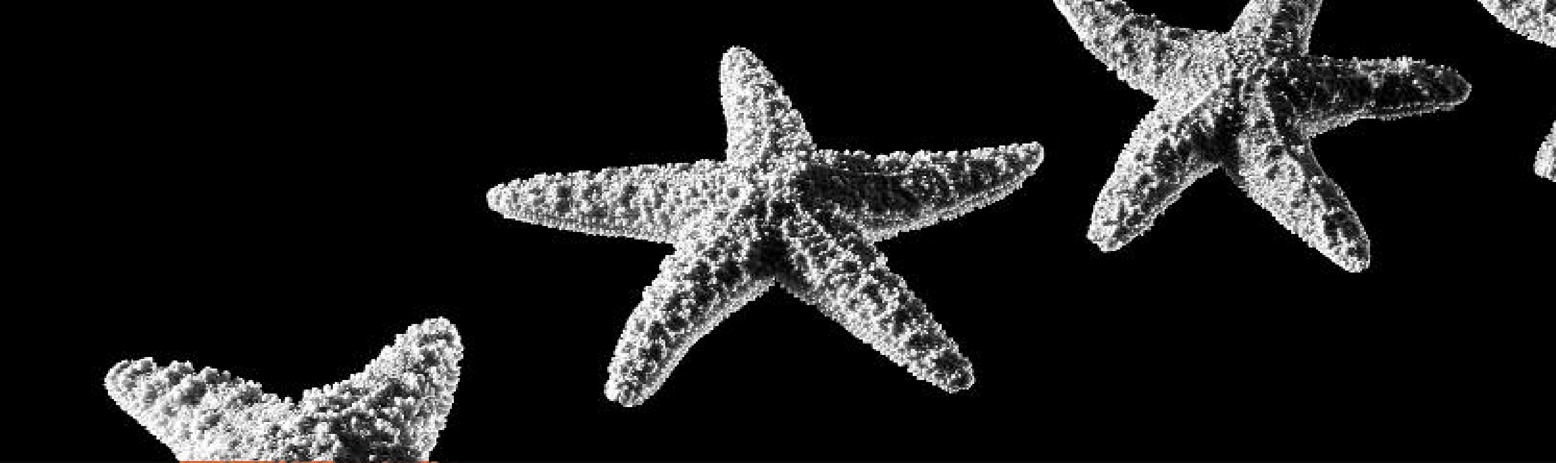
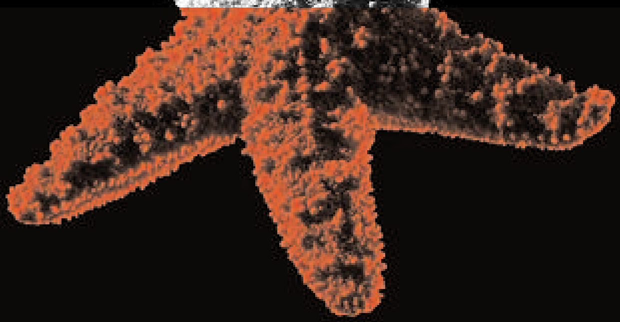




Annual Report 08

JPMorgan European Investment Trust plc

Annual Report & Accounts Year Ended 31st March 2008

JPMorgan Asset Management

GROWTH SHARES

Financial Results

Growth Share Class

–3.3%
Return to shareholders[1]
(2007: +19.8%)

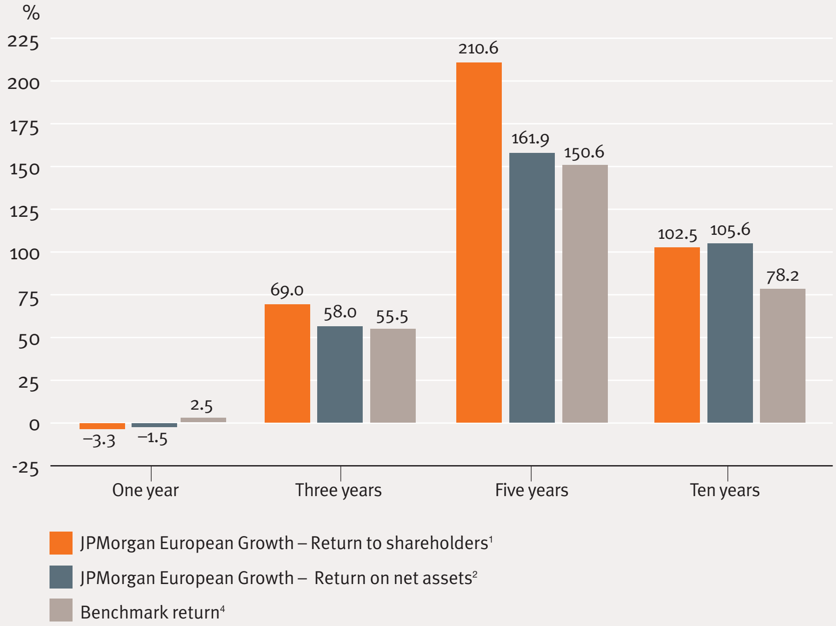
–1.5%
Return on net assets[2,3]
(2007: +17.5%)

+2.5%
Benchmark return[4]
(2007: +12.0%)

6.33p
Dividend
(2007: 5.80p)

Long Term Performance

for periods ended 31st March 2008



A glossary of terms and definitions is provided on page 78.

[1]Source: Standard & Poor's – www.funds.morningstar.com
[2]Source: Fundamental Data – www.funddata.com
[3]The net asset value at the year end has been calculated on the assumption that the 14,673,813 Growth shares held in Treasury were reissued at the closing mid price as at 31st March 2008.
[4]Source: FTSE. The Growth portfolio's benchmark is the FTSE World Europe (ex UK) Index in sterling terms (total return).

Financial Results

Income Share Class

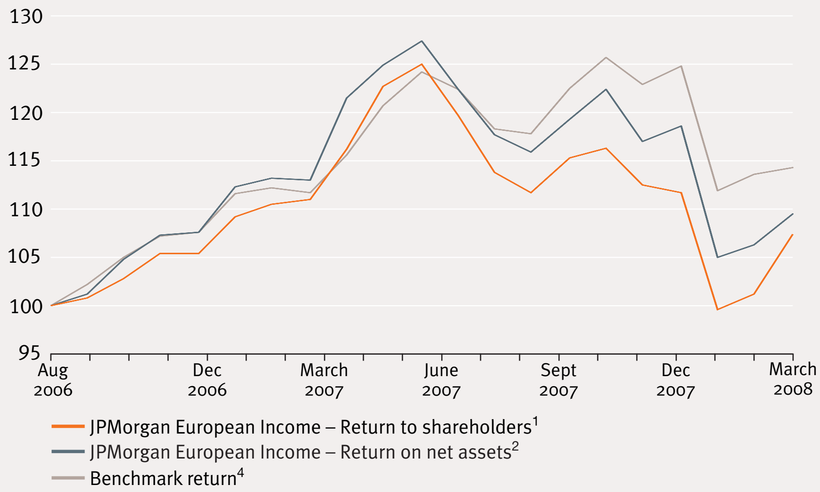
–7.6%
Return to shareholders[1]
(2007: +16.2%)[5]

–7.3%
Return on net assets[2,3]
(2007: +16.5%)[5]

–1.1%
Benchmark return[4]
(2007: +15.7%)[5]

3.90p
Dividend
(2007: 2.90p)[5]

Performance since inception



A glossary of terms and definitions is provided on page 78.

[1]Source: Standard & Poor's – www.funds.morningstar.com
[2]Source: Fundamental Data – www.funddata.com
[3]The net asset value at the year end has been calculated on the assumption that the 6,508,190 Income shares held in Treasury were reissued at the closing mid price as at 31st March 2008.
[4]Source: FTSE. The Income portfolio's benchmark is the MSCI Europe Net Index in sterling terms (total return).
[5]The comparative results cover the period from the effective date of the reorganisation on 2nd August 2006 to 31st March 2007.

Features

Contents

Objectives

Growth

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

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 World Europe (ex UK) Index in sterling terms (total return).

Income

The MSCI Europe Net 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.

As at the year end 153,252,241 Growth shares and 70,417,327 Income shares were in issue including 14,673,813 Growth shares and 6,508,190 Income shares held in Treasury.

Management Company

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

Chairman's Statement

Performance

I regret to report that it has not been a successful year for your Company as measured by the criterion of outperforming its benchmark indices. The total return on the Growth portfolio was -1.7% compared with +2.5% on its benchmark, the FTSE World Euro (ex-UK) index in sterling terms. The total return on the Income portfolio was -7.3% compared with -1.1% on its benchmark, the MSCI Europe index (also in sterling terms).

As reported by the Investment Managers on page 8, the principal cause of the underperformance was the unusual reaction of short term stock prices to the onset of the credit crunch, which was not anticipated by the value-based approach that fundamentally underpins the stock selection process. Selection in the Growth portfolio is from the universe of companies which have above-averagely-rising earnings yet which are selling on below average price/earnings multiples. In the Income portfolio, it is from the universe of high-yielding shares that are supported by strong cash flow and high dividend cover, yet are selling on the lowest third of multiples in the market. In the credit crunch, both these categories, squarely in the 'value' universe, were perversely outperformed by shares on much higher multiples. In acute uncertainty, institutional investors fled to consensus stocks. Since the process has shown divergence at previous climacterics, your Board has instituted a review of the investment process to see if lessons can be learnt.

Dynamic markets are inherently prey to shocks. And these shocks will, almost inevitably, be costly in the short-run to portfolios positioned for long-term out-performance. The Company's Growth portfolio continues to perform satisfactorily in this all-important respect. Despite the negative impact of this year's results, over three and five years net assets have out-performed the relevant index by 0.3% and 0.8% per annum respectively, and by 1.5% per annum over ten years. The Income portfolio is too young to have delivered long-term performance. But it must now begin to move ahead smartly if it is to achieve a positive capital return after three years, having underperformed its index by -3.5% over the twenty months since launch in August 2006.

As a result of this year's underperformance, no performance fee from either portfolio is payable to the Managers. And the pool of accrued fees in the Growth fund – one-third of which are paid out when annual performance beats the index by at least 0.5% - is eliminated by this year's underperformance and a negative balance carried forward. Of course, the figure has to become positive again before pay-outs can occur and in no year can the performance fee paid exceed 1% of net assets.

In share price, rather than net asset, terms a widening of the discount over the year, on both portfolios, has increased the under-performance to -3.3% on the Growth shares and to -7.6% on the Income shares. For the Growth shares, however, the three, five and ten years figures are still well ahead of the index, having out-performed it by +3.2%, +5.2% and +1.4% per annum, respectively, despite this year's set-back. As a result of the continuing successful accomplishment of the Company's long-term objectives, your Board has concluded that the re-appointment of the Manager is definitely in the best interests of shareholders.

Chairman's Statement continued

The attribution tables on pages 9 and 10 quantify the relative impact of the factors which have driven this year's performance. It can be seen that, after the negative effect of stock selection and currency movements, the next two most important factors – to which your Board devotes much of its attention - are the level of borrowing used to gear the investment returns on net asset value and the management of the discount through the share buyback programme.

Gearing

The Board's policy is to limit gearing within the range 90% - 120% of net assets. In other words, a maximum 10% cash position is allowed when markets are confidently expected to fall and borrowings of a maximum of 20% of net assets are allowed when markets are confidently expected to rise. As your Company is confident in the positive long-term performance of equities, only severe worries for the short-term would produce a net cash position. Tactical decisions within the permitted range are taken by the investment managers. Debt in the Growth portfolio grew from 105% to 110% over the first nine months of the year, when stock prices were rising, so boosting returns. But valuations suffered in the final quarter as gearing was further increased into accelerating market weakness. It rose to 117% at the year-end (and has again boosted returns in the rising market since then). For the Income portfolio the gearing ranged between a high of 114% at end-December 2007 and a low of 106% at the financial year end.

Managing the Discount by Share Buybacks

During the year 9.5 million Growth shares and 4 million Income shares were bought back and cancelled, adding approximately 1.0p and 0.4p to their respective net asset values. Despite the buybacks, the discount on the shares temporarily widened to 8.1% and 9.6%, respectively; deeper discounts than the 5% target. The temporary excess was at least partially due to reductions in trading activity during market uncertainty in the latter half of the year. Buybacks are unwise when no shares come on offer and prices are defensively marked down, thereby inevitably widening the discount even in the absence of stock on offer. Since the year-end, trading confidence has returned somewhat. Share liquidity has risen again and the buy-back programme has resumed. The discount has therefore narrowed to approximately 6% on both share classes. These discounts are calculated on the respective net asset values with debt valued at par, as stated in the circular issued to shareholders on the Company's reorganisation in 2006. However, market participants tend to use fair value for the Company's long term debt when calculating the net asset values and hence, from now on, the Board will use this measure to monitor the discounts on the Company's shares.

Dividends

Although dividend returns are not the primary aim of the Growth share portfolio, its dividend has risen by two-thirds, from 3.80p per share (excluding the special dividend of 2.00p paid in July 2006) to 6.33p per share, on the slightly fewer shares outstanding, to yield 3.0% on the share price of 219p at the year-end. I am pleased to report that the Income portfolio achieved its main objective of producing annually rising dividends by lifting its dividend by more than one third, from 2.90p per share to 3.90p. This provided a yield of 4% on the year end share price of 98p, compared with an estimated yield of between 3.25% and 3.5% on the launch price of 100p in August 2006. Your Board has under review ways in which the disparity in yield between the Growth and Income shares might be increased, to the mutual advantage of both classes of shareholder in meeting their respective objectives.

VAT on Management Fees

In September last year the European Court of Justice ruled that the levying by the Manager (as required by HMRC) of VAT on the management fees of investment trusts was unlawful, as it has been on unit trusts and OEICS since 1990. As a result, from 1st October last year VAT is no longer payable on the Company's management fees. In the year ended 31st March 2007 VAT expense amounted to £426,000. The Company also has the right to re-claim from the Manager the VAT incurred on management fees since 1990. However, not for all years since then, as a consequence of other UK government legislation, which may itself be subject to further legal proceedings. The situation is further complicated by the fact that Fleming Investment Trust Management Limited, the Company's Manager prior to 2001, is no longer in existence. Your Company therefore has no party against which to claim for the prior periods - unless it can claim for these directly against HMRC. And whether this is possible is subject to further litigation in contemplation by another party. A yet further complication is that the Company's payment is an 'input' offset by the Manager against its 'output' VAT liability to HMRC and HMRC will only repay the net amount of tax it received. As you can readily infer, the issue is a complex one and the amount and timing of recovery is therefore uncertain. However, your Board believes that it should be possible to recover a minimum of £3.9m. Further details are given in Note 21 to the accounts.

Board of Directors

The Nomination Committee meets annually to discuss the effectiveness of the Board and its Committees, and assesses the performance of Directors individually, and of the Manager, each against a demanding set of criteria.

Alex Zagoreos has been on the Board since 1987 and, having reached the age of 70, will retire at the end of this calendar year. His career-long experience of international investment management at Lazard Freres, beginning when the 'cult of the equity' was still in its infancy, and continuing through the many vicissitudes in stock markets since then, has brought extra-ordinary insight and wisdom to the Board's deliberations. We shall greatly miss his shrewd judgement and advice, being as they were always highly insightful, relevant and practical, and with shareholders' interests absolutely paramount.

As a consequence of Alex's retirement in December, your Board has already begun the process of seeking his successor. His will be a hard act to follow and time must not be a limiting factor in finding the best qualified candidate. Your Board also sees advantage in having a period of cross-over.

Chairman's Statement continued

Annual General Meeting

The AGM will take place in The Library at the offices of JPMorgan in the old City of London School, 60 Victoria Embankment (near Blackfriars), London EC4Y 0JP on Thursday 17th 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 the Company's website. Shareholders who are unable to attend the meeting are encouraged to use their proxy votes. Shareholders who hold their shares through CREST are able to lodge their proxy votes electronically.

Articles of Association

The Companies Act 2006, at double the length of its predecessor, introduces a number of changes which require alteration to the Company's Articles of Association. The Government wished to introduce these changes over time; consequently, some require alteration to the Articles this year while others will be altered at next year's AGM. More details on the changes are given in the Director's report on page 36, and in the Appendix on pages 75 to 77.

Outlook

While the impact of the credit crunch may have had less immediately-adverse effect on market indices than some may have expected, the impact on those sectors most directly effected, such as banking, building and retailing, has already been substantial. Now, the likelihood of a slowdown in consumer spending generally seems inevitable, particularly as the substantial increase in commodity prices is simultaneously having a profoundly deflationary effect on consumers' income worldwide. These severe blows to the fundamental drivers of economic growth and corporate profits suggest that the relatively low average profit multiples upon which sit today's share prices may be about to be proved illusory, as consumer, and then corporate, spending goes into reverse and profits are squeezed. In Europe, moreover, the risen Euro puts an additional clamp on companies' profitability, by limiting their export competitiveness. Thus the outlook for share prices in the short-term looks decidedly uncertain. That said, the balance sheets of your portfolio companies are strong, as is their competitive position, and your Board is confident that the Investment Managers will capitalise on the long-term opportunities presented.

Andrew Murison
Chairman

9th June 2008

Investment Managers' Report


Stephen Macklow-Smith


Alexander Fitzalan Howard

The year under review was a difficult one for equity investment, and we did not out-perform the benchmark indices. For the Growth portfolio the NAV fell by 1.5% and the share price by 3.3% (both on a total return basis) against a benchmark that rose by 2.5%. One year, however, is a very short period over which to judge what are by definition long-term investment assets, and over three years the share-price and NAV have shown a compound annual growth rate of 19.1% and 16.2% respectively against a benchmark which has shown a compound annual growth rate of 15.9%. Over five years the share price and NAV have shown a compound annual growth rate of 25.4% and 21.0% respectively against a benchmark which has shown a compound annual growth rate of 20.2%, and over ten years the share price and NAV have shown a compound annual growth rate of 7.3% and 7.4% respectively against a benchmark which has compounded at 5.9%.

The Income portfolio saw its share price and NAV fall by 7.6% and 7.3% respectively against a benchmark index which fell by 1.1%. Since launch, the share price and NAV have grown at a compound annual rate of 4.4% and 4.9% respectively against a benchmark which has compounded at 8.4%. Our performance is shown net of all costs involved in running the portfolio, including fund management charges, whereas the performance of the benchmark is not hampered by these charges.

When we launched the Income portfolio we said in the prospectus that we felt it would deliver a yield of between 3.25% and 3.5%: in the event the Income portfolio paid a dividend of 3.90p last year, meaning that the yield on the launch price was 4%, exceeding our initial estimate handsomely.

The roots of the difficulties in equities last year were apparently in the US housing market, although in our view the problem was a wider one of excessive leverage. To quote Etienne Varloot, the UBS European Structured Credit Strategist, describing the leverage that was put into synthetic SIV structures: 'Tight spreads in 06/07 and an endless source of funding increased leverage to unprecedented levels (the authors have heard of structures leveraged 60x). Furthermore, some hedge funds then leveraged these already highly-levered structures another 10x, with fund of funds adding another 4x layer'. When these levels of leverage started to unravel, it was no surprise to find some significant casualties, especially in the hedge fund industry – indeed the fall in equity markets was initially triggered by the closure of two Bear Stearns hedge funds.

These hedge fund problems, though, were symptomatic of a wider malaise in the banking system within some of the off-balance sheet vehicles that had proliferated under easy credit conditions. As these problems became more evident, so banks became less willing to lend to each other in the interbank market and the supply of short-term credit became both expensive and insufficient for the needs of the banks. The political and monetary authorities in the US reacted fairly swiftly to the problems in the financial system and we became used to a raft of new acronyms: the TAF (Term Auction Facility), TSLF (Term Securities Lending Facility) and PDCF (Primary Dealer Credit Facility), all of which aimed to support liquidity in the banking system. In the UK the response was less comprehensive, partly because

Investment Managers' Report continued

Growth performance attribution for the year to 31st March 2008

Contributions to Total Returns		%
Benchmark total return		**2.5**
Asset allocation	3.0	
Stock selection	−3.7	
Gearing/cash	−2.5	
Currency effect	−1.1	
Investment Managers Contribution		−4.3
Portfolio total return		**−1.8**
Management fees/ other expenses	−1.0	
Performance fee	0.9	
Share repurchases	0.4	
Residual*	0.0	
Other effects		0.3
Net asset value total return		**−1.5**
Impact of decrease in discount		−1.8
Share price total return		**−3.3**

Source: Xamin/JPMAM/Fundamental Data.

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

*The residual arises principally from timing differences in the treatment of income flows. The xamin attribution system accounts for income on a received (on the ex-dividend date) basis whereas Fundamental Data calculate the Companies NAV Total Return using the actual dividends paid by the Company (on the ex-dividend date).

A glossary of terms and definitions is provided on page 78.

of a certain level of confusion under the tripartite system of banking oversight that had been put in place in 1997 and the upshot was the extended demise of Northern Rock. In the Eurozone the European Central Bank ('ECB') acted quickly to supply liquidity to the market and indeed early in 2008 the Vice-President of the ECB, Lukas Papademos, felt confident enough to say that in the Eurozone 'there had been no credit crisis'.

The task of central banks was complicated by the fact that inflation is running above their targets. It is worth also stressing that these targets tend to be based on what the central bankers define as 'core' inflation – in other words stripping out food and energy prices. The problem with this approach is firstly that food and energy are staples which form an important part of household expenditure and secondly that stripping them out is defensible if they continually revert to mean: food and energy prices, however, seem to be trending higher on a secular basis (remember that the oil price was $9 per barrel in 1998 and $17 per barrel as recently as 2001) and therefore headline inflation rates have been persistently above the core rates that most central banks target. The cumulative effect is that the longer the headline rate diverges upwards from the core rate, the greater the loss of purchasing power for consumers and this purchasing power is not regained unless headline inflation dips below core inflation for a prolonged period.

Against this uncertain economic background the equity market, having risen from the end of March to the middle of July, started to correct and volatility rose. Banks and housing stocks were particularly badly hit, with sentiment towards banks suffering a series of blows as announcements were made about hitherto unsuspected exposure to US housing. In August, an indifferent release of data for exports to Asia hit confidence about the ability of developing countries to continue to grow even as the Western economies suffered problems. Investors started to ignore the known fundamentals, as represented by valuation and improving profitability, and to cling to what they perceived as earnings certainty in an uncertain world. In some senses this was an emotional response to the turmoil around them and it was this that undermined our performance. Specifically, at the valuation level investors operated with a stronger and stronger preference for stocks the more expensive they were. This flew in the face of common sense as well as decades of stock market experience and it meant that our style of investing, which favours cheap stocks with improving confidence about profitability and good price momentum, did not work for us. The problem was exacerbated in the Income portfolio, which invests only in stocks in the cheapest third of the market – this section of the market was sharply out of favour, especially in the second half of 2007 and this explained the underperformance of the Income portfolio against the broader market.

For all the gloom about the economy, however, the news on the corporate front has remained surprisingly good considering the gloom about the economy. European corporate balance sheets are still far from highly geared – indeed companies are generating around €200bn of free cash flow a year: if this were solely directed towards paying down debt, they would be debt-free in two and a half years. Returns

Investment Managers' Report continued

Income performance attribution for the year to 31st March 2008

Contributions to Total Returns		%
Benchmark return		**–1.1**
Asset allocation	0.2	
Stock selection	–3.6	
Gearing/cash	–0.8	
Currency effect	–1.1	
Investment Managers Contribution		–5.3
Portfolio total return		**–6.4**
Management fees /other expenses	–0.9	
Performance fee	0.0	
Share buybacks	0.3	
Residual*	–0.3	
Other effects		–0.9
Net asset value total return		**–7.3**
Impact of increase in discount		–0.3
Share price total return		**–7.6**

Source: Xamin/Fundamental Data Ltd.

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

*The residual arises principally from timing differences in the treatment of income flows. The xamin attribution system accounts for income on a received (on the ex-dividend date) basis whereas Fundamental Data calculate the Companies NAV Total Return using the actual dividends paid by the Company (on the ex-dividend date).

A glossary of terms and definitions is provided on page 78.

on capital remain extremely high: the pessimists expect this to revert to the mean, but we believe that there are sound reasons why the improvement in European profits over the last ten years has had a greater element of secular than of cyclical improvement and we also believe that this has not been recognised in higher valuations – indeed equity profit streams have been steadily de-rated for nearly ten years now, bringing the P/E multiple closer to its range in the 1970s, even though interest rates are several orders of magnitude lower and the power of labour is very much weaker. Not only that, but debt levels are low: on Deutsche Bank's numbers, interest cover in 2007 was 10.3x having been 4.4x in 2001. Net working capital ('NWC') has also fallen steadily as a result of the introduction of enterprise resource software: again using Deutsche Bank's numbers, they show 2007 NWC/sales at 3.5%, having been 9 – 10% in 1998 and 1999. Very simply, if this figure was an average for the year, and assuming that interest rates were around 6.5% in 1998 as against 4.5% now, the funding cost of NWC has fallen from 0.4% of sales to just over 0.1% of sales. These factors tend to be a focus in our stock-picking and among our successes in 2007 were contributions from Porsche, the manufacturer of high-end sports cars and now of SUVs, and MAN, the German trucks group. Both of these companies saw steady upgrades to estimates of profitability which we view as a key catalyst for stock market out-performance. We also saw positive contributions from our holding in Yara, a Norwegian manufacturer of fertilisers which is seeing demand growing apace as a result of the increase in soft commodities prices, and D/S Norden, a Danish shipping stock which is directly exposed to the growth in Asian demand. Fiat also contributed positively: we have spoken before about the turn-around in this company's fortunes as a result of the appointment of Sergio Marchionne as CEO and this year provided further evidence of progress.

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 2008

GROWTH SHARES

Summary of Results

	2008	2007	
Total Returns (capital plus income) for the year ended 31st March			
Return to shareholders[1]	–3.3%	+19.8%	
Return on net assets[2,3]	–1.5%	+17.5%	
Benchmark return[4]	+2.5%	+12.0%	
Net Asset Value, Share Price and Discount at 31st March			% change
Total net assets (£'000)	330,961	374,770	–11.7
Net asset value per share	238.8p	248.8p	–4.0
Net asset value per share assuming reissue of Treasury shares[3]	236.9p	247.4p	–4.2
Share price	219.0p	233.8p	–6.3
Discount of share price to net asset value	8.3%	6.0%	
Discount of share price to net asset value assuming reissue of Treasury shares[3]	7.6%	5.5%	
Shares in issue	153,252,241	167,279,848	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	13,799	15,111	–8.7
Net revenue attributable to shareholders (£'000)	7,346	10,642	–31.0
Return per share	5.07p	5.71p	–11.2
Dividend per share	6.33p	5.80p	+9.1
Actual Gearing Factor at 31st March[5]	117.0%	105.1%	
Total Expense Ratio (TER)[6]	1.05%	0.69%	

A glossary of terms and definitions is provided on page 78.

[1]Source: Standard & Poor's – www.funds.morningstar.com

[2]Source: Fundamental Data Ltd – www.funddata.com

[3]Net asset value assuming the 14,673,813 Growth shares held in Treasury were reissued at the closing mid price as at 31st March 2008.

[4]Source: FTSE.

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

[6]Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. Further details are given in the glossary of terms and definitions on page 78.

Ten Year Financial Record[1]

As at 31st March	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total assets less current liabilities (£m)	464.1	470.0	614.0	542.9	522.5	375.4	453.1	508.0	633.3	454.1	420.0
Net asset value per share (p)[2]	128.1	129.3	179.2	157.6	145.9	98.3	137.3	161.5	219.7	248.8	238.8
Share price (p)[2]	121.2	111.2	153.0	142.4	128.7	77.1	113.7	140.0	203.2	233.8	219.0
Discount (%)	5.4	14.0	14.6	9.6	12.4	21.6	17.2	13.3	7.5	6.0	8.3
Actual gearing factor (%)[3]	110.5	107.2	106.5	109.5	108.9	101.4	117.4	111.1	100.5	105.1	117.0
Year ended 31st March											
Gross revenue return (£'000)	7,294	7,760	8,751	11,171	13,326	12,898	11,315	12,148	15,004	15,111	13,799
Return per share (p)[2]	0.58	0.71	0.41	0.89	0.64	0.99	0.14	0.53	3.98	5.71	5.07
Dividend per share (p)[2]	0.56	0.68	0.40	0.88	0.64	0.98	0.14	0.52	3.50	5.80	6.33
Total expense ratio (TER) (%)[3]	0.64	0.69	0.74	0.70	0.75	1.03	1.14	0.78	0.92	0.69	1.05
Rebased to 100 at 31st March 1998											
Share price	100.0	91.7	126.2	117.5	106.2	63.6	93.8	115.5	167.7	192.9	180.7
Share price total return[4]	100.0	92.2	127.7	119.0	107.5	65.2	97.3	119.8	174.4	209.5	202.5
Net asset value per share	100.0	100.9	139.9	123.0	113.9	76.7	107.2	126.1	171.5	194.2	186.4
Net asset value total return[5]	100.0	101.4	141.2	124.4	115.9	78.5	110.5	130.1	177.6	208.7	205.6
Benchmark[6]	100.0	107.6	132.2	117.0	108.3	71.1	97.0	114.6	155.3	173.9	178.2

A glossary of terms and definitions is provided on page 78.

[1]The Growth shares were created following a capital reorganisation on 2nd August 2006 when the 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 has maintained materially the same economic exposure as if the reorganisation had not been implemented. The investment objective, investment policy, benchmark and management fee arrangements have remained the same as for the ordinary shares prior to the reorganisation.

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

[3]Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. Further details are given in the glossary of terms and definitions on page 78.

[4]Source: Standard & Poor's – www.funds.morningstar.com

[5]Source: Fundamental Data Ltd. – www.funddata.com. Net asset value assuming the 14,673,813 Growth shares held in Treasury were reissued at the closing mid price as at 31st March 2008.

[6]Source: FTSE.

Ten Largest Investments[1]

at 31st March

Company	Country	Description	2008 Valuation £'000	%[2]	2007 Valuation £'000	%
Telefonica	Spain	Telecommunications Services	12,867	3.1	7,573	1.7
Banco Santander	Spain	Financials	12,420	2.9	4,691	1.0
Total	France	Oil & Gas Producers	11,406	2.7	11,579	2.7
ENI	Italy	Oil & Gas Producers	10,221	2.4	9,327	2.1
BASF	Germany	Basic Materials	9,220	2.2	7,464	1.6
Nokia	Finland	Technology	9,139	2.2	4,728	1.0
JPM Eastern Europe Fund	Luxembourg	Financials	8,493	2.0	7,086	1.6
BNP Paribas	France	Financials	8,419	2.0	5,114	1.1
ING	Netherlands	Financials	8,353	2.0	10,147	2.2
Nestlé	Switzerland	Consumer Goods	8,229	2.0	2,976	0.7
Total[3]			98,767	23.5		

[1]Excluding investments in liquidity funds.

[2]Based on total assets less current liabilities of £420.0m.

[3]As at 31st March 2007, the value of the ten largest investments amounted to £97,147,000 representing 21.5% of total assets less current liabilities.

GROWTH SHARES

Portfolio Analyses

Geographic

	31st March 2008		31st March 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
France	18.2	24.1	17.3	22.9
Germany	16.2	18.4	15.9	16.4
Spain	10.0	9.8	6.3	9.5
Italy	9.8	8.4	10.2	9.2
Switzerland	9.8	14.2	9.2	13.9
Netherlands	5.5	5.6	5.2	8.3
European funds	4.9	—	4.8	0.2
Finland	4.1	3.2	3.9	2.6
Belgium	3.2	2.6	5.7	2.8
Denmark	2.8	2.0	1.4	1.7
Sweden	2.6	5.0	2.6	5.7
Austria	1.4	1.1	0.8	1.1
Portugal	1.0	0.9	0.6	0.8
Greece	0.9	1.4	2.0	1.4
Luxembourg	0.6	—	0.1	0.1
Norway	0.6	2.0	0.3	1.8
Ireland	0.5	1.3	0.4	1.6
Liquidity funds	6.0	—	14.7	—
Net current assets/(liabilities)	1.9	—	(1.4)	—
	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £420.0m (2007: £454.1m).

Sector

	31st March 2008		31st March 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials	32.1	28.4	37.4	33.7
Industrials	11.7	12.9	14.5	11.9
Consumer Goods	8.3	14.4	7.4	13.1
Basic Materials	7.9	7.4	3.9	5.7
Oil & Gas Producers	7.2	6.4	5.6	5.9
Telecommunications Services	6.8	6.3	3.7	5.9
Utilities	6.4	8.4	4.7	7.3
Healthcare	5.1	6.9	4.4	6.9
Consumer Services	4.0	5.1	2.5	5.4
Technology	2.6	3.8	2.6	4.2
Liquidity funds	6.0	—	14.7	—
Net current assets/(liabilities)	1.9	—	(1.4)	—
	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £420.0m (2007: £454.1m).

GROWTH SHARES

List of Investments

at 31st March 2008

France

Company	Valuation £'000
Total	11,406
BNP Paribas	8,419
France Telecom	8,029
Vivendi	7,162
Unibail-Rodamco	4,583
Société Genéralé	3,363
Gaz De France	3,350
Suez	2,985
Renault	2,631
CNP	2,433
EDF	2,192
Thales	2,104
Alstom	1,757
Gecina	1,696
Wendel Investissement	1,654
Sanofi-Aventis	1,651
Carrefour	1,167
Arkema	1,095
Casino Guichard-Perrachon	970
Bouygues	884
Ipsen	740
SEB	704
Rallye	673
Peugeot	664
PPR	574
Vinci	569
Haulotte	395
BioMérieux	389
IMS	373
BIC	350
Bolloré	347
Michelin	328
Beneteau	300
Nexans	179
Plastic Omnium	173
Total France	**76,289**

Germany

Company	Valuation £'000
BASF	9,220
E.ON	7,863
Daimler	5,472
Deutsche Bank	5,461
Allianz	5,198
MAN	5,195
Thyssenkrupp	5,168
Deutsche Lufthansa	3,820
Salzgitter	3,043
Hannover Rueckversicherungs	2,282
Merck	2,020
Munchener Ruckversicherungs	1,975
Porsche	1,695
Norddeutsche	1,434
SAP	1,128
Siemens	1,102
Gildemeister	838
Leoni	766
Stada Arzneimittel	746
Kuka	451
Manz	391
Roth & Rau	390
Sixt	372
Bechtle	368
Phoenix Solar	339
Fuchs Petrolub	300
Jungheinrich	267
Fresenius	226
KWS Saat	221
Kloekner & Co	213
Deutsche Beteiligungs	159
Arques	122
Altana	101
Total Germany	**68,346**

Company	Valuation £'000
Spain	
Telefonica	12,867
Banco Santander	12,420
Acciona	3,721
Banco Bilbao Vizcaya Argentaria	2,933
Grifols	2,267
Union Fenosa	2,161
Corporacion Financiera Alba	1,881
Gas Natural SDG	1,503
Red Electrica De Espana	599
Tubacex	598
Construcciones Y Auxiliar De Ferr	373
Tubos Reunidos	319
Viscofan Envolturas Celulosicas	305
Tecnicas Reunidas	134
Total Spain	**42,081**
Italy	
ENI	10,221
Intesa Sanpaolo	8,028
Fiat	4,915
ENEL	4,524
Assicurazioni Generali	3,577
I.F.I.	1,410
Trasmissione Elettricita Rete Nazio	1,378
Fondiaria - Sai	1,271
Ifil	1,271
Danieli & C.	1,172
Unicredit	831
Brembo	639
Italmobiliare	579
Recordati	420
Prysmian	345
Marr	191
Carraro	156
Azimut	112
Total Italy	**41,040**
Switzerland	
Nestlé	8,229
Zurich Financial Services	4,826
Syngenta	4,639
ABB	3,939
Credit Suisse	2,631
Swiss Reinsurance	2,630
Roche	2,622

Company	Valuation £'000
Sonova	2,173
Novartis	1,823
Swatch	1,639
Galenica	1,035
Bucher	784
Meyer Burger	776
Kuoni Reisen	671
Sika	651
Forbo	531
Banque Cantonale Vaudoise	297
Huber & Suhner	292
Burckhardt	265
EMS-Chemie	233
Hiestand	147
Lindt & Spruengli	138
Total Switzerland	**40,971**
Netherlands	
ING	8,353
Koninklijke	4,392
DSM	3,300
Royal Dutch Shell 'A'	2,578
Unilever	1,335
SNS	941
BAM	879
Royal Boskalis Westminster	674
Smit Internationale	657
Total Netherlands	**23,109**
European Funds	
JPM Eastern Europe Fund	8,493
JPM Europe Micro Cap	7,279
JPM European Fledgeling Investment Trust	4,924
Total European Funds	**20,696**
Finland	
Nokia	9,139
Wartsila	2,638
Outokumpu	2,015
Konecranes International Corporation	1,319
Neste Oil	733
Ramirent	632
Rautaruukki	289
Orion	256
Kesko	129
Total Finland	**17,150**

GROWTH SHARES

List of Investments continued

Company	Valuation £'000
Belgium	
KBC	6,493
Belgacom	3,284
C.M.B.	857
Euronav	607
EVS	596
Tessenderlo Chemie	423
Ackermans	421
D'Ieteren	392
CFE	239
GIMV	220
Fortis	2
Total Belgium	**13,534**
Denmark	
Novo-Nordisk	4,765
D/S Norden	2,873
Danske Bank	1,860
Jyske Bank	1,105
Flsmidth & Co	677
Ostasiatiske Kompagni	557
Total Denmark	**11,837**
Sweden	
Nordea Bank	4,861
Kinnevik Investments	2,755
Volvo	2,043
Peab	577
Betsson	328
Wihlborg Fastigheter	187
Total Sweden	**10,751**
Austria	
Voest-Alpine	2,982
OMV	2,774
Bank Austria Creditanstalt	213
Total Austria	**5,969**
Portugal	
Galp	2,045
Banco Espirito Santo	1,517
Energias De Portugal	300
Teixeira Duarte	221
Total Portugal	**4,083**

Company	Valuation £'000
Greece	
Coca-Cola Hell Bot	1,640
National Bank Of Greece	899
Bank Of Piraeus	649
Babis Vovos	373
Sarantis	255
Alapis	124
Total Greece	**3,940**
Luxembourg	
Oriflame	1,606
Arcelormittal	690
Orco Property	386
Total Luxembourg	**2,682**
Norway	
Yara	2,267
Veidekke	336
Total Norway	**2,603**
Ireland	
Paddy Power	984
F.B.D	643
Greencore	271
Total Ireland	**1,898**
Liquidity Fund	
JPM Euro Liquidity Fund	25,114
Total Liquidity Funds	**25,114**
Total Portfolio	**412,093**

Income Statement

(unaudited)
for the year ended 31st March 2008

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
(Losses)/gains from investments held at fair value through profit or loss	—	(7,270)	(7,270)	—	34,597	34,597
Net foreign currency (losses)/gains	—	(6,964)	(6,964)	—	1,136	1,136
Income from investments	12,319	—	12,319	14,557	—	14,557
Other interest receivable and similar income	1,480	—	1,480	554	—	554
Gross return/(loss)	13,799	(14,234)	(435)	15,111	35,733	50,844
Management fee	(883)	(2,060)	(2,943)	(762)	(1,778)	(2,540)
Performance fee writeback/(charge)	—	3,739	3,739	—	(3,877)	(3,877)
Share capital reorganisation costs	—	—	—	—	(1,265)	(1,265)
Other administrative expenses	(762)	—	(762)	(588)	—	(588)
Net return/(loss) on ordinary activities before finance costs and taxation	12,154	(12,555)	(401)	13,761	28,813	42,574
Finance costs	(1,523)	(3,553)	(5,076)	(1,548)	(3,613)	(5,161)
Net return/(loss) on ordinary activities before taxation	10,631	(16,108)	(5,477)	12,213	25,200	37,413
Taxation	(3,285)	1,910	(1,375)	(1,571)	—	(1,571)
Net return/(loss) on ordinary activities after taxation	7,346	(14,198)	(6,852)	10,642	25,200	35,842
Return/(loss) per Growth share	5.07p	(9.80)p	(4.73)p	5.71p	13.52p	19.23p

All revenue and capital items in the above statement derive from continuing operations. During the year ended 31st March 2007 the Company reorganised its single class of shares into two classes of shares, Growth shares and Income shares.

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

Balance Sheet

(unaudited)
as at 31st March 2008

	2008 £'000	2007 £'000
Fixed assets		
Investments at fair value through profit or loss	386,979	393,762
Investments in liquidity funds at fair value through profit or loss	25,114	66,892
Total portfolio	412,093	460,654
Current assets		
Debtors	17,973	998
Derivative financial instruments	—	4
Cash and short term deposits	22,114	264
	40,087	1,266
Creditors: amounts falling due within one year	(29,529)	(3,607)
Derivative financial instruments	(2,698)	(4,231)
Net current assets/(liabilities)	7,860	(6,572)
Total assets less current liabilities	419,953	454,082
Creditors: amounts falling due after more than one year		
Bank loans	(88,992)	(75,595)
Provisions for liabilities and charges		
Performance fee	—	(3,717)
Net assets	330,961	374,770
Net asset value per Growth share	238.8p	248.8p

GROWTH SHARES

Summary of Results

	2008	2007	
Total Returns (capital plus income) for the year ended (2007: period ended) 31st March			
Return to shareholders[1]	–7.6%	+16.2%	
Return on net assets[2,3]	–7.3%	+16.5%	
Benchmark return[4]	–1.1%	+15.7%	
Net Asset Value, Share Price and Discount at 31st March			% change
Total net assets (£'000)	69,250	75,422	–8.2
Net asset value per share	108.4p	120.4p	–10.0
Net asset value per share assuming reissue of treasury shares[3]	107.4p	119.7p	–10.3
Share price	98.0p	112.5p	–12.9
Discount of share price to net asset value	9.6%	6.6%	
Discount of share price to net asset value assuming reissue of Treasury shares[3]	8.7%	6.0%	
Shares in issue	70,417,327	69,130,243	
Revenue for the year ended (2007: period ended) 31st March			
Gross revenue return (£'000)	3,552	1,447	+145.5
Net revenue attributable to shareholders (£'000)	2,343	876	+167.5
Return per share	3.67p	1.32p	+178.0
Dividend per share	3.90p	2.90p	+34.5
Actual Gearing Factor at 31st March[5]	106.1%	112.7%	
Total Expense Ratio (TER)[6]	1.23%	0.79%	

A glossary of terms and definitions is provided on page 78.

[1]Source: Standard & Poor's – www.funds.morningstar.com

[2]Source: Fundamental Data Ltd – www.funddata.com

[3]Net asset value assuming the 6,508,190 Income shares held in Treasury were reissued at the closing mid price as at 31st March 2008.

[4]Source: FTSE.

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

[6]Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and the prior period restated. Further details are given in the glossary of terms and definitions on page 78.

Ten Largest Investments[1]

at 31st March

Company	Country	Description	2008 Valuation £'000	2008 Valuation %[2]	2007 Valuation £'000	2007 Valuation %
Royal Dutch Shell	UK	Energy	2,369	2.7	2,168	2.4
BP[3]	UK	Energy	2,015	2.3	—	—
HSBC[3]	UK	Financials	1,918	2.2	—	—
Total	France	Energy	1,740	2.0	1,440	1.6
Vodafone	UK	Telecommunications Services	1,675	1.9	1,424	1.6
Telefonica	Spain	Telecommunications Services	1,413	1.6	1,013	1.1
Banco Santander	Spain	Financials	1,397	1.6	1.094	1.2
E.ON	Germany	Utilities	1,314	1.5	894	1.0
Allianz	Germany	Financials	1,095	1.3	919	1.0
ENI[3]	Italy	Energy	1,059	1.2	—	—
Total[4]			15,995	18.3		

[1]Excluding investments in liquidity funds.

[2]Based on total assets less current liabilities of £87.3m.

[3]Not held in the portfolio as at 31st March 2007.

[4]As at 31st March 2007, the value of the ten largest investments amounted to £13,663,000 representing 15.0% of total assets less current liabilities.

Portfolio Analyses

Geographic

	31st March 2008 Portfolio %	31st March 2008 Benchmark %	31st March 2007 Portfolio %	31st March 2007 Benchmark %
UK	28.0	30.8	27.8	33.8
Germany	10.5	13.1	10.7	11.3
France	9.5	15.5	11.9	14.1
Spain	7.5	6.3	5.3	5.8
Italy	6.7	5.5	7.0	5.5
Sweden	5.1	3.5	5.0	3.8
Netherlands	4.3	4.2	4.8	5.6
Finland	2.8	2.6	2.5	2.2
Norway	1.9	1.5	2.0	1.4
Belgium	1.9	1.9	2.4	1.9
Greece	1.8	1.0	1.6	1.0
Switzerland	1.8	10.3	7.7	9.8
Austria	0.8	0.8	1.4	0.9
Denmark	0.8	1.5	1.9	1.2
Portugal	0.6	0.5	0.7	0.5
Ireland	0.2	1.0	1.0	1.2
Liquidity funds	6.0	—	6.4	—
Net current assets/(liabilities)	9.8	—	(0.1)	—
	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £87.3m (2007: £90.8m).

Sector

	31st March 2008 Portfolio %	31st March 2008 Benchmark %	31st March 2007 Portfolio %	31st March 2007 Benchmark %
Financials	27.1	26.3	35.8	29.8
Energy	10.7	10.1	5.7	9.3
Utilities	9.7	6.8	7.5	6.1
Industrials	8.7	10.3	11.3	9.7
Telecommunication Services	8.3	6.9	6.2	6.2
Consumer Discretionary	8.1	8.8	10.3	10.1
Consumer Staples	4.9	10.2	6.2	9.6
Materials	4.3	10.0	5.8	7.8
Information Technology	1.4	3.2	1.8	3.6
Healthcare	1.0	7.4	3.1	7.8
Liquidity funds	6.0	—	6.4	—
Net current assets/(liabilities)	9.8	—	(0.1)	—
	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £87.3m (2007: £90.8m).

List of Investments

at 31st March 2008

Company	Valuation £'000
United Kingdom	
BP	2,015
HSBC	1,918
Vodafone	1,675
Royal Dutch Shell 'A'	1,305
Royal Dutch Shell 'B'	1,064
British American Tobacco	761
Diageo	696
AstraZeneca	627
Lloyds TSB	618
Unilever	616
National Grid	523
Imperial Tobacco	481
BT	476
Scottish & Southern Energy	421
Prudential	410
Aviva	397
Centrica	365
British Energy	297
Legal & General	288
Scottish & Newcastle	276
Man Group	246
Compass	237
Pearson	222
Old Mutual	206
Reed Elsevier	204
Severn Trent	193
United Utilities	189
Standard Life	172
Cable & Wireless	160
Royal & Sun Alliance	153
GKN	145
Carnival	145
Smiths	140
Inmarsat	133
Bunzl	133
Antofagasta	131
Menzies (John)	124
Pennon	123
Thomas Cook	123
Liberty International	121
Northumbrian Water	121
Rexam	120
Chaucer	116
Beazley	116
888	115
IMI	114
Keller	114
United Business Media	113

Company	Valuation £'000
Catlin	111
BPP	111
Arriva	106
William Hill	106
Capital & Regional	106
Kier	105
Meggitt	102
Amlin	100
Highway	100
Hiscox	100
Intermediate Capital	99
Wincanton	98
Jardine Lloyd Thompson	96
Davis Service	96
Investec	95
HMV	93
Britvic	93
Greggs	92
ITE	92
Croda International	92
WH Smith	90
Marshalls	89
Halma	89
Umeco	88
Trinity Mirror	88
Carillion	87
Brit Insurance	86
The Vitec	85
Clarkson	85
Ashmore	85
Interserve	83
Renishaw	83
Smith (DS)	83
National Express	82
Findel	82
Headlam	81
Halfords	81
Fenner	78
Micro Focus	77
Brown (N)	77
Holidaybreak	75
Northgate	72
Admiral	70
AGA Foodservice	68
IG Group	68
Smiths News	68
Merchants Trust	68
Diploma	67
TDG	65

Company	Valuation £'000
Hays	63
Dairy Crest	58
Euromoney	57
Brewin Dolphin	55
Severfield-Rowen	53
Go-Ahead	53
Telecom Plus	52
Marston's	52
Thorntons	45
RPC	43
Morse	34
Melrose	32
Hornby	26
Chesnara	25
Total United Kingdom	**24,399**

Germany

Company	Valuation £'000
E.ON	1,314
Allianz	1,095
Daimler	964
BASF	849
RWE	848
Munchener Ruckversicherungs	610
Deutsche Telekom	548
Deutsche Post	416
Thyssenkrupp	338
Commerzbank	325
Deutsche Lufthansa	153
Wincor Nixdorf	136
Hannover Rueckversicherungs	133
Comdirect Bank	123
Douglas	117
Gesco	112
Altana	102
Norddeutsche Affinerie	100
Leoni	99
Elexis	96
Hugo Boss	89
Fielmann	84
Arques	81
Rational	81
Kloekner & Co	76
Heidelberger Druckmaschinen	68
Sixt	63
Deutsche Euroshop	52
Hugo Boss	32
Villeroy & Boch	18
Total Germany	**9,122**

France

Company	Valuation £'000
Total	1,740
Suez	834
France Telecom	779
AXA	730
Vivendi	616
Vinci	483
Schneider Electric	479
Lafarge	320
Gaz De France	290
Renault	289
Unibail-Rodamco	255
Vallourec	228
Autoroutes Paris Rhin Rhone	174
Scor	142
Bic	128
Maurel & Prom	108
Valeo	106
IMS	105
Rallye	98
Euler Hermes	90
Rubis	89
Esso	80
C.E.G.I.D.	76
Pierre & Vacances	47
Altamir Amboise	41
Total France	**8,327**

Spain

Company	Valuation £'000
Telefonica	1,413
Banco Santander	1,397
Banco Bilbao Vizcaya Argentaria	985
Iberdrola	741
Repsol	458
ACS Actividades De Construccion	248
Gas Natural	237
Union Fenosa	218
Indra Sistemas	157
Red Electrica De Espana	144
Prosegur Compania Securidad	121
Tubos Reunidos	113
Gestevision Telecinco	106
Vocento	87
Dinamia Capital Privado	87
Bolsas Y Mercados Espanoles	56
Total Spain	**6,568**

INCOME SHARES

List of Investments continued

Company	Valuation £'000
Italy	
ENI	1,059
Unicredit	901
Intesa Sanpaolo	709
Enel	619
Mediobanca	175
Trasmissione Elettricita Rete Nazio	174
Alleanza Assicurazioni	141
Milano Assicurazioni	136
Fondiaria	134
Snam Rete Gas	131
Industria Macchine Automatiche	130
Banca Popolare Di Milano	121
Credito Artigiano	121
Premuda	117
Marr	115
Acea	113
Sias	103
KME	102
Autogrill	97
Navigazione Montanari	95
Saras Raffinerie Sarde	90
Benetton	78
Sogefi	77
Gruppo Editoriale L'Espresso	73
Cattolica Assicurazioni	70
Cairo Communications	69
Saes Getters	43
Meliorbanca	42
KME	36
Greenergycapital	13
Total Italy	**5,884**
Sweden	
Nordea Bank	546
Hennes & Mauritz	467
Volvo	421
Teliasonera	284
Svenska Cellulosa	267
Svenska Handelsbanken	265
SKF	231
Skandinaviska Enskilda Banken	215
Skanska	212
Wihlborg Fastigheter	164
Industrivarden	164
Mekonomen	153
HQ	115
Kappahl	114
Kungsleden	113
Castellum	111
Swedbank	106

Company	Valuation £'000
Boliden	89
Know It	82
HIQ	81
D.Carnegie & Co	78
Trelleborg	72
Fabege	71
Klovern	67
Total Sweden	**4,488**
Netherlands	
ING	899
Unilever	754
Koninklijke	509
Aegon	361
KAS Bank	145
Smit Internationale	134
Eurocommercial Property	126
Exact	103
Vastned Retail	98
Binckbank	97
OCE	92
Gamma	88
Ballast Nedam	81
Grontmij	79
SNS Reaal	67
TKH	54
Wavin	41
Accell	38
Total Netherlands	**3,766**
Finland	
Fortum	248
Sampo	239
Outokumpu	226
Orion	224
Neste Oil	147
Wartsila	147
Pohjola Bank	141
Cargotec	122
Sanoma Wsoy	117
Rautaruukki	115
Lemminkainen	115
Elisa	109
Alma Media	108
Cramo	99
Stockmann	87
PKC	85
Poeyry	81
Kemira	60
Total Finland	**2,470**

Company	Valuation £'000
Norway	
Statoilhydro	462
DNB	262
Frontline	153
Aker Solutions	137
Sparebank	104
Sparebanken Midt Norge Primary	101
Wilh Wilhelmsen	98
ABG Sundal Collier	94
Deep Sea Supply	94
Sparebanken Nord Norge	91
Veidekke	71
Independent Tankers Corporation	1
Total Norway	**1,668**
Belgium	
Dexia	364
KBC	364
Belgacom	198
Euronav	138
GIMV	128
Mobistar	120
Elia System Operator	116
C.M.B.	110
Warehousing & Distribution De Pauw	95
Total Belgium	**1,633**
Greece	
National Bank Of Greece	291
Bank Of Piraeus	228
EFG Eurobank Ergasias	219
Alpha Bank	191
Hellenic Telecom.Organization	167
Hellenic Exchanges	123
Metka	115
Agricultural Bank Of Greece	112
Intralot	76
S&B Industrial Minerals	67
Total Greece	**1,589**

Company	Valuation £'000
Switzerland	
Zurich Financial Services	694
Swiss Reinsurance	372
Swisscom	170
EMS-Chemie	136
Schweiz National-Versicherungs	122
Verwaltungs-Und	68
Total Switzerland	**1,562**
Austria	
Telekom Austria	213
Voest-Alpine	167
Lenzing	118
Semperit	90
Flughafen Wien	81
Total Austria	**669**
Denmark	
Danske Bank	295
Trygvesta	133
TORM	97
Spar Nord Bank	88
Amagerbanken	50
Total Denmark	**663**
Portugal	
Portugal Telecom	223
Banco Espirito Santo	121
Redes Energeticas Nacionais	100
Portucel-Empresa Produtora De Pasta	75
Total Portugal	**519**
Ireland	
Greencore	110
McInerney	40
Total Ireland	**150**
Liquidity Fund	
JPM Euro Liquidity Fund	5,262
Total Liquidity Funds	**5,262**
Total Portfolio	**78,739**

I N C O M E S H A R E S

Income Statement

(unaudited)
for the year ended 31st March 2008

	Year ended 31st March 2008			Period ended 31st March 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	—	(6,393)	(6,393)	—	11,310	11,310
Net foreign currency losses	—	(761)	(761)	—	(26)	(26)
Income from investments	3,166	—	3,166	1,294	—	1,294
Other interest receivable and similar income	386	—	386	153	—	153
Gross return/(loss)	3,552	(7,154)	(3,602)	1,447	11,284	12,731
Management fee	(297)	(445)	(742)	(209)	(314)	(523)
Performance fee writeback/(charge)	—	35	35	—	(52)	(52)
Other administrative expenses	(151)	—	(151)	(62)	—	(62)
Net return/(loss) on ordinary activities before finance costs and taxation	3,104	(7,564)	(4,460)	1,176	10,918	12,094
Finance costs	(416)	(624)	(1,040)	(250)	(375)	(625)
Net return/(loss) on ordinary activities before taxation	2,688	(8,188)	(5,500)	926	10,543	11,469
Taxation	(345)	100	(245)	(50)	—	(50)
Net return/(loss) on ordinary activities after taxation	2,343	(8,088)	(5,745)	876	10,543	11,419
Return/(loss) per Income share	3.67p	(12.67)p	(9.00)p	1.32p	15.86p	17.18p

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

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

The comparative results cover the period from the effective date of the reorganisation on 2nd August 2006 to 31st March 2007.

Balance Sheet

(unaudited)
as at 31st March 2008

	2008 £'000	2007 £'000
Fixed assets		
Investments at fair value through profit or loss	73,477	85,033
Investments in liquidity funds at fair value through profit or loss	5,262	5,816
Total portfolio	78,739	90,849
Current assets		
Debtors	741	443
Derivative financial instruments	24	—
Cash and short term deposits	8,547	300
	9,312	743
Creditors: amounts falling due within one year	(439)	(187)
Derivative financial instruments	(344)	(610)
Net current assets/(liabilities)	8,529	(54)
Total assets less current liabilities	87,268	90,795
Creditors: amounts falling due after more than one year		
Bank loans	(18,018)	(15,338)
Provisions for liabilities and charges		
Performance fee	—	(35)
Net assets	69,250	75,422
Net asset value per Income share	108.4p	120.4p

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 Aberdeen Growth Opportunities Trust 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 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 Pheonix 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.

Alexander Zagoreos (American)
A Director since 1987
Senior advisor and former managing director of Lazard Frères & Co. L.L.C. in New York. Chairman of Utilico Emerging Markets and the Egypt Trust and a director of a number of investment trust companies including The New Zealand Investment Trust plc, Alpha Andromeda Fund (Greece), Taiwan Opportunities Fund and The World Trust Fund. His qualifications for Board membership are long experience of investment management and of investment trusts in particular.

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 2008.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31st March 2007. 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 2007 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 266 of the Companies Act 1985. 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 4 to 7 and in the Investment Managers' Report on pages 8 to 10.

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.
- 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

To provide a growing income together with the potential 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.
- 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 2008, the Growth portfolio produced a total return to shareholders of –3.3% and a total return on net assets of –1.5%. This compares with the return on the benchmark index of +2.5%. As at 31st March 2008, the value of the Company's Growth portfolio was £412.1m.

Directors' Report continued

Income:
In the year to 31st March 2008, the Income portfolio produced a total return to shareholders of –7.6% and a total return on net assets of –7.3%. This compares with the return on the benchmark index of –1.1%. As at 31st March 2008, the value of the Company's Income portfolio was £78.7m.

The Investment Managers' Report on pages 8 to 10 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 loss for the year amounted to £4.0m (2007: return £63.6m) and net total loss after deducting interest, management expenses, performance fee and taxation amounted to £12.6m (2007: return £47.3m). Distributable income for the year amounted to £9.7m (2007: £11.5m).

Growth:
Gross loss for the year amounted to £0.4m (2007: return of £50.8m) and net total loss after deducting interest, management expenses, performance fee and taxation amounted to £6.9m (2007: return of £35.8m). Distributable income for the year totalled £7.3m (2007: £10.6m). Dividends totalling 6.33 pence per Growth share were paid in respect of the year under review (2007: 5.8 pence, including a special dividend of 2.0 pence per share paid in July 2006). These distributions cost £9.1m and the revenue reserve after allowing for these dividends amounts to £0.2m.

Income:
Gross loss for the year amounted to £3.6m (period ended 31st March 2007: return of £12.7m) and net total loss after deducting interest, management expenses, performance fee and taxation amounted to £5.7m (2007: return £11.4m). Distributable income for the year totalled £2.3m (period ended 31st March 2007: £0.9m). Dividends totalling 3.9 pence per Income share were paid in respect of the year under review. These distributions cost £2.5m and the revenue reserve after allowing for these dividends amounts to £44,000.

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:-

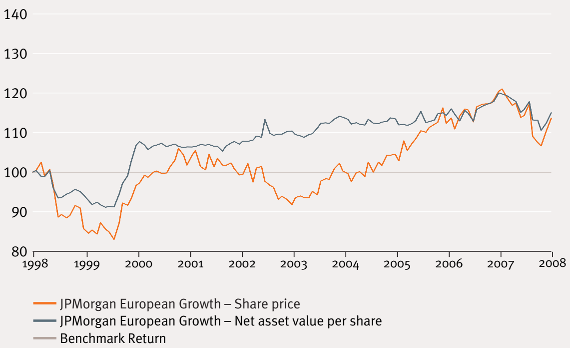
- **Performance against the benchmark index:**

This is the most important KPI by which performance is judged.

Growth:

Performance relative to Benchmark Index

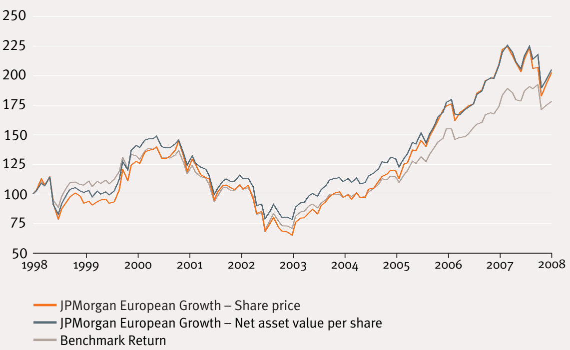
Figures have been rebased to 100 as at 31st March 1998



Source: Standard & Poor's – www.funds.morningstar.com/Fundamental Data – www.funddata.com. (Total Return)

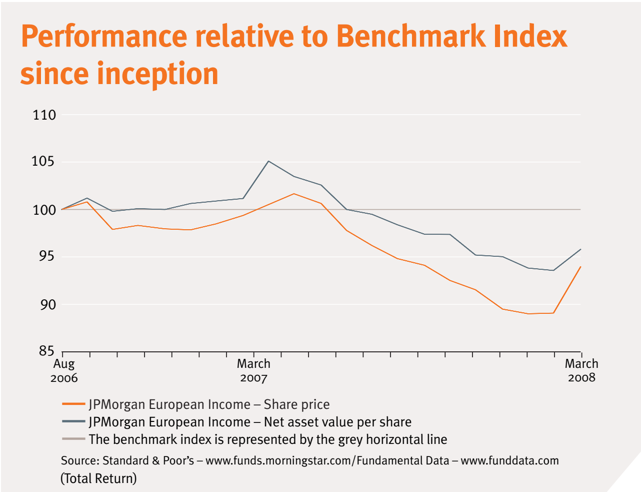
Ten Year Performance

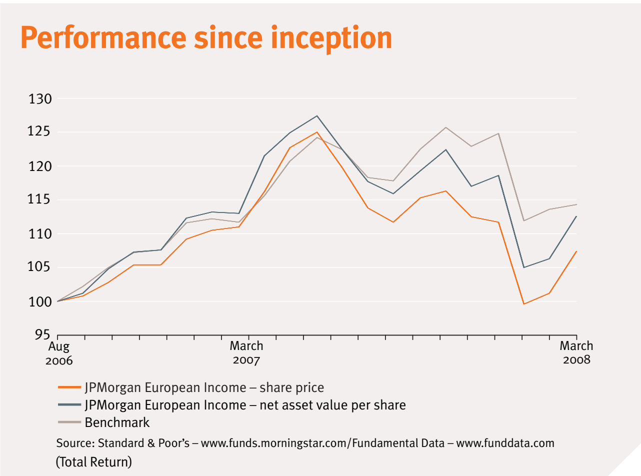
Figures have been rebased to 100 as at 31st March 1998



Source: Standard & Poor's – www.funds.morningstar.com/Fundamental Data – www.funddata.com. (Total Return)

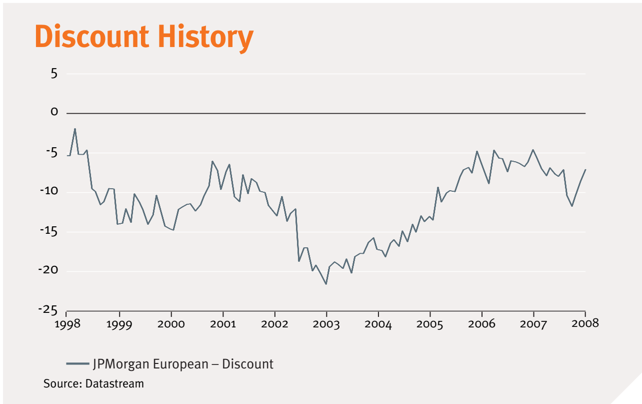
Income:



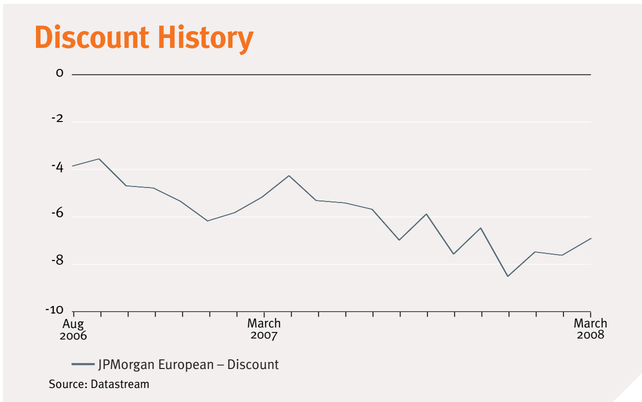


- **Performance against the Company's peers**
  The principal objective of the Growth portfolio is to achieve capital growth by consistent outperformance of the benchmark. The principal objective of the Income portfolio is to provide a growing income together with the potential for long-term capital 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 2008 are given in the Investment Managers' Report on pages 9 and 10.
- **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 of 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. The Board uses its share repurchase powers on an ongoing basis with the aim of establishing long-term levels of discount for both the Growth shares and Income shares consistently at or below 5% (with debt valued at par). In the year to 31st March 2008, the discount on the Growth shares (with debt valued at par) ranged between 3.3% and 13.3% and the discount on the Income shares (with debt valued at par) ranged between 3.8% and 10.5%.

Growth:



Income:



- **Total expense ratio ('TER')**
  The TER represents management fees and all other operating expenses, excluding interest payments, expressed as a percentage of the average of the opening and closing net assets. The Growth TER for the year ended 31st March 2008 was 1.05% (2007: 0.69% as restated). The Income TER for the year ended 31st March 2008 was 1.23% (period to 31st March 2007: 0.79% as

Directors' Report continued

restated). 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 sell shares from Treasury, to repurchase shares into Treasury and to repurchase shares for cancellation.

During the year, the Company repurchased a total of 9,536,500 Growth shares in the market for cancellation at a total consideration of £22,120,000 and a total of 3,973,500 Income shares in the market for cancellation at a total consideration of £4,176,000.

During the year no shares were repurchased into or sold from Treasury. A total of 2,000,000 Growth shares were cancelled from Treasury during the year.

Since the year end, a further 1,664,500 Growth shares and 2,735,000 Income shares have been repurchased for cancellation.

Resolutions to renew the authorities to repurchase shares for cancellation and to sell shares from Treasury will be put to shareholders at the forthcoming AGM. The full text of these resolutions is set out in the Notice of Meeting on pages 72 to 73.

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 69.

During the year, conversions took place on 17th September 2007 and on 18th March 2008. The net result of those conversions was a reduction in the Growth issued share capital of 2,491,107 shares, and an increase in the Income issued share capital of 5,250,584 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 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 1985 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 37 to 39.
- 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 pages 38 to 39.

- Financial: The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 24 on pages 62 to 67.

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 8 to 10.

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, noting out-performance of the benchmark over the long term, 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 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 2008, the Company's NAV total return underperformed the benchmark total return by 5.31%. This gave rise to a negative performance fee of £3,669,000. A performance fee payable of £3,212,000 was brought forward at the beginning of the Company's financial year. This amount together with a £65,000 adjustment relating to the prior year has been written back in the current year. An underperformance amount of £392,000 is carried forward and must be fully offset before any performance fee can be paid.

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 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 2008, the Company's NAV total return underperformed the benchmark by 6.71%. This gave rise to a negative performance fee of £699,000. A performance fee payable of £30,000 was brought forward at the beginning of the Company's financial year. This amount has been written back in the current year. An underperformance amount of £669,000 is carried forward and must be fully offset before any performance fee can be paid.

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for its management to continue in operational existence for the foreseeable future. For these reasons, they 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 2008, the Company had no outstanding trade creditors (2007: nil).

THE COMPANY

Directors' Report continued

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:

	31st March 2008	1st April 2007
Robin Faber	10,000	10,000
Andrew Murison	5,050	5,050
Stephen Russell	1,932	1,902
Ferdinand Verdonck	2,702	2,659
Alexander E Zagoreos	70,000	70,000

None of the Directors held beneficial interests in the Company's Income shares at the end of the year.

Since the year end, Stephen Russell and Ferdinand Verdonck have acquired a further 30 Growth shares and 41 Growth shares respectively.

In accordance with the Company's Articles of Association the Directors retiring by rotation at the Annual General Meeting will be Stephen Russell, Ferdinand Verdonck and Alexander Zagoreos who, being eligible, offer themselves for re-election. The Nomination Committee having considered their qualifications, performance and contribution to the Board and its committees, it confirms that each Director continues to be effective and demonstrative commitment to the role and the Board ecommends 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:

(a) 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 234 ZA of the Companies Act 1985.

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 3 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 11 to the Notice of AGM on page 74.

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	10.90
Puddle Dock Nominees[1,2]	10.61
JPMorgan Asset Management (UK)Limited	7.75
Rensburg Sheppards Investment Management Limited[2]	5.47
Tattersall Advisory Group Inc	4.78
Legal & General Investment Management	3.84
East Riding of Yorkshire Council	1.35
HBOS plc	1.16

The percentage of total voting rights is calculated by reference to the share voting numbers which as at 31st March 2008 were as follows:

Growth shares: 2.49
Income shares: 1.20

[1]Held on behalf of JPMAM ISA and Share Plan participants.
[2]Non-beneficial.

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 Acts 1985 and 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.

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 advisor 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 repurchase the Company's Shares (resolution 7)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2007 AGM, will expire on 17th January 2009 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 16th January 2010 or until the whole of the 14.99 per cent has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on page 72. 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.

(ii) Treasury shares/disapplication of pre-emption rights (resolutions 8 and 9)

Under the Companies Act 1985, the Company is permitted to repurchase up to 10% of each class of its own shares into Treasury for sale or cancellation at a future date, as an alternative to repurchasing for immediate cancellation. At the Annual General Meeting of the Company held in July 2007, shareholders renewed the Board's authority to sell Growth and Income shares held by the Company as Treasury shares at a price below the prevailing net asset value per share of the existing issued shares for the relevant class. The Board considers that circumstances could arise in which it would be in shareholders' interests for such powers to be exercised and will therefore seek renewal of this authority at the forthcoming AGM.

The Board believes that the effective use of Treasury shares assists the Company in improving liquidity in the Company's shares, of managing any imbalance between supply and demand and minimising the volatility and absolute level of the discount at which the Company's shares trade to their net asset value, for the benefit of shareholders.

(iii) Adoption of new Articles of Association (Resolution 10) The Company proposes to adopt new articles of association

These incorporate amendments to the current articles of association to reflect the provisions of the Companies Act 2006 (the '2006 Act') and otherwise generally update the Articles of Association for current law, regulation and market practice. The 2006 Act came, or will come, into effect in 2007, 2008 and 2009. As the 2006 Act will not be fully in force until October 2009, it is not yet possible to fully reflect the 2006 Act changes and it is expected that shareholders will be asked to approve further changes to the articles of association at the 2009 AGM.

The principal changes brought about by the new articles of association proposed to be adopted at the forthcoming AGM relate to electronic communication with shareholders, shareholder meetings and resolutions, directors' indemnities, transfers of shares and directors' conflicts of interest. For a more detailed explanation of these and other amendments please refer to the Appendix on pages 75 to 77.

A copy of the current Articles of Association and the proposed new Articles of Association 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 from the date of this report up until the close of the AGM. Copies will also be available at The Library, JPMorgan, 60 Victoria Embankment, London EC4y 0JP, being the place of the AGM, for 15 minutes prior to, and during, the meeting.

(iv) Approval of the proposed Contingent Purchase Contract (resolution 11)

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 164 and 165 of the UK Companies Act 1985. 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.

Recommendation

The Board considers that resolutions 6 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 89,755 shares representing approximately 0.02% of the voting rights of the Company.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
9th June 2008

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 41, 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 29.

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 Stephen Russell, Ferdinand Verdonck and Alexander Zagoreos, 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 29. Directors who are not members of Committees may attend at the invitation of the Chairman.

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 devoted to strategy. There were also a number of ad hoc Board meetings, two Audit Committee meetings and one meeting of the Nomination Committee during the year.

Director	Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended
Andrew Murison	5	2	1
Robin Faber	4	2	1
Stephen Russell	5	—	1
Ferdinand Verdonck	5	2	1
Alexander Zagoreos	4	1	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 and whose membership is set out on page 29, 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 68.

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 68. 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, which the Board has identified as including 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

Corporate Governance continued

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 Managers' 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 Turnball guidance, it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st March 2008, 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 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."

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. 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 42.

Directors' Remuneration[1]

Director's Name	2008 £	2007 £
Robin Faber	19,000	16,000
Andrew Murison	26,500	25,000
Stephen Russell	17,000	14,000
Ferdinand Verdonck	17,000	14,000
Alexander Zagoreos	17,000	14,000

[1]Audited information.

With effect from 1st July 2007, the Chairman has been paid at the rate of £27,000 per annum, the Audit Committee Chairman at the rate of £20,000 per annum and the other Directors at the rate of £18,000 per annum.

The total Directors' fees of £96,500 (2007: £83,000) comprise £51,000 (2007: £42,000) in respect of aggregate emoluments paid to Directors and £45,500 (2007: £41,000) paid to third parties for making available the services of 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.

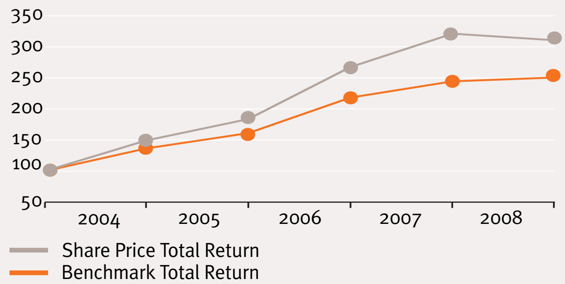
As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMorgan Asset 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. 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 37.

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:

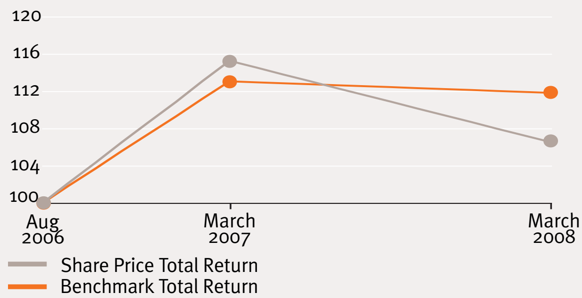
Five year share price and benchmark total return to 31st March 2008



Source: FTSE Group/Standard & Poor's – www.funds.morningstar.com

Income:

Share price and benchmark total return from inception to 31st March 2008



Source: FTSE Group/Standard & Poor's – www.funds.morningstar.com

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
9th June 2008

Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Company as at the end of the year and of the total return for the year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors confirm that they comply with these requirements.

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

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 2008

Independent Auditors' Report

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

We have audited the accounts of JPMorgan European Investment Trust plc for the year ended 31st March 2008 which comprise the Income Statement, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds and the Cash Flow Statement and the related notes 1 to 25. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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

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

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Financial Results, Chairman's Statement, Investment Managers' Report, Summaries of Results, Financial Records, Ten Largest Investments, Portfolio Analyses, Lists of Investments, Portfolio Income Statements, Portfolio Balance Sheets, Directors' Report, Corporate Governance, the unaudited part of the Directors' Remuneration Report, Directors' Responsibilities in Respect of the Accounts, Information about the Company, Capital Structure and Conversion between Share Classes, Shareholder Analyses, Notice of Annual General Meeting, Appendix and Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st March 2008 and of its loss for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

ERNST & YOUNG LLP
Registered Auditors London, 9th June 2008

Income Statement

for the year ended 31st March 2008

	Notes	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	—	(13,663)	(13,663)	—	45,906	45,906
Net foreign currency (losses)/gains		—	(7,725)	(7,725)	—	1,111	1,111
Income from investments	3	15,485	—	15,485	15,851	—	15,851
Other interest receivable and similar income	3	1,866	—	1,866	707	—	707
Gross return/(loss)		17,351	(21,388)	(4,037)	16,558	47,017	63,575
Management fee	4	(1,180)	(2,505)	(3,685)	(971)	(2,092)	(3,063)
Performance fee writeback/(charge)	4	—	3,774	3,774	—	(3,929)	(3,929)
Share capital reorganisation costs		—	—	—	—	(1,265)	(1,265)
Other administrative expenses	5	(913)	—	(913)	(650)	—	(650)
Net return/(loss) on ordinary activities before finance costs and taxation		15,258	(20,119)	(4,861)	14,937	39,731	54,668
Finance costs	6	(1,939)	(4,177)	(6,116)	(1,798)	(3,988)	(5,786)
Net return/(loss) on ordinary activities before taxation		13,319	(24,296)	(10,977)	13,139	35,743	48,882
Taxation	7	(3,630)	2,010	(1,620)	(1,621)	—	(1,621)
Net return/(loss) on ordinary activities after taxation		9,689	(22,286)	(12,597)	11,518	35,743	47,261
Return/(loss) per share:							
Growth share	9	5.07p	(9.80)p	(4.73)p	5.71p	13.52p	19.23p
Income share	9	3.67p	(12.67)p	(9.00)p	1.32p	15.86p	17.18p

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.

The notes on pages 47 to 67 form an integral part of these accounts.

Statement of Total Recognised Gains and Losses

for the year ended 31st March 2008

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Movement in value of cash flow hedge during the year	—	1,443	1,443	—	3,543	3,543
Net return/(loss) from ordinary activities	9,689	(22,286)	(12,597)	11,518	35,743	47,261
Total recognised gains/(losses) for the year	9,689	(20,843)	(11,154)	11,518	39,286	50,804

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st March 2008

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 31st March 2006	12,225	—	4,095	516,629	(8,384)	12,563	537,128
Repurchase and cancellation of shares	(2,108)	—	2,108	(85,197)	—	—	(85,197)
Repurchase of shares into Treasury	—	—	—	(39,096)	—	—	(39,096)
Cancellation of shares in Treasury	(20)	—	20	—	—	—	—
Transfer on reconstruction	—	—	1,920	(1,920)	—	—	—
Share conversions during the year	—	10,349	235	(10,584)	—	—	—
Net return from ordinary activities	—	—	—	35,743	—	11,518	47,261
Revaluation of cash flow hedge	—	—	—	—	3,543	—	3,543
Dividends appropriated in the year	—	—	—	—	—	(13,447)	(13,447)
At 31st March 2007	10,097	10,349	8,378	415,575	(4,841)	10,634	450,192
Repurchase and cancellation of shares	(576)	—	576	(26,296)	—	—	(26,296)
Cancellation of shares in Treasury	(100)	—	100	—	—	—	—
Share conversions during the year	—	6,505	139	(6,644)	—	—	—
Net (loss)/return from ordinary activities	—	—	—	(22,286)	—	9,689	(12,597)
Interest swap breakage costs	—	—	—	(356)	356	—	—
Revaluation of cash flow hedge	—	—	—	—	1,443	—	1,443
Transfer of prior year tax relief on expenses charged to capital	—	—	—	990	—	(990)	—
Dividends appropriated in the year	—	—	—	—	—	(12,531)	(12,531)
At 31st March 2008	9,421	16,854	9,193	360,983	(3,042)	6,802	400,211

The notes on pages 47 to 67 form an integral part of these accounts.

Balance Sheet

at 31st March 2008

	Notes	2008 Growth £'000	2008 Income £'000	2008 Total £'000	2007 Total £'000
Fixed assets					
Investments at fair value through profit or loss		386,979	73,477	460,456	478,795
Investments in liquidity funds at fair value through profit or loss		25,114	5,262	30,376	72,708
Total portfolio	10	412,093	78,739	490,832	551,503
Current assets	11				
Debtors		17,973	741	18,714	1,441
Derivative financial instruments		—	24	24	4
Cash and short term deposits		22,114	8,547	30,661	564
		40,087	9,312	49,399	2,009
Creditors: amounts falling due within one year	12	(29,529)	(439)	(29,968)	(3,794)
Derivative financial instruments	13	(2,698)	(344)	(3,042)	(4,841)
Net current assets/(liabilities)		7,860	8,529	16,389	(6,626)
Total assets less current liabilities		419,953	87,268	507,221	544,877
Creditors: amounts falling due after more than one year					
Bank loans	14	(88,992)	(18,018)	(107,010)	(90,933)
Provisions for liabilities and charges					
Performance fee	15	—	—	—	(3,752)
Net assets		330,961	69,250	400,211	450,192
Capital and reserves					
Called up share capital	16	7,666	1,755	9,421	10,097
Share premium	17	4,844	12,010	16,854	10,349
Capital redemption reserve	17	8,758	435	9,193	8,378
Capital reserve	17	307,526	53,457	360,983	415,575
Other reserve	17	(2,698)	(344)	(3,042)	(4,841)
Revenue reserve	17	4,865	1,937	6,802	10,634
Shareholders' funds		330,961	69,250	400,211	450,192
Net asset values:					
Net asset value per Growth share	18			238.8p	248.8p
Net asset value per Income share	18			108.4p	120.4p

The accounts on pages 43 to 67 were approved and authorised for issue by the Directors on 9th June 2008 and are signed on their behalf by:

Stephen Russell
Director

The notes on pages 47 to 67 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31st March 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	19	8,531	6,321
Returns on investments and servicing of finance			
Interest paid		(6,225)	(5,527)
Taxation recovered		520	303
Capital expenditure and financial investment			
Purchases of investments		(442,722)	(740,068)
Sales of investments		501,286	834,886
Settlement of futures contracts		(630)	—
Other capital charges		(105)	(120)
Net cash inflow from capital expenditure and financial investment		57,829	94,698
Dividends paid		(12,531)	(13,447)
Net cash inflow before financing		48,124	82,348
Financing			
Repurchase of shares		(26,188)	(123,541)
Share capital reorganisation costs paid		—	(1,265)
Net cash outflow from financing activity		(26,188)	(124,806)
Increase/(decrease) in cash for the year	20	21,936	(42,458)

The notes on pages 47 to 67 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st March 2008

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the AIC in December 2005. The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31st March 2007.

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in notes 24 to 25 on pages 61 to 67.

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

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from the 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 portfolio is provided internally on that basis to the 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 acquisition which are written off to the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at 'fair value', which is bid market prices for listed investments.

Where trading in securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Unlisted and restricted investments are valued at fair value by the Board. In making its valuations, the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the income statement within 'Gains or losses from investments held at fair value through profit or loss'. Transaction costs incurred on the purchase and sale of investments are also included within this caption. All purchases and sales are accounted for on a trade date basis.

(c) Income

Dividends receivable 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.

Overseas dividends are included gross of 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 included in the revenue column. Any excess in the value of the shares received over the amount of the cash dividend foregone is included in the capital column.

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

Premiums receivable from written options are included in revenue on a time apportionment basis over the life of the instrument.

1. Accounting Policies continued

(d) Expenses

All expenses are accounted for on an accruals basis.

Expenses charged to the Company common to both pools are allocated to the pools 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 pool are charged directly to that pool, with the other pool remaining unaffected. Losses of one pool 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 capital in both pools.
- 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.
- 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.
- 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 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.
- 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.

(f) Financial instruments

Cash at bank and in hand may comprise 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 uses interest rate swaps to hedge the cash flow risk arising from interest rate fluctuations. 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 'Other reserve', which was created specifically for that purpose.

In accordance with FRS 26: 'Financial Instruments: Measurement', derivative instruments are valued at fair value and are included in current assets or current liabilities in the balance sheet.

Notes to the Accounts continued

1. Accounting Policies continued

(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 portfolio 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.

(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.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the revenue column of the income statement or the capital column, depending on whether the gain or loss is of a revenue or capital nature.

(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

Irrecoverable VAT is expensed to capital or income in the proportions in which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 21 on page 59.

	2008 £'000	2007 £'000
2. (Losses)/gains from investments held at fair value through profit or loss		
Realised gains from investments held at fair value through profit or loss based on historical cost	30,855	96,583
Amounts recognised as unrealised gains in the previous year	(46,078)	(104,541)
Realised losses based on fair value at previous balance sheet date	(15,223)	(7,958)
Realised loss on close out of futures	(630)	—
Unrealised gain on futures	24	—
Net movement in unrealised gains	2,300	53,982
Other capital charges	(134)	(118)
Total (losses)/gains from investments held at fair value through profit or loss	(13,663)	45,906

	2008 £'000	2007 £'000
3. Income		
Income from investments		
Dividends from investments listed in the UK	874	672
Scrip dividends from investments listed in the UK	17	—
Dividends from investments listed overseas	13,272	13,029
Property income distribution	2	—
Dividends from liquidity funds	1,320	2,150
	15,485	15,851
Other income		
Deposit interest	1,428	301
Stock lending fees	422	398
Option income	16	8
	1,866	707
Total income	17,351	16,558

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
4. Management fee						
Management fee	1,077	2,283	3,360	836	1,801	2,637
VAT thereon	103	222	325	135	291	426
	1,180	2,505	3,685	971	2,092	3,063
Performance fee						
Performance fee (writeback)/charge	—	(3,307)	(3,307)	—	3,305	3,305
VAT thereon	—	(467)	(467)	—	624	624
	—	(3,774)	(3,774)	—	3,929	3,929

Details of the management and performance fees are given in the Directors' Report on page 34.

	2008 £'000	2007 £'000
5. Other administrative expenses		
Other management expenses	634	427
Directors' fees[1]	97	83
Savings products[2]	128	111
Auditors' remuneration for audit services[3]	38	21
Auditors' remuneration for all other services	16	8
	913	650

[1]Full disclosure is given in the Directors Remuneration Report on page 40.
[2]These fees were paid to JPMAM for the administration and marketing of 'wrapper' products.
[3]Includes £7,000 (2007: £3,000) irrecoverable VAT.

Notes to the Accounts continued

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
6. Finance costs						
Bank loans and overdrafts	1,939	4,177	6,116	1,798	3,988	5,786

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
7. Taxation						
UK corporation tax at 30% (2007: 30%)	1,675	—	1,675	1,826	—	1,826
Double taxation relief	(1,675)	—	(1,675)	(1,826)	—	(1,826)
Overseas withholding tax	1,620	—	1,620	1,621	—	1,621
Tax relief on expenses charged to capital	2,010	(2,010)	—	—	—	—
Current tax	3,630	(2,010)	1,620	1,621	—	1,621

The tax charge for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 30% (2007: 30%). The difference is explained below.

	2008 £'000	2007 £'000
Net revenue return on ordinary activities before taxation	13,319	13,139

	2008 £'000	2007 £'000
Net revenue return on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2007: 30%)	3,996	3,942
Non taxable UK dividends	(263)	(202)
Income taxed in different periods	(43)	89
Tax relief on expenses charged to capital	1,030	(3,003)
Non taxable scrip dividends	(5)	—
Movement in excess expenses	(1,030)	1,000
Relief for overseas tax	(1,675)	(1,826)
Overseas withholding tax	1,620	1,621
	3,630	1,621

The Company has an unrecognised deferred tax asset of £5,031,000 based on a prospective corporation tax rate of 28% (2007: £6,475,000 based on a corporation tax rate of 30%). This has arisen from deductible expenses exceeding taxable income. Given the composition of the Company's portfolios, 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.

	2008 £'000	2007 £'000
8. Dividends		
(a) Dividends paid and declared		
Dividends paid		
European Growth overaccrual due to share buybacks	—	(6)
European Growth 2007 final dividend of 3.8p (2006: 3.5p)[1]	5,703	8,557
European Growth interim dividend of 3.0p	4,389	—
European Growth special dividend of 2.0p[1]	—	4,890
European Income 2007 final dividend of 2.9p	1,880	—
European Income interim dividend of 0.9p	559	—
Total dividends paid in the year	12,531	13,441
Dividends declared		
European Growth shares dividend declared in relation to the period ended 15th March 2007 of 3.8p	—	5,703
European Income shares dividend declared in relation to the period ended 15th March 2007 of 2.9p	—	1,880
European Growth final dividend of 3.33p	4,677	—
European Income final dividend of 3.0p	1,893	—
Total dividends payable[2]	6,570	7,583

[1]Adjusted for the five for one subdivision on 2nd August 2006.
[2]In accordance with the accounting policy of the Company, these dividends will be reflected in the accounts for the year ending 31st March 2009.

(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:

	2008 £'000	2007 £'000
Ordinary shares special dividend paid of 2.0p[1] per share	—	4,890
European Growth interim dividend of 3.0p	4,389	—
European Growth final dividend of 3.33p (2007: 3.8p)	4,677	5,703
European Income interim dividend of 0.9p	559	—
European Income final dividend of 3.0p (2007: 2.9p)	1,893	1,880
Total[2]	11,518	12,473

[1]Adjusted for the five for one subdivision on 2nd August 2006.
[2] The revenue available for distribution by way of dividend for the year is £11,699,000 (2007: £11,518,000).

THE COMPANY

Notes to the Accounts continued

9. (Loss)/return per share

	2008 £'000	2007 £'000
Growth share		
(Loss)/return per share is based on the following:		
Revenue return	7,346	10,642
Capital (loss)/return	(14,198)	25,200
Total (loss)/return	(6,852)	35,842
Weighted average number of shares in issue	144,965,243	186,388,922[1]
Revenue return per share	5.07p	5.71p
Capital (loss)/return per share	(9.80)p	13.52p
Total (loss)/return per share	(4.73)p	19.23p

[1]Adjusted for the five for one subdivision on 2nd August 2006.

	2008 £'000	2007 £'000
Income share		
(Loss)/return per share is based on the following:		
Revenue return	2,343	876
Capital (loss)/return	(8,088)	10,543
Total (loss)/return	(5,745)	11,419
Weighted average number of shares in issue	63,813,161	66,471,285
Revenue return per share	3.67p	1.32p
Capital (loss)/return per share	(12.67)p	15.86p
Total (loss)/return per share	(9.00)p	17.18p

	2008 £'000	2007 £'000
10. Investments		
Investments listed on a recognised stock exchange	490,832	551,503

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	24,090	421,364	4	445,458
Opening unrealised gains/(losses)	7,058	98,991	(4)	106,045
Opening valuation	31,148	520,355	—	551,503
Movements in the year:				
Purchases at cost	19,373	451,720	—	471,093
Sales – proceeds	(16,280)	(502,561)	—	(518,841)
Sales – realised losses on investments	(1,939)	(13,284)	—	(15,223)
Net movement in unrealised gains	(2,983)	5,283	—	2,300
	29,319	461,513	—	490,832
Closing book cost	26,354	402,211	—	428,565
Closing unrealised gains	2,965	59,302	—	62,267
	29,319	461,513	—	490,832

During the year, prior year unrealised gains amounting to £46,078,000 were transferred to realised gains as disclosed in note 17.

Transaction costs on purchases during the year amounted to £1,102,000 (2007: £1,440,000) and on sales during the year amounted to £820,000 (2007: £1,334,000). These costs comprise mainly broker commission.

(b) Stock lending details

The aggregate value of securities on loan at 31st March 2008 amounted to £27,437,000 (2007: £27,180,000) and the maximum value of stock on loan during the year amounted to £71,035,000 (2007: £135,810,000). Collateral with a value equivalent to a minimum of 105% of the outstanding value of stocks on loan is obtained by JPMorgan Chase & Co. as agent for the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds.

	2008 £'000	2007 £'000
11. Current assets		
Debtors		
Securities sold for future settlement	17,632	77
Dividends and interest receivable	777	791
Other debtors	305	573
	18,714	1,441

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

Derivative financial instruments

	2008	2007
Forward foreign currency contracts	—	4
Futures contracts	24	—
	24	4

Cash and short term deposits

Cash and short term deposits comprises bank balances and cash held by the Company, including short term deposits. The carrying amount of these represents to their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

THE COMPANY

Notes to the Accounts continued

	2008 £'000	2007 £'000
12. Creditors: amounts falling due within one year		
Securities purchased for future settlement	28,409	55
Repurchase of shares for future settlement	859	751
Performance fee	—	2,139
Other creditors and accruals	700	849
	29,968	3,794

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

	2008 £'000	2007 £'000
13. Derivative financial instruments		
Interest rate swaps at fair value – opening balance	(4,841)	(8,384)
Breakage costs	356	—
Movement in fair value during the year	1,443	3,543
Interest rate swaps at fair value – closing balance	(3,042)	(4,841)

	2008 £'000	2007 £'000
14. Creditors: amounts falling due after more than one year		
Foreign currency bank loan	27,904	23,754
Foreign currency floating rate note	79,106	67,179
	107,010	90,933

The foreign currency bank loan comprises Euro 35 million drawn down on a loan agreement with Barclays Bank plc, repayable on 20th December 2009. Under the terms of a swap contract with The Royal Bank of Scotland, the interest rate on 80% of the loan has been fixed at 5.74% per annum for the life of the loan.

The foreign currency floating rate note ('FRN') comprises an issue of Euro 100 million, repayable on 6th June 2011. Under the terms of a swap contract with Lehman Brothers, the interest rate on 80% of the FRN has been fixed at 5.903% per annum for the life of the instrument. The FRN is secured by a floating charge over the assets of the Company.

	2008 £'000	2007 £'000
15. Provision for liabilities and charges		
Performance fee payable		
Provision brought forward at the beginning of the year	3,242	2,498
Provision for performance fee adjustment prior year	65	—
Provision for performance fee (written back)/earned during the year	(3,307)	3,305
Performance fee paid in capital reconstruction	—	(422)
Amount payable in the year	—	(2,139)
Provision carried forward at the end of the year	—	3,242
Provision for irrecoverable VAT	—	510
	—	3,752

Details of the performance fees are given in the Directors' Report on page 34.

	2008 £'000	2007 £'000
16. Share capital		
Authorised:		
354,328,617 Growth shares with an initial nominal value of 5p each[1]	17,716	17,716
114,142,765 Income shares with an initial nominal value of 2.5p each[1]	2,854	2,854
	20,570	20,570

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

	2008 £'000	2007 £'000
Ordinary shares		
Opening balance at 31st March 2007 of 48,899,500 (2006: 51,384,500) ordinary shares of 25p each	—	12,225
Repurchase of 3,675,000 (2007: 1,196,500) ordinary shares for cancellation	—	(919)
Reclassification of 37,544,182 ordinary shares into Growth shares on 2nd August 2006	—	(9,386)
Reclassification of 7,680,318 ordinary shares into Income shares on 2nd August 2006	—	(1,920)
	—	—

	2008 £'000	2007 £'000
Growth shares		
Ordinary shares reclassified into Growth shares on 2nd August 2006 and subdivided into 187,720,910 shares on the basis of five Growth shares of 5p each for every ordinary share	—	9,386
Opening balance at 1st April 2007 of 150,606,035 shares	7,530	—
Purchase of nil shares into Treasury (2007: 16,673,813)	—	(834)
Repurchase of 9,536,500 shares for cancellation (2007: 19,613,279)	(476)	(981)
Net conversion decrease of 2,491,107 shares (2007: 827,783)	(124)	(41)
Adjustment to nominal value on conversion	2	—
Subtotal	6,932	7,530
14,673,813 (2007: 16,673,813) shares held in Treasury[1]	734	834
Closing balance[2]	7,666	8,364

[1]During the year 2,000,000 Treasury shares were cancelled.
[2]Represented by 153,252,241 shares of 5p each including 14,673,813 shares held in Treasury.

	2008 £'000	2007 £'000
Income shares		
Ordinary shares reclassified into Income shares on 2nd August 2006 and subdivided into 76,803,180 shares on the basis of ten Income shares of 2.5p each for every ordinary share	—	1,920
Opening balance at 1st April 2007 of 62,622,053 shares	1,525	—
Purchase of nil shares into Treasury (2007: 7,308,190)	—	(183)
Repurchase of 3,973,500 shares for cancellation (2007: 8,438,432)	(100)	(208)
Net conversion increase of 5,250,584 shares (2007: 1,565,495)	124	39
Adjustment to nominal value on conversion	(51)	(43)
Subtotal	1,498	1,525
6,508,190 (2007: 6,508,190) shares held in Treasury	159	159
Closing balance[1]	1,657	1,684

[1]Represented by 70,417,327 shares including 6,508,190 shares held in Treasury.

Notes to the Accounts continued

16. Share capital continued

Deferred shares

	2008 £'000	2007 £'000
Deferred Growth shares		
Opening balance at 1st April 2007 of 2,926,852 shares of 0.091p each (1st April 2006: nil)	3	—
2006 Issue of 1,107,710 shares of 0.051p each	—	1
2006 Repurchase of 1,107,710 shares of 0.051p each for cancellation	—	(1)
2006 Issue of 2,926,852 shares of 0.091p each	—	3
2007 Repurchase of 2,926,852 shares of 0.091p each for cancellation	(3)	—
Issue of 184,929 shares of 0.156p each	—	—
Repurchase of 184,929 shares of 0.156p each for cancellation	—	—
Issue of 125,087 Deferred Growth shares of 0.208p each	—	—
Closing balance	—	3
Deferred Income shares		
Opening balance at 1st April 2007 of 61,913,231 shares of 0.074p each (1st April 2006: nil)	46	—
2006 Issue of 68,280 shares of 0.016p each	—	11
2006 Repurchase of 68,280 shares of 0.016p each for cancellation	—	(11)
2006 Issue of 61,913,231 shares of 0.074p each	—	46
2007 Repurchase of 61,913,231 shares of 0.074p each for cancellation	(46)	—
Issue of 61,879,624 shares of 0.109p each	67	—
Repurchase of 61,879,624 shares of 0.109p each for cancellation	(67)	—
Issue of 62,994,576 shares of 0.155p each	98	—
Closing balance	98	46

THE COMPANY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Other reserve £000	Revenue reserve £'000	Total £'000
17. Reserves								
Opening balance	10,097	10,349	8,378	320,338	95,237	(4,841)	10,634	450,192
Realised losses on investments	—	—	—	(15,223)	—	—	—	(15,223)
Net movement in unrealised gains	—	—	—	—	2,300	—	—	2,300
Net foreign currency exchange gains on cash and short term deposits held during the year	—	—	—	8,161	—	—	—	8,161
Foreign currency losses on loans	—	—	—	—	(15,886)	—	—	(15,886)
Realised loss on futures contracts	—	—	—	(630)	—	—	—	(630)
Unrealised gains on futures	—	—	—	—	24	—	—	24
Unrealised gains on foreign currency contracts now realised	—	—	—	5	(5)	—	—	—
Interest swap breakage costs	—	—	—	(356)	—	356	—	—
Movement in value of cash flow hedge	—	—	—	—	—	1,443	—	1,443
Performance fee provision written back	—	—	—	—	3,307	—	—	3,307
VAT on performance fee written back	—	—	—	—	467	—	—	467
Transfer on disposal of investments	—	—	—	46,078	(46,078)	—	—	—
Repurchase and cancellation of shares	(576)	—	576	(26,296)	—	—	—	(26,296)
Cancellation of Treasury shares	(100)	—	100	—	—	—	—	—
Share conversions during the year	—	6,505	139	(6,644)	—	—	—	—
Management fee and finance costs charged to capital	—	—	—	(6,682)	—	—	—	(6,682)
Other capital charges	—	—	—	(134)	—	—	—	(134)
Dividends appropriated in the year	—	—	—	—	—	—	(12,531)	(12,531)
Transfer of prior year tax relief on expenses charged to capital	—	—	—	990	—	—	(990)	—
Transfer of current year tax relief on expenses charged to capital	—	—	—	2,010	—	—	—	2,010
Retained revenue for the year	—	—	—	—	—	—	9,689	9,689
Closing balance	9,421	16,854	9,193	321,617	39,366	(3,042)	6,802	400,211

The Company may only distribute accumulated "realised" profits. The Institute of Chartered Accountants in England and Wales, has issued guidance (TECH 01/08), stating that profits arising out of a change in fair value of assets, recognised in accordance with accounting standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits less losses amounting to £62,267,000 currently included within the Capital reserve - unrealised, may be regarded as distributable under company law.

18. Net asset values

Net asset value per Growth share is calculated by dividing Growth shareholders' funds of £330,961,000 (2007: £374,770,000) by the 138,578,428 Growth shares in issue at the year end, excluding shares held in Treasury (2007: 150,606,035 ordinary shares, as adjusted for the five for one subdivision on 2nd August 2006).

Net asset value per Income share is calculated by dividing Income shareholders' funds of £69,250,000 (2007: £75,422,000) by the 63,909,137 (2007: 62,622,053) Income shares in issue at the year end, excluding shares held in Treasury.

Notes to the Accounts continued

	2008 £'000	2007 £'000
19. Reconciliation of total net (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total net (loss)/return on ordinary activities before finance costs and taxation	(4,861)	54,668
Less capital loss/(return) before finance costs and taxation	20,119	(39,731)
Decrease in accrued income	14	60
Decrease/(increase) in other debtors	17	(15)
Increase/(decrease) in accrued expenses	109	(918)
Expenses charged to capital	(2,505)	(2,092)
Overseas withholding tax	(1,928)	(2,227)
Scrip dividends included in income	(17)	—
Performance fee paid	(2,074)	(2,967)
VAT on performance fee paid	(343)	(457)
Net cash inflow from operating activities	8,531	6,321

	At 31st March 2007 £'000	Cash flow £'000	Exchange movement £'000	Other movements £'000	At 31st March 2008 £'000
20. Analysis of changes in net debt					
Cash and short term deposits	564	21,936	8,161	—	30,661
Foreign currency bank loans	(90,933)	—	(15,886)	(191)	(107,010)
Net debt	(90,369)	21,936	(7,725)	(191)	(76,349)

21. Contingent assets/liabilities and capital commitments

In 2004 the AIC lodged a joint appeal for the payment of investment trust management fees to be exempt from VAT. In June 2007 the European Court of Justice found in favour of the appellants and in November 2007 HM Revenue and Customs ('HMRC') announced their withdrawal from the case. This means that henceforth, VAT will no longer be charged on investment management fees and that the Company is entitled to seek reimbursement of VAT paid in the past. The Manager ceased charging VAT on management fees with effect from 1st October 2007 and has filed protective claims for the period subsequent to 1st February 2001 and as a result an amount in excess of £3.9 million is potentially recoverable for this period. Furthermore a decision in the Court of Appeal has opened the possibility for additional VAT recovery from HMRC for the period from 1st January 1990 to 4th December 1996. There is unlikely to be a claim for the intervening period from 5th December 1996 to 31st January 2001.

In the absence of a definitive agreement with the manager or specific guidance from HMRC as to how the reclaims will be effected, there is not yet certainty as to the amount or timing of any recovery. Accordingly no asset has been recognised in the accounts at 31st March 2008.

At the balance sheet date there were no contingent liabilities or capital commitments (2007: none).

22. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 34. The total management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £3,360,000 excluding VAT (2007: £2,637,000), of which £nil was outstanding at the year end (2007: £nil).

Details of the performance fee agreements are set out in the Directors' Report on page 34. There is no performance fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year (2007: £2,139,000 excluding VAT) and £nil was outstanding at the year end (2007: £2,139,000).

During the year £128,000 excluding VAT (2007: £111,000) was payable to JPMAM for the administration and marketing of 'wrapper' products, of which £nil (2007: £10,000) was outstanding at the year end.

Included in other management expenses in note 5 on page 50 are safe custody fees amounting to £164,000 (2007: £146,000) payable to third party custodians by JPMorgan Chase & Co on behalf of the Company of which £75,000 (2007: £24,000) 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 £40,000 (2007: £nil).

Handling charges on dealing transactions amounting to £133,000 (2007: £92,000) were payable to JPMorgan Chase & Co. during the year of which £nil (2007: £nil) was outstanding at the year end.

The Company holds investments in funds managed by JPMAM. At 31st March 2008 these were valued at £51.1m (2007: £55.4m) and represented 10.4% (2007: 10.0%) of the Company's investment portfolios. During the year the Company made purchases of such investments with a total value of £36.2m (2007: £74.9m) and sales with a total value of £43.6m (2007: £50.3m). Income of £1.3m (2007: £1.1m) was received from these investments during the year.

The Company received £422,000 (2007: £398,000) from stock lending transactions during the year. JPMAM received commissions amounting to £106,000 (2007: £100,000) in respect of these transactions.

At the year end, a bank balance of £687,000 (2007: £nil) was held with JPMorgan Chase & Co. A net amount of interest of £76,000 (2007: £nil) was received by the Company during the year from JPMorgan Chase & Co.

Notes to the Accounts continued

23. Summary of financial assets and financial liabilities by category.

The carrying amounts of the Company's financial assets and financial liabilities at the balance sheet date are as follows. The accounting policies on pages 47 to 49 explain how the various categories of financial instruments are measured.

	2008 £'000	2007 £'000
Financial assets		
Financial assets at fair value through profit or loss		
Fixed asset investments - designated as such upon initial recognition	490,832	551,503
Current assets at fair value through profit or loss		
Derivative instruments classified as held for trading – forward currency contracts	—	4
Derivative instruments classified as held for trading – futures contracts	24	—
	24	4
Loans and receivables		
Debtors (amounts due from brokers, income receivable, overseas tax and prepayments)	18,714	1,441
Cash and short term deposits	30,661	564
	49,375	2,005
Financial liabilities o		
Measured at amortised cost		
Creditors: amounts falling due within one year:		
Due to brokers	28,409	55
Creditors: amounts falling due after more than one year:		
Foreign currency bank loan	27,904	23,754
Foreign currency floating rate note	79,106	67,179
Accruals and Provisions		
Performance fee payable	—	2,139
Other creditors and accruals	1,559	1,600
Provision for performance fee	—	3,752
At fair value through profit or loss		
Derivative instrument classified as held for trading	3,042	4,841
	140,020	103,320

24. 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 other 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 strategy.

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.

A summary of the Company's financial assets and financial liabilities by category is given in note 23.

The Company's financial instruments 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;
– a short term forward currency contract for the purpose of managing exposure to fluctuations in the value of short term liabilities;
– a bank loan and an issue of floating rate notes, both denominated in Euros, the main purpose of which is to finance the Company's operations; and
– interest rate swaps, the purpose of which is to hedge the variability in cash flows arising from interest rate fluctuations on the bank loan and floating rate notes.

(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 a sensitivity analysis where appropriate. The Board reviews and agrees policies for managing these risks, which 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

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (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 may be 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.

Notes to the Accounts continued

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

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31st March are shown below.

	2008 Euro £m	2008 Other £m	2008 Total £m	2007 Euro £m	2007 Other £m	2007 Total £m
Investments at fair value through profit or loss that are monetary items	30.4	—	30.4	72.7	—	72.7
Net current assets/(liabilities)	17.3	—	17.3	(3.2)	—	(3.2)
Bank loans	(107.0)	—	(107.0)	(90.9)	—	(90.9)
Foreign currency exposure on net monetary items	(59.3)	—	(59.3)	(21.4)	—	(21.4)
Investments at fair value through profit or loss that are equities	415.4	15.8	431.2	431.8	16.0	447.8
Total net foreign currency exposure	356.1	15.8	371.9	410.4	16.0	426.4

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 monetary net foreign currency exposure at each balance sheet date and assumes a 5% appreciation or depreciation of sterling against the Euro and the other currencies to which the Company is exposed, which is deemed reasonable based on the volatility of exchange rates during the year.

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

	2008 £m	2007 £m
Income statement revenue after taxation:		
Revenue return	0.7	0.8
Capital return	(3.0)	(1.1)
Total revenue after taxation for the year	(2.3)	(0.3)
Net assets	(2.3)	(0.3)

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

	2008 £m	2007 £m
Income statement revenue after taxation:		
Revenue return	(0.7)	(0.8)
Capital return	3.0	1.1
Total revenue after taxation for the year	2.3	0.3
Net assets	2.3	0.3

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

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

(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 . Under the terms of a swap contract, 80% (2007: 100%) of the interest payable on both the foreign currency bank loan and the foreign currency floating rate notes has been fixed. Further detail of the loans and swap agreements are given below.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required.

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

The Company has drawn down Euro 35 million on a loan agreement with Barclays Bank plc, repayable on 20th December 2009. Interest payable on this loan is the Euro LIBOR rate as quoted in the market for the period of the advance plus a margin of 0.8%. However, under the terms of a swap agreement with The Royal Bank of Scotland, the interest rate on 80% of the loan has been fixed at 5.74% per annum for the life of the loan. At 31st March 2007 the whole loan was subject to the swap agreement but during the year the Company cancelled 20% of the swap contract. The Company incurred breakage costs amounting to £60,000 for the partial cancellation of this contract. The Company has issued a Euro 100 million floating rate note repayable on 6th June 2011. The interest rate payable on this note is based on the offered rate for three month Euro deposits plus a margin of 0.53%. However, under the terms of a swap contract with Lehman Brothers, the interest rate on 80% of the loan has been fixed at 5.31% per annum for the life of the loan. At 31st March 2007 the whole loan was subject to the swap agreement but during the year the Company cancelled 20% of the swap contract. The Company incurred breakage costs amounting to £296,000 for the partial cancellation of this contract.

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:

	2008 £'000	2007 £'000
Amounts exposed to floating interest rates:		
Cash and short term deposits	30,661	564
Investments in Euro liquidity funds	30,376	72,709
Foreign currency bank loan	(5,561)	—
Foreign currency floating rate note	(15,821)	—
Total exposure	39,655	73,273

Interest receivable on cash balances is at a margin over LIBOR (2007: 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 and the loan interest swap agreements have been partially cancelled. The maximum and minimum exposures during the year, arising from cash balances and liquidity funds, were as follows:

	2008 £'000	2007 £'000
Maximum interest rate exposure to floating rates	83,774	108,895
Minimum interest rate exposure to floating rates	51,666	16,250

THE COMPANY

Notes to the Accounts continued

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

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to a 1.0% 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 reasonably possible 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.

	2008		2007	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Income statement - return after taxation:				
Revenue return increase/(decrease)	543	(543)	733	(733)
Capital return (decrease)/increase income	(146)	146	—	—
Total increase/(decrease) in return after taxation for the year	397	(397)	733	(733)
Net assets increase/(decrease)	397	(397)	733	(733)

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole year as the level of exposure changed frequently as investments in liquidity funds have fluctuated. During the year, the highest amount invested in liquidity funds was £83.6m and the lowest was £nil.

(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 any other asset or liability 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.

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:

	2008 £'000	2007 £'000
Equity investments at fair value through profit or loss	460,456	478,795

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 15 to 17 and 23 to 26. This shows the majority of the investments 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's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

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

Other price risk sensitivity

The following table illustrates the sensitivity of the revenue after tax and net assets to an increase or decrease of 10% in the fair value of equity investments. This level of change is considered to be reasonably possible 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.

	2008		2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement: revenue after taxation				
Revenue return - (decrease)/increase	(46)	46	(68)	68
Capital return - increase/(decrease)	45,731	(45,731)	47,733	(47,733)
Total revenue after taxation and net assets - increase/(decrease)	45,685	(45,685)	47,665	(47,665)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due.

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.

Liquidity risk exposure

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

	2008				2007			
	Three months or less £'000	In more than one year but not more than two years £'000	In more than two years but not more than five years £'000	Total £'000	Three months or less £'000	In more than one year but not more than two years £'000	In more than two years but not more than five years £'000	Total £'000
Creditors: amounts falling due within one year								
Amounts due to brokers	28,409	—	—	28,409	55	—	—	55
Other creditors	1,559	—	—	1,559	3,739	—	—	3,739
Derivative financial instrument	3,042	—	—	3,042	4,841	—	—	4,841
Creditors: amounts falling due after more than one year								
Bank loans	—	27,904	79,106	107,010	—	23,754	67,179	90,933
Provisions for liabilities and charges								
Performance fee	—	—	—	—	—	3,752	—	3,752
	33,010	27,904	79,106	140,020	8,635	27,506	67,179	103,320

Notes to the Accounts continued

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

(c) Credit risk

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

Management of credit risk

This risk is not significant and is managed by:

— only dealing with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies; and

— setting limits to the maximum exposure to any one counterparty at any time.

Credit risk exposure

The amounts shown in the balance sheet under investments in liquidity funds, debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year ends. The liquidity funds have an AAA credit rating (2007: same).

Cash at bank comprises balances held at banks with an AA credit rating (2007: same).

(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 cost in the balance sheet is a reasonable approximation of fair value.

25. Capital management policies and procedures

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.

	2008 Balance £'000	2007 Balance £'000
Investments excluding liquidity fund holdings	460,456	478,795
Net assets	400,211	450,192
Gearing	115.1%	106.4%

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 ordinary 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 re- issues from Treasury.

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 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 Scottsman, The Independent and on the Company website at www.jpmeuropean.co.uk, where the share prices are updated every fifteen minutes during trading hours.

Web Site
www.jpmeuropean.co.uk

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

Manager and Secretary
JPMorgan Asset Management (UK) Limited

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

Please contact Jonathan Latter for company secretarial and administrative matters.

Registrars
Lloyds TSB Registrars
Reference 1080
The Causeway
Worthing
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 JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details on the reverse of this report.

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

Brokers
Winterflood Securities
The Atrium Building
Cannon Bridge
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London EC4R 2GA
Telephone 020 7621 0004

aic
The Association of Investment Companies
A member of the AIC

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 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 2008

	Number of shares	% holding
Unit Trusts	16,583,684	10.8
Pensions	15,050,493	9.8
Other Institutions	8,779,045	5.7
Investment Trusts[1]	5,397,231	3.5
Insurance Companies	3,476,229	2.3
Charities	2,884,003	1.9
UK Government	870,372	0.6
Total Institutions	53,041,057	34.6
Private Client Brokers	46,031,654	30.0
Retail investors holding shares directly or through nominee accounts[2]	20,367,693	13.3
Individuals in the Investment Trust Share Plan[3]	11,043,203	7.2
Individuals in the Investment Trust Personal Equity Plan[3]	4,094,538	2.7
Individuals in the Investment Trust Individual Savings Account[3]	2,071,479	1.4
Individuals in the Investment Trust Pension Account[3]	1,928,804	1.3
Total Retail Holdings	85,537,371	55.8
Treasury Shares[4]	14,673,813	9.6
Total Shares in Issue	153,252,241	100.0

Nominee accounts have been allocated to their appropriate category.
[1]Includes 5,371,448 shares held by JPMorgan Elect plc.
[2]Includes shares below threshold of 10,000 shares.
[3]Savings products managed by JPMorgan.
[4]Shares held in Treasury do not carry any voting rights.
Source: Thomson Financial.

Shareholder Analysis

Income Share Class
as at 31st March 2008

	Number of shares	% holding
Pensions	8,369,037	11.88
Unit Trusts	8,309,333	11.80
Other Institutions	7,239,222	10.28
Investment Trusts[1]	2,965,000	4.21
Charities	1,298,407	1.84
UK Government	541,182	0.77
Insurance Companies	24,598	0.03
Total Institutions	28,746,779	40.82
Private Client Brokers	27,172,925	38.59
Retail investors holding shares directly or through nominee accounts[2]	5,043,167	7.16
Individuals in the Investment Trust Share Plan[3]	1,854,031	2.63
Individuals in the Investment Trust Personal Equity Plan[3]	536,299	0.76
Individuals in the Investment Trust Individual Savings Account[3]	402,477	0.57
Individuals in the Investment Trust Pension Account[3]	153,459	0.22
Total Retail Holdings	35,162,358	49.93
Treasury Shares[4]	6,508,190	9.24
Total Shares in Issue	70,417,327	100.0

Nominee accounts have been allocated to their appropriate category.
[1]Includes 1,500,000 shares held by JPMorgan Elect plc.
[2]Includes shares below threshold of 10,000 shares.
[3]Savings products managed by JPMorgan.
[4]Shares held in Treasury do not carry any voting rights.
Source: Thomson Financial.

Notice of Annual General Meeting

Notice is hereby given that the seventy-ninth Annual General Meeting of JPMorgan European Investment Trust plc will be held at The Library, JPMorgan, 60 Victoria Embankment, London EC4Y 0JP on Thursday 17th July 2008 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 2008.

2 To approve the Directors' Remuneration Report for the year ended 31st March 2008.

3 To re-elect Stephen Russell a Director of the Company.

4 To re-elect Ferdinand Verdonck a Director of the Company.

5 To re-elect Alexander Zagoreos 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 Repurchase the Company's Shares – Special Resolution

7 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 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 22,723,002 or 10,145,580 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;

(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 16th January 2010 unless the authority is renewed at the Company's Annual General Meeting in 2009 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 sell Growth and Income Shares from Treasury – Special Resolution

8 THAT the Directors of the Company be authorised, for the purposes of paragraph 12.6 of the Listing Rules of the United Kingdom Listing Authority, to sell Growth and Income shares in the capital of the Company at a price below the net asset value per share of the existing Growth and Income shares in issue, provided always that such issues will be limited to:

(i) up to an aggregate nominal amount of approximately £927,144, being approximately 10% of the issued share capital of the Growth and Income share classes in issue at the date of the passing of this resolution; and

(ii) the sale of shares which, immediately before such sale, were held by the Company as Treasury shares.

Authority to disapply pre-emption rights on sale of shares from treasury – Special Resolution

9 THAT, subject to the passing of Resolution 8 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Act to allot (within the meaning of Section 94(3A) of the Act) equity securities (within the meaning of Section 94(2) of the Act) wholly for cash as if Section 89(1) of the Act did not apply to any such sale, provided that this power shall

Notice of Annual General Meeting continued

be limited to the allotment (within the meaning of Section 94(3A) of the Act) of equity securities for cash out of Treasury up to an aggregate nominal amount of £927,144, being approximately 10% of the share capital of the Growth and Income share classes in issue as at the date of the passing of this resolution and shall expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2009, or fifteen months after the date of the passing of this resolution, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Adoption of new Articles of Association - Special Resolution

10 THAT the Articles of Association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new Articles of Association of the Company, in substitution for and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the 2008 Annual General Meeting.

Authority to make off-market purchases – Special Resolution

11 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 164 and 165 of the Companies Act 1985 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.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary.
9th June 2008

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 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.

4 Any instrument appointing a proxy, to be valid,must be lodged in accordance with the instructions given on the proxy form.

5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) 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 sent shall be treated as replacing and revoking the other or others.

6 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.

7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions

given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above. Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

9 The register of interests of the Directors and connected persons in the share capital of the Company is 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.

10 No Director has any contract of service with the Company.

11 As at 6th June 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 151,587,741 Growth shares and 67,682,327 Income shares. Voting rights are calculated by reference to the share voting numbers which, as at 31st March 2008, were 2.36 (Growth) and 1.05 (Income). Therefore the total voting rights in the Company are 387,349,713 (the shares held in Treasury, totalling 14,673,813 Growth shares and 6,508,190 Income shares, do not carry voting rights).

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

Explanatory Notes to Resolution 10

The Companies Act 2006 (the '2006 Act'), which is replacing the Companies Act 1985 (the '1985 Act') is being implemented in stages and will be fully in force by 1st October 2009. Under resolution 10, the Company is proposing to adopt new Articles of Association (the 'new Articles') which will reflect the changes in company law brought about by the 2006 Act which are already in force or which are to come into effect on 1st October 2008, as well as some minor technical or clarifying changes.

The new Articles of Association will also generally update the Articles of Association for current law regulation and market practice.

1. Transfer of shares (Articles 34 and 35)

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements.

2. Disclosure of interests (Article 43)

The provisions relating to the disclosure of interests in shares contained in the 1985 Act, including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section 212, were brought into force simultaneously. Article 43 reflects the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

3. Notice of general meetings (Article 50 and 51)

The provisions in the new Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act. In particular, a general meeting (other than the annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

The amendment to Article 51 deals with situations where, because of a postal strike or similar situation beyond the control of the Company, a notice of meeting is not received by a shareholder. The amendment will ensure that such failure does not invalidate proceedings at the meeting in question.

4. Quorum (Article 52)

Article 52 makes it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

5. Attending and speaking at meetings (Article 58)

Article 58 of the new Articles provides that the Chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

6. Polls (Article 64)

Article 64 clarifies that a poll may be demanded before a show of hands, as well as immediately after the result of a show of hands, and to give the directors the right to demand a poll as well as the Chairman of the meeting.

7. Votes of members, proxies and corporate representatives (Articles 71, 76 and 83)

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The new Articles reflect these new proxy rights. The 2006 Act also provides for multiple corporate representatives to be appointed and the Articles therefore refer to the right to appoint multiple corporate representatives.

8. Receipt of appointments of proxy and termination of proxy authority (Articles 80 and 81)

Article 80 provides that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 80 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

9. Directors' appointments, interests and conflicts of interest (Articles 106 and 107)

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1st October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, if the articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

Article 106, which is the provision for dealing with conflicts, 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. It confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

Article 107 gives the directors authority to approve conflict situations including other directorships held by the company's directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

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

The proposed Article 107 also 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 has previously been authorised by the directors.

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

10. Permitted interests and voting (Article 116)

The provisions which previously deemed certain interests of a director's connected persons to be the interests of the director himself for the purposes of this article have been deleted. There is no requirement in the 2006 Act to include such a provision and the 2006 Act contains a much wider definition of 'connected person' of a director. The director and the Company must still take a view each time a matter is being considered as to whether the interests of the director's connected persons mean that the director should be treated as interested for the purposes of this article.

11. Making and retention of minutes (Article 119)

Article 119 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

12 The seal (Articles 121 and 122)

Article 121 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors.

13. Notices and other communications (Articles 79, 136-145)

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 137 will provide the Company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the Company will also be able to send any other document or information to members using this variety of methods.

Article 79 allows proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting.

The Company may ask each member for his or her consent to receive communications from the Company via its website. If the member does not respond to the request for consent within 28 days, the Company may take that as consent by the member to receive communications in this way. If the Company sends or supplies any notice, document or information to members by making it available on the Company's website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website, either by post or by email (if the member has specifically agreed to receive communications in electronic form), that the notice, document or information has been placed on the website. A member who has consented or is deemed to have consented to receive communications via the website can request a hard copy of any document at any time. Members can also revoke their consent to receive electronic communications at any time by giving notice in writing to the Company.

In relation to joint holders of shares, Article 137(3) provides that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. Article 137(4) permits the Company not to send or supply any notice, document or information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Appendix continued

Articles 137(5) and 137(6) cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 144 deals with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company.

Article 145 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

14. Power to indemnify directors (Article 148)

The law governing the giving by a company of indemnities to directors of that company or an associated company was amended in 2005 and further amended by the 2006 Act. In particular, a company may now, inter alia, do the following: (i) in the case of liabilities arising from actions brought by third parties (other than regulatory authorities or criminal prosecutors), both the costs (of the director and of the third party) and any damages may be paid by the company even if the judgement goes against the director; (ii) in the case of liabilities arising from actions brought by the company or an associated company, the company will not be able to indemnify a director against damages awarded to the company itself but may pay the directors' defence costs as they are incurred (although a director would be liable to repay his defence costs if his defence was to be unsuccessful); (iii) the company will not be permitted to indemnify directors against criminal fines, fines by regulators or the legal costs of successful criminal proceedings against directors; and (iv) a company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

As a result of the above, the directors' indemnity provisions of the Articles of Association have been amended. Article 148 has now been drafted as a permissive provision that gives the Company a broad power to indemnify a director, subject to the provisions of the 2006 Act. Article 148 also permits the maintenance by the Company of liability insurance for directors and it specifically makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

Glossary of Terms

Return to shareholders
Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received (net of tax) were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

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 (net of tax) were reinvested in the shares of the Company at 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 (net of tax) were reinvested 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 stated index.

Actual Gearing Factor
Investments 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 was to increase by 100%.

Total Expense Ratio (TER)
Management fees and all other operating expenses, excluding interest expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. In prior years the TER was: management fees and all other operating expenses (including tax relief where applicable but excluding interest) expressed as a percentage of the average month end net assets over the year. The reason for the change is to bring the method into line with industry practice and to make the calculation more transparent, as all the numbers now used in the calculation are extracted from the audited accounts.

Discount/Premium
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 a premium.

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

Performance Attribution Definitions:

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.

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 outside of the benchmark.

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

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

Residual
Arises when there is a divergence between total return as calculated by Fundamental Data (includes dividends paid out by the Investment Trust) and total return from the attribution systems (includes dividend income received in on the stocks held by the Investment Trust). This is a result of methodologies and timing differences.

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

Notes

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JPMorgan Helpline
Freephone 0800 20 40 20 or 0207 742 9999
8.30 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline
Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 5.00 pm Monday to Friday
Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

www.jpmeuropean.co.uk