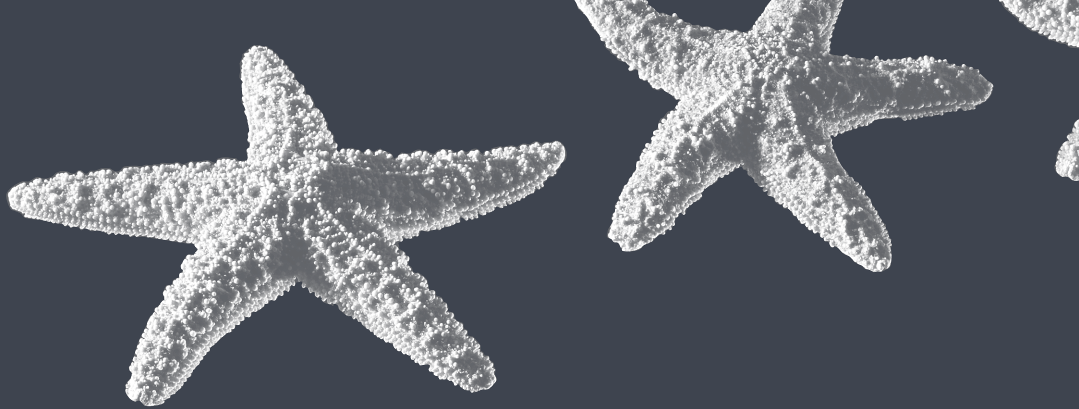
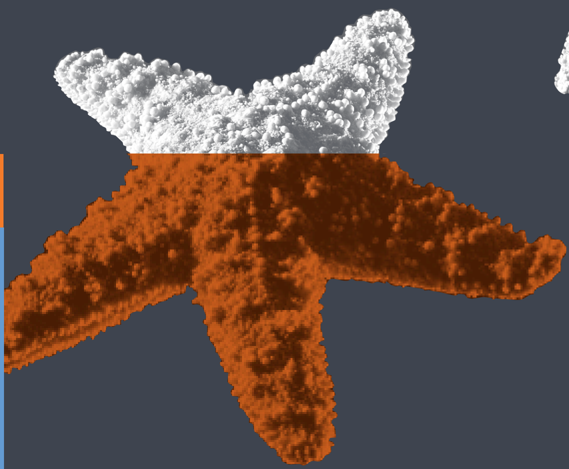




Annual Report 2014

JPMorgan European Investment Trust plc

Annual Report & Accounts year ended 31st March 2014

2014

JPMorgan European Investment Trust plc

J.P.Morgan
Asset Management

Financial Results

GROWTH SHARES

Growth Share Class

+24.1%
Return to shareholders[1]
(2013: +22.7%)

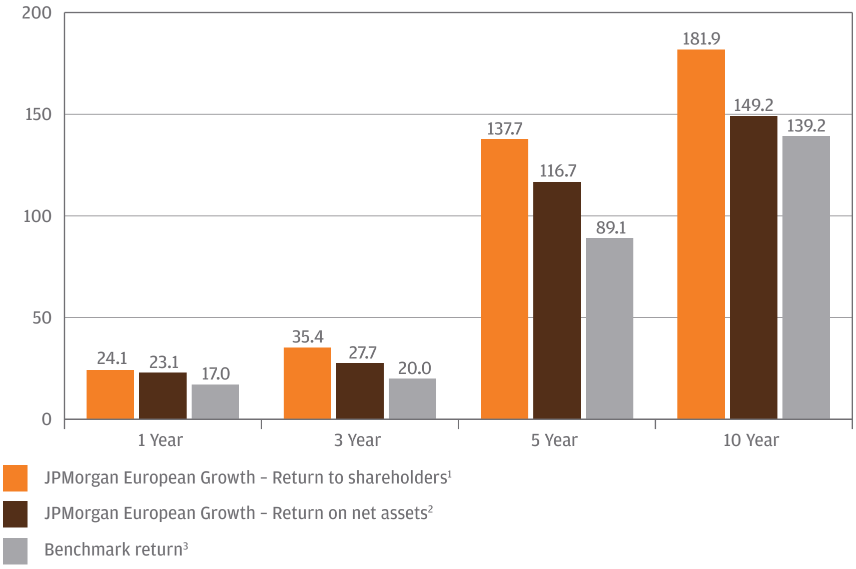
+23.1%
Return on net assets[2]
(2013: +20.0%)

+17.0%
Benchmark return[3]
(2013: +16.6%)

6.70p
Ordinary Dividend
(2013: 5.95p)

Long Term Performance

for periods ended 31st March 2014



A glossary of terms and definitions is provided on page 87.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

[3]Source: MSCI. The Growth portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms. Prior to 26th March 2013 the Growth portfolio's benchmark was the FTSE All World Developed Europe (ex UK) Index in sterling terms. The benchmark index returns quoted above for periods of greater than one year are a composite of the two indices, designed to provide an appropriate comparator to the return on net assets.

Financial Results

Income Share Class

+28.8%
Return to shareholders[1]
(2013: +21.2%)

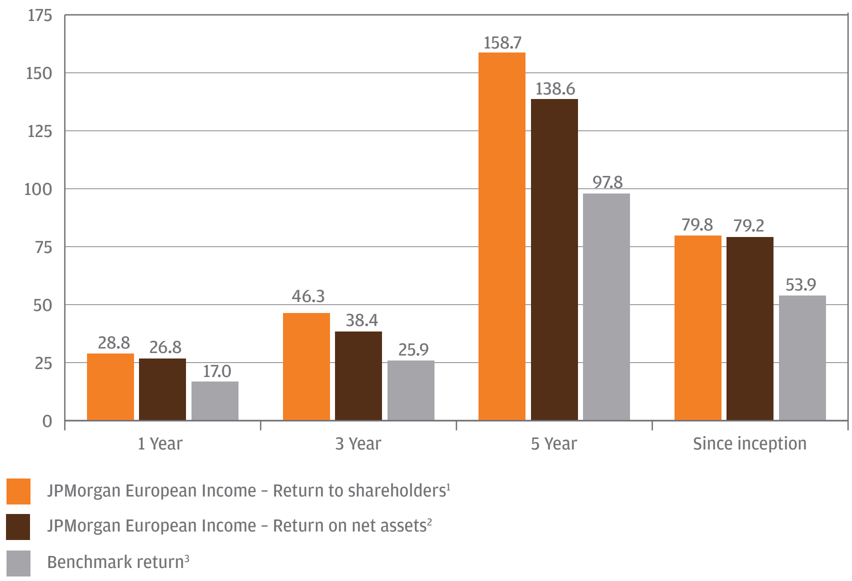
+26.8%
Return on net assets[2]
(2013: +19.1%)

+17.0%
Benchmark return[3]
(2013: +16.0%)

4.75p
Ordinary dividend
(2013: 4.25p)

Performance

for periods ended 31st March 2014



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[3]Source: MSCI. The Income portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms. Prior to 26th March 2013 the Income portfolio's benchmark was the MSCI Europe Index (total return) in sterling terms. The benchmark index returns quoted above for periods of greater than one year are a composite of the two indices, designed to provide an appropriate comparator to the return on net assets.

Features

Contents

Objectives

Growth

Capital growth from Continental European investments and a rising share price over the longer term, by consistent outperformance of the benchmark and 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 Continental 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 manage liquidity and borrowings to increase 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 portfolio of investments that is diversified amongst countries, sectors and market capitalisations within the universe of Continental European companies.
- 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 MSCI Europe ex UK Index (total return) in sterling terms.

Income

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

Capital Structure

At 31st March 2014, the Company's share capital comprised 93,752,402 Growth shares and 64,100,264 Income shares.

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by JPMorgan European Investment Trust plc can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Management Company

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

Strategic Report

Chairman's Statement

Performance

The year to 31st March 2014 was another very positive one for European investors. The benchmark index for both of the Company's portfolios, the MSCI Europe ex UK Index in sterling terms, produced a total return of +17.0%. I am very pleased to report that both of the Company's share classes outperformed their benchmark by some margin, the Growth shares producing a total return +24.1% and the Income shares returning an even more impressive +28.8%.

The strong performance of the Growth shares over the year has assisted in restoring its long term performance record and it is now ahead of the benchmark over three, five and ten years. Similarly, the Income shares have outperformed over three and five years and since its inception in August 2006.

Gearing

The Company has a €60 million loan facility in place, of which €45 million was drawn at the year end; €34 million in the Growth portfolio and €11 million in the Income portfolio. The Investment Managers actively manage gearing within the Board's permitted range of 10% net cash to 20% geared, according to their views on the market. The performance attribution analyses on pages 10 and 11 shows that gearing added about 1.5% to the outperformance of both portfolios.

Discount

The Board has successfully pursued its policy of buying back shares to prevent the discount of the share price to net asset value widening to greater than 10%. The discounts on both the Growth and Income share classes varied between 5.5% and 12.8% over the year, ending it at 9.4% and 8.6%, respectively. During the year, a total of 268,437 Growth shares and just 80,675 Income shares were bought back for cancellation. These volumes are significantly lower than previous financial years and reflect both an improvement in the Company's long term performance record and in investors' sentiment towards Europe.

Dividends

The objective of the Growth portfolio is to achieve capital growth, rather than income growth, and therefore the Board operates a residual dividend policy for this share class with the result that the level of dividend fluctuates from year to year. Over the year the Growth portfolio's income from dividend receipts increased by almost £0.5 million from £7.4 million to £7.9 million. The Board declared dividends totalling 6.70p (2013: 5.95p). On the year-end share price of 233.0p, this represents a yield of 2.9%.

In the Income portfolio dividend receipts increased from £3.2 million to £3.8 million, allowing the Board to pay dividends on the Income shares totalling 4.75p per share, an increase of 11.8% on the previous year's dividend of 4.25p. On the year-end share price of 123.0p this represents a yield of 3.9%.

Strategic Report continued

Chairman's Statement continued

As from the 1st April 2014 the Board has decided to increase the frequency of dividend payments for the Income shares from bi-annual to quarterly, to give shareholders a faster stream of income.

Management and Performance Fees

The Board has reached agreement with JPMorgan to simplify its fee structure by removing the performance fee elements and harmonising the base management fees at 0.75% of assets on both share classes. We believe this change will be welcomed by shareholders and their advisers following the implementation of the Retail Distribution Review in 2013.

The strong performance in the current year has resulted in a performance fee being earned on the Growth shares of £3,618,000 and on the Income shares of £1,526,000. Under the existing agreement there is a cap on the maximum that can be paid in any one year of 1% of the total assets on the Growth shares and 0.75% of the total assets of the Income shares. However, given the new management fee agreements come into force on 1st April 2014, the Board has decided to pay out the residual performance fees so that the Company starts the new arrangement from a clean basis.

Board of Directors

During the year, the Board carried out its customary evaluations of the Directors, the Chairman, the Board and its Committees. In accordance with corporate governance best practice, all of the Directors retire by rotation at this year's Annual General Meeting and, with the exception of Robin Faber, offer themselves for reappointment.

Following the appointment of Andrew Adcock and Jo Dixon, the Board's phased programme of renewal to refresh its membership will continue with the retirement of Robin Faber at the forthcoming Annual General Meeting. Robin has served as a Director of the Company since 2000 and I would like to thank him for his notable contribution over that period, in particular in chairing the Audit Committee which he has done with great efficiency. Jo Dixon will now take on this important role. Ferdinand Verdonck and I intend to step down from the Board at the conclusion of the 2015 Annual General Meeting, which will restore the Board to its more customary number of five directors. I indicated in my statement last year that the Board was seeking to appoint in due course a Director with substantial experience of European markets and cultures, to replace Ferdinand. This process is well underway and we expect to make an appointment later this year, thus bringing the number of Directors temporarily to seven.

The Alternative Investment Fund Managers' Directive ('AIFMD')

As many shareholders will be aware, the AIFMD is a new piece of European legislation which is being implemented on 22nd July this year. There is little obvious benefit to the Company's shareholders but investment trust companies fall within the scope of the legislation and must comply. As a result, your Company has entered into a new management agreement with JPMorgan Funds Limited and, for the first time, a depositary agreement with Bank of New York Mellon. The commercial terms of the new management agreement remain unchanged (aside from the change to the management and performance fee arrangements referred to above). The role of the depositary is to oversee the operations of the Company's custodian and its cash flows. I would like to emphasise that the only additional costs that the Company is bearing as a result of the AIFMD are those of the depositary, and your Board will continue to operate in the way it has previously. Most importantly, the AIFMD does not in any way affect the Board's independence and it will continue to act solely in shareholders' best interests.

Annual General Meeting

The AGM will take place at JPMorgan, 60 Victoria Embankment, London EC4Y 0JP on Tuesday, 22nd July 2014 at 2.30 p.m. In addition to the formal proceedings there will, as usual, be a presentation by the investment managers, followed by tea when shareholders, who are always most welcome, can meet the Directors and investment managers for more informal discussion.

It would be helpful if shareholders seeking answers to detailed questions put them in writing beforehand, addressed to the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP. Alternatively, questions may be submitted via the Company's website (www.jpmorganeuropean.co.uk). All shareholders are able to lodge their proxy votes electronically; full details are set out in the form of proxy.

Outlook

In last year's annual report I wrote that 2012/13 'was the year in which it became clear that the long-term preservation of the Euro is of the highest priority to the European powers. With austerity programmes and banking constraints bearing down on consumers, it is understandable that uncertainty surrounds investment in European markets. Nonetheless, your Board remains optimistic about its strategy for extracting value from this uncertain outlook.'

That confidence was well-founded. Over the last 12 months, while our benchmark index has risen by 17%, our two portfolios, Growth and Income, have appreciated by 23.1% and 26.8% respectively. Can the market and our portfolios maintain this performance? There are two significant reasons for optimism – one relating to the market and the other to your portfolios.

Strategic Report continued

Chairman's Statement continued

Europe is now an attractive place to invest. The ruthless tenacity with which the Euro powers have held to the single currency project is enforcing fiscally-responsible government. The cost of internal deflation on the social fabric has been high for the 'soft' economies of southern Europe, but there have been no widespread revolutions. They are competing again in the world and moving towards, and into, budget and trade surpluses. Their medium and long-term outlook is much improved. This does not guarantee positive markets in the short-term, but it reduces risk and is positive for market valuations in the long-run.

Portfolio-wise, the investment managers' strategy of selecting the best of value and growth, and of income, has worked particularly well again this year, and continues to promise long-run outperformance through careful stock selection. Treasuries world-wide are all focused on crisis management. World growth is still well below trend. Company earnings are supportive of current valuations. Your Board, while not complacent, remains confidently optimistic.

Andrew Murison
Chairman

13th June 2014

Investment Managers' Report

Stephen Macklow-Smith

Alexander Fitzalan Howard

Michael Barakos

During the year under review the MSCI Europe Index excluding the UK rose by 17.0%. The Growth shares out-performed, with the NAV rising by 23.1%. The discount narrowed during the year, meaning that the share price rose by 24.1%. Over the last three years both share price and NAV have out-performed, rising by 27.7% and 35.4% against a benchmark which rose by 20.0%. Over five years the NAV and share price have also out-performed, rising by 116.7% and 137.7% against a benchmark which rose by 89.1% , and over ten years the NAV and share price have risen by 149.2% and 181.9% against a benchmark which rose by 139.2%.

The Income shares also enjoyed a good year, with the NAV and share price rising by 26.8% and 28.8% against a benchmark of the MSCI Europe Index excluding the UK which rose by 17.0%. This was the first year in which the Income shares excluded the UK. Over three years against the blended benchmark the share price and NAV are up 38.4% and 46.3% against a benchmark which rose 25.9%, and over five years the share price and NAV are up 138.6% and 158.7% against a benchmark which is up 97.8%

As ever these performance numbers are stated on a total return basis net of all fees which are charged to the two share classes.

Market Review

We often talk of the fact that political, economic, and corporate Europe are very different from one another, which makes Europe difficult to understand. From a political perspective, at a national level the most important events took place in Italy, where an inconclusive general election in which Mr Berlusconi managed to take second place resulted in an unstable coalition headed by Enrico Letta. The fragility of Mr Letta's position could be seen from the fact that he was not even the leader of his own party.

Later in 2013 Mr Letta's Democratic Party elected the reformist Mayor of Florence, Matteo Renzi, as party head, and Mr Renzi removed Mr Letta as Prime Minster in February, promptly embarking on a determined drive to reform Italy and drive it forward towards a more competitive future. One anecdote illustrates his methods perfectly: having announced that he would be cutting down drastically on the use of official drivers for politicians and civil servants, he immediately put 20 of the official cars up for sale on Ebay.

If Mr Renzi succeeds firstly in deriving a workable mandate at the next election and secondly in eliminating anti-competitive practises in Italy he will have succeeded where others have failed for decades. However, the story of his premiership so far is an eloquent demonstration of one of the key lessons of the Euro zone crisis: namely that the overriding imperative to survive in a single currency area is causing reforms that would have previously been regarded as impossible. The fact that Greece is set for a primary surplus this year, having dramatically reduced the burden of public expenditure and driven up tax collection, would have been regarded as unthinkable three years ago by commentators who saw no option other than a Greek exit from the Euro.

Strategic Report continued

Investment Managers' Report continued

Growth performance attribution for the year to 31st March 2014

	%	%
Contributions to total returns		
Benchmark total return		+17.0
Asset allocation	-1.0	
Stock selection	+8.1	
Gearing/cash	+1.6	
Currency	+0.1	
Investment Manager contribution		+8.8
Portfolio total return		+25.8
Management fee/ other expenses	-0.9	
Performance fee	-1.8	
Other effects		-2.7
Net asset value total return		+23.1
Share price total return		+24.1

Source: B-One/JPMAM/AIC/Morningstar.

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

A glossary of terms and definitions is provided on page 87.

In France the battered government of M Hollande changed onto a more business-friendly tack with a programme designed to cut tax rates in return for stronger job creation. In Germany Mrs Merkel came first in the election, although without a sufficient majority to form a government, so she entered a coalition with the SPD, after agreeing a lengthy programme which included the introduction of a minimum wage.

At the point of intersection between politics and economics the European Union put the final touches to their plans for banking union. Part of this involved the appointment of the European Central Bank as a single regulator, and the first major initiative from the ECB was a Comprehensive Assessment of Eurozone banks. This is of key importance, and the introduction of a single regulator will, among many other things, increase the transparency of Eurozone banking by imposing single standards for measuring problem loans and the value of collateral.

From the strictly economic point of view, confidence in both manufacturing and services rose steadily in the second half of the year, and although unemployment was on an upward path for the Eurozone for much of the period under review, it stabilised and started to fall early in 2014. Coverage of Eurozone affairs in the UK is replete with inaccuracies and distortions, and one of the often quoted statistics in the last four years has been the rate of unemployment among 16-22 year olds. The problem with this figure is that it takes those not working and quotes it as a percentage of the total population in that cohort, ignoring the fact that many young people are not working because they are at school or university. In a developed economy in which educational standards are high, a high number of young people in further education is a positive indicator.

Also in the economic sphere a lot of attention was focused on the falling level of Eurozone inflation, which was deemed a harbinger of incipient deflation. The root of this analysis is a conviction that the Eurozone is inevitably following the Japanese path from 20 years ago. Again this ignores a number of relevant facts, for instance that Japanese assets were a great deal more over-valued in 1990 than Eurozone assets were in 2007. It also ignores the fact that the Eurozone is now moving to ensure the stability of its banking system by recognising asset quality and ensuring that sufficient capital is held to cope with an adverse environment. Specifically in the last year, the source of most of the Eurozone's fall in inflation has been the strength of the currency and the weakness of commodity prices, especially energy costs. In normal circumstances the consequent improvement in purchasing power for companies and households would be viewed positively.

As part of the mending process for the Eurozone it was necessary to rebalance differential wage levels so that countries in the periphery which had become relatively less competitive could regain a foothold in the Eurozone export markets, while countries in the core became relatively less competitive. We saw evidence of this throughout the period under review, and the narrowing of wage differentials is expected to continue further. Germany's trade surplus with the rest of the Eurozone has shrunk, while the periphery has moved towards a trade surplus with its Euro neighbours.

Income performance attribution for the year to 31st March 2014

	%	%
Contributions to total returns		
Benchmark total return		+17.0
Asset allocation	+1.8	
Stock selection	+9.8	
Gearing/cash	+1.5	
Currency	+0.1	
Investment Manager contribution		+13.2
Portfolio total return		+30.2
Management fee/ other expenses	-1.1	
Performance fee	-2.3	
Other effects		-3.4
Net asset value total return		+26.8
Share price total return		+28.8

Source: B-One/JPMAM/AIC/Morningstar.

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

A glossary of terms and definitions is provided on page 87.

Stock Selection

Turning our focus to corporate Europe, which is where we concentrate most of our day-to-day efforts, the year under review was a successful one both for Europe as a whole and for the companies in which we invest. The attribution analysis shows that most of the out-performance for both portfolios came from stock selection, with gearing also contributing positively.

In the Growth Shares we started the year with an overweight position in the cyclical and financial sectors. Our overweight position in cyclically sensitive sectors stemmed from our view that the valuation in these areas was unwarrantedly cheap after the scares of previous years. Holdings in the auto sectors did well for us, but our focus here was especially on the components stocks, among them the French companies Valeo, Faurecia and Plastic Omnium, and the German Duerr, which makes paintshops. Since the crisis these companies have become significantly more profitable, and throughout the year their earnings prospects improved, despite the strengthening Euro, with the result that the valuation remained attractive. We also benefited from lengthening order books in the aerospace industry, where stocks like Airbus, Safran, and Zodiac again saw noticeable improvements in profitability. In the financial sector we benefited from improved performances at French banks, and from continued excellent profitability at Swedish banks. French banks showed that they had addressed their capital issues, and they also benefited from improved sentiment towards their peripheral subsidiaries. Sweden, by contrast, suffered its own financial crisis in the early 1990s, and the lessons learnt from this enabled them to avoid the mistakes of over-indebtedness that we saw elsewhere. Swedish banks are so well capitalised that they are able to return surplus capital to shareholders, and they performed well for us. When we construct the portfolio we tend to try to find a common theme across a number of stocks, rather than concentrating our risk in one or two holdings, and building a basket of French and Swedish financials is a good example of this.

A more stock specific example that did well for us was the Italian asset gatherer Azimut. Italian households are extremely wealthy, even compared with other European countries, and their domestic savings ratio is high. As mentioned above, the exit from crisis meant that peripheral bond markets did very well, and Italian savings tend to go into bonds rather than equities. Azimut saw excellent inflows into its funds, and the funds also performed well because of the rising bond market.

In the Income shares the majority of the outperformance also came from stock selection. The process by which we manage the Income leg is very disciplined and focuses on giving our investors the maximum possible exposure to high yielding stocks across the universe, with the emphasis being on weeding out those stocks where the income paid is unsustainable. This generates a portfolio with a much higher number of holdings than in the Growth shares and much lower stock specific risk. The portfolio tends to do extremely well relative to the market when investors are hungry for yield, and given the very low levels of yield available from sovereign and corporate bonds, and indeed from cash, higher yielding equities have come very much into vogue.

Strategic Report continued

Investment Managers' Report continued

Worthy of specific mention are Azimut, as discussed above, but also a range of other holdings in Italy which rose in price as investors reassessed their scepticism about Italy's economic prospects. These include IMA, which makes packaging machinery for a variety of industries, ACEA and A2A, which are utilities. Outside Italy we saw significant positive contribution from the Danish company Pandora, which makes jewellery and which is best known for its charm bracelets, and Drillisch, which is a German mobile company.

Outlook

As European growth broadens over the course of the year we expect that the long-awaited growth in corporate earnings will support further upside as we move into 2015. The basis for our optimism is that leading indicators remain positive, and as growth slowly accelerates we would expect this to lead to a change in behaviour by individuals and companies. The years since the Financial Crisis have seen very conservative behaviour, but as the fear of unemployment recedes and as confidence in continued demand rises, we would expect consumers to reduce their savings ratio and companies to start investing. This corporate investment will lead both to demand for capital goods and job creation, which will lead unemployment lower and further bolster consumer confidence.

Valuation is no longer the support that it was, with earnings-based measures by and large above their long-term averages, but if we are right that this year will see earnings growth this will support asset prices. One risk to this scenario is further disappointing growth in emerging markets, although recent stabilisation in stock exchanges and currencies should help to allay immediate fears. Friction arising from recent events in Ukraine also has the potential to shake market composure, but here again the fact that European markets have managed to recover to a new 12 month high suggests that investors remain sanguine.

We have touched on the subject of low Eurozone inflation, but the policy changes announced at the June ECB meeting are further evidence of the ECB's willingness to repair the Euro system, which should reinforce confidence that the Eurozone can continue to manage its way out of its crisis. We see the ECB's stress tests as another potential spur to growth, since a successful stress test will spur banks to decrease their emphasis on shoring up their balance sheet and start to circulate credit.

Stephen Macklow-Smith
Alexander Fitzalan Howard
Michael Barakos
Investment Managers

13th June 2014

Summary of Results – Growth

	2014	2013	% change
Total returns for the year ended 31st March			
Return to shareholders[1]	**+24.1%**	+22.7%	
Return on net assets[2]	**+23.1%**	+20.0%	
Benchmark return[3]	**+17.0%**	+16.6%	
Net asset value, share price and discount at 31st March			
Total net assets (£'000)	**241,249**	205,238	+17.5
Net asset value per share	**257.3p**	215.3p	+19.5
Share price	**233.0p**	194.0p	+20.1
Share price discount to net asset value[4]	**9.4%**	9.9%	
Shares in issue	**93,752,402**	95,318,652	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	**8,018**	7,452	+7.6
Net revenue attributable to shareholders (£'000)	**6,311**	5,846	+8.0
Return per share	**6.64p**	6.00p	+10.7
Dividend per Growth share:			
Ordinary dividends	**6.70p**	5.95p	+12.6
Gearing at 31st March[5]	**8.1%**	5.4%	
Ongoing Charges[6]	**0.86%**	0.87%	
Ongoing Charges including performance fee capped payable[7,9]	**1.95%**	1.54%	
Ongoing Charges including performance fee capped and residual payable[8,9]	**2.95%**	–%	

A glossary of terms and definitions is provided on page 87.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

[3]Source: MSCI. The Growth portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms. Prior to 26th March 2013 the Growth portfolio's benchmark was the FTSE All World Developed Europe (ex UK) Index in sterling terms. The return quoted above is a composite of the two indices designed to provide an appropriate comparator to the Company's return on net assets for the year.

[4]The share price discount on capital-only net asset value was 9.2% (2013: 9.7%). Source: Bloomberg.

[5]Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

[6]Management fee and all other operating expenses, excluding finance costs and any performance fee payable. The percentage stated above is expressed as a percentage of the average of the daily net assets during the year. The ongoing charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

[7]Management fee, performance fee payable, (which is capped at 1% of total assets) and all other operating expenses excluding finance costs. The percentage stated above is expressed as a percentage of the average of the daily net assets during the year.

[8]Management fee, performance fee and residual payable (both capped) and all other operating expenses excluding finance costs. The percentage stated above is expressed as a percentage of the average of the daily net assets during the year.

[9]Further details of the fees are included on page 41.

GROWTH SHARES

Strategic Report continued

Ten Year Financial Record[1]

As at 31st March	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total assets less current liabilities (£m)	453.1	508.0	633.3	454.1	420.0	272.3	315.7	249.9	187.7	206.3	**241.2**
Net asset value per share (p)[2]	137.3	161.5	219.7	248.8	238.8	142.1	207.2	222.9	186.3	215.3	**257.3**
Share price (p)[2]	113.7	140.0	203.2	233.8	219.0	116.5	183.8	193.0	164.0	194.0	**233.0**
Discount (%)	17.2	13.3	7.5	6.0	8.3	18.0	11.3	13.4	12.0	9.9	**9.4**
Gearing (%)[3]	17.4	11.1	0.5	5.1	17.0	5.7	3.6	8.1	3.1	5.4	**8.1**
Year ended 31st March											
Gross revenue return (£'000)	11,315	12,148	15,004	15,111	13,799	17,858	9,146	8,083	9,634	7,452	**8,018**
Revenue per share (p)[2]	0.14	0.53	3.98	5.71	5.07	9.54	4.79	4.93	7.28	6.00	**6.64**
Dividend per share (p)[2]	0.14	0.52	3.50	5.80	6.33	9.50[4]	4.85	4.90	6.75	5.95	**6.70**
Ongoing Charges (%)[5]	1.14	0.78	0.92	0.69	1.05	0.81	1.05	0.98	0.74	0.87	**0.86**
Rebased to 100 at 31st March 2004											
Return to shareholders[6]	100.0	123.3	179.6	216.0	208.2	118.6	192.6	208.2	185.1	227.1	**281.9**
Return on net assets[6]	100.0	118.2	161.4	186.6	183.9	115.0	176.7	195.2	168.2	202.6	**249.2**
Benchmark[7]	100.0	118.2	160.1	179.3	183.7	126.5	186.5	199.4	175.4	204.4	**239.2**

A glossary of terms and definitions is provided on page 87.

[1]The Growth shares were created following a capital reorganisation on 2nd August 2006 when ordinary shareholders elected to reclassify their shares into either Growth shares or Income shares. The financial record above for periods prior to that date is that of the ordinary shares because the Growth pool maintained materially the same economic exposure as if the reorganisation had not been implemented. The investment objective, investment policy and management fee arrangements have remained the same as for the ordinary shares prior to the reorganisation.

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

[3]Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

[4]Includes a special dividend of 2.5p.

[5]Management fee and all other operating expenses, excluding finance costs and any performance fee payable, expressed as a percentage of the average of the daily net assets during the year (2010 to 2012: Total Expense Ratio ('TER'): the average of the month end net assets; 2009 and prior years: the average of the opening and closing net assets).

[6]Source: Morningstar.

[7]Source: MSCI. The Growth portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms. Prior to 26th March 2013 the Growth portfolio's benchmark was the FTSE All World Developed Europe (ex UK) Index in sterling terms.

Ten Largest Equity Investments
at 31st March

Company	Country	Description	2014 Valuation £'000	2014 %[1]	2013 Valuation £'000	2013 %[1]
Roche	Switzerland	Health Care	**12,376**	**4.6**	10,163	4.7
Novartis	Switzerland	Health Care	**10,590**	**4.0**	8,667	4.0
Nestle	Switzerland	Consumer Discretionary	**8,677**	**3.2**	8,218	3.8
JPMorgan European Smaller Companies Trust	European Funds	Financials	**7,095**	**2.7**	5,435	2.5
Total	France	Energy	**6,706**	**2.5**	6,780	3.1
BNP Paribas[3]	France	Financials	**6,617**	**2.5**	3,290	1.5
Daimler[3]	Germany	Consumer Discretionary	**5,863**	**2.2**	974	0.4
BASF	Germany	Materials	**5,857**	**2.2**	5,087	2.3
JPMorgan Europe Dynamic Small Cap Fund[2]	European Funds	Financials	**5,546**	**2.1**	–	–
ENI	Italy	Energy	**5,144**	**1.9**	4,493	2.1
Total[4]			**74,471**	**27.9**		

[1]Based on total investments of £267.6m (2013: £217.4m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

[2]Not held in the portfolio at 31st March 2013.

[3]Not included in ten largest equity investments at 31st March 2013.

[4]At 31st March 2013, the value of the ten largest equity investments amounted to £62.2m, representing 28.6% of total investments of £217.4m.

Strategic Report continued

Portfolio Analyses

Geographic

	31st March 2014 Portfolio %[1]	31st March 2014 Benchmark %	31st March 2013 Portfolio %[1]	31st March 2013 Benchmark %[2]
France	**20.3**	**22.3**	16.9	21.2
Switzerland	**19.7**	**20.0**	24.3	22.2
Germany	**19.1**	**20.4**	19.6	20.1
Sweden	**8.5**	**7.1**	8.2	7.7
Spain	**6.8**	**7.7**	4.8	6.5
Netherlands	**5.1**	**5.9**	5.0	6.4
Italy	**5.0**	**5.6**	4.4	4.7
Denmark	**4.3**	**2.9**	3.9	2.8
Belgium	**3.7**	**2.6**	3.8	2.8
Finland	**2.9**	**2.0**	1.1	2.0
Austria	**1.6**	**0.6**	1.5	0.7
Ireland	**0.9**	**0.7**	1.6	0.4
United Kingdom[3]	**0.8**	**–**	0.5	–
Norway	**0.6**	**1.8**	1.7	2.0
Russia	**0.3**	**–**	0.5	–
Turkey	**0.1**	**–**	–	–
Poland	**0.1**	**–**	–	–
Greece	**0.1**	**–**	–	0.1
Portugal	**0.1**	**0.4**	–	0.4
Fixed Interest	**–**	**–**	2.2	–
Total Portfolio	**100.0**	**100.0**	100.0	100.0

[1]Based on total investments of £267.6m (2013: £217.4m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.
[2]With effect from 26th March 2013, the benchmark index was changed to the MSCI Europe ex UK Index (total return) in sterling terms.
[3]Includes investments in European funds which are reclassified in accordance with the domicile of the underlying assets in the fund.

Sector

	31st March 2014 Portfolio %[1]	31st March 2014 Benchmark %	31st March 2013 Portfolio %[1]	31st March 2013 Benchmark %[2]
Financials	**24.8**	**22.9**	26.5	19.6
Industrials	**16.5**	**13.9**	16.2	13.7
Health Care	**11.0**	**14.2**	13.7	15.1
Consumer Discretionary	**11.0**	**10.9**	8.8	10.4
Consumer Staples	**9.2**	**11.7**	11.0	14.3
Energy	**7.3**	**5.7**	6.6	6.2
Materials	**6.1**	**7.4**	5.2	8.1
Telecommunications Services	**5.6**	**4.8**	4.1	4.6
Utilities	**5.4**	**4.1**	3.7	3.8
Information Technology	**3.1**	**4.4**	2.0	4.2
Fixed Interest	**—**	**—**	2.2	—
Total Portfolio[3]	**100.0**	**100.0**	100.0	100.0

[1]Based on total investments of £267.6m (2013: £217.4m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current assets.

[2]With effect from 26th March 2013, the benchmark index was changed to the MSCI Europe ex UK Index (total return) in sterling terms.

[3]Includes investments on European funds which are reclassified in accordance with the domicile of the underlying asset in the fund.

GROWTH SHARES

Strategic Report continued

List of Investments
at 31st March 2014

Company	Valuation £'000
Switzerland	
Roche	12,376
Novartis	10,590
Nestle	8,677
Swiss Re	4,778
Forbo	3,440
Credit Suisse	2,545
Swisscom	2,069
UBS	1,888
Adecco	1,661
Transocean	896
Kardex	570
Implenia	526
Lonza	354
Orior	281
Alpiq	266
APG/SGA	259
Metall Zug	177
Pargesa	175
BELL	160
Sika Finanz	83
Total Switzerland	**51,771**
Germany	
Daimler	5,863
BASF	5,857
Siemens	5,119
Porsche Automobil[1]	4,342
Deutsche Telekom	3,708
Deutsche Post	3,574
Allianz	3,013
Bayer	2,781
Münchener Rückversicherungs	2,627
Freenet	2,257
BMW	1,772
Deutsche Boerse	1,424
Continental	1,309
Duerr	1,110
Sixt	771
Talanx	697

Company	Valuation £'000
Hannover Rueckversicherung	678
Fielmann	573
RTL	479
Aareal Bank	354
Wincor Nixdorf	325
GFT Technology	297
Amadeus Fire	272
VIB Vermoegen	152
Total Germany	**49,354**
France	
Total	6,706
BNP Paribas	6,617
Natixis	4,178
Thales	3,449
Cap Gemini	3,416
GDF Suez	3,287
Vinci	3,271
EDF	2,826
Valeo	2,811
Credit Agricole	2,287
Société Généralé	2,023
Sanofi-Aventis	1,487
Safran	1,201
AXA	990
Orange	825
Ciments Francais 'A'	544
ArcelorMittal	446
Norbert Dentressangle	367
Boursorama	353
Boiron	322
Bonduelle	316
Technicolor	314
Interparfum	276
Bongrain	201
STEF	139
SOMFY	115
Euler Hermes	81
Total France	**48,848**

Company	Valuation £'000
Sweden	
Skandinaviska Enskilda Banken 'A'	4,704
Swedbank	4,451
Nordea Bank	3,253
NCC	2,650
Securitas 'B'	2,289
JM	1,934
Peab 'B'	831
Bilia	650
Duni	493
TeliaSonera	374
Bergman & Beving	266
Svenska Handelsbanken	238
Total Sweden	**22,133**
Spain	
Gas Natural	3,261
Ferrovial	2,296
Amadeus IT	2,118
Endesa	2,114
Obrascon Huarte Lain	1,748
Repsol	1,616
CaixaBank	1,573
Acerinox	1,150
Iberdrola	704
Banco Santander	605
Bolsas y Mercados Espanoles	78
BANKIA	76
Caixa Bank	17
Total Spain	**17,356**

Company	Valuation £'000
Netherlands	
European Aeronautic Defence and Space	3,245
ING Bank	2,919
Ahold	2,742
Unilever	1,988
Wolters-Kluwer	1,807
Aegon	986
Philips Electronics	905
Nutreco	580
Ziggo	550
BinckBank	176
Amsterdam Commodities	126
Delta Lloyd	79
Total Netherlands	**16,103**
European Funds	
JPMorgan European Smaller Companies Trust	7,095
JPMorgan Europe Dyanamic Small Cap Fund	5,546
JPM Eastern European Fund	1,345
Total European Funds	**13,986**
Italy	
ENI	5,144
Azimut	2,099
ENEL	1,759
Esprinet	557
Reply	454
Telecom Italia	328
Industria Macchine Automatiche	308
Vittoria Assicurazioni	255
Cairo Communications	233
Unipol Gruppo Finanziario	131
Gtech	127
ERG	85
Total Italy	**11,480**

Strategic Report continued

List of Investments continued

Company	Valuation £'000
Denmark	
AP Moller-Maersk 'B'	3,944
TDC	3,207
Royal Unibrew	1,360
Novo Nordisk	811
Schouw & Co	777
Pandora	547
Jyske Bank	221
DFDS	89
Total Denmark	**10,956**
Belgium	
Ageas	4,028
Anheuser-Busch InBev	3,158
Delhaize	1,124
EXMAR	428
Belgacom	360
KBC Groep	236
SIPEF	140
Solvay	125
Total Belgium	**9,599**
Finland	
UPM-Kymmene	3,606
Stora Enso 'R'	1,580
Citycon	1,092
Sponda	615
Elisa	445
Raisio	195
AKTIA Bank	192
Total Finland	**7,725**

Company	Valuation £'000
Austria	
OMV	2,609
voestalpine	1,020
Uniqa Insurance Group	618
Total Austria	**4,247**
Ireland	
FYFFES	781
CRH	649
Glanbia	389
Origin Enterprises	320
Total Produce	232
Total Ireland	**2,371**
Norway	
Awilco Drilling	688
DNB	667
Statoil	209
Marine Harvest	72
Total Norway	**1,636**
Liquidity Fund	
JPM Euro Liquidity Fund	5,291
Total Liquidity Fund	**5,291**
Total Investments	**272,856**

[1]Non voting preference shares.

Total investments comprises £267,565,000 in equity shares and £5,291,000 in a liquidity fund.

Income Statement
(unaudited)
for the year ended 31st March 2014

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	–	43,947	43,947	–	29,831	29,831
Net foreign currency gains/(losses)	–	600	600	–	(78)	(78)
Income from investments	7,927	–	7,927	7,350	–	7,350
Other interest receivable and similar income	91	–	91	102	–	102
Gross return	8,018	44,547	52,565	7,452	29,753	37,205
Management fee	(419)	(978)	(1,397)	(333)	(778)	(1,111)
Performance fee charge[1]						
- Capped	–	(2,437)	(2,437)	–	(1,584)	(1,584)
- Residual	–	(1,181)	(1,181)	–	–	–
Other administrative expenses	(531)	–	(531)	(473)	–	(473)
Net return on ordinary activities before finance costs and taxation	7,068	39,951	47,019	6,646	27,391	34,037
Finance costs	(94)	(219)	(313)	(64)	(150)	(214)
Net return on ordinary activities before taxation	6,974	39,732	46,706	6,582	27,241	33,823
Taxation	(663)	–	(663)	(736)	–	(736)
Net return on ordinary activities after taxation	6,311	39,732	46,043	5,846	27,241	33,087
Return per Growth share	6.64p	41.82p	48.46p	6.00p	27.98p	33.98p

[1]See page 41 for further explanation of fees.

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

Strategic Report continued

Balance Sheet
(unaudited)
at 31st March 2014

	2014 £'000	2013 £'000
Fixed assets		
Investments held at fair value through profit or loss	**267,565**	217,397
Investments in liquidity funds held at fair value through profit or loss	**5,291**	3,044
Total investments	**272,856**	220,441
Current assets		
Debtors	**12,390**	607
Cash and short term deposits	**3,307**	977
Derivative financial instruments	**42**	4
	15,739	1,588
Creditors: amounts falling due within one year	**(47,314)**	(15,656)
Derivative financial instruments	**(32)**	(79)
Net current liabilities	**(31,607)**	(14,147)
Total assets less current liabilities	**241,249**	206,294
Provisions for liabilities and charges	**–**	(1,056)
Net assets	**241,249**	205,238
Net asset value per Growth share	**257.3p**	215.3p

Summary of Results – Income

	2014	2013	% change
Total returns for the year ended 31st March			
Return to shareholders[1]	**+28.8%**	+21.2%	
Return on net assets[2]	**+26.8%**	+19.1%	
Benchmark return[3]	**+17.0%**	+16.0%	
Net asset value, share price and discount at 31st March			
Total net assets (£'000)	**86,293**	68,111	+26.7
Net asset value per share	**134.6p**	110.4p	+21.9
Share price	**123.0p**	99.8p	+23.2
Share price discount to net asset value[4]	**8.6%**	9.6%	
Shares in issue	**64,100,264**	61,719,532	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	**3,818**	3,255	+17.3
Net revenue attributable to shareholders (£'000)	**2,976**	2,695	+10.4
Return per share	**4.82p**	4.29p	+12.4
Dividend per Income share:			
Ordinary dividends	**4.75p**	4.25p	+11.8
Gearing at 31st March[5]	**5.4%**	14.4%	
Ongoing Charges[6]	**1.06%**	1.06%	
Ongoing Charges including performance fee capped payable[7,9]	**1.93%**	1.26%	
Ongoing Charges including performance fee capped and residual payable[8,9]	**2.26%**	–%	

A glossary of terms and definitions is provided on page 87.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

[3]Source: MSCI. The Income portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms. Prior to 26th March 2013 the Income portfolio's benchmark was the MSCI Europe Index (total return) in sterling terms. The return quoted above is a composite of the two indices designed to provide an accurate comparator to the Company's return on net assets for the year.

[4]The share price discount on capital-only net asset value was 7.3% (2013: 8.4%). Source: Bloomberg.

[5]Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

[6]Management fee and all other operating expenses, excluding finance costs and any performance fee payable. The percentage stated above is expressed as a percentage of the average of the daily net assets during the year. The ongoing charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

[7]Management fee, performance fee payable, (which is capped at 0.75% of total assets) and all other operating expenses excluding finance costs. The percentage stated above is expressed as a percentage of the average of the daily net assets during the year.

[8]Management fee, performance fee and residual payable (both capped) and all other operating expenses excluding finance costs. The percentage stated above is expressed as a percentage of the average of the daily net assets during the year.

[9]Further details of the fees are included on page 41.

Strategic Report continued

Financial Records Since Inception[1]

	2nd August 2006	31st March 2007	31st March 2008	31st March 2009	31st March 2010	31st March 2011	31st March 2012	31st March 2013	31st March 2014
Total assets less current liabilities (£m)	94.2	90.8	87.3	41.0	76.9	63.5	61.9	68.3	**86.3**
Net asset value per share (p)	102.6	120.4	108.4	70.2	106.3	109.6	96.9	110.4	**134.6**
Share price (p)	99.3	112.5	98.0	60.3	94.5	97.3	86.5	99.8	**123.0**
Discount (%)	3.2	6.6	9.6	14.1	8.8	11.3	10.7	9.6	**8.6**
Gearing (%)[2]	N/A	2.7	6.1	4.3	5.3	10.0	7.1	14.4	**5.4**
Year ended 31st March									
Gross revenue return (£'000)	N/A	1,447	3,552	4,382	2,986	2,827	3,375	3,255	**3,818**
Revenue per share (p)	N/A	1.32	3.67	5.48	3.92	3.87	4.56	4.29	**4.82**
Dividend per share (p)	N/A	2.90	3.90	5.15[3]	4.00	4.00	4.20	4.25	**4.75**
Ongoing Charges (%)[4]	N/A	0.79	1.23	1.19	1.21	1.18	1.12	1.06	**1.06**
Rebased to 100 at 2nd August 2006									
Return to shareholders[5]	100.0	116.1	105.2	69.5	114.1	122.9	115.2	139.6	**179.9**
Return on net assets[5]	100.0	117.2	108.8	75.1	120.1	129.5	119.0	142.1	**179.2**
Benchmark[6]	100.0	113.2	111.9	77.8	114.7	122.2	113.4	131.6	**153.9**

A glossary of terms and definitions is provided on page 87.

[1]The Income shares were created following a capital reorganisation on 2nd August 2006.

[2]Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

[3]Includes a special dividend of 1.15p.

[4]Management fee and all other operating expenses, excluding finance costs and any performance fee payable, expressed as a percentage of the average of the daily net assets during the year (2010 to 2012: Total Expense Ratio ('TER'): the average of the month end net assets; 2009 and prior years: the average of the opening and closing net assets).

[5]Source: Morningstar.

[6]Source: MSCI. The Income portfolio's benchmark is the MSCI Europe ex UK Index (total return) in sterling terms. Prior to 26th March 2013 the Income portfolio's benchmark was the MSCI Europe Index (total return) in sterling terms.

Ten Largest Equity Investments
at 31st March

Company	Country	Description	2014 Valuation £'000	2014 %[1]	2013 Valuation £'000	2013 %[1]
Novartis	Switzerland	Health Care	**3,123**	**3.4**	2,749	3.8
Roche	Switzerland	Health Care	**3,077**	**3.3**	2,628	3.6
Total	France	Energy	**2,350**	**2.5**	1,809	2.5
BASF[3]	Germany	Materials	**1,770**	**1.9**	863	1.2
Daimler[3]	Germany	Consumer Discretionary	**1,634**	**1.8**	1,003	1.4
Siemens	Germany	Industrials	**1,603**	**1.7**	1,324	1.8
BNP Paribas	France	Financials	**1,439**	**1.6**	1,048	1.4
Allianz	Germany	Financials	**1,419**	**1.5**	1,199	1.7
Unilever[2]	Netherlands	Consumer Staples	**1,144**	**1.2**	–	–
Intesa Sanpaolo[3]	Italy	Financials	**1,068**	**1.2**	507	0.7
Total[4]			**18,627**	**20.1**		

[1]Based on total investments of £92.3m (2013: £72.6m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

[2]Not held in the portfolio at 31st March 2013.

[3]Not included in the ten largest equity investments at 31st March 2013.

[4]At 31st March 2013, the value of the ten largest equity investments amounted to £16.7m, representing 23.0% of total investments of £72.6m.

Strategic Report continued

Portfolio Analyses

Geographic

	31st March 2014		31st March 2013	
	Portfolio %[1]	Benchmark %[2]	Portfolio %[1]	Benchmark %[2]
France	**18.0**	**22.3**	17.3	21.2
Germany	**15.9**	**20.4**	14.3	20.1
Sweden	**13.3**	**7.1**	11.9	7.7
Switzerland	**12.3**	**20.0**	12.4	22.2
Italy	**10.4**	**5.6**	8.7	4.7
Finland	**6.7**	**2.0**	6.3	2.0
Netherlands	**5.7**	**5.9**	5.0	6.4
Norway	**5.3**	**1.8**	5.7	2.0
Spain	**5.2**	**7.7**	8.4	6.5
Belgium	**2.9**	**2.6**	2.8	2.8
Denmark	**1.6**	**2.9**	1.4	2.8
Portugal	**1.4**	**0.4**	1.0	0.4
Austria	**1.0**	**0.6**	0.8	0.7
Ireland	**0.3**	**0.7**	0.2	0.4
United Kingdom	–	–	2.2	–
Greece	–	–	–	0.1
Fixed Interest	–	–	1.6	–
Total Portfolio	**100.0**	**100.0**	100.0	100.0

[1]Based on total investments of £92.3m (2013: £72.6m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.
[2]With effect from 26th March 2013, the benchmark index was changed to the MSCI Europe ex UK (total return) in sterling terms.

Sector

	31st March 2014		31st March 2013	
	Portfolio %[1]	Benchmark %[2]	Portfolio %[1]	Benchmark %[2]
Financials	**30.6**	**22.9**	25.3	19.6
Industrials	**14.9**	**13.9**	14.5	13.7
Consumer Discretionary	**10.4**	**10.9**	8.1	10.4
Utilities	**9.7**	**4.1**	4.7	3.8
Energy	**7.9**	**5.7**	8.3	6.2
Health Care	**7.5**	**14.2**	11.1	15.1
Telecommunications Services	**6.5**	**4.8**	5.8	4.6
Materials	**5.8**	**7.4**	4.1	8.1
Consumer Staples	**5.4**	**11.7**	14.3	14.3
Information Technology	**1.3**	**4.4**	2.2	4.2
Fixed Interest	**–**	**–**	1.6	–
Total Portfolio	**100.0**	**100.0**	100.0	100.0

[1]Based on total investments of £92.3m (2013: £72.6m), which includes investment of any borrowings to gear the portfolio and excludes liquidity fund holdings and net current liabilities.

[2]With effect from 26th March 2013, the benchmark index was changed to the MSCI Europe ex UK (total return) in sterling terms.

Strategic Report continued

List of Investments
at 31st March

Company	Valuation £'000
France	
Total	2,350
BNP Paribas	1,439
AXA	1,037
Société Genéralé	911
GDF Suez	908
Vinci	905
Vivendi	833
Orange	702
EDF	554
Natixis	541
Suez Environment	531
Lagardere	488
Gaztransport Et Technigaz	475
CNP Assurances	457
SES	451
Bouygues	426
Veolia Environnement	397
Casino Guichard-Perrachon	384
SCOR	370
Rallye	364
M6-Metropole Television	363
Neopost	348
Euler Hermes	336
Tour Eiffel	323
Television Francaise	310
Fonciere	307
Total Gabon	97
Total France	**16,607**

Company	Valuation £'000
Germany	
BASF	1,770
Daimler	1,634
Siemens	1,603
Allianz	1,419
Deutsche Telekom	1,025
Munich Re	896
Deutsche Post	854
Drillisch	487
Hannover Rueckversicherung	468
Deutsche Boerse	463
Freenet	450
Talanx	383
ProSiebenSat.1 Media	375
RTL	358
Aareal Bank	351
Fielmann	327
Aurelius	324
Amadeus Fire	292
INDUS	258
Deutsche Beteiligungs	234
Comdirect Bank	202
Sixt	181
LEG Immobilien	180
Cewe Color	175
Total Germany	**14,709**

Company	Valuation £'000
Sweden	
Nordea Bank	886
Hennes & Mauritz	837
Svenska Handelsbanken	735
Skandinaviska Enskilda Banken	716
Atlas Copco	684
Swedbank	674
TeliaSonera	579
Investor	494
Byggmax	433
Nolato	427
Clas Ohlson	410
NCC	352
Securitas	348
JM	344
Intrum Justitia	343
Axfood	338
FinnvedenBulten	318
Fabege	316
Bufab	304
Holmen	301
Hakon Investments	299
Hemfosa Fastigheter	288
Castellum	286
Industrivarden	282
Peab	257
Sanitec	241
Billerud	165
Modern Times	160
Wihlborgs Fastigheter	151
Klovern	146
Loomis	145
Total Sweden	**12,259**

Company	Valuation £'000
Switzerland	
Novartis	3,123
Roche	3,077
Swiss Re	830
Swisscom	612
Givaudan	505
Transocean	457
Valora	422
Baloise	407
Burkhalter	395
Inficon	384
Helvetia	306
Pargesa	299
Banque Cantonale Vaudoise	282
Cembra Money Bank	271
Total Switzerland	**11,370**
Italy	
Intesa Sanpaolo	1,068
Enel	844
Atlantia	568
Snam Rete Gas	533
ERG	481
Unipol Gruppo Finanziario	480
Azimut	473
Acea	469
Trasmissione Elettricita Rete Nazio	468
Iride	467
Recordati	465
Marr	461
Banca Generali	431
A2A	423
Industria Macchine Automatiche	419
Mediolanum	412
Cattolica Assicurazioni	374
Lottomatica	303
Autostrada Torino-Milano	243
Ascopiave	218
Total Italy	**9,600**

Strategic Report continued

List of Investments continued

Company	Valuation £'000
Finland	
Sampo	684
UPM-Kymmene	533
Stora Enso	504
Kesko	430
Fortum	423
Kone	423
Pohjola Bank	412
Elisa	376
Tieto	358
Neste Oil	285
Orion	283
Tikkurila	231
Lassila & Tikan	227
Technopolis	224
Sponda	217
Huhtamaki	210
Raisio	117
Cramo	109
Fiskars	93
Total Finland	**6,139**
Netherlands	
Unilever	1,144
Philips Electronics	790
Ahold	636
Aegon	603
Delta Lloyd	483
Wolters-Kluwer	431
Royal Dutch Shell	329
BinckBank	275
HAL Trust	246
Royal Boskalis Westminster	197
BE Semiconductor	116
Sligro Food	51
Total Netherlands	**5,301**

Company	Valuation £'000
Norway	
Statoil	875
Telenor	572
Yara International	454
Gjensidige Forsikring	383
Awilco Drilling	298
Borregaard	264
BW Offshore	260
Salmar	258
Kvaerner	239
Wilh. Wilhelmsen	234
Leroy Seafood	202
Marine Harvest	185
SpareBank	151
P/F Bakkafrost	141
Odfjell Drilling	134
ABG Sundal Collier	91
Stolt-Nielsen	66
AF Gruppen	64
Total Norway	**4,871**
Spain	
Iberdrola	888
Repsol	655
Abertis Infraestructuras	559
Red Electrica	545
Gas Natural	513
Ferrovial	509
Bolsas y Mercados	408
Mapfre	363
ACS	350
Total Spain	**4,790**

Company	Valuation £'000
Belgium	
Ageas	469
GBL	426
Bpost	373
Belgacom	353
Warehousing & Distribution	341
Befimmo	250
Elia System Operator	241
Exmar	182
Total Belgium	**2,635**
Denmark	
Pandora	440
Tryg	376
Matas	283
ISS A/S	234
OW Bunker	125
Total Denmark	**1,458**
Portugal	
Energias de Portugal	533
Portucel-Empresa Produtora de Pasta	405
CTT-Correios De Portugal	255
ZON Multimedia	135
Total Portugal	**1,328**

Company	Valuation £'000
Austria	
Oesterreichische Post	364
Immofinanz	342
Uniqa Insurance	251
Total Austria	**957**
Ireland	
Ryanair	295
Total Ireland	**295**
Liquidity Stocks	
JPM Euro Liquidity Fund	3,100
Total Liquidity Stocks	**3,100**
Total Investments	**95,419**

Total investments comprises £92,319,000 in equity shares and £3,100,000 in a liquidity fund.

Strategic Report continued

Income Statement

(unaudited)

for the year ended 31st March 2014

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	–	16,023	16,023	–	8,933	8,933
Net foreign currency gains/(losses)	–	794	794	–	(441)	(441)
Income from investments	3,770	–	3,770	3,224	–	3,224
Other interest receivable and similar income	48	–	48	31	–	31
Gross return	3,818	16,817	20,635	3,255	8,492	11,747
Management fee	(250)	(376)	(626)	(205)	(307)	(512)
Performance fee charge[1]						
- Capped	–	(652)	(652)	–	(255)	(255)
- Residual	–	(874)	(874)	–	–	–
Other administrative expenses	(174)	–	(174)	(137)	–	(137)
Net return on ordinary activities before finance costs and taxation	3,394	14,915	18,309	2,913	7,930	10,843
Finance costs	(51)	(77)	(128)	(47)	(70)	(117)
Net return on ordinary activities before taxation	3,343	14,838	18,181	2,866	7,860	10,726
Taxation	(367)	–	(367)	(171)	–	(171)
Net return on ordinary activities after taxation	2,976	14,838	17,814	2,695	7,860	10,555
Return per Income share	4.82p	24.01p	28.83p	4.29p	12.51p	16.80p

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

[1]See page 41 for further explanation of fees.

INCOME SHARES

Balance Sheet
(unaudited)
at 31st March 2014

	2014 £'000	2013 £'000
Fixed assets		
Investments held at fair value through profit or loss	**92,319**	72,612
Investments in liquidity funds held at fair value through profit or loss	**3,100**	–
Total investments	**95,419**	72,612
Current assets		
Debtors	**404**	29,704
Cash and short term deposits	**1,367**	–
Derivative financial instruments	**95**	218
	1,866	29,922
Creditors: amounts falling due within one year	**(10,940)**	(33,919)
Derivative financial instruments	**(52)**	(333)
Net current liabilities	**(9,126)**	(4,330)
Total assets less current liabilities	**86,293**	68,282
Provision for liabilities and charges	**–**	(171)
Net assets	**86,293**	68,111
Net asset value per Income share	**134.6p**	110.4p

Strategic Report continued

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Business Review sets out the structure and objectives of the Company, its investment policies and risk management, investment restrictions and guidelines, performance, total return, revenue and dividends and key performance indicators, share capital, principal risks and how the Company seeks to manage those risks, the Company's environmental, social and ethical policy and finally its future developments.

Business Review

Structure and Objective of the Company

JPMorgan European Investment Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. It has two share classes whose objectives are set out below. In seeking to achieve those objectives the Company employs J.P. Morgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to actively manage the Company's assets. The Board has determined investment policies and related guidelines and limits, as described below. It aims to outperform the benchmark indices.

The Company is subject to UK and European legislation and regulations including UK company law, Financial Reporting Standards, the UKLA Listing, Prospectus, Disclosure and Transparency Rules, taxation law and the Company's own Articles of Association. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010) for the year ended 31st March 2013 and future years. The Directors have no reason to believe that approval will not continue to be obtained. The Company is not a close company for taxation purposes.

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 and a rising share price over the longer term from Continental European investments by consistent out-performance of the benchmark and 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 20% geared in normal market conditions.
- The portfolio does not normally invest in unquoted investments and to do so requires prior Board approval.
- The portfolio does not normally enter into derivative transactions and to do so requires prior Board approval. However, the Investment Manager has authority to carry out currency hedging transactions in order to mitigate currency risk relative to the benchmark index.
- In accordance with the Listing Rules of the UK Listing Authority, the portfolio will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.

Income Portfolio

Investment Objective

The investment objective of the Income portfolio is to provide a growing income together with the potential for long term capital growth by investing in a portfolio of investments that is diversified amongst countries, sectors and market capitalisations within the universe of Continental European companies.

Investment Policies

- To invest in a diversified portfolio of investments in Continental 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 20% geared in normal market conditions.

- The portfolio does not normally invest in unquoted investments and to do so requires prior Board approval.

- The portfolio does not normally enter into derivative transactions and to do so requires prior Board approval. However, the Investment Manager has authority to carry out currency hedging transactions in order to mitigate currency risk relative to the benchmark index.

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

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 2014, the Growth portfolio produced a return to shareholders of +24.1% and a return on net assets of +23.1%. This compares with the return on the benchmark index of +17.0%. As at 31st March 2014, the value of the Company's Growth portfolio was £272.9 million.

Income:

In the year to 31st March 2014, the Income portfolio produced a return to shareholders of +28.8% and a return on net assets of +26.8%. This compares with the return on the benchmark index of +17.0%. As at 31st March 2014, the value of the Company's Income portfolio was £95.4 million.

The Investment Managers' Report on pages 9 to 12 includes a review of developments during the year as well as information on investment activity within the Company's portfolios.

Total Return, Revenue and Dividends

Company:

Gross total return for the year amounted to £73.2 million (2013: £49.0 million) and net total return after deducting finance costs, management expenses, performance fee, other administrative expenses and taxation amounted to £63.9 million (2013: £43.6 million). Distributable income for the year amounted to £9.3 million (2013: £8.5 million).

Growth:

Gross total return for the year amounted to £52.6 million (2013: £37.2 million) and net total return after deducting finance costs, management expenses performance fee, other administrative expenses and taxation amounted to £46.0 million (2013: £33.1 million). Distributable income for the year totalled £6.3 million (2013: £5.8 million). Dividends totalling 6.70 pence (2013: 5.95 pence) per Growth share were declared in respect of the year under review. Those distributions cost £6.4 million and the revenue reserve after allowing for those dividends amounts to £0.9 million.

Income:

Gross total return for the year amounted to £20.6 million (2013: £11.7 million) and net total return after deducting finance costs, management expenses, performance fee, other administrative expenses and taxation amounted to £17.8 million (2013: £10.6 million). Distributable income for the year totalled £3.0 million (2013: £2.7 million). Dividends totalling 4.75 pence (2013: 4.25 pence) per Income share were paid in respect of the year under review. Those distributions cost £2.9 million and the revenue reserve after allowing for those dividends amounts to £0.6 million.

Key Performance Indicators ('KPIs')

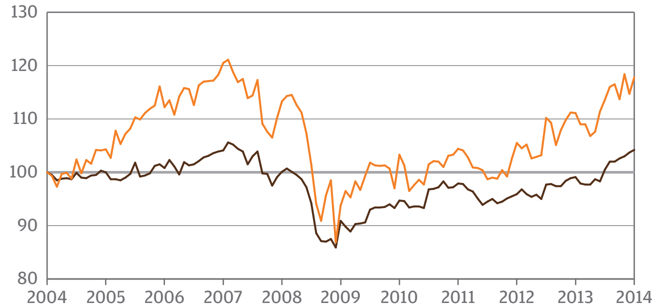
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

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

Growth:

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st March 2004



Source: Morningstar.
JPMorgan European Growth – share price total return.
JPMorgan European Growth – net asset value per share total return.
The benchmark is represented by the grey horizontal line. (see page 2 note 3)

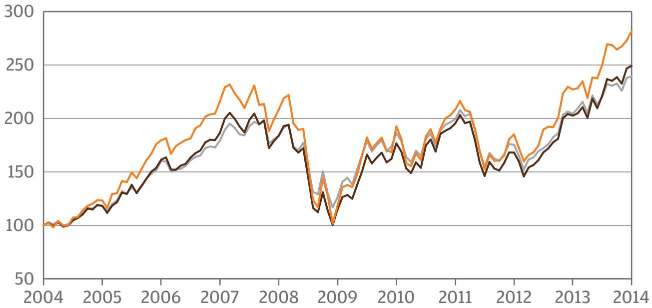
THE COMPANY

Strategic Report continued

Business Review continued

Ten Year Performance

Figures have been rebased to 100 at 31st March 2004

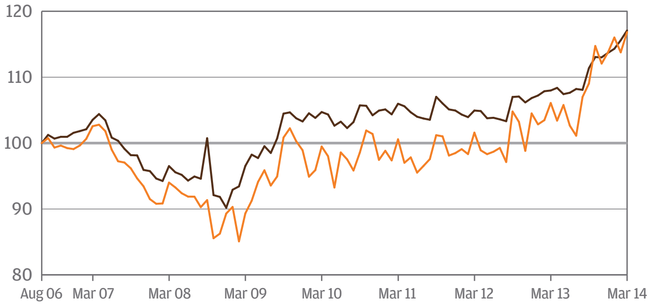


Source: Morningstar/FTSE.
- JPMorgan European Growth – share price total return.
- JPMorgan European Growth – net asset value per share total return.
- Benchmark. (see page 2 note 3)

Income:

Performance Relative to Benchmark Index Since Inception

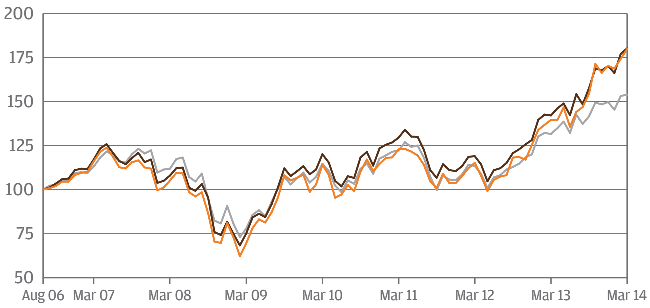
Figures have been rebased to 100 at inception



Source: Morningstar.
- JPMorgan European Income – share price total return.
- JPMorgan European Income – net asset value per share total return.
- The benchmark index is represented by the grey horizontal line. (see page 3 note 3)

Performance Since Inception

Figures have been rebased to 100 at inception



Source: Morningstar/MSCI.
- JPMorgan European Income – share price total return.
- JPMorgan European Income – net asset value per share total return.
- Benchmark. (see page 3 note 3)

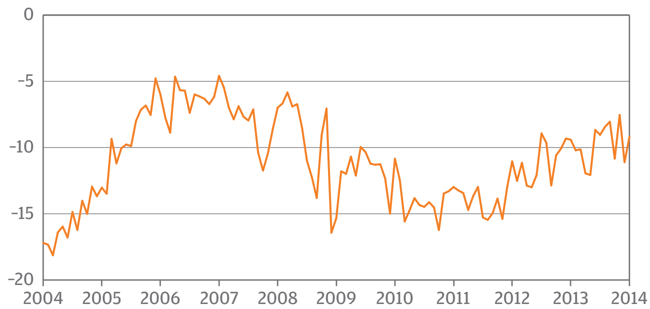
- **Performance against the Company's peers**
  The principal objective of the Growth portfolio is to achieve capital growth by consistent outperformance of the benchmark. The principal objective of the Income portfolio is to provide a growing income together with the potential for long-term capital 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 2014 are given in the Investment Managers' Report on pages 9 to 12.

- **Discount to net asset value ('NAV')**
  The Board has for several years operated a share repurchase programme that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby seek to manage the volatility and absolute level of the discount to NAV at which the Company's shares trade. In the year to 31st March 2014, the discount on the Growth shares (using month end data, with debt valued at par) ranged between 7.5% and 12.1% and the discount on the Income shares (using month end data, with debt valued at par) ranged between 5.5% and 12.8%.

Growth:

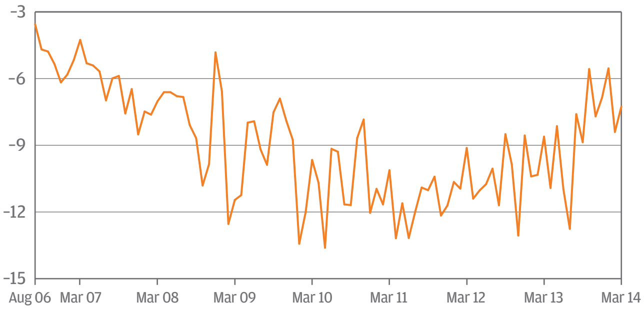
Discount History



Source: Datastream.
- JPMorgan European Growth – discount.

Income:

Discount History



Source: Datastream

JPMorgan European Income - discount

- **Ongoing Charges**
  The Ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs and performance fee payable, expressed as a percentage of the average of the daily net assets during the year. The Growth portfolio's ongoing charges for the year ended 31st March 2014 were 0.86% (2013: 0.87%). The Income portfolio's Ongoing charges for the year ended 31st March 2014 were 1.06% (2013: 1.06%). The Growth portfolio's Ongoing charges including a 1% cap on performance fee payable for the year ended 31st March 2014 was 1.95%, including residual was 2.95% (2013: 1.54% capped). The Income portfolio's Ongoing charges including a 0.75% cap performance fee payable for the year ended 31st March 2014 were 1.93%, including residual was 2.26% (2013: 1.26%). Each year the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers.

Share Capital

The Company has authority both to repurchase shares in the market (for cancellation or to be held in Treasury) and to issue new shares for cash at a premium to net asset value.

During the year, the Company repurchased a total of 268,437 Growth shares in the market for cancellation for a total consideration of £530,000 and a total of 80,675 Income shares in the market for cancellation for a total consideration of £85,000.

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

No shares of either class have been repurchased since the year end.

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

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

Conversions

The Company's capital structure gives 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 83.

During the year, conversions took place on 16th September 2013 and 17th March 2014. The net result of those conversions was a decrease in the Growth issued share capital of 1,297,813 shares, and an increase in the Income issued share capital of 2,461,407 shares.

Principal Risks

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

- Investment and Strategy: An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by an investment process designed to identify stocks with the best prospects and by diversification of investments through its investment restrictions and guidelines which are monitored and reported to the Board. 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 show 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

THE COMPANY

Strategic Report continued

Business Review continued

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 continue to qualify as an investment trust, the Company must comply with Section 1158 ('Section 1158') of the Corporation Tax Act 2010. Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 1158, 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 1158 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 and Disclosure and Transparency Rules ('DTRs'). 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 or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with the Companies Act and The UKLA Listing Rules and DTRs.
- 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 39 to 48.
- Operational: Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 46.
- Financial: The financial risks faced by the Company include market risk (which comprises currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Further details are disclosed in note 22 on pages 75 to 81.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board. At 31st March 2014, there were six male Directors and one female Director on the Board.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMAM. it has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

Social, Community, Environmental and Human Rights

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request.

Greenhouse Gas Emissions

The Company is managed by JPMAM. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Company's manager, JPMAM, is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

Future Developments

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 9 to 12.

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

13th June 2014

Governance

Board of Directors

Andrew Murison
(Chairman of the Board and Nomination Committee)

A Director since 2002, Chairman since 2003.

Last reappointed to the Board: 2013.

Remuneration: £34,000.

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

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 10,050 Growth Shares and 13,000 Income Shares.

Robin Faber
(Chairman of the Audit Committee)

A Director since 2000.

Last reappointed to the Board: 2013.

Remuneration: £27,000.

Other directorships: 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.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 10,000 Growth Shares.

Stephen Goldman

A Director since September 2008.

Last reappointed to the Board: 2013.

Remuneration: £23,000.

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

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 10,000 Growth Shares.

Stephen Russell

A Director since 2005.

Last reappointed to the Board: 2013.

Remuneration: £23,000.

Other directorships: Spent eleven years at SLC Asset Management (now CSAM), most notably as Fund Manager of £5 billion 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.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 2,232 Growth Shares.

Governance continued

Board of Directors continued

Ferdinand Verdonck (Belgian)

A Director since 1998.

Last reappointed to the Board: 2013.

Remuneration: £23,000.

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

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 3,487 Growth Shares.

Andrew Adcock

A Director since 1st October 2013.

Remuneration: £23,000.

Chairman of Majedie Investments Plc and a non executive director of the F & C Global Smaller Companies PLC, and Kleinwort Benson Bank Limited. From August 2013 he has been a non-executive director of Foxton's plc. Also a director of the Courtauld Institute of Art and from November 2013 chairman of the Samuel Courtauld Trust. He was until April 2015 a non-executive director of Kleinwort Benson Group Limited, until July 2011, managing partner of Brompton Asset Management and until 2009, vice chairman of Citigroup Corporate Finance. He was previously a partner at Lazard LLC. His qualification for Board membership is more than 30 years experience in the City of London.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 25,000 Growth Shares.

Josephine Dixon

A Director since 1st October 2013.

Remuneration: £23,000.

Chartered accountant and a non-executive director of Standard Life Equity Income Trust plc, Worldwide Healthcare Trust PLC and Baring Emerging Europe PLC. Previously held a number of senior positions within the Nat West Group and was Finance Director of Newcastle United plc. She was commercial director, UK, Europe and the Middle East at Serco Group and sat on various advisory boards in the education and charity sector. Her qualifications for Board membership are as a qualified accountant and her board experience.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: nil.

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

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st March 2014. A number of disclosures previously incorporated in the Directors' Report are now included in the Strategic Review. These include: Business of the Company; Investment Objective; Investment Policies and Risk Management; Investment Restrictions and Guidelines; Performance; Total Return. Revenue and Dividends; KPIs; Share Capital; Principal Risks; Employee, Social, Community and Human Rights Issues and Future Developments.

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited. 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, marketing and custodian services to the Company.

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

Management and Performance Fees

Growth Share Class

During the year under review, the management fee was charged at the rate of 0.45% per annum on total assets less current liabilities and was 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.

The NAV return exceeded the benchmark return plus 0.5%, therefore the base management fee rose to 0.6% for the year. 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%. Historically, performance fees earned have been spread evenly over three years, with a cap of 1% of total gross assets in any one year. Any unpaid performance fees were carried forward until paid in full (or offset against subsequent under-performance). Any under-performance was offset at the first opportunity and had to be fully offset before any performance fee could be paid.

In the year to 31st March 2014, the Growth portfolio's NAV total return excluding performance fee accruals outperformed its benchmark plus a hurdle of 0.5% by +7.4% and this gives rise to a performance fee charge for the year of £3,618,000. The performance fee earned in the year exceeds the cap of 1% of total assets. Applying the 1.% cap would give rise to an amount of £2,437,000 with a resultant residual balance of £1,181,000.

Subsequent to the year end, the Board has renegotiated the management and performance fee arrangements with JPMAM. With effect from 1st April 2014 the performance fee arrangement has been terminated and the base management fee increased to 0.75% per annum. Given the termination of the existing performance fee agreed by the Board, they also agreed to settle all residual balances. The total amount payable is £4,674,000 and consists of three components being the uncapped performance fee earned for the current year, the residual and year end fee and amounts brought forward from previous years. Refer to note 12 on page 68 for further details.

Income Share Class

During the year under review, the management fee was charged at the rate of 0.75% per annum on total 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.

The NAV performance exceeded the benchmark performance plus 0.5%, and thus a performance fee is also payable, calculated at 15% of the excess of the NAV total return over the benchmark total return plus the 0.5% hurdle. Historically, performance fees earned have been spread evenly over three years, with a cap of 0.75% of total gross assets in any one year. Any unpaid performance fees were carried forward until paid in full (or offset against subsequent under-performance). Any under-performance was offset at the first opportunity and had to be fully offset before any performance fee could be paid.

In the year to 31st March 2014, the Income portfolio's NAV total return excluding performance fee accruals outperformed its benchmark plus a hurdle of 0.5% by +11.7% and this gives rise to a performance fee charge for the year of £1,526,000. The performance fee earned in the year exceeds the cap of 0.75% of total assets. Applying the 0.75% cap would give rise to an amount of £652,000 with a resultant residual balance of £874,000.

Subsequent to the year end, the Board has renegotiated the management and performance fee arrangements with JPMAM.

Governance continued

Directors' Report continued

With effect from 1st April 2014 the performance fee arrangement has been terminated. Given the termination of the existing performance fee agreed by the Board, they also agreed to settle all residual balances. The total amount payable is £1,697,000 and consists of three components being the uncapped performance fee earned for the current year, the residual and year end fee and amounts brought forward from previous years. The base management fee will continue to be charged at the existing rate of 0.75% per annum. Refer to note 12 on page 68 for further details.

Going Concern

The Directors believe that, having considered the Company's investment objectives (see page 34), future cash flow projections, risk management policies (see pages 75 to 81), liquidity risk (see note 22(b) on page 80), capital management policies and procedures (see page 82), nature of the portfolios and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors

In accordance with corporate governance best practice, all Directors will retire by rotation at the forthcoming Annual General Meeting and being eligible, all except Robin Faber will offer themselves for reappointment. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

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 418 of the Companies Act 2006.

Section 992 Companies Act 2006

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

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

Voting Rights in the Company's shares
Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of AGM on page 86.

Notifiable Interests in the Company's Voting Rights
At the financial year end, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	% of Total Voting Rights
1607 Capital Partners LLC	15.9
Tattersall Advisory Group Inc	3.9

The Company is also aware that approximately 17.6% of the Company's total voting rights are held by individuals through savings products managed by JPMAM and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMAM has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

The percentage of total voting rights is calculated by reference to the share voting numbers which as at 31st March 2014 were as follows:

Growth shares:	2.573
Income shares:	1.346

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

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affects its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Environmental Matters, Social and Community Issues

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

Independent Auditor

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

Annual General Meeting

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

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

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 11 and 12)

The Directors will seek renewal of the authority at the AGM to issue up to 9,375,240 new Growth shares and 6,410,000 new Income shares for cash up to an aggregate nominal amount of £468,762 and £160,250 respectively such amount being equivalent to 10% of the present issued share capital of each share class as at the last practicable date before the publication of this document. The full text of the resolutions is set out in the Notice of Meeting on page 84. This authority will expire at the conclusion of the AGM of the Company in 2015 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value (the 'NAV'), they increase the NAV per share and spread the Company's administrative expenses, other than the management fee, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's Shares (resolution 13)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2013 AGM, will expire on 17th January 2015 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 21st January 2016 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on pages 84 and 85. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

(iii) Authority to make off-market purchases (resolution 14)

This resolution gives the Company authority to buy its deferred shares arising on conversion of any of the Growth or Income shares into the other class of shares. This resolution follows the requirements of Section 694 of the Companies Act 2006. The

Governance continued

Directors' Report continued

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 11 to 14 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to approximately 0.01% of the voting rights of the Company.

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 52, indicates how the Company has applied the principles of good governance of the Financial Reporting Council UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the UK Corporate Governance 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 UK Corporate Governance 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 seven 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 pages 39 and 40.

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 reappointed by shareholders. Thereafter, Directors are subject to annual reappointment by shareholders, in line with corporate governance best practice. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees.

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.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on pages 39 and 40.

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 two Audit Committee meetings and one meeting of the Nomination Committee during the year.

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

[1]Appointed Directors on 1st October 2013.

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. The appointment process takes account of the benefits of diversity, including gender. 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 conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board, with the assistance of JPMAM and a firm of independent consultants, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman. The Audit Committee Chairman leads the evaluation of the Chairman's performance.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

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

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the UK Corporate Governance Code.

During its review of the Company's financial statements for the year ended 31st March 2014, the Audit Committee considered the following significant issues, in particular those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the accounts on page 59.

THE COMPANY

Governance continued

Directors' Report continued

Significant issue	How the issue was addressed
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 59
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st March 2014, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 52.

The Audit Committee also examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and also 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 independent.

The Audit Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attended the Audit Committee meeting at which the draft Annual Report & Accounts were considered and also engage with Directors as and when required. Having reviewed the performance of the external Auditors, including assessing the quality of work, timing of communications and work with JPMAM, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The current audit firm has audited the company's financial statements for more than 20 years. The Company's year ended 31st March 2014 is the current Audit Partner's first year of a five year maximum term.

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 quarterly each year by way of the annual report and accounts, the half year financial report and two interim management statements. 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 91.

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 submit questions via the Company's website or write to the Company Secretary at the address shown on page 91. Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

Risk Management and Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of risk management and 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 risk management and 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 Conduct Authority ('FCA'), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of risk management and 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 FCA 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 risk management and 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 reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which are independently reviewed; and
- every six months the Directors review an independent report on the risk management and internal controls and the operations of JPMAM.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st March 2014 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 statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it 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.

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*

Governance continued

Directors' Report continued

- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

Social & Environmental
JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request. JPMAM is also a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: http://www.jpmorganassetmanagement.co.uk/Institutional/CommentaryAndAnalysis/CorporateGovernance, which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

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

13th June 2014

Governance continued

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st March 2014, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 53 and 54.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate.

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a triennial binding vote and therefore an ordinary resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote, is set out in full below and is currently in force.

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 and retained. 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.

Reviews are based on information provided by the Manager, JPMAM, 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 involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award 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 granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

In the year under review, Directors' fees were paid at the following rates: Chairman £30,000; Chairman of the Audit Committee £24,000; and other Directors £20,000.

With effect from 1st April 2014, fees have been increased to £34,000 for the Chairman, £27,000 for the Audit Committee Chairman and £23,000 for other Directors.

The Company's articles of association provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £175,000, requires both Board and shareholder approval.

The Company has not sought shareholder views on its remuneration policy. The Nomination Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and takes account of those views.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 44.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st March 2013 and no changes are proposed for the year ending 31st March 2015.

At the Annual General Meeting held on 18th July 2013, of votes cast, 99.6% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration report and 0.4% voted against. Abstentions were received from less than 0.0% of the votes cast.

Governance continued

Directors' Remuneration Report continued

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report from the 2014 Annual General Meeting will be given in the annual report for the year ending 31st March 2015. Thereafter, the reporting will be annually for the advisory vote on the Directors' Remuneration Report and triennially for the Remuneration Policy.

Details of the implementation of the Company's remuneration policy are given below.

Single total figure of remuneration

The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

Single total figure table[1]

Directors' Name	2014 £	2013 £
Andrew Adcock[2]	**10,000**	–
Josephine Dixon[2]	**10,000**	–
Robin Faber	**24,000**	24,000
Stephen Goldman	**20,000**	20,000
Andrew Murison	**30,000**	30,000
Stephen Russell	**20,000**	20,000
Ferdinand Verdonck	**20,000**	20,000
Total	**134,000**	114,000

[1]Audited information.

[2]Appointed Directors on 1st October 2013.

A table showing the total remuneration for the Chairman over the five years ended 31st March 2014 is below:

Remuneration for the Chairman over the five years ended 31st March 2014

Year ended 31st March	Fees
2014	£30,000
2013	£30,000
2012	£30,000
2011	£30,000
2010	£27,000

Directors' Shareholdings

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors beneficial shareholdings in the Company's Growth shares, are detailed below:

Directors	31st March 2014	1st April 2013 or date of appointment
Andrew Adcock	**25,000**	–
Josephine Dixon	**–**	–
Robin Faber	**10,000**	10,000
Stephen Goldman	**10,000**	10,000
Andrew Murison	**10,050**	10,050
Stephen Russell[1]	**2,232**	2,171
Ferdinand Verdonck[2]	**3,487**	3,247

Mr Murison also had a beneficial interest in 13,000 Income shares at the end of the year.

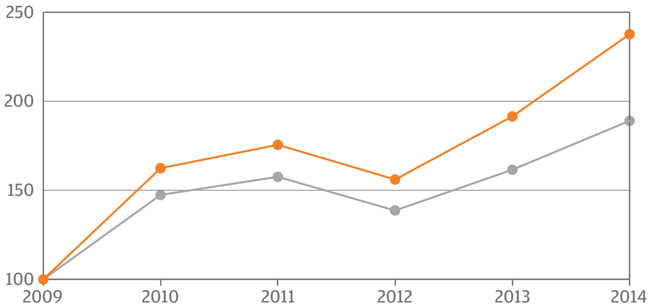
[1]Stephen Russell acquired 13 Growth shares in the Company after the year end.

[2]Ferdinand Verdonck acquired 18 Growth shares in the Company after the year end.

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

Growth:

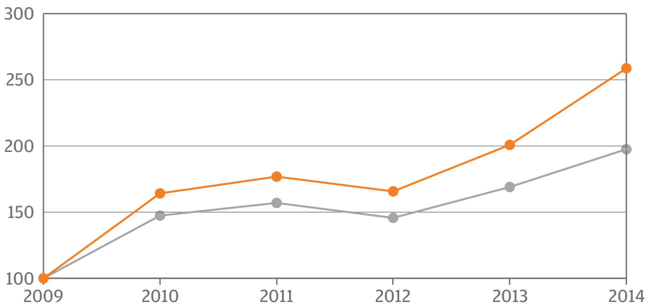
Five Year Share Price and Benchmark Total Return to 31st March 2014



Source: Morningstar/FTSE/MSCI.
Share price total return.
Benchmark total return. (see note 3 on page 2)

Income:

Five Year Share Price and Benchmark Total Return to 31st March 2014



Source: Morningstar/MSCI.
Share price total return.
Benchmark total return. (see note 3 on page 3)

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st March 2014	2013
Remuneration paid to all Directors	**£134,000**	£114,000
Distribution to shareholders		
– by way of dividend	**£9,296,000**	£8,436,000
– by way of share repurchases	**£615,000**	£304,000

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
13th June 2014

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

and the Directors confirm that they have done so.

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

The accounts are published on the www.jpmeuropean.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited. 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.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report and a Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed on pages 39 and 40 confirm that, to the best of their knowledge the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return or loss of the Company.

The Board confirms that it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the strategy and business model of the Company.

For and on behalf of the Board
Andrew Murison
Chairman
13th June 2014

Independent Auditor's Report

To the Members of JPMorgan European Investment Trust plc

We have audited the financial statements of JPMorgan European Investment Trust plc for the year ended 31st March 2014 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 52, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Company's annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st March 2014 and of its net total return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

We have identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- valuation, existence and ownership of the investment portfolio; and
- Calculation of management and performance fees in accordance with the Investment Management Agreement.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements, if any, on our audit and on the financial statements and in forming our audit opinion.

We determined materiality for the Company to be £3.2 million which is 1% of total equity. This materiality calculation provided a basis for completing our risk assessment procedures; identifying and assessing the risk of material misstatement in the financial statements; and determining the nature, timing and extent of our audit procedures.

On the basis of our risk assessment, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 50% of materiality, namely £1.6 million. Our objective in adopting this performance materiality was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level. Given the importance of investment return for the Company, we have also applied a separate performance materiality of £0.5 million for the Income Statement, being 5% of the return on ordinary activities before taxation.

We have agreed with the Audit Committee to report all audit differences in excess of £0.2 million, being 5% of materiality, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risks identified above was as follows:

- we agreed the year end prices for all quoted investments to an independent source and agreed the legal title of all investment holdings to a confirmation obtained directly from the investment custodian.
- we independently recalculated the management and performance fee calculations for the year with reference to contractual arrangements and agreed the calculation inputs to source data.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 42 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Michael-John Albert (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

13th June 2014

Financial Statements

Income Statement
for the year ended 31st March 2014

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Gains on investments and derivatives held at fair value through profit or loss	2	–	59,970	59,970	–	38,764	38,764
Net foreign currency gains/(losses)		–	1,394	1,394	–	(519)	(519)
Income from investments	3	11,697	–	11,697	10,574	–	10,574
Other interest receivable and similar income	3	139	–	139	133	–	133
Gross return		11,836	61,364	73,200	10,707	38,245	48,952
Management fee	4	(669)	(1,354)	(2,023)	(538)	(1,085)	(1,623)
Performance fee charge							
- Capped	4	–	(3,089)	(3,089)	–	(1,839)	(1,839)
- Residual	4	–	(2,055)	(2,055)	–	–	–
Other administrative expenses	5	(705)	–	(705)	(610)	–	(610)
Net return on ordinary activities before finance costs and taxation		10,462	54,866	65,328	9,559	35,321	44,880
Finance costs	6	(145)	(296)	(441)	(111)	(220)	(331)
Net return on ordinary activities before taxation		10,317	54,570	64,887	9,448	35,101	44,549
Taxation	7	(1,030)	–	(1,030)	(907)	–	(907)
Net return on ordinary activities after taxation		9,287	54,570	63,857	8,541	35,101	43,642
Return per share:							
Growth share	9	6.64p	41.82p	48.46p	6.00p	27.98p	33.98p
Income share	9	4.82p	24.01p	28.83p	4.29p	12.51p	16.80p

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason, a STRGL has not been presented.

The notes on pages 59 to 82 form an integral part of these accounts.

Financial Statements continued

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st March 2012	6,618	35,628	12,484	190,006	4,149	**248,885**
Repurchase and cancellation of the Company's own shares	(304)	–	304	(9,872)	–	**(9,872)**
Share conversions during the year	–	2,293	48	(2,341)	–	**–**
Net return on ordinary activities	–	–	–	35,101	8,541	**43,642**
Dividends appropriated in the year	–	–	–	–	(9,306)	**(9,306)**
At 31st March 2013	6,314	37,921	12,836	212,894	3,384	**273,349**
Repurchase and cancellation of the Company's own shares	(14)	–	14	(615)	–	**(615)**
Share conversions during the year	(2)	3,894	66	(3,958)	–	**–**
Net return on ordinary activities	–	–	–	54,570	9,287	**63,857**
Dividends appropriated in the year	–	–	–	–	(9,049)	**(9,049)**
At 31st March 2014	6,298	41,815	12,916	262,891	3,622	**327,542**

The notes on pages 59 to 82 form an integral part of these accounts.

Balance Sheet
at 31st March 2014

	Notes	2014 Growth (unaudited) £'000	2014 Income (unaudited) £'000	2014 Total £'000	2013 Total £'000
Fixed assets					
Investments held at fair value through profit or loss		**267,565**	**92,319**	**359,884**	290,009
Investments in liquidity funds held at fair value through profit or loss		**5,291**	**3,100**	**8,391**	3,044
Total investments	10	**272,856**	**95,419**	**368,275**	293,053
Current assets					
Debtors	11	**12,390**	**404**	**12,794**	30,311
Cash and short term deposits	11	**3,307**	**1,367**	**4,674**	977
Derivative financial instruments - forward foreign currency contracts held at fair value through profit or loss		**42**	**95**	**137**	222
		15,739	**1,866**	**17,605**	31,510
Creditors: amounts falling due within one year	12	**(47,314)**	**(10,940)**	**(58,254)**	(49,575)
Derivative financial instruments - forward foreign currency contracts held at fair value through profit or loss		**(32)**	**(52)**	**(84)**	(412)
Net current liabilities		**(31,607)**	**(9,126)**	**(40,733)**	(18,477)
Total assets less current liabilities		**241,249**	**86,293**	**327,542**	274,576
Provisions for liabilities and charges	13	**–**	**–**	**–**	(1,227)
Net assets		**241,249**	**86,293**	**327,542**	273,349
Capital and reserves					
Called up share capital	14	**4,730**	**1,568**	**6,298**	6,314
Share premium	15	**9,815**	**32,000**	**41,815**	37,921
Capital redemption reserve	15	**11,810**	**1,106**	**12,916**	12,836
Capital reserves	15	**212,791**	**50,100**	**262,891**	212,894
Revenue reserve	15	**2,103**	**1,519**	**3,622**	3,384
Total equity shareholders' funds		**241,249**	**86,293**	**327,542**	273,349
Net asset values:	16				
Net asset value per Growth share				**257.3p**	215.3p
Net asset value per Income share				**134.6p**	110.4p

The accounts on pages 55 to 82 were approved and authorised for issue by the Directors on 13th June 2014 and are signed on their behalf by:

Andrew Murison
Chairman

The notes on pages 59 to 82 form an integral part of these accounts.

JPMorgan European Investment Trust plc
Company registration number: 237958

Financial Statements continued

Cash Flow Statement
for the year ended 31st March 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	17	**5,926**	7,326
Returns on investments and servicing of finance			
Interest paid		**(428)**	(383)
Taxation recovered		**692**	404
Capital expenditure and financial investment			
Purchases of investments		**(291,322)**	(297,052)
Sales of investments		**283,898**	308,205
Settlement of futures contracts		**(97)**	8
Other capital charges		**(58)**	(80)
Net cash (outflow)/inflow from capital expenditure and financial investment		**(7,579)**	11,081
Dividends paid		**(9,049)**	(9,306)
Net cash (outflow)/inflow before financing		**(10,438)**	9,122
Financing			
Drawdown of short term loan		**16,504**	–
Repurchase and cancellation of the Company's own shares		**(713)**	(10,531)
Net cash inflow/(outflow) from financing		**15,791**	(10,531)
Increase/(decrease) in cash in the year	18	**5,353**	(1,409)

The notes on pages 59 to 82 form an integral part of these accounts.

Notes to the Accounts
for the year ended 31st March 2014

1. Accounting policies

(a) Basis of accounting

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

The accounts have been prepared on a going concern basis.

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

The policies applied in these accounts are consistent with those applied in the preceding year.

(b) Valuation of investments

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

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on foreign currency contracts and loans, any performance fee realised, management fee and finance costs allocated to capital and any other capital charges, are included in the Income Statement and dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end, including the related foreign exchange gains and losses, are included in the Income Statement and dealt with in capital reserves within 'Holding gains and losses on investments'. Unrealised gains and losses on foreign currency contracts or foreign currency loans and any performance fee provision, are included in the Income Statement and dealt with in capital reserves within 'Unrealised reserve'.

(d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

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

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

Interest receivable from fixed interest securities is included in revenue on a time apportionment basis using the effective interest method.

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

(e) Expenses

All expenses are accounted for on an accruals basis.

Expenses charged to the Company that are common to both share classes are allocated between those classes in the same proportion as the net assets of each share class at the month end immediately preceding the date on which the cost is recognised.

Expenses charged to the Company in relation to a specific share class are charged directly to that share class, with the other share class incurring no charge. Losses of one share class are not borne by the other.

Financial Statements continued

Notes to the Accounts continued

1. Accounting policies continued

(e) Expenses continued

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 and will be accounted for under capital reserves.

Expenses are allocated wholly to revenue with the following exceptions:

- any performance fee payable to the Manager is allocated 100% to capital in both pools.
- the management fee of the Growth pool of assets is allocated 30% to revenue and 70% to capital in line with the Board's expected split of revenue and capital return from the Growth investment portfolio.
- the management fee of the Income pool of assets is allocated 40% to revenue and 60% to capital in line with the Board's expected split of revenue and capital return from the Income investment portfolio.
- expenses incidental to the purchase of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission.

(f) 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.

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

(g) Financial instruments

Cash and short term deposits 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 debtors and creditors 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 recognised at amortised cost and are initially recorded at the proceeds received net of direct issue costs.

Derivative financial instruments, including short term forward currency contracts are classified as 'held for trading' and held at fair value, and are included in current assets or current liabilities in the Balance Sheet.

Changes in the fair value of derivative financial instruments are recognised in the Income Statement as capital.

(h) Taxation

Tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

As an investment trust which has received approval under the appropriate tax regulations, the Company is not liable for taxation on capital gains.

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 future taxable profits will be available against which those timing differences can be utilised.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Foreign currency

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.

(j) Dividends payable

All dividend payments are recognised in the period in which they are paid.

(k) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(l) Share capital transactions

Share capital transactions arising from share conversions are accounted for on the first working day following the half yearly conversion dates. Deferred shares, which have no economic value, are allotted as part of the conversion process to ensure that the conversions do not result in a reduction in the aggregate par value of the Company's share capital.

The cost of repurchasing Growth and Income shares for cancellation, including the related stamp duty and transaction costs, is charged to capital reserves and dealt with in the Reconciliation of Movements in Shareholders' Funds. Share transactions are accounted for on a trade date basis. The nominal value of share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

Financial Statements continued

Notes to the Accounts continued

	2014 £'000	2013 £'000
2. Gains on investments held at fair value through profit or loss		
Gains on sales of investments held at fair value through profit or loss based on historical cost	**30,736**	11,283
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	**(22,162)**	(9,008)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**8,574**	2,275
Realised (loss)/gain on close out of futures contracts	**(97)**	8
Net movement in investment holding gains and losses	**51,555**	36,552
Other capital charges	**(62)**	(71)
Total capital gains on investments and derivatives held at fair value through profit or loss	**59,970**	38,764

	2014 £'000	2013 £'000
3. Income		
Income from investments		
Dividends from investments listed overseas	**11,303**	8,867
Dividends from investments listed in the UK	**147**	1,342
Scrip dividends from investments listed overseas	**124**	173
Overseas fixed interest income	**118**	166
Dividends from liquidity funds	**5**	13
Property income distribution	**–**	13
	11,697	10,574
Other interest receivable and similar income		
Stock lending fees	**131**	132
Deposit interest	**8**	1
	139	133
Total income	**11,836**	10,707

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
4. Management and performance fee						
Management fee	**669**	**1,354**	**2,023**	538	1,085	1,623
Performance fee charge						
- Capped	**–**	**3,089**	**3,089**	–	1,839	1,839
- Residual	**–**	**2,055**	**2,055**	–	–	–
	–	**5,144**	**5,144**	–	1,839	1,839
Total	**669**	**6,498**	**7,167**	538	2,924	3,462

Details of the management and performance fee are given in the Directors' Report on page 41.

	2014 £'000	2013 £'000
5. Other administrative expenses		
Administration expenses	**384**	361
Directors' fees[1]	**134**	114
Savings scheme costs[2]	**145**	96
Auditors' remuneration for audit services[3]	**32**	30
Auditors' remuneration for all other services[4]	**10**	9
	705	610

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

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

[3]Includes £5,000 (2013: £5,000) irrecoverable VAT.

[4]Includes the costs of half yearly conversion opportunities and £2,000 (2013 : £2,000) irrecoverable VAT.

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	**145**	**296**	**441**	111	220	331
	145	**296**	**441**	111	220	331

Notes to the Accounts continued

7. Taxation

(a) Analysis of tax charge in the year

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
UK corporation tax at 23% (2013: 24%)	–	–	–	–	–	–
Overseas withholding tax	1,030	–	1,030	907	–	907
Current tax charge for the year	1,030	–	1,030	907	–	907

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2013: lower) than the tax charge that would arise by applying the Company's applicable rate of corporation tax for the year of 23% (2013: 24%). The factors affecting the current tax charge for the year are as follows:

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Net return on ordinary activities before taxation	10,317	54,570	64,887	9,448	35,101	44,549
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 23% (2013: 24%)	2,373	12,551	14,924	2,268	8,424	10,692
Effect of:						
Non taxable UK dividend income	(33)	–	(33)	(322)	–	(322)
Non taxable overseas dividends	(2,584)	–	(2,584)	(2,074)	–	(2,074)
Non taxable scrip dividends	(29)	–	(29)	(42)	–	(42)
Non taxable capital gains	–	(14,114)	(14,114)	–	(9,179)	(9,179)
Excess expenses over taxable income	273	1,563	1,836	170	755	925
Overseas withholding tax	1,030	–	1,030	907	–	907
	1,030	–	1,030	907	–	907

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £5,623,000 (2013: £4,322,000) based on a prospective corporation tax rate of 20% (2013: 23%). The reduction in the standard rate of corporation tax was substantively enacted on 3rd July 2012 and is effective from 1st April 2013. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

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.

8. Dividends

(a) Dividends paid and declared

	2014 £'000	2013 £'000
Dividends paid		
Unclaimed Growth dividends refunded to the Company	**(1)**	–
Growth 2013 second interim dividend of 1.15p (2012: 1.95p)	**1,099**	1,981
Growth first interim dividend of 5.45p (2013: 4.80p)	**5,180**	4,679
Income 2013 second interim dividend of 1.25p (2012: 1.20p)	**768**	756
Income first interim dividend of 3.25p (2013: 3.00p)	**2,003**	1,890
Total dividends paid in the year	**9,049**	9,306
Dividends declared		
Growth second interim dividend of 1.25p (2013: 1.15p)	**1,187**	1,099
Income second interim dividend of 1.50p (2013: 1.25p)	**926**	768
Total dividends payable[1]	**2,113**	1,867

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

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, as follows:

	2014 £'000	2013 £'000
Growth interim dividend of 5.45p (2013: 4.80p)	**5,180**	4,679
Growth final dividend of 1.25p (2013: 1.15p)	**1,187**	1,099
Income interim dividend of 3.25p (2013: 3.00p)	**2,003**	1,890
Income final dividend of 1.50p (2013: 1.25p)	**926**	768
Total[1]	**9,296**	8,436

[1]The revenue available for distribution by way of dividend for the year is £9,287,000 (2013: £8,541,000).

Financial Statements continued

Notes to the Accounts continued

	2014 £'000	2013 £'000
9. Return per share		
Growth share		
Return per share is based on the following:		
Revenue return	**6,311**	5,846
Capital return	**39,732**	27,241
Total return	**46,043**	33,087
Weighted average number of shares in issue	**95,004,781**	97,372,672
Revenue return per share	**6.64p**	6.00p
Capital return per share	**41.82p**	27.98p
Total return per share	**48.46p**	33.98p
Income share		
Return per share is based on the following:		
Revenue return	**2,976**	2,695
Capital return	**14,838**	7,860
Total return	**17,814**	10,555
Weighted average number of shares in issue	**61,795,955**	62,833,778
Revenue return per share	**4.82p**	4.29p
Capital return per share	**24.01p**	12.51p
Total return per share	**28.83p**	16.80p

10. Investments

	2014 £'000	2013 £'000
Investments listed on a recognised investment exchange	**359,884**	290,009
Investments in liquidity funds	**8,391**	3,044
	368,275	293,053

	Listed in UK £'000	Listed overseas £'000	Total £'000
Opening book cost	1,811	237,405	**239,216**
Opening investment holding gains	5,127	48,710	**53,837**
Opening valuation	6,938	286,115	**293,053**
Movement in the year:			
Purchases at cost	28	281,366	**281,394**
Sales – proceeds	(2,038)	(264,263)	**(266,301)**
Gains on sales based on the carrying value at the previous balance sheet date	442	8,132	**8,574**
Net movement in investment holding gains and losses	1,725	49,830	**51,555**
	7,095	361,180	**368,275**
Closing book cost	593	284,452	**285,045**
Closing investment holding gains	6,502	76,728	**83,230**
Total investments held at fair value through profit or loss	7,095	361,180	**368,275**

During the year, prior year investment holding gains amounting to £22,162,000 were transferred to 'Gains and losses on sales of investments', as disclosed in note 15.

Transaction costs on purchases during the year amounted to £639,000 (2013: £669,000) and on sales during the year amounted to £439,000 (2013: £445,000). These costs comprise mainly brokerage commission.

Financial Statements continued

Notes to the Accounts continued

	2014 £'000	2013 £'000
11. Current assets		
Debtors		
Securities sold awaiting settlement	**11,749**	29,335
Dividends and interest receivable	**590**	503
Other debtors	**455**	473
	12,794	30,311

The Directors consider that the carrying amount of debtors approximates to their fair value. No debtors are considered to be past due or impaired ((2013: nil).

Cash and short term deposits

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

	2014 £'000	2013 £'000
12. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	**14,159**	24,211
Repurchases of the Company's own shares awaiting settlement	**–**	98
Bank loan	**37,202**	21,564
Bank overdraft	**–**	1,931
Other creditors and accruals	**522**	433
Performance fee[1]	**6,371**	1,338
	58,254	49,575

[1]The Board has renegotiated the management and performance fee arrangement with JPMAM. With effect from 1st April 2014, for the Growth share class, a balance of £1,056,000 from prior years and £3,618,000 for the current year, totalling £4,674,000 falls due for payment. For the Income share class, a balance of £171,000 from prior years and £1,526,000 tor the current year, totalling £1,697,000 fall due for payment.

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

Further details of the loan facility are given in note 22(a)(ii) on page 77.

	2014 £'000	2013 £'000
13. Provisions for liabilities and charges		
Performance fee provision brought forward at the beginning of the year	**1,227**	726
Performance fee charge	**5,144**	1,839
Amount realised in the year[1]	**(6,371)**	(1,338)
Performance fee provision carried forward at the end of the year	**–**	1,227

[1]The Board has renegotiated the management and performance fee arrangement with JPMAM. With effect from 1st April 2014, for the Growth share class, a balance of £1,056,000 from prior years and £3,618,000 for the current year, totalling £4,674,000 falls due for payment in the current year. For the Income share class, a balance of £171,000 from prior years and £1,526,000 for the current year, totalling £1,697,000 fall due for payment.

Details of the performance fee are given in the Directors' Report on page 41.

14. Called up share capital

Issued and fully paid share capital:

	2014 Shares in issue	2014 £'000	2013 Shares in issue	2013 £'000
Growth shares				
Opening balance of shares	**95,318,652**	**4,797**	100,351,487	5,046
Repurchase of shares for cancellation	**(268,437)**	**(13)**	(4,654,785)	(233)
Net conversion decrease of shares	**(1,297,813)**	**(54)**	(378,050)	(16)
Closing balance	**93,752,402**	**4,730**	95,318,652	4,797

During the year, the Company made market purchases of 268,437 Growth shares, with a nominal value of £13,000, for cancellation, representing 0.3% of the Growth shares outstanding at the beginning of the year. The consideration paid for these shares amounted £530,000 and the reason for the purchases was to seek to manage the volatility and absolute level of the share price discount to net asset value per share.

	2014 Shares in issue	2014 £'000	2013 Shares in issue	2013 £'000
Income shares				
Opening balance of shares	**61,719,532**	**1,517**	63,849,822	1,572
Repurchase of shares for cancellation	**(80,675)**	**(1)**	(2,850,231)	(71)
Net conversion increase of shares	**2,461,407**	**52**	719,941	16
Closing balance	**64,100,264**	**1,568**	61,719,532	1,517

During the year, the Company made market purchases of 80,675 Income shares, with a nominal value of £1,000, for cancellation, representing 0.1% of the Income shares outstanding at the beginning of the year. The consideration paid for these shares amounted £85,000 and the reason for the purchases was to seek to manage the volatility and absolute level of the share price discount to net asset value per share.

Financial Statements continued

Notes to the Accounts continued

14. Called up share capital continued

Deferred Shares

The Company's Articles allow for Deferred shares to be allotted as part of the bi-annual share conversion to ensure that the conversion does not result in a reduction of the aggregate par value of the Company's issued share capital (in contravention of the Companies Act). The Deferred shares do not confer any rights to the shareholder to receive capital or dividends and will be repurchased by the Company from time to time for a nominal sum. The issue and repurchase of these Deferred shares has no effect on the net asset value attributable to the holders of Growth or Income shares. The shares have no voting rights and no rights on a winding up of the Company or entitlement to dividends.

	2014 £'000	2013 £'000
Deferred Growth shares		
2013 Opening balance of 687,061 shares of 0.09p each (2012: 82,012 shares of 0.0046p each)	**62**	62
2013 Repurchase of 687,061 shares of 0.09p each for cancellation	**(62)**	–
2012 Repurchase of 38,735 shares of 0.048p each for cancellation	**–**	(2)
2013 Issue of 94,956,512 of 0.002429 each	**231**	2
2014 Repurchase of 94,956,512 of 0.002429 each for cancellation	**(231)**	–
2014 Issue of 93,647,747 shares at 0.0811p each	**76**	–
2014 Closing balance of 93,647,747 shares of 0.000811p each (2013: 687,061 shares of 0.09p)	**76**	62
Deferred Income shares		
2013 Opening balance of 60,767,782 shares of 0.0712p each (2012: 628,590 shares of 0.022p each)	**43**	–
2013 Repurchase of 60,767,782 shares of 0.0712 each for cancellation	**(43)**	43
2012 Repurchase of 82,012 shares of 0.069p each for cancellation	**–**	(18)
2013 Issue of 93,703 of 0.004053 each	**–**	18
2014 Repurchase of 93,703 of 0.004053 each for cancellation	**–**	–
2014 Issue of 1,354,439 shares of 0.1609p each	**2**	–
2014 Closing balance of 1,354,439 shares of 0.01609p each (2013: 60,767,782 shares of 0.0712p each)	**2**	43

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Holding gains and losses on investments £'000	Unrealised reserve £'000	Revenue reserve £'000	Total £'000
15. Reserves								
Opening balance	6,314	37,921	12,836	159,551	53,837	(494)	3,384	273,349
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	8,574	–	–	–	8,574
Net movement in investment holding gains and losses	–	–	–	–	51,555	–	–	51,555
Unrealised gains on foreign currency contracts	–	–	–	–	–	53	–	53
Transfer on disposal of investments	–	–	–	22,162	(22,162)	–	–	–
Unrealised losses on foreign currency contracts now realised	–	–	–	(190)	–	190	–	–
Net foreign currency exchange gains on cash and short term deposits held during the year	–	–	–	475	–	–	–	475
Realised losses on close out of futures contracts	–	–	–	(97)	–	–	–	(97)
Unrealised foreign currency gains on loans	–	–	–	–	–	866	–	866
Performance fee charge	–	–	–	(5,144)	–	–	–	(5,144)
Performance fee realised	–	–	–	(6,371)	–	6,371	–	–
Repurchase and cancellation of the Company's own shares	(14)	–	14	(615)	–	–	–	(615)
Share conversions during the year	(2)	3,894	66	(3,958)	–	–	–	–
Management fee and finance costs charged to capital	–	–	–	(1,650)	–	–	–	(1,650)
Other capital charges	–	–	–	(62)	–	–	–	(62)
Dividends appropriated in the year	–	–	–	–	–	–	(9,049)	(9,049)
Retained revenue for the year	–	–	–	–	–	–	9,287	9,287
Closing balance	**6,298**	**41,815**	**12,916**	**172,675**	**83,230**	**6,986**	**3,622**	**327,542**

16. Net asset values

Net asset value per Growth share is calculated by dividing Growth shareholders' funds of £241,249,000 (2013: £205,238,000) by the 93,752,402 Growth shares in issue at the year end (2013: 95,318,652 shares).

Net asset value per Income share is calculated by dividing Income shareholders' funds of £86,293,000 (2013: £68,111,000) by the 64,100,264 Income shares in issue at the year end (2013: 61,719,532 shares).

Financial Statements continued

Notes to the Accounts continued

	2014 £'000	2013 £'000
17. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Net return before finance costs and taxation	**65,328**	44,880
Less capital return before finance costs and taxation	**(54,866)**	(35,321)
(Increase)/decrease in accrued income	**(87)**	311
(Increase)/decrease in prepayments	**(1)**	12
Increase in accrued expenses	**26**	103
Management fee charged to capital	**(1,354)**	(1,085)
Overseas withholding tax	**(1,651)**	(1,222)
Scrip dividends included in income	**(124)**	(173)
Effective interest rate adjustment on bonds	**(7)**	3
Performance fee paid	**(1,338)**	(182)
Net cash inflow from operating activities	**5,926**	7,326

	At 31st March 2013 £'000	Cash flow £'000	Exchange movement £'000	At 31st March 2014 £'000
18. Analysis of changes in net debt				
Cash and short term deposits	977	3,422	275	**4,674**
Bank overdraft	(1,931)	1,931	–	**–**
Bank loan	(21,564)	(16,504)	866	**(37,202)**
Net debt	(22,518)	(11,151)	1,141	**(32,528)**

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2013: none).

20. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 41. The total management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £2,023,000 (2013: £1,623,000), of which £349,000 (2013: £278,000) was outstanding at the year end .

Details of the performance fee arrangements are set out in the Directors' Report on page 41. The performance fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year amounted to £5,144,000 (2013: £1,338,000) of which £6,371,000 (2013: £1,338,000) was outstanding at the year end.

During the year £145,000 (2013: £96,000) was payable to JPMAM for the marketing and administration of savings products, of which £nil (2013: £7,000) was outstanding at the year end.

Included in administration expenses in note 5 on page 63 are safe custody fees amounting to £54,000 (2013: £52,000) payable to JPMorgan Chase & Co., of which £17,000 (2013: £19,000) was outstanding at the year end.

JPMAM may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable in the year in respect of these transactions was £14,000 (2013: £3,000) of which £nil (2013: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £62,000 (2013: £71,000) were payable to JPMorgan Chase & Co. during the year of which £14,000 (2013: £16,000) was outstanding at the year end.

The Company holds investments in funds managed by JPMAM. At 31st March 2014 these were valued at £22.4 million (2013: £11.5 million) and represented 5.01% (2013: 3.9%) of the Company's investment portfolio. During the year the Company made £36.2 million purchases of such investments (2013: £26.8 million) and sales with a total value of £31.3 million (2013: £0.3 million). Income amounting to £0.2 million (2013: £0.2 million) was receivable from these investments during the year of which £nil (2013: £nil) was outstanding at the year end.

The Company earned £131,000 (2013: £132,000) from stock lending transactions during the year. Commissions amounting to £28,000 (2013: £28,000) were receivable by JPMAM during the year in respect of these transactions of which £nil (2013: £nil) was outstanding at the year end.

At the year end, a bank balance of £4.7 million (2013: bank overdraft £954,000) was held with JPMorgan Chase & Co. A net amount of interest of £8,000 (2013: £1,000) was receivable by the Company during the year from JPMorgan Chase & Co. of which £nil (2013: £nil) was outstanding at the year end.

Notes to the Accounts continued

21. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio and derivative financial instruments comprising forward foreign currency contracts.

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

Level 1 – valued using quoted prices in active markets.

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. Details of the valuation techniques used by the Company are given in note 1(b) on page 59.

The following table sets out the fair value measurements using the above hierarchy at 31st March:

	2014			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	**359,884**	**–**	**–**	**359,884**
Investments in liquidity funds	**8,391**	**–**	**–**	**8,391**
Derivative financial instruments – forward foreign currency contracts	**–**	**53**	**–**	**53**
Total	**368,275**	**53**	**–**	**368,328**

	2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	284,053	–	–	284,053
Investments in liquidity funds	3,044	–	–	3,044
Fixed interest investment	5,956	–	–	5,956
Derivative financial instruments – forward foreign currency contracts	–	(190)	–	(190)
Total	293,053	(190)	–	292,863

There were no transfers between Levels 1, 2 or 3 during the year (2013: nil).

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

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

The Company's financial instruments may comprise the following:

- investments in Continental European equity shares, collective investment funds with Continental European exposure, fixed interest securities and liquidity funds which are all held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- short term forward currency contracts for the purpose of managing exposure to fluctuations in the value of short term liabilities; and
- a Euro denominated bank loan, the purpose of which is to finance the Company's operations.

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

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

Notes to the Accounts continued

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

(a) Market risk continued

(i) Currency risk continued

Foreign currency exposure

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

	2014			2013		
	Euro £'m	Other £'m	Total £'m	Euro £'m	Other £'m	Total £'m
Investments held at fair value through profit or loss that are monetary items	**8.4**	**–**	**8.4**	3.0	–	3.0
Current assets less current liabilities excluding the foreign currency bank loan and floating rate note	**7.5**	**(11.3)**	**(3.8)**	13.8	(7.9)	5.9
Foreign currency bank loan and floating rate note	**(37.2)**	**–**	**(37.2)**	(21.6)	–	(21.6)
Foreign currency exposure on net monetary items	**(21.3)**	**(11.3)**	**(32.6)**	(4.8)	(7.9)	(12.7)
Investments held at fair value through profit or loss that are equities	**236.3**	**116.5**	**352.8**	181.1	102.0	283.1
Total net foreign currency exposure	**215.0**	**105.2**	**320.2**	176.3	94.1	270.4

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 the return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and movement in exchange rates.

The sensitivity analysis is based on the Company's overseas income and monetary foreign currency financial instruments held at each balance sheet date and assumes a 10% (2013: 10%) appreciation or depreciation of sterling against the Euro and the other currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

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

	2014 £'m	2013 £'m
Income statement return after taxation:		
Revenue return	**1.2**	0.9
Capital return	**(3.3)**	(1.3)
Total return after taxation	**(2.1)**	(0.4)
Net assets	**(2.1)**	(0.4)

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

	2014 £'m	2013 £'m
Income statement return after taxation:		
Revenue return	**(1.2)**	(0.9)
Capital return	**3.3**	1.3
Total return after taxation	**2.1**	0.4
Net assets	**2.1**	0.4

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

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the fair value of fixed interest rate securities and the interest payable on variable rate cash borrowings.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's gearing policy is to operate within a range of 10% net cash to 20% geared in normal market conditions.

Interest rate exposure

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

	2014 £'000	2013 £'000
Exposure to floating interest rates:		
Cash and short term deposits/Bank overdraft	**4,674**	(954)
Investments in liquidity funds	**8,391**	3,044
Bank loan	**(37,202)**	(21,564)
Total exposure	**(24,137)**	(19,474)

Interest receivable on cash balances is at a margin below LIBOR (2013: same).

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

During the year the Company sold its holding in a fixed interest security, Bundesrepublik Deutschland 4% 2037. The Company has a Euro 60 million 364 day committed revolving credit facility with Scotiabank, which expires on 28th August 2014.

Notes to the Accounts continued

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

(a) Market risk continued

(ii) Interest rate risk continued

Interest rate exposure continued

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 and loan balances have fluctuated. The maximum and minimum exposures during the year, arising from cash balances and liquidity funds, were as follows:

	2014 £'000	2013 £'000
Maximum credit exposure to floating interest rates	**(31,938)**	(19,474)
Minimum credit exposure to floating interest rates	**(13,077)**	(1,747)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2013: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's total exposure of financial assets and financial liabilities to floating rates at the balance sheet date, with all other variables held constant.

	2014		2013	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Income statement – return after taxation:				
Revenue return	**10**	**(10)**	(51)	51
Capital return	**(251)**	**251**	(143)	143
Total return after taxation for the year	**(241)**	**241**	(194)	194
Net assets	**(241)**	**241**	(194)	194

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

(iii) Other price risk

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

Management of market 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.

Market 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:

	2014 £'000	2013 £'000
Investments held at fair value through profit or loss	**359,884**	290,009

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

Concentration of exposure to market price risk

A list of the Company's investments is given on pages 18 to 20 and pages 28 to 31. This shows that the majority of the investment portfolio's value is in European equities but there is no concentration of exposure to any one European country. It should also be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation and net assets to an increase or decrease of 10% (2013: 10%) in the fair value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments and adjusting for change in the management fee, but with all other variables held constant.

	2014		2013	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	10% Increase in fair value £'000	10% Decrease in fair value £'000
Income statement – return after taxation:				
Revenue return	**(73)**	**73**	(61)	61
Capital return	**35,840**	**(35,840)**	28,877	(28,877)
Total return after taxation for the year and net assets	**35,767**	**(35,767)**	28,816	(28,816)

T H E C O M P A N Y

Notes to the Accounts continued

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

(b) Liquidity risk

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

Management of the risk

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

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

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

	2014			2013		
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year						
Securities purchased awaiting settlement	**14,159**	**–**	**14,159**	24,211	–	24,211
Repurchases of the Company's own shares awaiting settlement	**–**	**–**	**–**	98	–	98
Bank loan, including interest	**164**	**37,274**	**37,438**	21,628	–	21,628
Bank overdraft	**–**	**–**	**–**	1,931	–	1,931
Other creditors and accruals	**485**	**–**	**485**	410	–	410
Performance fee	**6,371**	**–**	**6,371**	1,338	–	1,338
Derivative financial instruments	**84**	**–**	**84**	412	–	412
Creditors: amounts falling due after more than one year						
Performance fee	**–**	**–**	**–**	–	1,227	1,227
	21,263	**37,274**	**58,537**	50,028	1,227	51,255

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum credit rating of A1/P1 (2013: A1/P1) from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

JPMorgan Chase is the custodian of the Company's assets. The custody agreement grants a general lien over the securities credited to the securities account. The Company's assets are segregated from JPMorgan Chase's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase were to cease trading.

Credit risk exposure

The following amounts, shown in the Balance Sheet, represent the maximum exposure to credit risk at the current and comparative year end.

	2014		2013	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
– investments held at fair value through profit or loss	**359,884**	**–**	290,009	–
– investments in liquidity funds held at fair value through profit or loss	**8,391**	**–**	3,044	–
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	**12,794**	**12,794**	30,311	30,311
Cash and short term deposits	**4,674**	**4,674**	977	977
Derivative financial instruments	**137**	**137**	222	222
	385,880	**17,605**	324,563	31,510

Cash and short term deposits comprises balances held at banks that have a minimum credit rating of A1/P1 (2013: A1/P1) from Standard & Poor's and Moody's respectively.

The aggregate value of securities on loan at 31st March 2014 amounted to £18,778,000 (2013: £3,485,000) and the maximum value of stock on loan during the year amounted to £18,778,000 (2013: £18,009,000). Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency.

(d) Fair values of financial assets and financial liabilities

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

Financial Statements continued

Notes to the Accounts continued

23. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2014 £'000	2013 £'000
Debt		
Bank loan	**37,202**	21,564
Total debt	**37,202**	21,564
Equity		
Equity share capital	**6,298**	6,314
Reserves	**321,244**	267,035
Total equity	**327,542**	273,349
Total debt and equity	**364,744**	294,913

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 gearing policy is to operate within a range of 10% net cash to 20% geared in normal market conditions. Gearing for this purpose is defined as Total Assets (including Net Current Assets/Liabilities) less cash/cash equivalents and excluding bank loans, expressed as a percentage of net assets.

	2014 £'000	2013 £'000
Investments held at fair value excluding liquidity fund holdings	**359,884**	290,009
Current assets excluding cash	**12,793**	30,311
Current liabilities excluding bank loans	**(21,052)**	(26,080)
Total assets	**351,625**	294,240
Net assets	**327,542**	273,349
Gearing	**7.4%**	7.6%

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

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

Shareholder Information

Capital Structure and Conversion between Share Classes

Capital Structure

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

- **Growth Shares**
  Capital growth from Continental European investments, by consistent out-performance of the benchmark and a rising share price over the longer term by taking carefully controlled risks through an investment method that is clearly communicated to shareholders.
- **Income Shares**
  To provide a growing income together with the potential for long-term capital growth by investing in a portfolio of investments that is diversified amongst countries, sectors and market capitalisations within the universe of Continental European companies.

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 class 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.co.uk 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 Information continued

Notice of Annual General Meeting

Notice is hereby given that the eighty fifth Annual General Meeting of JPMorgan European Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Tuesday, 22nd July 2014 at 2.30 p.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st March 2014.
2. To appove the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2014.
4. To reappoint Andrew Adcock a Director of the Company.
5. To reappoint Josephine Dixon a Director of the Company.
6. To reappoint Stephen Goldman a Director of the Company.
7. To reappoint Andrew Murison a Director of the Company.
8. To reappoint Stephen Russell a Director of the Company.
9. To reappoint Ferdinand Verdonck a Director of the Company.
10. To reappoint Ernst & Young LLP as auditor to the Company and to authorise the Directors to determine their remuneration for the ensuing year.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

11. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £629,012, representing approximately 10% of the issued share capital of the Growth and Income share classes of the Company as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

12. THAT subject to the passing of Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

    (a) the allotment of equity securities in the Company by way of rights issue, open offer or otherwise to holders of Growth shares and Income shares where the equity securities respectively attributable to the interests of all Growth shares and Income shares are proportionate to the respective numbers of Growth shares and Income shares held by them subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange or any territory or otherwise howsoever; and/or

    (b) the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal value of approximately £629,013 (being approximately 10% of the total issued share capital as at 13th June 2014) at a price not less than the net asset value per share; and shall expire upon the expiry of the general authority conferred by Resolution 11 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Authority to Repurchase the Company's Shares – Special Resolution

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

    PROVIDED ALWAYS THAT

    (i) the maximum number of Growth and Income shares hereby authorised to be purchased shall be 14,053,485 or 9,608,629 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: (a) 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 21st January 2016 unless the authority is renewed at the Company's Annual General Meeting in 2015 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase Growth or Income shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Authority to make off-market purchases – Special Resolution

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

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

13th June 2014

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.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two business 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 business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the

Shareholder Information continued

Notice of Annual General Meeting continued

corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

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

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmeuropean.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
16. As at 13th June 2014 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 93,752,402 Growth shares and 64,100,264 Income shares. Voting rights are calculated by reference to the share voting numbers which, as at 31st March 2014, were 2.573 (Growth) and 1.346 (Income). Therefore the total voting rights in the Company are 327,503,885.

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.

Glossary of Terms and Definitions

Return to Shareholders

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

Return on Net Assets

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

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested, without transaction costs, into 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 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Gearing/Net Cash

Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of the shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

Ongoing Charges

The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs and performance fee payable, expressed as a percentage of the average of the daily net assets during the year.

Share Price Discount/Premium to Net Asset Value

If the share price of an investment trust 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 per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

Performance Attribution

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

Performance Attribution Definitions:

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

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

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

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

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

Performance Fee
Measures the effect of a performance fee charge or writeback.

Share Repurchases
Measures the effect on relative performance of repurchasing and cancelling the Company's own shares at a price which is less than the net asset value per share.

Financial Conduct Authority

Beware of share fraud

In association with: icsa Registrars Group

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from **www.fca.org.uk** to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at **www.fca.org.uk/scams**.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. **Remember:** if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

Information about the Company

Financial Calendar

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

History

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

Company Numbers

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

ISIN numbers:
Growth: GB00B18JK166
Income: GB00B17XWW44

Bloomberg Codes:
Growth: JETG LN
Income: JETI LN

Market Information

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

Website

www.jpmeuropean.co.uk

Share Transactions

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

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone number: 020 7742 4000

Please contact Jonathan Latter for company secretarial and administrative matters.

Custodian

JPMorgan Chase Bank, N.A.
25 Bank Street
Canary Wharf
London E14 5JP

Registrars

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

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

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

Savings Product Administrators

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

Independent Auditor

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

Brokers

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
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aic
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A member of the AIC

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Your telephone call may be recorded for your security

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