40,271	257,944	174,410
Other reserve	16	(320)	(73)	(393)	(724)
Revenue reserve	16	1,684	1,228	2,912	7,718
Shareholders' funds		243,696	59,656	303,352	221,221
Net asset values:	17				
Net asset value per Growth share				207.2p	142.1p
Net asset value per Income share				106.3p	70.2p

The accounts on pages 53 to 81 were approved and authorised for issue by the Directors on 9th June 2010 and are signed on their behalf by:

Stephen Russell
Director

The notes on pages 58 to 81 form an integral part of these accounts.

JPMorgan European Investment Trust plc
Registration number: 237958

Cash Flow Statement

for the year ended 31st March 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow from operating activities	18	7,900	22,084
Returns on investments and servicing of finance			
Interest paid		(1,745)	(6,040)
Interest rate swap breakage costs paid		–	(724)
Taxation recovered		631	359
Capital expenditure and financial investment			
Purchases of investments		(276,050)	(285,055)
Sales of investments		291,435	362,446
Settlement of futures contracts		–	38
Other capital charges		(140)	(118)
Net cash inflow from capital expenditure and financial investment		15,245	77,311
Dividends paid		(12,968)	(15,103)
Net cash inflow before financing		9,063	77,887
Financing			
Net repayment of short term loans		(30,346)	–
Repurchase and cancellation of the Company's own shares		(16,986)	(23,992)
Net cash outflow from financing		(47,332)	(23,992)
(Decrease)/increase in cash in the year	19	(38,269)	53,895

The notes on pages 58 to 81 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st March 2010

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies ('AIC') in January 2009.

The accounts have been prepared on a going concern basis.

All of the Company's operations are of a continuing nature.

The policies applied in these accounts are consistent with those applied in the preceeding year. There has been an amendment to FRS 29 in respect of fair value disclosures and details of this are given in note 22 on page 73.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis in accordance with the documented investment strategy and information about the investment portfolio is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition, the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to the purchase which are written off in the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for stocks traded in active markets.

Investments are recognised or derecognised on the trade date.

Gains and losses on sales of investments including the related foreign exchange gains and losses of a capital nature, foreign exchange gains and losses on cash and deposit balances and other capital receipts and payments are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end, including the related gains and losses arising from changes in foreign exchange rates, are dealt with in capital reserves within 'Holding gains and losses on investments'. Unrealised foreign currency losses are accounted for in an 'Unrealised reserve'.

(c) Income

Dividends receivable from equity shares are included in the revenue column of the income statement on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is taken to capital.

UK dividends are included net of tax credits. Overseas dividends are included gross of any withholding tax.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column.

Stock lending income and interest receivable are included in the revenue column on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis.

Expenses charged to the Company common to both share classes are allocated in the same proportion as their net assets at the month end immediately preceding the date on which the cost is to be accounted for.

Expenses charged to the Company in relation to a specific share class are charged directly to that share class, with the other share class remaining unaffected. Losses of one share class are not borne by the other.

Shareholders converting some or all of their shares into shares of the other class will bear the costs of the conversion up to a maximum of 2% of the value of the shares being converted. Any costs in excess of this cap will be borne by all the shareholders of the Company.

Expenses are allocated wholly to the revenue column of the income statement with the following exceptions:

- performance fees payable to the Manager are allocated 100% to the capital column in both pools.
- the management fees of the Growth pool of assets are allocated 30% to the revenue column and 70% to the capital column in line with the Board's expected split of revenue and capital return from the Growth investment portfolio.
- the management fees of the Income pool of assets are allocated 40% to the revenue column and 60% to the capital column in line with the Board's expected split of revenue and capital return from the Income investment portfolio.
- expenses incidental to the purchase of an investment are charged to the capital column. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission. In accordance with the SORP, disclosure of transaction costs is required and can be found in note 10.

(e) Finance costs

Finance costs, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of FRS 25 'Financial Instruments: Presentation' and FRS 26 'Financial Instruments: Measurement'.

- Finance costs on the Growth pool of assets are allocated 30% to the revenue column and 70% to the capital column in line with the Board's expected split of revenue and capital return from the Growth investment portfolio.
- Finance costs on the Income pool of assets are allocated 40% to the revenue column and 60% to the capital column in line with the Board's expected split of revenue and capital return from the Income investment portfolio.

(f) Financial instruments

Cash and short term deposits comprises cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Other receivables and payables do not carry any interest, are short term in nature and are accordingly stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Interest bearing bank loans and overdrafts are initially recorded at the proceeds received net of direct issue costs.

The Company has used interest rate swaps to hedge the cash flow risk arising from interest rate fluctuations. All interest rate swaps were designated as 'held at fair value through profit or loss' and were designated as effective cash flow hedges in accordance with the provision of FRS 26. Gains or losses arising on the fair value of cash flow hedges during the year are shown in the Reconciliation of Movements in Shareholders' Funds and are accounted for in the 'Other reserve', which was created specifically for that purpose. The amount recognised in Other Reserve is amortised to the Income Statement over the life of the existing debt finance facility.

Derivative financial instruments, including short term forward currency contracts are valued at fair value, which is the net unrealised gain or loss and are included in current assets or current liabilities in the Balance Sheet in accordance with FRS 26: 'Financial Instruments: measurement'.

(g) Taxation

Deferred tax is accounted for in accordance with FRS 19: 'Deferred Tax'.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax is computed for each pool separately. A pool which generates taxable revenues in excess of tax deductible expenses may benefit from the excess of tax deductible expenses in the other pool. In this instance compensation amounting to half the tax savings in the taxable pool will be transferred to the non taxable pool.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to capital.

Notes to the Accounts continued

1. Accounting policies continued

(h) Foreign currency

In accordance with FRS23: 'The effects of changes in Foreign Currency Exchange Rates', the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Foreign exchange gains and losses on cash and deposit balances are dealt with in capital reserves within 'Gains and losses on sales of investments'. Gains and losses on investments held at the year end arising from changes in foreign exchange rates are included in capital reserves within 'Holding gains and losses on investments'.

(i) Dividends payable

In accordance with FRS 21: 'Events after the Balance Sheet Date', final dividends are included in the accounts in the year in which they are approved by shareholders.

(j) VAT

Expenses are disclosed inclusive of the related irrecoverable VAT. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies.

	2010 £'000	2009 £'000
2. Gains/(losses) on investments held at fair value through profit or loss		
Losses on sales of investments held at fair value through profit or loss based on historical cost	(3,122)	(44,914)
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	39,109	(32,601)
Gains/(losses) on sales of investments based on the fair value at the previous balance sheet date	35,987	(77,515)
Realised gains on close out of futures	–	13
Net movement in investment holding gains and losses	68,465	(74,997)
Other capital charges	(137)	(111)
Total capital gains/(losses) on investments held at fair value through profit or loss	104,315	(152,610)

	2010 £'000	2009 £'000
3. Income		
Income from investments		
Dividends from investments listed in the UK	1,167	1,060
Scrip dividends from investments listed in the UK	23	21
Dividends from investments listed overseas	9,789	16,708
Scrip dividends from investments listed overseas	23	37
Overseas fixed interest income	605	–
Property income distribution	7	–
Dividends from liquidity funds	174	960
	11,788	18,786
Other interest receivable and similar income		
Deposit interest	206	1,624
Stock lending fees	138	660
Interest on VAT recovered ¹	–	1,170
	344	3,454
Total income	12,132	22,240

¹This represents interest on VAT recovered during the prior year. Further details are given in note 4 below.

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
4. Management and performance fee						
Management fee	723	1,513	2,236	669	1,377	2,046
Performance fee	–	409	409	–	–	–
	723	1,922	2,645	669	1,377	2,046
VAT recoverable ¹	–	–	–	(2,699)	(2,335)	(5,034)
	723	1,922	2,645	(2,030)	(958)	(2,988)

¹This represents VAT recovered on management fees and performance fees paid in the past, following HM Revenue & Customs acceptance in 2007 that VAT is not chargeable on such fees.

Details of the management and performance fees are given in the Directors' Report on pages 41 and 42.

Notes to the Accounts continued

	2010 £'000	2009 £'000
5. Other administrative expenses		
Other administration expenses	431	400
Directors' fees ¹	101	107
Savings scheme expenses ²	129	131
Auditors' remuneration for audit services ³	27	26
Auditors' remuneration for all other services	9	8
	697	672

¹Full disclosure is given in the Directors' Remuneration Report on pages 49 and 50.

²These fees were paid to JPMAM for the administration and marketing of savings products.

³Includes £4,000 (2009: £4,000) irrecoverable VAT.

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	577	1,238	1,815	1,889	4,091	5,980
Amortisation of cash flow hedge	106	225	331	20	42	62
	683	1,463	2,146	1,909	4,133	6,042

7. Taxation

(a) Analysis of tax charge in the year

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
UK corporation tax at 28% (2009: 28%)	709	–	709	2,204	–	2,204
Double taxation relief	(709)	–	(709)	(2,204)	–	(2,204)
Overseas withholding tax	1,104	–	1,104	2,096	–	2,096
Tax attributable to expenses charged to capital	763	(763)	–	3,574	(3,574)	–
Current tax charge for the year	1,867	(763)	1,104	5,670	(3,574)	2,096

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2009: lower) than the standard rate of corporation tax in the UK of 28%. The factors affecting the current tax charge for the year are as follows:

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	10,029	102,525	112,554	21,689	(162,361)	(140,672)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 28% (2009: 28%)	2,808	28,707	31,515	6,073	(45,461)	(39,388)
Effect of:						
Non taxable UK dividend income	(327)	–	(327)	(297)	–	(297)
Income taxed in different periods	53	–	53	90	–	90
Non taxable overseas dividends	(909)	–	(909)	–	–	–
Excess capital expenses arising in the year	–	948	948	–	889	889
Non taxable scrip dividends	(4)	–	(4)	(6)	–	(6)
Non taxable capital (gains)/losses	–	(29,655)	(29,655)	–	44,572	44,572
Movement in excess expenses	(912)	–	(912)	(3,656)	–	(3,656)
Tax attributable to expenses charged to capital	763	(763)	–	3,574	(3,574)	–
Relief for overseas tax	(709)	–	(709)	(2,204)	–	(2,204)
Overseas withholding tax	1,104	–	1,104	2,096	–	2,096
	1,867	(763)	1,104	5,670	(3,574)	2,096

The Company has an unrecognised deferred tax asset of £2,404,000 (2009: £2,354,000). This has arisen due to the cumulative excess of deductible expenses over taxable income in prior years. No asset has been recognised in the accounts as it is not likely that this asset will be utilised in the foreseeable future.

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

Notes to the Accounts continued

8. Dividends

(a) Dividends paid and declared

	2010 £'000	2009 £'000
Dividends paid		
Unclaimed European Growth dividends refunded to the Company	(16)	–
European Growth 2009 final dividend of 2.0p (2008: 3.33p)	2,568	4,677
European Growth 2009 special dividend 2.5p (2008: nil)	3,210	–
European Growth interim dividend of 3.75p (2008: 5.0p)	4,653	6,735
European Income 2009 final dividend of 1.0p (2008: 3.0p)	572	1,893
European Income 2009 special dividend of 1.15p (2008: nil)	657	–
European Income interim dividend of 2.3p (2008: 3.0p)	1,324	1,798
Total dividends paid in the year	12,968	15,103
Dividends declared		
European Growth final dividend of 1.1p (2009: 2.0p)	1,305	2,568
European Growth special dividend of nil (2009: 2.5p)	–	3,210
European Income final dividend of 1.7p (2009: 1.0p)	966	572
European Income special dividend of nil (2009: 1.15p)	–	657
Total dividends payable¹	2,271	7,007

¹In accordance with the accounting policy of the Company, these dividends will be reflected in the accounts for the following year.

(b) Dividend for the purposes of Section 842 of the Income and Corporation Taxes Act 1988

The requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends declared in respect of the financial year, as follows:

	2010 £'000	2009 £'000
European Growth interim dividend of 3.75p (2009: 5.0p)	4,653	6,735
European Growth final dividend of 1.1p (2009: 2.0p)	1,305	2,568
European Growth special dividend of nil (2009: 2.5p)	–	3,210
European Income interim dividend of 2.3p (2009: 3.0p)	1,324	1,798
European Income final dividend of 1.7p (2009: 1.0p)	966	572
European Income special dividend of nil (2009: 1.15p)	–	657
Total¹	8,248	15,540

¹The revenue available for distribution by way of dividend for the year is £8,162,000 (2009: £16,019,000).

	2010 £'000	2009 £'000
9. Return/(loss) per share		
Growth share		
Return/(loss) per share is based on the following:		
Revenue return	5,913	12,734
Capital return/(loss)	82,416	(135,555)
Total return/(loss)	88,329	(122,821)
Weighted average number of shares in issue	123,341,761	133,519,490
Revenue return per share	4.79p	9.54p
Capital return/(loss) per share	66.82p	(101.52)p
Total return/(loss) per share	71.61p	(91.98)p
Income share		
Return/(loss) per share is based on the following:		
Revenue return	2,249	3,285
Capital return/(loss)	20,872	(23,232)
Total return/(loss)	23,121	(19,947)
Weighted average number of shares in issue	57,392,988	59,896,747
Revenue return per share	3.92p	5.48p
Capital return/(loss) per share	36.37p	(38.78)p
Total return/(loss) per share	40.29p	(33.30)p

Notes to the Accounts continued

10. Investments

	2010 £'000			2009 £'000
Investments listed on a recognised investment exchange	338,992			250,187
		Listed in UK £'000	Listed overseas £'000	Total £'000
Opening book cost	25,056	270,462		295,518
Opening investment holding losses	(2,154)	(43,177)		(45,331)
Opening valuation	22,902	227,285		250,187
Movement in the year:				
Purchases at cost	19,911	256,462		276,373
Sales - proceeds	(23,675)	(268,345)		(292,020)
Gains on sales based on the fair value at the previous balance sheet date	4,348	31,639		35,987
Net movement in investment holding gains and losses	7,452	61,013		68,465
	30,938	308,054		338,992
Closing book cost	22,491	254,258		276,749
Closing investment holding gains	8,447	53,796		62,243
	30,938	308,054		338,992

During the year, prior year investment holding losses amounting to £39,109,000 were transferred to 'Gains and losses on sales of investments', as disclosed in note 16.

Transaction costs on purchases during the year amounted to £552,000 (2009: £574,000) and on sales during the year amounted to £353,000 (2009: £382,000). These costs comprise mainly brokerage commission.

11. Current assets

Debtors

	2010 £'000			2009 £'000
Securities sold awaiting settlement	608			23
Dividends and interest receivable	497			400
Other debtors	355			501
	1,460			924

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and short term deposits

Cash and short term deposits comprises bank balances and short term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

	2010 £'000	2009 £'000
12. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	277	–
Repurchases of the Company's own shares awaiting settlement	–	304
Foreign currency bank loan	–	32,421
Other creditors and accruals	630	343
Performance fee	136	–
	1,043	33,068

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

The foreign currency bank loan at 31st March 2009 comprised a Euro 35 million drawn down on a loan agreement with Barclays Bank plc, which was repaid in May 2009.

	2010 £'000	2009 £'000
13. Creditors: amounts falling due after more than one year		
Foreign currency floating rate note	88,934	92,130

The foreign currency floating rate note ('FRN') comprises an issue of Euro 100 million, repayable on 6th June 2011. The FRN is secured by a floating charge over the assets of the Company. Further details are given in note 23(a)(ii) on page 76.

	2010 £'000	2009 £'000
14. Provisions for liabilities and charges		
Performance fee provision brought forward at the beginning of the year	–	–
Performance fee charge	409	–
Amount realised in the year	(136)	–
Performance fee provision carried forward at the end of the year	273	–

Details of the performance fees are given in the Directors' Report on pages 41 and 42.

Notes to the Accounts continued

	2010 £'000	2009 £'000
15. Share capital		
Authorised		
354,328,617 (2009: 354,328,617) Growth shares with an initial nominal value of 5p each ¹	17,716	17,716
114,142,765 (2009: 114,142,765) Income shares with an initial nominal value of 2.5p each ¹	2,854	2,854
	20,570	20,570

¹The nominal values of these shares may vary from time to time in accordance with the provisions of the Articles of Association.

	2010 £'000	2009 £'000
Growth shares		
Opening balance of 126,799,002 (2008: 138,578,428) shares	6,042	6,932
Repurchase of 9,633,138 (2009: 10,573,500) shares for cancellation	(483)	(529)
Net conversion increase of 456,204 (2009: decrease of 1,205,936) shares	19	(60)
Adjustment to nominal value on conversion	304	(301)
Closing balance¹	5,882	6,042

¹Represented by 117,622,068 (2009: 126,799,002) shares.

During the year, the Company made market purchases of 9,633,138 Growth shares, with a nominal value of £483,000, for cancellation, representing 7.6% of the Growth shares outstanding at the beginning of the year. The consideration paid for these shares amounted £15,552,000 and the reason for the purchases was to seek to manage the volatility of the share price discount to net asset value.

	2010 £'000	2009 £'000
Income shares		
Opening balance of 58,502,745 (2008: 63,909,137) shares	1,449	1,494
Repurchase of 1,475,616 (2009: 7,790,000) shares for cancellation	(39)	(195)
Net conversion decrease of 913,461 (2009: increase of 2,383,608) shares	(22)	56
Adjustment to nominal value on conversion	4	94
Closing balance¹	1,392	1,449

¹Represented by 56,113,668 (2009: 58,502,745) shares.

During the year, the Company made market purchases of 1,475,616 Income shares, with a nominal value of £39,000, for cancellation, representing 2.5% of the Income shares outstanding at the beginning of the year. The consideration paid for these shares amounted £1,130,000 and the reason for the purchases was to seek to manage the volatility of the discount of the share price to net asset value.

15. Share capital continued

	2010 £'000	2009 £'000
Deferred Growth shares		
2009 Opening balance of 127,179,832 shares of 0.237p each (2008: 125,087 shares of 0.208p each)	301	–
2009 Repurchase of 127,179,832 shares of 0.237p each for cancellation	(301)	–
2009 Issue of 123,584,638 shares of 0.146p each	180	–
2009 Repurchase of 123,584,638 shares of 0.146p each for cancellation	(180)	–
2010 Issue of 948,343 shares of 0.013p each	–	–
2008 Repurchase of 125,087 shares of 0.208p each for cancellation	–	–
2008 Issue of 134,012,874 shares of 0.039p each	–	52
2008 Repurchase of 125,087 shares of 0.039p each for cancellation	–	(52)
2009 Issue of 127,179,832 shares of 0.237p each	3	301
2010 Closing balance of 948,343 shares of 0.013p each (2009: 127,179,832 shares of 0.237p each)	3	301
Deferred Income shares		
2009 Opening balance of 1,230,941 shares of 0.349p each (2008: 62,994,576 shares of 0.155p each)	4	98
2009 Repurchase of 1,230,941 shares of 0.349p each for cancellation	(4)	–
2009 Issue of 323,864 shares of 0.199p each	1	–
2009 Repurchase of 323,864 shares of 0.199p each for cancellation	(1)	–
2010 Issue of 249,987 shares of 0.036p each	–	–
2008 Repurchase of 62,994,576 shares of 0.155p each for cancellation	–	(98)
2008 Issue of 674,054 shares of 0.059p each	–	–
2008 Repurchase of 674,054 shares of 0.059p each for cancellation	–	–
2009 Issue of 1,230,941 shares of 0.349p each	–	4
2010 Closing balance of 249,987 shares of 0.036p each (2009: 1,230,941 shares of 0.349p each)	–	4

Notes to the Accounts continued

16. Reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves		Unrealised reserve £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
				Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000				
Opening balance	7,796	21,079	10,942	259,994	(45,331)	(40,253)	(724)	7,718	221,221
Gains on sales of investments based on the fair value at the previous balance sheet date	–	–	–	35,987	–	–	–	–	35,987
Net movement in investment holding gains and losses	–	–	–	–	68,465	–	–	–	68,465
Transfer on disposal of investments	–	–	–	(39,109)	39,109	–	–	–	–
Net foreign currency exchange losses on cash and short term deposits held during the year	–	–	–	(3,825)	–	–	–	–	(3,825)
Unrealised foreign currency gains on loans	–	–	–	–	–	3,409	–	–	3,409
Realised gains on repayment of loans	–	–	–	2,075	–	–	–	–	2,075
Brought forward unrealised foreign currency losses on loans, now realised	–	–	–	(14,431)	–	14,431	–	–	–
Repurchase and cancellation of the Company's own shares	(522)	–	522	(16,682)	–	–	–	–	(16,682)
Share conversions during the year	–	2,999	73	(3,072)	–	–	–	–	–
Management fee and finance costs charged to capital	–	–	–	(2,976)	–	–	–	–	(2,976)
Other capital charges	–	–	–	(137)	–	–	–	–	(137)
Unrealised losses on foreign currency contracts	–	–	–	–	–	(64)	–	–	(64)
Performance fee charge	–	–	–	–	–	(409)	–	–	(409)
Performance fee realised in the year	–	–	–	(136)	–	136	–	–	–
Cash flow hedge allocated to finance costs in the year	–	–	–	–	–	–	331	–	331
Dividends appropriated in the year	–	–	–	–	–	–	–	(12,968)	(12,968)
Tax relief on expenses charged to capital	–	–	–	763	–	–	–	–	763
Retained revenue for the year	–	–	–	–	–	–	–	8,162	8,162
Closing balance	7,274	24,078	11,537	218,451	62,243	(22,750)	(393)	2,912	303,352

17. Net asset values

Net asset value per Growth share is calculated by dividing Growth shareholders' funds of £243,696,000 (2009: £180,176,000) by the 117,622,068 Growth shares in issue at the year end (2009: 126,799,002 shares, excluding shares in Treasury).

Net asset value per Income share is calculated by dividing Income shareholders' funds of £59,656,000 (2009: £41,045,000) by the 56,113,668 Income shares in issue at the year end (2009: 58,502,745 shares, excluding shares held in Treasury).

	2010 £'000	2009 £'000
18. Reconciliation of net return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total net return/(loss) before finance costs and taxation	114,700	(134,630)
Add back capital (return)/loss before finance costs and taxation	(103,988)	158,228
(Increase)/decrease in accrued income	(97)	377
Decrease in prepayments	1	3
Increase/(decrease) in accrued expenses	133	(138)
Expenses charged to capital	(1,213)	(1,377)
Overseas withholding tax	(1,593)	(2,656)
Scrip dividends included in income	(46)	(58)
Effective interest rate adjustment on bonds	3	–
VAT recovered included in capital	–	2,335
Net cash inflow from operating activities	7,900	22,084

	At 31st March 2009 £'000	Cash flow £'000	Exchange movement £'000	Other movements £'000	At 31st March 2010 £'000
19. Analysis of changes in net debt					
Cash and short term deposits	95,308	(38,269)	(3,825)	–	53,214
Foreign currency bank loan due within one year	(32,421)	30,346	2,075	–	–
Foreign currency floating rate notes due after more than one year	(92,130)	–	3,409	(213)	(88,934)
Net debt	(29,243)	(7,923)	1,659	(213)	(35,720)

20. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2009: none).

Notes to the Accounts continued

21. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 41. The total management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £2,236,000 (2009: £2,046,000), of which £428,000 (2009: £nil) was outstanding at the year end.

Details of the performance fee agreement are set out in the Directors' Report on pages 41 and 42. The performance fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year amounted to £136,000 (2009: £nil) and the whole of this amount was outstanding at the year end.

During the year £114,000 (2009: £114,000) excluding VAT was payable to JPMAM for the administration and marketing of savings products, of which £nil (2009: £nil) was outstanding at the year end.

Included in other administration expenses in note 5 on page 62 are safe custody fees amounting to £65,000 (2009: £75,000) payable to third party custodians by JPMorgan Chase & Co on behalf of the Company of which £19,000 (2009: £19,000) was outstanding at the year end.

JPMAM may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable in the year was £11,000 (2009: £27,000) of which £nil (2008: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £137,000 (2009: £115,000) were payable to JPMorgan Chase & Co. during the year of which £18,000 (2009: £21,000) was outstanding at the year end.

The Company holds investments in funds managed by JPMAM. At 31st March 2010 these were valued at £40.3 million (2009: £24.8 million) and represented 11.9% (2009: 9.9%) of the Company's investment portfolio. During the year the Company made purchases of such investments with a total value of £21.0 million (2009: £29.2 million) and sales with a total value of £13.7 million (2009: £51.2 million). Income amounting to £0.2 million (2009: £1.0 million) was receivable from these investments during the year of which £1,000 (2009: £4,000) was outstanding at the year end.

The Company received £138,000 (2009: £660,000) from stock lending transactions during the year. Commissions amounting to £29,000 (2009: £140,000) were receivable by JPMAM during the year in respect of these transactions of which £4,000 (2009: £1,000) was outstanding at the year end.

At the year end, a bank balance of £53.2 million (2009: £95.3 million) was held with JPMorgan Chase & Co. A net amount of interest of £206,000 (2009: £1,092,000) was receivable by the Company during the year from JPMorgan Chase & Co. of which £9,000 (2009: £1,000) was outstanding at the year end.

22. Disclosures regarding financial instruments measured at fair value

The disclosures required by the amendment to FRS 29: 'Improving Disclosures about Financial Instruments' are given below. The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio and derivative financial instruments comprising forward foreign currency contracts.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 - valued using quoted prices in active markets for identical assets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 58.

The following table sets out the fair value measurements using the FRS 29 hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss at 31st March 2010				
Equity investments	315,159	-	-	315,159
Investments in liquidity funds	23,833	-	-	23,833
Derivative financial instruments - forward foreign currency contracts	(64)	-	-	(64)
Total	338,928	-	-	338,928

There were no transfers between Levels 1, 2 or 3 during the year.

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the Features page for each share class. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's financial instruments may comprise the following:

- investments in Continental European equity shares, collective investment funds with Continental European exposure and liquidity funds which are all held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- short term forward currency contracts for the purpose of managing exposure to fluctuations in the value of short term liabilities; and
- an issue of floating rate notes denominated in Euros, the main purpose of which is to finance the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market price risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

The majority of the Company's assets, liabilities and income are denominated in currencies other than sterling which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates may affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing is used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. This borrowing is limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair value or amortised cost of the Company's monetary items that have foreign currency exposure at 31st March are shown below. Where the Company's equity investments (which are not monetary items) are priced in foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	Euro £'m	2010 Other £'m	Total £'m	Euro £'m	2009 Other £'m	Total £'m
Investments held at fair value through profit or loss that are monetary items	23.8	–	23.8	16.9	–	16.9
Net current assets	74.5	0.4	74.9	95.1	–	95.1
Floating rate note in issue/bank loan	(88.9)	–	(88.9)	(124.6)	–	(124.6)
Foreign currency exposure on net monetary items	9.4	0.4	9.8	(12.6)	–	(12.6)
Investments held at fair value through profit or loss that are equities	222.0	62.2	284.2	205.9	4.6	210.5
Total net foreign currency exposure	231.4	62.6	294.0	193.3	4.6	197.9

In the opinion of the Directors, the above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates.

The sensitivity analysis is based on the Company's overseas income and monetary foreign currency financial instruments held at each balance sheet date and assumes a 10% (2009: 10%) appreciation or depreciation of sterling against the Euro and the other currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If sterling had weakened this would have had the following effect:

	2010 £'m	2009 £'m
Income statement return after taxation:		
Revenue return	1.0	1.8
Capital return	1.2	(1.3)
Total return after taxation	2.2	0.5
Net assets	2.2	0.5

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(i) Currency risk continued

Conversely, if sterling had strengthened this would have had the following effect:

	2010 £'m	2009 £'m
Income statement return after taxation:		
Revenue return	(1.0)	(1.8)
Capital return	(1.2)	1.3
Total return after taxation	(2.2)	(0.5)
Net assets	(2.2)	(0.5)

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the fair value of fixed interest rate securities and the interest payable on variable rate cash borrowings. The Company has no investment in fixed interest rate securities.

Management of interest rate risk

The Company finances part of its activities through borrowings at levels approved and monitored by the Board.

The Company has issued Euro 100 million Floating Rate Notes, repayable on 6th June 2011. The interest rate payable on these notes is based on the interbank offered rate for three month Euro deposits plus a margin of 0.53%. For part of the comparative year, the interest rate on 80% of this loan had been fixed under the terms of a swap agreement which was broken during that year.

At the comparative year end, the Company had drawn down Euro 35 million on a loan agreement with RBS. This agreement expired during the year. The loan was repaid and not renewed. For part of the comparative year, the interest rate of 80% of this loan had been fixed under the terms of a swap agreement which was broken during that year.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating rates, giving cash flow interest rate risk when rates are re-set, is as follows:

	2010 £'000	2009 £'000
Exposure to floating interest rates:		
Cash and short term deposits	53,214	95,308
Investments in liquidity funds	23,833	16,856
Foreign currency floating rate note	(88,934)	(92,130)
Foreign currency bank loan	—	(32,421)
Total exposure	(11,887)	(12,387)

Interest receivable on cash balances is at a margin below LIBOR (2009: same).

The target interest earned on the liquidity funds is the 7 day Euro London Interbank Bid Rate.

The above year end exposures are not representative of the exposure to interest rates during the year as the cash balances and investments in liquidity funds have fluctuated. The maximum and minimum exposures during the year, arising from cash balances and liquidity funds, were as follows:

	2010 £'000	2009 £'000
Maximum interest rate exposure to floating rates	100,174	112,164
Minimum interest rate exposure to floating rates	41,171	61,037

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2009: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's total exposure of financial assets and financial liabilities to floating rates at the balance sheet date, with all other variables held constant.

	2010		2009	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Income statement - return after taxation:				
Revenue return	623	(623)	724	(724)
Capital return	(402)	402	(847)	847
Total return after taxation for the year	221	(221)	(123)	123
Net assets	221	(221)	(123)	123

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in cash balances and investments in liquidity funds.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments and other assets or liabilities held by the Company.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(iii) Other price risk continued

Other price risk exposure

The Company's total exposure to other changes in market prices at 31st March comprises its holdings in equity investments as follows:

	2010 £'000	2009 £'000
Equity investments held at fair value through profit or loss	315,159	233,331

The above data is broadly representative of the exposure to other price risk during the year.

Concentration of exposure to other price risk

A list of the Company's investments is given on pages 19 to 22 and pages 29 to 33. This shows that the majority of the investment portfolios' value is in European equities but there is no concentration of exposure to any one European country. It should also be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation and net assets to an increase or decrease of 10% (2009: 10%) in the fair value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2010		2009	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	10% Increase in fair value £'000	10% Decrease in fair value £'000
Income statement - return after taxation:				
Revenue return	(51)	51	(23)	23
Capital return	31,412	(31,412)	23,174	(23,174)
Total return after taxation for the year and net assets	31,361	(31,361)	23,151	(23,151)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, the liquidity of which in normal markets is frequently tested by the Manager and which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements.

Contractual maturities of financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

	2010			2009			
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year							
Securities purchased awaiting settlement	277	–	277	–	–	–	–
Repurchases of the Company's own shares awaiting settlement	–	–	–	304	–	–	304
Other creditors and accruals	630	–	630	343	–	–	343
Performance fees	136	273	409	–	–	–	–
Foreign currency bank loan	–	–	–	–	32,421	–	32,421
Derivative financial instruments	64	–	64	–	–	–	–
Creditors: amounts falling due after more than one year							
Foreign currency floating rate note	–	88,934	88,934	–	–	92,130	92,130
	1,107	89,207	90,314	647	32,421	92,130	125,198

(c) Credit risk

Credit risk is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction which could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum credit rating of A1/P1 from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

The Company's assets are clearly ring-fenced in client designated accounts. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading.

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

(c) Credit risk continued

Credit risk exposure

The maximum exposure to credit risk at the year end was as follows:

	2010		2009	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
- investments held at fair value through profit or loss	315,159	–	233,331	–
- investments in liquidity funds held at fair value through profit or loss	23,833	–	16,856	–
Current assets				
Debtors - securities sold awaiting settlement, dividends and interest receivable and other debtors	1,460	1,460	924	924
Cash and short term deposits	53,214	53,214	95,308	95,308
	393,666	54,674	346,419	96,232

Cash and short term deposits comprises balances held at banks that have a minimum credit rating of A1/P1 from Standard & Poor's and Moody's respectively (2009: same).

The aggregate value of securities on loan at 31st March 2010 amounted to £13,037,000 (2009: £1,778,000) and the maximum value of stock on loan during the year amounted to £13,209,000 (2009: £97,207,000). Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency. Collateral acceptable under the Stock Lending Agreement may comprise cash in sterling, euros or US dollars, Eurozone government securities, UK government securities and US government securities.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value.

24. Capital management policies and procedures

The Company's capital comprises the following:

	2010 £'000	2009 £'000
Debt		
Foreign currency bank loan	–	32,421
Foreign currency floating rate note	88,934	92,130
	88,934	124,551
Equity		
Equity share capital	7,271	7,796
Reserves	296,081	213,425
	303,352	221,221
Total capital	392,286	345,772

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its Income and Growth share classes through an appropriate level of gearing.

The Board's policy is to limit gearing within the range 90% to 120%. Gearing for this purpose is defined as investments, excluding liquidity fund holdings, expressed as a percentage of net assets.

	2010 £'000	2009 £'000
Investments held at fair value excluding liquidity fund holdings	315,159	233,331
Net assets	303,352	221,221
Gearing	103.9%	105.5%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the need for issues of new shares, including sale of shares from Treasury.

Capital Structure and Conversion between Share Classes

Capital Structure

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.

- **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 either 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 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. 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.co.uk.

Shareholder Analysis

Growth Share Class
at 31st March 2010

	Number of shares	% Holding
Unit Trusts	14,292,803	12.2
Pension Funds	13,675,976	11.6
Other Institutions	11,907,157	10.1
Investment Trusts ¹	4,884,950	4.2
Insurance Companies	4,016,947	3.4
Charities	706,363	0.6
Total Institutions	49,484,196	42.1
Private Client Brokers	30,670,763	26.1
Retail investors holding shares directly or through nominee accounts ²	17,716,150	15.1
Individuals in the Investment Trust Investment Account	15,396,970	13.0
Individuals in the Investment Trust ISA	3,609,529	3.1
Individuals in the Investment Trust SIPP	744,460	0.6
Total Retail Holdings	68,137,872	57.9
Total Shares in issue	117,622,068	100.0

Nominee accounts have been allocated to their appropriate category.

¹Includes 4,859,167 shares held by JPMorgan Elect plc.

²Includes shares below threshold of 10,000 shares.

³Savings products managed by JPMorgan.

Source: Thomson Financial.

Shareholder Analysis

Income Share Class
at 31st March 2010

	Number of shares	% Holding
Pension Funds	9,816,449	17.5
Unit Trusts	5,969,387	10.6
Other Institutions	5,023,033	9.0
Investment Trusts ¹	2,610,500	4.7
Insurance Companies	300,898	0.5
Charities	5,120,401	9.1
Total Institutions	28,840,668	51.4
Private Client Brokers	18,024,068	32.1
Retail investors holding shares directly or through nominee accounts ²	5,219,199	9.3
Individuals in the Investment Trust Investment Account	3,620,843	6.5
Individuals in the Investment Trust ISA	393,869	0.7
Individuals in the Investment Trust SIPP	15,021	0.0
Total Retail Holdings	27,273,000	48.6
Total Shares in issue	56,113,668	100.0

Nominee accounts have been allocated to their appropriate category.

¹Includes 1,445,500 shares held by JPMorgan Elect plc.

²Includes shares below threshold of 10,000 shares.

³Savings products managed by JPMorgan.

Source: Thomson Financial.

Notice of Annual General Meeting

Notice is hereby given that the eighty-first Annual General Meeting of JPMorgan European Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Thursday, 15th July 2010 at 12.00 noon for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st March 2010.
- 2 To approve the Directors' Remuneration Report for the year ended 31st March 2010.
- 3 To re-elect Robin Faber a Director of the Company.
- 4 To re-elect Andrew Murison a Director of the Company.
- 5 To re-elect Ferdinand Verdonck a Director of the Company.
- 6 To re-appoint Ernst & Young LLP as auditors to the Company and to authorise the Directors to determine their remuneration for the ensuing year.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

- 7 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £360,444, representing approximately 5% of the issued share capital of the Growth and Income share classes of the Company as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

- 8 THAT subject to the passing of Resolution 7 set out above, the Directors of the Company be and they are hereby

empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 7 as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in the Company by way of rights issue, open offer or otherwise to holders of Growth shares and Income shares where the equity securities respectively attributable to the interests of all Growth shares and Income shares are proportionate to the respective numbers of Growth shares and Income shares held by them subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange or any territory or otherwise howsoever; and/or
- (b) the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal value of approximately £360,444 (being approximately 5% of the total issued share capital as at 8th June 2010) at a price not less than the net asset value per share; and shall expire upon the expiry of the general authority conferred by Resolution 7 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Authority to Repurchase the Company's Shares – Special Resolution

- 9 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued Growth shares and Income shares (both being classes of ordinary shares in the capital of the Company)

PROVIDED ALWAYS THAT

- (i) the maximum number of Growth and Income shares hereby authorised to be purchased shall be 17,432,996 or 8,358,505 respectively, or, if different, that number of Growth and Income shares which is equal to 14.99% of the issued share capital of the relevant share class as at the date of the passing of this Resolution;

Notice of Annual General Meeting continued

- (ii) the minimum price which may be paid for any Growth or Income share shall be 5p or 2.5p respectively;
- (iii) the maximum price which may be paid for any ordinary share shall be an amount equal to 105% of the average of the middle market quotations for a Growth or Income share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of Growth or Income shares will be made in the market for cash at prices below the prevailing net asset value per Growth or Income share (as determined by the Directors) at the date following not more than seven days before the date of purchase:
- (v) the authority hereby conferred shall expire on 14th January 2012 unless the authority is renewed at the Company's Annual General Meeting in 2011 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase Growth or Income shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Authority to make off-market purchases – Special Resolution

10 THAT the proposed Contingent Purchase contract between Winterflood Securities Limited and JPMorgan European Investment Trust plc to enable the Company to make off-market purchases of its own securities pursuant to Section 694 of the Act in the form produced at the meeting and initialled by the Chairman, be and is hereby approved and the Company be and is hereby authorised to enter into and perform such contract, but so that the approval and authority conferred by this resolution shall expire on the day immediately preceding the date which is 18 months after the passing of this resolution or, if earlier, the next Annual General Meeting of the Company.

Adoption of new Articles of Association – Special Resolution

11 THAT

- (i) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

- (ii) 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 new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary.
9th June 2010

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the Meeting

(the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only)

it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmlclaverhouse.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As at 8th June 2010 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 116,297,508 Growth shares and 55,760,544 Income shares. Voting rights are calculated by reference to the share voting numbers which, as at 31st March 2010, were 2.078 (Growth) and 1.063 (Income). Therefore the total voting rights in the Company are 300,939,679.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Appendix

The Companies Act 2006 (the '2006 Act'), which replaced the Companies Act 1985 (the '1985 Act') has been implemented in stages but was fully in force from 1st October 2009. In addition, the Shareholders' Rights Regulations which amended certain provisions of the 2006 Act relating to meetings of the Company came into force in August 2009. Under Resolution 11, the Company is adopting new Articles of Association (the 'Articles') which will reflect the changes in company law brought about by the Shareholders' Rights Regulations and by the provisions of the 2006 Act which came into effect on or before 1st October 2009. The Articles also include some other modernising and clarificatory amendments, including, where appropriate, tracking the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the 'model form articles'), which replaced the Table A articles under the 1985 Act on which many of the Company's current articles are based. Set out below is a summary of the principal changes.

1. The Company's objects

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. Under section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum are treated as part of the articles with effect from 1st October 2009 but the Company can remove these provisions by special resolution. Unless the articles provide otherwise, the Company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1st October 2009. Resolution 11 confirms the removal of these provisions and adopts the new Articles.

2. Limited liability (Article 3)

Under the 2006 Act, the memorandum of association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1st October 2009. As noted in paragraph 1 above, Resolution 11 confirms the removal, from the Company's

articles of association, of the provisions of the Company's memorandum of association which are treated as forming part of the Company's articles of association by virtue of section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the new Articles.

3. Authorised share capital and unissued shares

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the memorandum of association no longer contains a statement of the Company's authorised share capital. For existing companies, this statement is deemed to be a provision of the Company's articles of association setting out the maximum amount of shares that may be allotted by the Company. The adoption of the new Articles by the Company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares, except in respect of employee share schemes.

References to authorised share capital and to unissued shares have therefore been removed from the new Articles.

4. Redeemable shares (Article 11)

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The new Articles contain such authorisation.

5. Share certificates (Article 18)

The new Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles.

6. Transfer of shares (Articles 36 and 37)

The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the new Articles as there is no ability under the 2006 Act to close the register.

7. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 46)

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to

undertake these actions; but shareholder authority is still required. Amendments have been made to the new Articles to reflect these changes.

8. Participation in meetings at different places and by electronic means (Article 57)

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The new Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is being held. The amendments allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.

9. Adjournments (Article 59)

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least ten days' notice must be given to reconvene the meeting. The new Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement.

10. Removal of chairman's casting vote

Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the new Articles.

11. Voting rights (Article 68)

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands unless he has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by more than one member to vote for the resolution and by more than one member to vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The new Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

12. Voting record date (Article 69)

The new Articles include a new provision which was not previously in the Company's articles of association, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

13. Validity of votes (Article 73)

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The new Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

14. Termination of proxy authority (Article 79)

Article 79 provides that the termination of a proxy's authority should be in writing as this is required by the Shareholders' Rights Regulations.

15. Corporate representatives (Article 81)

The new Articles provide that the Company can require a corporate representative to produce a certified copy of the resolution appointing him before permitting him to exercise his powers.

16. Retirement of directors by rotation (Articles 87 and 88)

The new Articles have been redrafted in order to make this provision clearer and to ensure (as far as possible) a regular number of retiring directors each year, with the number to retire being the number nearest to one-third of the board, excluding those directors who are retiring and seeking re-election for other reasons. Article 87 continues to comply with Combined Code provision A.7.1 which recommends that all directors should be subject to re-election at intervals of no more than three years. Article 88 requires any non-executive director (other than the chairman) who has held office for

Appendix continued

nine years or more to put himself up for re-election at each annual general meeting. This is in line with Combined Code provision A.7.2.

17. Alternate directors (Articles 94, 96 and 98)

Article 94 now clarifies that an alternative director is entitled to be paid expenses (but not directors' fees). Article 96 is a new provision which effectively applies the provisions of Article 92, regarding removal of directors, to alternate directors. Article 98(c) makes it clear that an alternate is subject to the same restrictions as the director who appointed him.

18. Borrowing powers (Article 100)

Additional wording has been included in Articles 100(4)(a)(iii) and 100(5)(i) to clarify how any preference shares that might be issued should be treated for the purposes of the borrowing powers. Under IFRS and UK GAAP preference shares are now treated as a debt on a company's balance sheet, rather than equity. The additional wording included reflects this accounting treatment. The effect of this wording is to exclude the amount of any preference share capital from the calculation of the Company's share capital and reserves and to include such amount in the calculation of the Company's borrowings.

19. Delegation to persons or committees (Article 102)

Article 102 follows the new, simplified approach to delegation adopted in the model form articles, allowing the directors to delegate as they decide appropriate.

20. Directors' remuneration (Article 103)

Article 103 has been amended to increase the cap on the directors' aggregate fees from £150,000 to £175,000 per annum.

21. Directors' appointments, interests and conflicts of interest (Article 107)

Article 107, which is the provision for dealing with conflicts in our current articles, allowing directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the company is interested provided that he has disclosed his interest in accordance with the articles and the provisions of the Acts, has been amended so that it contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from 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 falls within the situations covered by Article 107.

22. Procedures regarding board meetings & resolution in writing (Articles 109 & 112)

The provisions of Article 109 have been amended to make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of directors, Article 112 has been amended so that, rather than referring to a resolution in writing by all directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the directors entitled to receive notice of the meeting and who would have been entitled to vote (and whose vote would have been counted) on a resolution at a meeting.

23. Quorum (Article 113)

The proposed amendment to Article 113, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

24. Permitted interests and voting (Article 114)

Article 114 has been amended to allow a director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include.

25. Notice when post not available (Article 134)

Article 134 is the article covering service of notice in the event of a postal strike. It has been amended to allow the Company in such circumstances to serve notices only on those members who receive notices via electronic means, provided that, as before, the Company also puts an advert in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again within seven days of the meeting.

26. The seal (Articles 143 and 144)

Article 143 provides an alternative option (in the absence of specific instructions from the directors) for documents (other than share certificates) to which the seal is affixed to be signed by one authorised person in the presence of a witness, in addition to either two directors or a director the secretary.

27. Change of name (Article 146)

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the new Articles enable the directors to pass a resolution to change the Company's name.

Glossary of Terms and Definitions

Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the Company at the time the shares were quoted ex-dividend.

Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested in the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Actual Gearing Factor

Investments, excluding holding in liquidity funds, expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value if the market value of the portfolio were to increase by 100%.

Total Expense Ratio

Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets.

Share Price Discount/Premium to Net Asset Value

If the share price of an investment company is lower than the NAV per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than at a premium.

Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Asset Allocation Effect

Measures the impact of allocating assets differently to those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

Stock Selection Effect

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Gearing/Cash Effect

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Currency

Measures the effect of currency exposure differences between the Company's portfolio and its benchmark.

Management Fees/Other Expenses

The payment of management fees and other expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Performance Fee

Measures the effect of a performance fee charge or writeback.

Share Repurchases

Measures the effect on relative performance of decreasing the number of shares in issue.

Information about the Company

Financial Calendar

Financial year end	31st March
Final results announced	June
Half year end	September
Half year results announced	November
Interim Management Statements announced	July/January
Dividends payable – Growth and Income	April and October
Annual General Meeting	July

History

JPMorgan 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. 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. The Company adopted its current structure and name in August 2006.

Company Numbers

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

ISIN numbers:
Growth: GB00B18JK166
Income: GB00B17XWW44

Bloomberg Codes:
Growth: JETG LN
Income: JETI LN

Market Information

The Company's net asset value is published daily, via The London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market prices are shown daily in the Financial Times, The Times, the Daily Telegraph, The Scotsman, The Independent and on the Company website at www.jpmeuropean.co.uk, where the share prices are updated every fifteen minutes during trading hours.

Website

www.jpmeuropean.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at www.jpmorganwealthmanagerplus.co.uk

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone number: 0207 742 6000

Please contact Jonathan Latter for company secretarial and administrative matters.

Registrars

Equiniti
Reference 1080
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0871 384 2319

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

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

Auditors

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

Brokers

Winterflood Securities
The Atrium Building
Cannon Bridge
25 Dowgate Hill
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