



Half Year Report **2010**

JPMorgan European  
Investment Trust plc

Half Year Report & Accounts for the six months ended 30th September 2010

# Half Year Performance

Total Returns (includes dividends reinvested)

## Growth Portfolio

**-4.9%**

Return to shareholders<sup>1</sup>

**-1.6%**

Return on net assets<sup>2</sup>

**-3.2%**

Benchmark return<sup>3</sup>

### Long Term Performance<sup>1</sup>

|  | Return to shareholders | Return on net assets | Benchmark return |
|--|------------------------|----------------------|------------------|
| 3 Year Performance<br>(1st Oct 2007 - 30th Sept 2010)  | -16.9%                 | -12.0%               | -6.4%            |
| 5 Year Performance<br>(1st Oct 2005 - 30th Sept 2010)  | +22.5%                 | +26.8%               | +33.2%           |
| 10 Year Performance<br>(1st Oct 2000 - 30th Sept 2010) | +37.0%                 | +37.9%               | +34.2%           |

### Financial Data

|   | 30th September 2010 | 31st March 2010 | % change |
|---|---------------------|-----------------|----------|
| Shareholders' funds (£'000)             | <b>226,948</b>      | 243,696         | -6.9     |
| Number of shares in issue               | <b>114,138,259</b>  | 117,622,068     |          |
| Net asset value per share               | <b>198.8p</b>       | 207.2p          | -4.0     |
| Share price                             | <b>176.75p</b>      | 183.75p         | -7.1     |
| Share price discount to net asset value | <b>14.1%</b>        | 11.3%           |          |

A glossary of terms and definitions is provided on page 28.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P.Morgan.

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

# Half Year Performance

Total Returns (includes dividends reinvested)

## Income Portfolio

**-3.4%**  
Return to shareholders<sup>1</sup>

**-1.9%**  
Return on net assets<sup>2</sup>

**-2.6%**  
Benchmark return<sup>3</sup>

### Long Term Performance<sup>1</sup>

|   | Return to shareholders | Return on net assets | Benchmark return |
|---|------------------------|----------------------|------------------|
| 2 Year Performance<br>(1st Oct 2008 - 30th Sept 2010) | +27.3%                 | +23.7%               | +17.9%           |
| 3 Year Performance<br>(1st Oct 2007 - 30th Sept 2010) | -4.6%                  | +0.3%                | -6.9%            |
| Since inception<br>(2nd Aug 2006 - 30th Sept 2010)    | +11.1%                 | +19.7%               | +14.2%           |

### Financial Data

|   | 30th September 2010 | 31st March 2010 | % change |
|---|---------------------|-----------------|----------|
| Shareholders' funds (£'000)             | <b>56,940</b>       | 59,656          | -4.5     |
| Number of shares in issue               | <b>56,995,588</b>   | 56,113,668      |          |
| Net asset value per share               | <b>99.9p</b>        | 106.3p          | -6.0     |
| Share price                             | <b>88.5p</b>        | 94.5p           | -6.3     |
| Share price discount to net asset value | <b>-11.4%</b>       | -11.1%          |          |

A glossary of terms and definitions is provided on page 28.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P.Morgan.

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

# Features

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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

At the period end there were 114,138,259 Growth shares and 56,995,588 Income shares in issue.

## Management Company

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

# Chairman's Statement



## Performance

Equity markets fell over the first six months of the Company's financial year, with concerns over the sovereign debt crisis in highly indebted Eurozone countries the dominant feature. It is satisfying therefore to report that both of the Company's portfolios outperformed their respective benchmarks in the six months to 30th September 2010. The Company's **Growth** portfolio produced a total return (capital plus net income reinvested) of -1.6% against a total return on the benchmark index, the FTSE All World Developed Europe (ex-UK) Index, of -3.2% (both in sterling terms). The Growth share price fell by 7.1% over the six months and, with net dividends re-invested, the total return to Growth shareholders was -4.9%.

In the same period, the **Income** portfolio produced a total return of -1.9%, compared with the total return on the benchmark index, the MSCI Europe Index, of -2.6%. With net dividends re-invested, the total return to shareholders was -3.4% over the period.

The factors underlying the performance of the two portfolios over the period are explained in the Investment Manager's Report on pages seven and eight, but it is gratifying that stock selection continues to be the most significant contributor to the relative out-performance of both portfolios, again vindicating the long-term integrity of the Manager's investment process. As explained in previous years, your Board keeps the Manager's investment process under very close scrutiny.

As I have stated previously, the Company seeks to out-perform over the longer term. I am therefore pleased to report that the Income portfolio has outperformed its benchmark index over the two and three years to 30th September 2010 and since its inception in August 2006. The three and five year performance of the Growth portfolio remains behind benchmark, as shown on page 2, but outperformance over more recent periods has improved this position and it remains ahead of benchmark over ten years.

## Revenue and Dividends

Earnings per share on the Growth portfolio for the six months to 30th September 2010 (calculated by reference to the average number of shares in issue over the period) amounted to 3.80 pence per share (2009: 3.66 pence). A first interim dividend of 3.80 pence per Growth share was paid on 4th October 2010 (2009: 3.75 pence). The higher level of dividend payment on the Growth portfolio, compared with the corresponding dividend paid in 2009, reflects a small increase in the level of income received from the investments in the portfolio than at the same stage in 2009. This is in some part due to an improvement in corporate earnings.

Earnings per share on the Income portfolio for the first half (again, calculated by reference to the average number of shares in issue over the period) amounted to 2.67 pence per share (2009: 2.67 pence). A first interim dividend of 2.60 pence per Income share was paid on 4th October 2010 (2009: 2.30 pence). The Board hopes to be able to maintain the dividend at 4.00 pence for the full year, however this is likely to again require a transfer from the revenue reserve.

# Chairman's Statement continued

Both dividend payments reflect the Board's policy to pay dividends in line with revenues received on the underlying portfolios, in order to ensure that income is distributed in line with shareholdings ahead of each conversion opportunity (in September and March each year).

## Share Repurchases

The Board has a proactive and structured approach to the use of its share repurchase powers. It remains of the view that it is important to seek to address imbalances in the supply of and demand for the Company's shares and to minimise thereby the volatility and absolute level of the discount to net asset value at which the Company's shares trade. As stated previously, your Board would not wish to see the discounts widen beyond 10% on an ongoing basis. The precise level and timing of repurchases carried out pursuant to this policy depend upon prevailing market conditions at the relevant time and the Board continues to monitor this policy in light of market conditions.

During the six months ended 30th September 2010, the Company repurchased a total of 2,632,417 Growth shares and 760,771 Income shares for cancellation. These repurchases were made at discounts between approximately 12.1% and 17.0% and 9.5% and 14.0% respectively (with debt valued at par). Since the period end, the Company has repurchased a further 655,666 Growth shares for cancellation.

For and on behalf of the Board

**Andrew Murison**

Chairman

29th November 2010

# Investment Managers' Report



Stephen Macklow-Smith



Alexander Fitzalan Howard

In the six months from the end of our financial year to 30th September, the Growth portfolio saw its NAV fall by 1.6% on a total return basis, against a FTSE All World Developed Europe ex-UK benchmark which fell by 3.2%. The return to shareholders in the Growth portfolio was -4.9%. For the Income portfolio, which aims to out-perform Europe including the UK on a total return basis, while providing an above average yield, the NAV fell by 1.9% against a benchmark which fell by 2.6%. The return to shareholders was -3.4%. In both portfolios, the discount on the shares widened slightly. The level of interim dividend paid out increased by 0.05p in the Growth portfolio and by 0.3p in the Income portfolio.

The Income portfolio has now been in existence for four years: at an NAV level it has out-performed the market over that period and it has generated positive returns for shareholders since launch, as well as delivering an attractive level of income. In the Growth portfolio, we continue to earn back the ground that we lost in 2008, but we still have more work to do to restore our longer-term track record. In both portfolios, however, the investment process is delivering good results and it seems as if we are in a more normal investing environment, which is in marked contrast to the huge volatility of the credit crunch.

The second quarter in Europe was dominated by the southern European debt crisis. In January and February there had been some volatility: this subsided in March after the EU announced a package to forestall any funding shortfall in Greece. However, in April the crisis re-erupted with full force as sovereign spreads over Germany widened dramatically firstly in Greece and then within three weeks in Ireland, Portugal, Spain, and Italy. The crisis was exacerbated by a perception of institutional problems at the heart of the EU and by an understanding (fuelled by comments in the press by Chancellor Merkel and Finance Minister Schaeuble) that Germany was an unwilling contributor to any bailout package.

German government bonds rallied, with the 10 year yield falling to around 2.5% and at the short end German 2 year yields fell below 0.5%, reflecting partly a perception that official rates would stay lower for longer, but also signalling an increased likelihood of a growth slowdown over the next 12 to 18 months. These fears of a double dip were not calmed by evidence of short term strength, with manufacturing confidence indices climbing to new post-crisis highs on both sides of the Atlantic. The oil price fell from a 12 month high, and commodity prices generally came under pressure in May.

The Euro came under pressure on foreign exchanges, with the trade-weighted index falling by around 10% during the three months leading up to June. Although this is a sign of stress in the Eurozone financial system, it also confers a substantial competitiveness benefit on European exporters, which make up a significant proportion of European stock markets.

The third quarter in Europe then saw markets trading within a range, although the underlying trend was positive. Company profit announcements have been encouraging, and analysts have continued to upgrade profit estimates. We saw two significant announcements in the financial sector, with the publication of the results

# Investment Managers' Report continued

of the European bank stress tests, and also the headline agreements under the new Basel 3 structures. The situation in the Eurozone became less strained, although we saw continued upward pressure on bond yield spreads in peripheral countries, with the greatest pressure coming in Ireland, Portugal and Greece.

In the portfolios, performance was driven mainly by stock selection, with a very small negative contribution from gearing as stock prices over the whole period declined slightly. In the Growth portfolio, our bar-bell approach means that we always have a positive exposure to Value stocks and to Growth<sup>1</sup> stocks and in the last six months Growth stocks have done particularly well, while Value stocks have fallen somewhat out of favour. Our combination of the best of both has added value. In the Income portfolio we only invest in the Value end of the market and although Value as a style did not do well, the higher dividend yield of our stocks meant that on balance they out-performed. This is partly because neither cash nor bonds offer attractive yields, so higher-yielding equities are that much more attractive.

In the longer term, we see modest growth in the West as households and governments continue to reduce debt, although European exporters look set to benefit from further increases in Latin American and Asian demand. It remains to be seen how the extraordinary level of monetary and fiscal accommodation will be reduced and there may be road bumps along the way. We also expect currency markets to remain volatile, and there are warnings emerging from various quarters about threats to international trade relations. We expect these concerns to be satisfactorily addressed, but they have the capacity to trigger short term uncertainty. Our medium term outlook for the next half-year is for further rises in equity markets, underpinned by accommodative monetary policy and healthy corporate earnings and balance sheets, allied to a still-attractive level of valuation. We are therefore looking for a chance to re-deploy a modest amount of gearing.

Stephen Macklow-Smith  
Alexander Fitzalan Howard  
Investment Managers

29th November 2010

<sup>1</sup> We define Growth stocks as those exhibiting good price momentum relative to the market supported by positive profit developments.

# Twenty Largest Equity Investments<sup>1</sup>

at 30th September 2010

| Company                                    | Country        | Sector                      | Value<br>£'000 | % <sup>2</sup> |
|--|----------------|-----------------------------|----------------|----------------|
| Novartis                                   | Switzerland    | Healthcare                  | 9,107          | 3.9            |
| Total                                      | France         | Oil & Gas Producers         | 7,411          | 3.2            |
| BNP Paribas                                | France         | Financials                  | 6,499          | 2.8            |
| Sanofi-Aventis                             | France         | Healthcare                  | 6,389          | 2.7            |
| Nestlé                                     | Switzerland    | Consumer Goods              | 5,824          | 2.5            |
| BASF                                       | Germany        | Basic Materials             | 5,495          | 2.3            |
| JPMorgan European Smaller Investment Trust | European Funds | Financials                  | 5,322          | 2.3            |
| Daimler                                    | Germany        | Consumer Goods              | 5,157          | 2.2            |
| Telefonica                                 | Spain          | Telecommunications Services | 5,098          | 2.2            |
| ENEL                                       | Italy          | Utilities                   | 4,955          | 2.1            |
| Banco Santander                            | Spain          | Financials                  | 4,247          | 1.8            |
| Allianz                                    | Germany        | Financials                  | 3,978          | 1.7            |
| Ahold                                      | Netherlands    | Consumer Services           | 3,900          | 1.7            |
| Philips Electronics                        | Netherlands    | Consumer Goods              | 3,871          | 1.6            |
| Deutsche Bank                              | Germany        | Financials                  | 3,634          | 1.5            |
| JPMorgan European Micro Cap                | European Funds | Financials                  | 3,611          | 1.5            |
| UBS  | Switzerland    | Financials                  | 3,407          | 1.5            |
| Compagnie Financiere Richemont             | Switzerland    | Consumer Goods              | 3,140          | 1.3            |
| Banco Bilbao Vizcaya Argentaria            | Spain          | Financials                  | 3,023          | 1.3            |
| Siemens                                    | Germany        | Industrials                 | 2,995          | 1.3            |
| <b>Total<sup>3</sup></b>                   |                |                             | <b>97,063</b>  | <b>41.4</b>    |

<sup>1</sup>Excludes investments in liquidity funds and bonds.

<sup>2</sup>Based on total investments of £234.6m, which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

<sup>3</sup>At 31st March 2010, the value of the twenty largest equity investments amounted to £96.0m representing 38.0% of total investments of £252.4m which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current assets.

# Portfolio Analyses

## Geographic

|                        | 30th September 2010         |                | 31st March 2010 |                |
|------------------------|-----------------------------|----------------|-----------------|----------------|
|                        | Portfolio<br>% <sup>1</sup> | Benchmark<br>% | Portfolio<br>%  | Benchmark<br>% |
| France                 | 20.3                        | 23.8           | 20.3            | 24.0           |
| Germany                | 18.4                        | 17.5           | 19.3            | 17.1           |
| Switzerland            | 15.0                        | 17.0           | 14.3            | 16.9           |
| Italy                  | 8.4                         | 7.0            | 9.1             | 7.6            |
| Spain                  | 8.3                         | 9.1            | 8.8             | 9.3            |
| Netherlands            | 7.6                         | 5.7            | 5.4             | 5.6            |
| European Funds         | 5.0                         | –              | 5.3             | –              |
| Sweden                 | 3.8                         | 7.1            | 3.7             | 5.9            |
| Finland                | 3.7                         | 2.4            | 4.1             | 2.6            |
| Belgium                | 2.6                         | 2.1            | 3.3             | 2.1            |
| Denmark                | 2.4                         | 2.6            | 1.5             | 2.4            |
| Norway                 | 2.0                         | 2.0            | 1.1             | 1.9            |
| Austria                | 1.1                         | 0.8            | 1.5             | 0.8            |
| Ireland                | 0.6                         | 0.5            | 0.2             | 0.7            |
| Luxembourg             | 0.5                         | 1.0            | 0.5             | 1.3            |
| Portugal               | 0.3                         | 0.8            | 1.1             | 0.9            |
| Greece                 | –                           | 0.6            | 0.5             | 0.9            |
| <b>Total Portfolio</b> | <b>100.0</b>                | <b>100.0</b>   | 100.0           | 100.0          |

<sup>1</sup>Based on total investments of £234.6m (31st March 2010: £252.4m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

## Sector

| Sector                      | 30th September 2010         |                | 31st March 2010 |                |
|-----------------------------|-----------------------------|----------------|-----------------|----------------|
|                             | Portfolio<br>% <sup>1</sup> | Benchmark<br>% | Portfolio<br>%  | Benchmark<br>% |
| Financials <sup>2</sup>     | 25.0                        | 23.8           | 28.3            | 24.9           |
| Consumer Goods              | 18.7                        | 16.9           | 15.2            | 15.2           |
| Industrials                 | 12.8                        | 13.8           | 14.0            | 13.3           |
| Healthcare                  | 9.4                         | 9.5            | 7.2             | 9.2            |
| Basic Materials             | 8.3                         | 7.4            | 9.6             | 7.5            |
| Oil & Gas Producers         | 7.4                         | 6.6            | 7.3             | 6.9            |
| Consumer Services           | 7.4                         | 5.5            | 6.0             | 5.3            |
| Telecommunications Services | 5.0                         | 6.7            | 4.7             | 6.6            |
| Utilities                   | 4.8                         | 6.4            | 5.6             | 7.3            |
| Technology                  | 1.2                         | 3.4            | 2.1             | 3.8            |
| <b>Total Portfolio</b>      | <b>100.0</b>                | <b>100.0</b>   | 100.0           | 100.0          |

<sup>1</sup>Based on total investments of £234.6m (31st March 2010: £252.4m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

<sup>2</sup>Includes £11.7m invested in investment companies, representing 5% of the portfolio.

# Growth Portfolio Income Statement

for the six months ended 30th September 2010

|   | (Unaudited)<br>Six months ended<br>30th September 2010 |                  |                | (Unaudited)<br>Six months ended<br>30th September 2009 |                  |                | (Audited)<br>Year ended<br>31st March 2010 |                  |                |
|---|--|------------------|----------------|--|------------------|----------------|--|------------------|----------------|
|   | Revenue<br>£'000                                       | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                                       | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                           | Capital<br>£'000 | Total<br>£'000 |
| (Losses)/gains on investments held at fair value through profit or loss           | –  | (8,600)          | (8,600)        | –  | 72,589           | 72,589         | –  | 82,788           | 82,788         |
| Net foreign currency gains/(losses)   | –  | 1,072            | 1,072          | –  | (577)            | (577)          | –  | 1,384            | 1,384          |
| Income from investments   | 5,695  | –                | 5,695          | 6,744  | –                | 6,744          | 8,849                                      | –                | 8,849          |
| Other interest receivable and similar income                                      | 167  | –                | 167            | 150  | –                | 150            | 297  | –                | 297            |
| <b>Gross return/(loss)</b>  | <b>5,862</b>   | <b>(7,528)</b>   | <b>(1,666)</b> | 6,894  | 72,012           | 78,906         | 9,146                                      | 84,172           | 92,318         |
| Management fee  | (187)  | (435)            | (622)          | (186)  | (436)            | (622)          | (514)                                      | (1,200)          | (1,714)        |
| Performance fee   | –  | (1,415)          | (1,415)        | –  | –                | –              | –  | –                | –              |
| Other administrative expenses   | (249)  | –                | (249)          | (277)  | –                | (277)          | (584)                                      | –                | (584)          |
| <b>Net return/(loss) on ordinary activities before finance costs and taxation</b> | <b>5,426</b>   | <b>(9,378)</b>   | <b>(3,952)</b> | 6,431  | 71,576           | 78,007         | 8,048                                      | 82,972           | 91,020         |
| Finance costs   | (192)  | (449)            | (641)          | (305)  | (712)            | (1,017)        | (526)                                      | (1,227)          | (1,753)        |
| <b>Net return/(loss) on ordinary activities before taxation</b>                   | <b>5,234</b>   | <b>(9,827)</b>   | <b>(4,593)</b> | 6,126  | 70,864           | 76,990         | 7,522                                      | 81,745           | 89,267         |
| Taxation  | (836)  | 90               | (746)          | (1,555)  | 820              | (735)          | (1,609)                                    | 671              | (938)          |
| <b>Net return/(loss) on ordinary activities after taxation</b>                    | <b>4,398</b>   | <b>(9,737)</b>   | <b>(5,339)</b> | 4,571  | 71,684           | 76,255         | 5,913                                      | 82,416           | 88,329         |
| <b>Return/(loss) per Growth share</b>   | <b>3.80p</b>   | <b>(8.40)p</b>   | <b>(4.60)p</b> | 3.66p  | 57.34p           | 61.00p         | 4.79p                                      | 66.82p           | 71.61p         |

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

The 'Total' column of this statement is the profit and loss account of the Growth pool of assets and the 'Revenue' and 'Capital' columns represent supplementary information.

# Growth Portfolio Balance Sheet

at 30th September 2010

|  | (Unaudited)<br>30th September<br>2010<br>£'000 | (Unaudited)<br>30th September<br>2009<br>£'000 | (Audited)<br>31st March<br>2010<br>£'000 |
|--|--|--|--|
| <b>Fixed assets</b>  |  |  |  |
| Investments held at fair value through profit or loss                    | 234,613  | 270,796  | 252,366                                  |
| Investments in liquidity funds held at fair value through profit or loss | 17,968   | 19,348   | 19,165                                   |
| <b>Total portfolio</b>   | <b>252,581</b>                                 | 290,144  | 271,531                                  |
| <b>Current assets</b>  |  |  |  |
| Debtors  | 450  | 1,108  | 764                                      |
| Cash and short term deposits   | 45,455   | 28,605   | 43,961                                   |
|  | 45,905   | 29,713   | 44,725                                   |
| <b>Creditors:</b> amounts falling due within one year                    | <b>(70,595)</b>                                | (145)  | (605)                                    |
| <b>Net current (liabilities)/assets</b>                                  | <b>(24,690)</b>                                | 29,568   | 44,120                                   |
| <b>Total assets less current liabilities</b>                             | <b>227,891</b>                                 | 319,712  | 315,651                                  |
| <b>Creditors:</b> amounts falling due after more than one year           |  |  |  |
| Bank loans   | –  | (73,635)                                       | (71,955)                                 |
| <b>Provisions for liabilities and charges</b>                            |  |  |  |
| Performance fees   | (943)  | –  | –  |
| <b>Total net assets</b>  | <b>226,948</b>                                 | 246,077  | 243,696                                  |
| <b>Net asset value per Growth share</b>                                  | <b>198.8p</b>                                  | 199.4p   | 207.2p                                   |

# Twenty Largest Equity Investments<sup>1</sup>

at 30th September 2010

| Company                  | Country     | Sector                      | Value<br>£'000 | % <sup>2</sup> |
|--------------------------|-------------|-----------------------------|----------------|----------------|
| Royal Dutch Shell        | UK          | Energy                      | 1,658          | 2.9            |
| HSBC                     | UK          | Financials                  | 1,603          | 2.8            |
| Nestle                   | Switzerland | Consumer Staples            | 1,373          | 2.4            |
| Vodafone                 | UK          | Telecommunications Services | 1,206          | 2.1            |
| Novartis                 | Switzerland | Healthcare                  | 1,039          | 1.8            |
| Total                    | France      | Energy                      | 1,032          | 1.8            |
| Banco Santander          | Spain       | Financials                  | 989            | 1.8            |
| GlaxoSmithKline          | UK          | Healthcare                  | 982            | 1.7            |
| Telefonica               | Spain       | Telecommunications Services | 972            | 1.7            |
| Unilever                 | UK          | Consumer Staples            | 833            | 1.5            |
| British American Tobacco | UK          | Consumer Staples            | 777            | 1.4            |
| Roche                    | Switzerland | Healthcare                  | 776            | 1.4            |
| AstraZeneca              | UK          | Healthcare                  | 749            | 1.3            |
| Sanofi-Aventis           | France      | Healthcare                  | 722            | 1.3            |
| BHP Billiton             | UK          | Materials                   | 698            | 1.2            |
| BNP Paribas              | France      | Financials                  | 659            | 1.2            |
| ENI                      | Italy       | Energy                      | 556            | 1.0            |
| BASF                     | Germany     | Materials                   | 542            | 1.0            |
| Tesco                    | UK          | Consumer Staples            | 537            | 1.0            |
| Allianz                  | Germany     | Financials                  | 524            | 0.9            |
| <b>Total<sup>3</sup></b> |             |                             | <b>18,227</b>  | <b>32.2</b>    |

<sup>1</sup>Excludes investments in liquidity funds.

<sup>2</sup>Based on total investments of £56.6m, which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

<sup>3</sup>At 31st March 2010, the value of the twenty largest equity investments amounted to £21.7m representing 34.6% of total investments of £62.8m which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current assets.

# Portfolio Analyses

## Geographic

|                        | 30th September 2010      |              | 31st March 2010 |             |
|------------------------|--------------------------|--------------|-----------------|-------------|
|                        | Portfolio % <sup>1</sup> | Benchmark %  | Portfolio %     | Benchmark % |
| United Kingdom         | 40.4                     | 33.2         | 40.8            | 32.3        |
| France                 | 11.0                     | 15.2         | 9.3             | 16.3        |
| Spain                  | 9.0                      | 5.8          | 9.3             | 6.0         |
| Switzerland            | 8.4                      | 12.0         | 8.8             | 12.2        |
| Germany                | 6.5                      | 12.2         | 6.6             | 11.9        |
| Italy                  | 5.4                      | 4.3          | 5.0             | 5.0         |
| Sweden                 | 4.4                      | 4.9          | 5.3             | 4.3         |
| Finland                | 3.5                      | 1.7          | 3.7             | 1.9         |
| Netherlands            | 3.0                      | 4.1          | 3.1             | 4.1         |
| Norway                 | 2.5                      | 1.2          | 2.0             | 1.1         |
| Belgium                | 1.8                      | 1.5          | 1.9             | 1.5         |
| Portugal               | 1.4                      | 0.4          | 1.5             | 0.4         |
| Austria                | 1.2                      | 0.5          | 0.5             | 0.5         |
| Greece                 | 0.7                      | 0.5          | 1.0             | 0.7         |
| Ireland                | 0.6                      | 0.4          | 1.2             | 0.4         |
| Denmark                | 0.2                      | 1.5          | –               | 1.4         |
| Luxembourg             | –                        | 0.6          | –               | –           |
| <b>Total Portfolio</b> | <b>100.0</b>             | <b>100.0</b> | 100.0           | 100.0       |

<sup>1</sup>Based on total investments of £56.6m (31st March 2010: £62.8m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

# Portfolio Analyses continued

## Sector

| Sector                      | 30th September 2010      |              | 31st March 2010 |             |
|-----------------------------|--------------------------|--------------|-----------------|-------------|
|                             | Portfolio % <sup>1</sup> | Benchmark %  | Portfolio %     | Benchmark % |
| Financials                  | 24.3                     | 23.1         | 22.0            | 23.8        |
| Industrials                 | 12.9                     | 10.6         | 14.3            | 10.0        |
| Consumer Staples            | 11.6                     | 12.6         | 11.1            | 12.1        |
| Telecommunications Services | 9.7                      | 6.9          | 8.2             | 6.7         |
| Consumer Discretionary      | 9.4                      | 8.7          | 9.1             | 7.4         |
| Energy                      | 8.7                      | 10.1         | 11.4            | 11.0        |
| Healthcare                  | 8.5                      | 10.1         | 8.7             | 10.2        |
| Utilities                   | 6.4                      | 5.5          | 7.3             | 6.0         |
| Materials                   | 5.9                      | 9.6          | 3.9             | 9.8         |
| Information Technology      | 2.6                      | 2.8          | 4.0             | 3.0         |
| <b>Total Portfolio</b>      | <b>100.0</b>             | <b>100.0</b> | 100.0           | 100.0       |

<sup>1</sup>Based on total investments of £56.6m (31st March 2010: £62.8m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

# Income Portfolio

## Income Statement

for the six months ended 30th September 2010

|   | (Unaudited)<br>Six months ended<br>30th September 2010 |                  |                | (Unaudited)<br>Six months ended<br>30th September 2009 |                  |                | (Audited)<br>Year ended<br>31st March 2010 |                  |                |
|---|--|------------------|----------------|--|------------------|----------------|--|------------------|----------------|
|   | Revenue<br>£'000                                       | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                                       | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                           | Capital<br>£'000 | Total<br>£'000 |
| (Losses)/gains on investments held at fair value through profit or loss           | –  | (2,601)          | (2,601)        | –  | 18,118           | 18,118         | –  | 21,527           | 21,527         |
| Net foreign currency gains/(losses)   | –  | 316              | 316            | –  | (96)             | (96)           | –  | 211              | 211            |
| Income from investments   | 1,833  | –                | 1,833          | 2,013  | –                | 2,013          | 2,939                                      | –                | 2,939          |
| Other interest receivable and similar income                                      | 28   | –                | 28             | 27   | –                | 27             | 47   | –                | 47             |
| <b>Gross return/(loss)</b>  | <b>1,861</b>   | <b>(2,285)</b>   | <b>(424)</b>   | 2,040  | 18,022           | 20,062         | 2,986                                      | 21,738           | 24,724         |
| Management fee  | (106)  | (158)            | (264)          | (98)   | (147)            | (245)          | (209)                                      | (313)            | (522)          |
| Performance fee   | –  | (229)            | (229)          | –  | (229)            | (229)          | –  | (409)            | (409)          |
| Other administrative expenses   | (53)   | –                | (53)           | (45)   | –                | (45)           | (113)                                      | –                | (113)          |
| <b>Net return/(loss) on ordinary activities before finance costs and taxation</b> | <b>1,702</b>   | <b>(2,672)</b>   | <b>(970)</b>   | 1,897  | 17,646           | 19,543         | 2,664                                      | 21,016           | 23,680         |
| Finance costs   | (59)   | (89)             | (148)          | (88)   | (134)            | (222)          | (157)                                      | (236)            | (393)          |
| <b>Net return/(loss) on ordinary activities before taxation</b>                   | <b>1,643</b>   | <b>(2,761)</b>   | <b>(1,118)</b> | 1,809  | 17,512           | 19,321         | 2,507                                      | 20,780           | 23,287         |
| Taxation  | (153)  | –                | (153)          | (267)  | 134              | (133)          | (258)                                      | 92               | (166)          |
| <b>Net return/(loss) on ordinary activities after taxation</b>                    | <b>1,490</b>   | <b>(2,761)</b>   | <b>(1,271)</b> | 1,542  | 17,646           | 19,188         | 2,249                                      | 20,872           | 23,121         |
| <b>Return/(loss) per Income share</b>   | <b>2.67p</b>   | <b>(4.95)p</b>   | <b>(2.28)p</b> | 2.67p  | 30.51p           | 33.18p         | 3.92p                                      | 36.37p           | 40.29p         |

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

The 'Total' column of this statement is the profit and loss account of the Income pool of assets and the 'Revenue' and 'Capital' columns represent supplementary information.

# Income Portfolio Balance Sheet

at 30th September 2010

|  | (Unaudited)<br>30th September<br>2010<br>£'000 | (Unaudited)<br>30th September<br>2009<br>£'000 | (Audited)<br>31st March<br>2010<br>£'000 |
|--|--|--|--|
| <b>Fixed assets</b>  |  |  |  |
| Investments held at fair value through profit or loss                    | 56,618   | 63,668   | 62,793                                   |
| Investments in liquidity funds held at fair value through profit or loss | 4,534  | 4,571  | 4,668                                    |
| <b>Total portfolio</b>   | <b>61,152</b>                                  | 68,239   | 67,461                                   |
| <b>Current assets</b>  |  |  |  |
| Financial assets: Derivative financial instruments                       | 225  | –  | –  |
| Debtors  | 581  | 635  | 696                                      |
| Cash and short term deposits   | 12,147   | 6,694  | 9,253                                    |
|  | 12,953   | 7,329  | 9,949                                    |
| <b>Creditors:</b> amounts falling due within one year                    | <b>(16,831)</b>                                | (33)   | (438)                                    |
| Financial liabilities: Derivative financial instruments                  | (100)  | –  | (64)                                     |
| <b>Net current (liabilities)/assets</b>                                  | <b>(3,978)</b>                                 | 7,296  | 9,447                                    |
| <b>Total assets less current liabilities</b>                             | <b>57,174</b>                                  | 75,535   | 76,908                                   |
| <b>Creditors:</b> amounts falling due after more than one year           |  |  |  |
| Bank loans   | –  | (17,375)                                       | (16,979)                                 |
| <b>Provisions for liabilities and charges</b>                            |  |  |  |
| Performance fees   | (234)  | (229)  | (273)                                    |
| <b>Total net assets</b>  | <b>56,940</b>                                  | 57,931   | 59,656                                   |
| <b>Net asset value per Income share</b>                                  | <b>99.9p</b>                                   | 101.5p   | 106.3p                                   |

# The Company

## Income Statement

for the six months ended 30th September 2010

|   | (Unaudited)<br>Six months ended<br>30th September 2010 |                  |                | (Unaudited)<br>Six months ended<br>30th September 2009 |                  |                | (Audited)<br>Year ended<br>31st March 2010 |                  |                |
|---|--|------------------|----------------|--|------------------|----------------|--|------------------|----------------|
|   | Revenue<br>£'000                                       | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                                       | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                           | Capital<br>£'000 | Total<br>£'000 |
| (Losses)/gains on investments held at fair value through profit or loss           | –  | (11,201)         | (11,201)       | –  | 90,707           | 90,707         | –  | 104,315          | 104,315        |
| Net foreign currency gains/(losses)   | –  | 1,388            | 1,388          | –  | (673)            | (673)          | –  | 1,595            | 1,595          |
| Income from investments   | 7,528  | –                | 7,528          | 8,757  | –                | 8,757          | 11,788                                     | –                | 11,788         |
| Other interest receivable and similar income                                      | 195  | –                | 195            | 177  | –                | 177            | 344  | –                | 344            |
| <b>Gross return/(loss)</b>  | <b>7,723</b>   | <b>(9,813)</b>   | <b>(2,090)</b> | 8,934  | 90,034           | 98,968         | 12,132                                     | 105,910          | 118,042        |
| Management fee  | (293)  | (593)            | (886)          | (284)  | (583)            | (867)          | (723)                                      | (1,513)          | (2,236)        |
| Performance fee   | –  | (1,644)          | (1,644)        | –  | (229)            | (229)          | –  | (409)            | (409)          |
| Other administrative expenses   | (302)  | –                | (302)          | (322)  | –                | (322)          | (697)                                      | –                | (697)          |
| <b>Net return/(loss) on ordinary activities before finance costs and taxation</b> | <b>7,128</b>   | <b>(12,050)</b>  | <b>(4,922)</b> | 8,328  | 89,222           | 97,550         | 10,712                                     | 103,988          | 114,700        |
| Finance costs   | (251)  | (538)            | (789)          | (393)  | (846)            | (1,239)        | (683)                                      | (1,463)          | (2,146)        |
| <b>Net return/(loss) on ordinary activities before taxation</b>                   | <b>6,877</b>   | <b>(12,588)</b>  | <b>(5,711)</b> | 7,935  | 88,376           | 96,311         | 10,029                                     | 102,525          | 112,554        |
| Taxation  | (989)  | 90               | (899)          | (1,822)  | 954              | (868)          | (1,867)                                    | 763              | (1,104)        |
| <b>Net return/(loss) on ordinary activities after taxation</b>                    | <b>5,888</b>   | <b>(12,498)</b>  | <b>(6,610)</b> | 6,113  | 89,330           | 95,443         | 8,162                                      | 103,288          | 111,450        |
| <b>Return/(loss) per share</b> (note 4):  |  |                  |                |  |                  |                |  |                  |                |
| Growth share  | 3.80p  | (8.40)p          | 4.60p          | 3.66p  | 57.34p           | 61.00p         | 4.79p                                      | 66.82p           | 71.61p         |
| Income share  | 2.67p  | (4.95)p          | (2.28)p        | 2.67p  | 30.51p           | 33.18p         | 3.92p                                      | 36.37p           | 40.29p         |

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

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 total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

# The Company

## Reconciliation of Movements in Shareholders' Funds

| Six months ended<br>30th September 2010 (Unaudited)             | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Other<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|---|--|---------------------------|---|------------------------------|---------------------------|-----------------------------|----------------|
| <b>At 31st March 2010</b>                                       | 7,274                                  | 24,078                    | 11,537                                    | 257,944                      | (393)                     | 2,912                       | <b>303,352</b> |
| Repurchase and cancellation of the<br>Company's own shares      | (151)                                  | –                         | 151                                       | (4,928)                      | –                         | –                           | <b>(4,928)</b> |
| Share conversions during the period                             | (1)                                    | 1,901                     | 49  | (1,949)                      | –                         | –                           | <b>–</b>       |
| Net (loss)/return on ordinary activities                        | –                                      | –                         | –   | (12,498)                     | –                         | 5,888                       | <b>(6,610)</b> |
| Cash flow hedge allocated to finance<br>costs during the period | –                                      | –                         | –   | –                            | 169                       | –                           | <b>169</b>     |
| Dividends appropriated in the period                            | –                                      | –                         | –   | –                            | –                         | (8,095)                     | <b>(8,095)</b> |
| <b>At 30th September 2010</b>                                   | <b>7,122</b>                           | <b>25,979</b>             | <b>11,737</b>                             | <b>238,569</b>               | <b>(224)</b>              | <b>705</b>                  | <b>283,888</b> |

| Six months ended<br>30th September 2009 (Unaudited)             | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Other<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|---|--|---------------------------|---|------------------------------|---------------------------|-----------------------------|----------------|
| <b>At 31st March 2009</b>                                       | 7,796                                  | 21,079                    | 10,942                                    | 174,410                      | (724)                     | 7,718                       | <b>221,221</b> |
| Repurchase and cancellation of the<br>Company's own shares      | (211)                                  | –                         | 211                                       | (5,830)                      | –                         | –                           | <b>(5,830)</b> |
| Share conversions during the period                             | –                                      | 1,553                     | 40  | (1,593)                      | –                         | –                           | <b>–</b>       |
| Net return on ordinary activities                               | –                                      | –                         | –   | 89,330                       | –                         | 6,113                       | <b>95,443</b>  |
| Cash flow hedge allocated to finance<br>costs during the period | –                                      | –                         | –   | –                            | 172                       | –                           | <b>172</b>     |
| Dividends appropriated in the period                            | –                                      | –                         | –   | –                            | –                         | (6,998)                     | <b>(6,998)</b> |
| <b>At 30th September 2009</b>                                   | <b>7,585</b>                           | <b>22,632</b>             | <b>11,193</b>                             | <b>256,317</b>               | <b>(552)</b>              | <b>6,833</b>                | <b>304,008</b> |

| Year ended<br>31st March 2010 (Audited)                      | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Other<br>reserve<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000  |
|--|--|---------------------------|---|------------------------------|---------------------------|-----------------------------|-----------------|
| <b>At 31st March 2009</b>                                    | 7,796                                  | 21,079                    | 10,942                                    | 174,410                      | (724)                     | 7,718                       | <b>221,221</b>  |
| Repurchase and cancellation of the<br>Company's own shares   | (522)                                  | –                         | 522                                       | (16,682)                     | –                         | –                           | <b>(16,682)</b> |
| Share conversions during the year                            | –                                      | 2,999                     | 73  | (3,072)                      | –                         | –                           | <b>–</b>        |
| Net return on ordinary activities                            | –                                      | –                         | –   | 103,288                      | –                         | 8,162                       | <b>111,450</b>  |
| Cash flow hedge allocated to finance<br>cost during the year | –                                      | –                         | –   | –                            | 331                       | –                           | <b>331</b>      |
| Dividends appropriated in the year                           | –                                      | –                         | –   | –                            | –                         | (12,968)                    | <b>(12,968)</b> |
| <b>At 31st March 2010</b>                                    | <b>7,274</b>                           | <b>24,078</b>             | <b>11,537</b>                             | <b>257,944</b>               | <b>(393)</b>              | <b>2,912</b>                | <b>303,352</b>  |

# The Company Balance Sheet

at 30th September 2010

|  | (Unaudited)<br>30th September 2010 |                 |                 | (Unaudited)<br>30th September 2009 | (Audited)<br>31st March 2010 |
|--|------------------------------------|-----------------|-----------------|------------------------------------|------------------------------|
|  | Growth<br>£'000                    | Income<br>£'000 | Total<br>£'000  | Total<br>£'000                     | Total<br>£'000               |
| <b>Fixed assets</b>  |                                    |                 |                 |                                    |                              |
| Investments held at fair value through profit or loss                    | 234,613                            | 56,618          | 291,231         | 334,464                            | 315,159                      |
| Investments in liquidity funds held at fair value through profit or loss | 17,968                             | 4,534           | 22,502          | 23,919                             | 23,833                       |
| <b>Total portfolio</b>   | <b>252,581</b>                     | <b>61,152</b>   | <b>313,733</b>  | 358,383                            | 338,992                      |
| <b>Current assets</b>  |                                    |                 |                 |                                    |                              |
| Financial assets: Derivative financial instruments                       | –                                  | 225             | 225             | –                                  | –                            |
| Debtors  | 450                                | 581             | 1,031           | 1,743                              | 1,460                        |
| Cash and short term deposits   | 45,455                             | 12,147          | 57,602          | 35,299                             | 53,214                       |
|  | 45,905                             | 12,953          | 58,858          | 37,042                             | 54,674                       |
| <b>Creditors: amounts falling due within one year</b>                    | <b>(70,595)</b>                    | <b>(16,831)</b> | <b>(87,426)</b> | (178)                              | (1,043)                      |
| Financial liabilities: Derivative financial instruments                  | –                                  | (100)           | (100)           | –                                  | (64)                         |
| <b>Net current (liabilities)/assets</b>                                  | <b>(24,690)</b>                    | <b>(3,978)</b>  | <b>(28,668)</b> | 36,864                             | 53,567                       |
| <b>Total assets less current liabilities</b>                             | <b>227,891</b>                     | <b>57,174</b>   | <b>284,065</b>  | 395,247                            | 392,559                      |
| <b>Creditors: amounts falling due after more than one year</b>           |                                    |                 |                 |                                    |                              |
| Bank loans   | –                                  | –               | –               | (91,010)                           | (88,934)                     |
| <b>Provisions for liabilities and charges</b>                            |                                    |                 |                 |                                    |                              |
| Performance fees   | (943)                              | (234)           | (1,177)         | (229)                              | (273)                        |
| <b>Total net assets</b>  | <b>226,948</b>                     | <b>56,940</b>   | <b>283,888</b>  | 304,008                            | 303,352                      |
| <b>Capital and reserves</b>  |                                    |                 |                 |                                    |                              |
| Called up share capital  | 5,711                              | 1,411           | 7,122           | 7,585                              | 7,274                        |
| Share premium  | 8,339                              | 17,640          | 25,979          | 22,632                             | 24,078                       |
| Capital redemption reserve   | 10,799                             | 938             | 11,737          | 11,193                             | 11,537                       |
| Capital reserves   | 201,890                            | 36,679          | 238,569         | 256,317                            | 257,944                      |
| Other reserve  | (184)                              | (40)            | (224)           | (552)                              | (393)                        |
| Revenue reserve  | 393                                | 312             | 705             | 6,833                              | 2,912                        |
| <b>Shareholders' funds</b>   | <b>226,948</b>                     | <b>56,940</b>   | <b>283,888</b>  | 304,008                            | 303,352                      |
| <b>Net asset values</b> (note 5):  |                                    |                 |                 |                                    |                              |
| <b>Net asset value per Growth share</b>                                  |                                    |                 | 198.8p          | 199.4p                             | 207.2p                       |
| <b>Net asset value per Income share</b>                                  |                                    |                 | 99.9p           | 101.5p                             | 106.3p                       |

# The Company

## Cash Flow Statement

for the six months ended 30th September 2010

|  | (Unaudited)<br>Six months ended<br>30th September 2010<br>£'000 | (Unaudited)<br>Six months ended<br>30th September 2009<br>£'000 | (Audited)<br>Year ended<br>31st March 2010<br>£'000 |
|--|---|---|---|
| Net cash inflow from operating activities                                      | 5,152   | 6,050   | 7,900   |
| Net cash outflow from returns on investments<br>and servicing of finance       | (590)   | (1,098)   | (1,745)   |
| Taxation recovered   | 81  | 248   | 631   |
| Net cash inflow/(outflow) from capital expenditure<br>and financial investment | 14,038  | (17,453)  | 15,425  |
| Dividends paid   | (8,095)   | (6,998)   | (12,968)  |
| Net cash outflow from financing  | (4,923)   | (36,481)  | (47,332)  |
| <b>Increase/(decrease) in cash for the period</b>                              | <b>5,744</b>  | <b>(55,732)</b>   | <b>(38,269)</b>                                     |
| <b>Reconciliation of net cash flow to<br/>movement in net debt</b>             |   |   |   |
| Increase/(decrease) in cash for the period                                     | 5,744   | (55,732)  | (38,269)  |
| Repayment of loan  | –   | 30,346  | 30,346  |
| Exchange movements   | 1,200   | (973)   | 1,659   |
| Other movements  | (101)   | (109)   | (213)   |
| Changes in net debt arising from cash flows                                    | 6,843   | (26,468)  | (6,477)   |
| Net debt at the beginning of the period  | (35,720)  | (29,243)  | (29,243)  |
| <b>Net debt at the end of the period</b>                                       | <b>(28,877)</b>   | <b>(55,711)</b>   | <b>(35,720)</b>                                     |
| Represented by:  |   |   |   |
| Cash and short term deposits   | 57,602  | 35,299  | 53,214  |
| Foreign currency bank loans  | (86,479)  | (91,010)  | (88,934)  |
| <b>Net debt</b>  | <b>(28,877)</b>   | <b>(55,711)</b>   | <b>(35,720)</b>                                     |

# Notes to the Accounts

for the six months ended 30th September 2010

## 1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st March 2010 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009.

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

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 31st March 2010.

## 3. Dividends

|   | (Unaudited)<br>Six months ended<br>30th September 2010<br>£'000 | (Unaudited)<br>Six months ended<br>30th September 2009<br>£'000 | (Audited)<br>Year ended<br>31st March 2010<br>£'000 |
|---|---|---|---|
| <b>Dividends paid</b>                           |   |   |   |
| Unclaimed dividends refunded to the Company     | –   | (9)   | (16)  |
| Growth 2010 final dividend of 1.1p (2009: 2.0p) | <b>1,317</b>  | 2,568   | 2,568   |
| Growth 2009 special dividend of 2.5p            | –   | 3,210   | 3,210   |
| Growth interim dividend of 3.8p (2009: 3.75p)   | <b>4,372</b>  | –   | 4,653   |
| Income 2010 final dividend of 1.7p (2009: 1.0p) | <b>967</b>  | 572   | 572   |
| Income 2009 special dividend of 1.15p           | –   | 657   | 657   |
| Income interim dividend of 2.6p (2009: 2.3p)    | <b>1,439</b>  | –   | 1,324   |
| <b>Total dividends paid in the period</b>       | <b>8,095</b>  | 6,998   | 12,968  |
| <b>Dividends declared</b>                       |   |   |   |
| Growth 2009 interim dividend of 3.75p           | –   | 4,647   | –   |
| Income 2009 interim dividend of 2.3p            | –   | 1,324   | –   |
| Growth 2010 final dividend of 1.1p              | –   | –   | 1,305   |
| Income 2010 final dividend of 1.7p              | –   | –   | 966   |
| <b>Total dividends declared</b>                 | –   | 5,971   | 2,271   |

# Notes to the Accounts continued

## 4. Return/(loss) per share

|   | (Unaudited)<br>Six months ended<br>30th September 2010<br>£'000 | (Unaudited)<br>Six months ended<br>30th September 2009<br>£'000 | (Audited)<br>Year ended<br>31st March 2010<br>£'000 |
|---|---|---|---|
| <b>Growth share</b>                                       |   |   |   |
| <b>Return/(loss) per share is based on the following:</b> |   |   |   |
| Revenue return  | 4,398   | 4,571   | 5,913   |
| Capital (loss)/return                                     | (9,737)   | 71,684  | 82,416  |
| Total (loss)/return                                       | (5,339)   | 76,255  | 88,329  |
| Weighted average number of shares in issue                | 115,880,524   | 125,013,624   | 123,341,761   |
| Revenue return per share                                  | 3.80p   | 3.66p   | 4.79p   |
| Capital (loss)/return per share                           | (8.40)p   | 57.34p  | 66.82p  |
| Total (loss)/return per share                             | (4.60)p   | 61.00p  | 71.61p  |
| <b>Income share</b>                                       |   |   |   |
| <b>Return/(loss) per share is based on the following:</b> |   |   |   |
| Revenue return  | 1,490   | 1,542   | 2,249   |
| Capital (loss)/return                                     | (2,761)   | 17,646  | 20,872  |
| Total (loss)/return                                       | (1,271)   | 19,188  | 23,121  |
| Weighted average number of shares in issue                | 55,767,233  | 57,841,309  | 57,392,988  |
| Revenue return per share                                  | 2.67p   | 2.67p   | 3.92p   |
| Capital (loss)/return per share                           | (4.95)p   | 30.51p  | 36.37p  |
| Total (loss)/return per share                             | (2.28)p   | 33.18p  | 40.29p  |

## 5. Net asset values

Net asset value per Growth share is calculated by dividing Growth shareholders' funds of £226,948,000 (30th September 2009: £246,077,000 and 31st March 2010: £243,696,000) by the 114,138,259 Growth shares in issue at 30th September 2010 (30th September 2009: 123,423,561 shares excluding shares held in Treasury and 31st March 2010: 117,622,068 shares).

Net asset value per Income share is calculated by dividing Income shareholders' funds of £56,940,000 (30th September 2009: £57,931,000 and 31st March 2010: £59,656,000) by the 56,995,588 Income shares in issue at 30th September 2010 (30th September 2009: 57,068,631 shares excluding shares held in Treasury and 31st March 2010: 56,113,668 shares).

6. Reconciliation of net (loss)/return on ordinary activities before finance costs and taxation to cash inflow from operating activities

|  | (Unaudited)<br>Six months ended<br>30th September 2010<br>£'000 | (Unaudited)<br>Six months ended<br>30th September 2009<br>£'000 | (Audited)<br>Year ended<br>31st March 2010<br>£'000 |
|--|---|---|---|
| Net (loss)/return on ordinary activities before finance costs and taxation | <b>(4,922)</b>  | 97,550  | 114,700   |
| Capital loss/(return) on ordinary activities                               | <b>12,050</b>   | (89,222)  | (103,988)   |
| Decrease/(increase) in accrued income                                      | <b>365</b>  | (398)   | (97)  |
| (Increase)/decrease in other debtors                                       | <b>(5)</b>  | 4   | 1   |
| (Decrease)/increase in accrued expenses                                    | <b>(158)</b>  | (13)  | 133   |
| Expenses charged to capital  | <b>(893)</b>  | (583)   | (1,213)   |
| Performance fee paid   | <b>(137)</b>  | –   | –   |
| Overseas withholding tax   | <b>(1,148)</b>  | (1,256)   | (1,593)   |
| Scrip dividends included in income   | –   | (32)  | (46)  |
| Effective interest rate adjustment on bonds                                | –   | –   | 3   |
| <b>Net cash inflow from operating activities</b>                           | <b>5,152</b>  | 6,050   | 7,900   |

# Interim Management Report

The Company is required to make the following disclosures in its half year report:

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st March 2010.

## Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

## Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

For and on behalf of the Board

**Andrew Murison**  
Chairman

29th November 2010

# Capital Structure and Conversion between Share Classes

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

## Capital Structure

### • Growth Shares

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

### • Income Shares

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

## Conversion Opportunities

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

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

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

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

# 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, into the relevant share class 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 relevant share class of the Company at the NAV per share at the time the shares were quoted ex-dividend.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV when calculating the total return on net assets

## **Benchmark return**

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested in the shares of the underlying companies at 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 investment universe. The Company's investment strategy does not track this index and consequently, there may be some divergence between the performance of the portfolio and that of the benchmark.

## **Share price discount/premium to net asset value ('NAV') per share**

If the share price of an investment company is lower than the NAV per share, the 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.

# 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.

## Directors

Andrew Murison (Chairman)  
Robin Faber  
Stephen Goldman  
Stephen Russell  
Ferdinand Verdonck

## 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](http://www.jpmeuropean.co.uk), where the share prices are updated every fifteen minutes during trading hours.

## Website

[www.jpmeuropean.co.uk](http://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](http://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](http://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.

## Independent Auditors

Ernst & Young LLP  
Chartered Accountants and Statutory Auditors  
1 More London Place  
London SE1 2AF

## Brokers

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

**aic**

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Your telephone call may be recorded for your security

[www.jpmeuropean.co.uk](http://www.jpmeuropean.co.uk)