

4216323

Report and Accounts

for the period to 31st August 2002



Jupiter

Financial & Income

Trust PLC



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INVESTMENT POLICY*

The objectives of the Company are to provide Ordinary shareholders with a high level of income payable quarterly and the potential for income and capital growth and to provide Zero Dividend Preference shareholders with a predetermined final capital entitlement.

Registered Office
1 Grosvenor Place, London SW1X 7JJ

Company Registration No 4216323

**Please note the board are proposing to amend the investment policy of the Company—please see the Chairman's Statement on pages 5 to 6 for further details.*

COMPANY INFORMATION

Directors

J G West *Chairman*
H D Hill C Jones The Rt Hon Lord Lamont

Manager, Secretary and Registered Office

Jupiter Asset Management Limited
1 Grosvenor Place, London SW1X 7JJ
Telephone: 020 7412 0703 *Facsimile:* 020 7412 0705
Website: <http://www.jupiteronline.co.uk>
Regulated by the FSA

Custodian

The Northern Trust Company
50 Bank Street, Canary Wharf, London E14 5NT
Regulated by the FSA

Registrars

Lloyds TSB Registrars
The Causeway, Worthing
West Sussex BN99 6DA

Solicitors

Norton Rose
Kempson House, Camomile Street
London EC3A 7AN

Auditors

Ernst & Young LLP
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

Subsidiary Company

JFIT Securities Limited
1 Grosvenor Place, London SW1X 7JJ

The Ordinary shares and Zero Dividend Preference shares of the Company are listed on the London Stock Exchange and their prices are published daily in the Financial Times under "Investment Companies".

DIRECTORS

James Glynn West (Chairman) (aged 55) is also Chairman of Gartmore Fledgling Trust plc, Aberdeen Convertible Income Trust plc and Intrinsic Value plc and a director of British Assets Trust plc, Aberdeen New Dawn Investment Trust PLC, Shires Smaller Companies PLC and Candover Investments plc. Mr West has extensive experience of public and private companies with a broad spread of business activities including financial services, industry and commerce. Mr West was formerly chief executive of Lazard Asset Management Limited and a managing director of Lazard Brothers and Co. Limited.

Harry Douglas Hill (aged 54) is currently the Managing Director of Countrywide Assured Group plc (formerly Hambro Countrywide plc), a position that he has held for 13 years.

Christopher Jones (aged 61) is the Head of Investments at Merchant Investors Assurance Company Limited, a wholly owned subsidiary of Allianz (UK) Limited. Mr Jones has over 29 years of investment experience. In particular, from 1971-1985 he was a fixed interest manager for Property Growth Assurance Company Limited (a subsidiary of Royal & Sun Alliance Insurance Group plc). He is a non-executive director of LeggMason Investors Enterprise plc, Thompson Clive Investments PLC, Pavilion Geared Recovery Trust PLC, Henderson Geared Income & Growth Trust plc, Ecofin Water & Power Opportunities PLC, Montanaro UK Smaller Companies Investment Trust PLC, Montanaro European Smaller Companies PLC, Atlantis Japan Growth Fund Limited and The Asian Technology Trust plc.

The Rt. Hon. Lord Lamont of Lerwick (aged 60) was Chancellor of the Exchequer from November 1990 until May 1993 and the Member of Parliament for Kingston upon Thames from 1972 until 1997. He is Chairman of the East European Food Fund (SICAF), Galilco Innovatin PLC and director of Balli PLC, Scottish Annuity & Life Company PLC, Aberdeen Growth & Income Trust PLC.

All directors are independent of Jupiter Asset Management Limited and are members of the audit committee.

CHAIRMAN'S STATEMENT

This is the first annual Report and Accounts for your Company which covers the 15 month period from its launch on 6th June 2001 to 31st August 2002. This period has been a turbulent time in world stock markets and few industry commentators anticipated that the present bear market would prove to be the longest since the depression of the 1930's.

Geared investments fare badly in such market conditions and during the period under review your Company's total assets, after adjusting for the long term loan repayments, decreased by a total of 43.2%. Over the same period the FTSE Actuaries Investment Companies index fell by 36.8%, the FTSE Actuaries Financials Index fell 24.7% and the Standard & Poor's Investment Trust Fund Split Capital Income and Residual Capital index fell by 76.3%.

Dividends

Since launch (6th June 2001) the Company has paid to the holders of its Ordinary shares two interim dividends of 2p (net), two interim dividends of 1p (net) and a further interim dividend of 1p (net) has now been declared, making a total of 7p (net) for the period.

Bank debt

During the period, a total of £36.25 million of the original £56.25 million drawn down under the loan facility was repaid to the Company's bankers (The Royal Bank of Scotland plc and the Bank of Scotland) leaving outstanding bank debt of £20 million. Please see my comments at the end of this statement.

Investment Strategy and Proposed Changes in the Company's Name and Investment Policy

Since launch your Company has experienced considerable stock market volatility as well as a steep decline in the rating of Technology, Media and Telecoms issues relative to value driven "old economy" stocks. In this environment the split capital investment trust sector into which your Company's income portfolio has been substantially invested on launch, has come under increasing and well documented pressure.

Several split capital investment trusts' assets have fallen below bank covenant levels and dividend cuts and suspensions have become increasingly common. Another problem across the sector has been the increasing lack of liquidity in the secondary market. This liquidity problem has affected the valuation of both your Company's own securities and the prices of many of its portfolio constituents.

The Company is fully supportive of the moves within the sector to improve transparency by increased disclosure by investment trusts of their cross holdings. Details of the Company's portfolio can be found on the AITC's website www.itsonline.co.uk and following publication of this annual report on the manager's own website www.jupiteronline.co.uk. Further analytical details can be found on the independent website www.splitsonline.co.uk, provided by Fundamental Data.

The growth portfolio has declined in value but has outperformed the FTSE Financial Index since the launch of the Company. This has been the result of a highly conservative approach to risk, avoiding almost any exposure to insurance and investment banking and emphasising more conservative, predominantly consumer, stocks.

CHAIRMAN'S STATEMENT

continued

In summary, the period since launch has been an extremely difficult one for your Company, resulting in a severe decline in the value of its total assets. Since the end of the Company's reporting period, stock markets have sustained further declines. Economic weakness and fear of another Gulf war have added to investors' concerns. As you will read in the Managers' Report, the split capital investment trust sector has performed poorly during this bear market with no obvious signs of immediate recovery.

It is against this background that your Board wishes to propose an alteration to the Company's investment policy. If shareholders agree, the Manager will be asked to concentrate on "capital and income growth from a portfolio principally invested in financial sector companies". In that event, the current emphasis on a "high level of income" (which has been obtained to date by investing, principally, in other split capital investment trusts) will cease and to reflect this, the board is also proposing to change the Company's name to **Jupiter Financial Trust PLC**. Subject to the approval of the UK Listing Authority, the Company will shortly issue a Circular setting out full details of these proposals and which will also contain formal notice of the extraordinary general meeting ("EGM") and separate class meetings of shareholders necessary to approve and implement these changes.

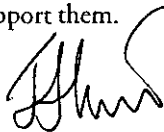
Subject to shareholders approving the proposals, Philip Gibbs will become the portfolio's lead manager. The present income portfolio, consisting, in the main, of good quality split capital investment trusts (see pages 10 and 13) will be "managed out" by Laurie Petar. This will be undertaken over a period of months rather than on a 'fire sale' basis which will hopefully enable him to secure better exit values for shareholders during this exercise. Surplus income received from investments within the income portfolio during this time (in addition to any surplus income generated within the growth portfolio) will be paid as quarterly interim dividends to the holders of the Company's Ordinary shares.

Shareholders should note that the Board has resolved to further reduce the level of the Company's bank debt with immediate effect. By the time of the Company's Annual General Meeting on 12th November 2002, steps will already have been taken to repay at least £16 million of the remaining £20 million of outstanding debt and the Board is currently considering whether the final £4 million should also be repaid.

Finally, your Board also plans to seek shareholder approval at the same EGM and class meetings referred to above to introduce a buy-back facility that will enable the Company to buy-in up to 14.99% of its issued share capital for cancellation. Shares bought-in and cancelled at a discount to net asset value enhance returns to the remaining Ordinary shareholders. Again, details of this proposal will be explained in the Circular referred to above.

It is hoped that these proposed changes, together with better stock markets, will enable your Company to perform well over its remaining life. The Directors of your Company will be voting their shares in favour of the proposals to be put to the EGM and class meetings and I hope you will also feel able to support them.

Jimmy West
Chairman
15th October 2002



CAPITAL STRUCTURE

FIXED RATE BANK LOAN

The Company has entered into a Loan Facility (the "Loan Facility") with The Royal Bank of Scotland plc and the Bank of Scotland. Under the terms of the Loan Facility the Company undertook to repay the original amount of £56.25 million drawn down under the Loan Facility in one amount on the winding up date of 6th June 2007 in priority to the share capital and the Company entered into swap arrangements to fix the interest rate on the whole amount of this loan at 6.69% per annum up to the winding up date. However, during the period to 31st August 2002 a total of £36.25 million of the Loan Facility was repaid leaving a balance of £20 million outstanding. The Company has incurred early redemption fees and swap arrangement breakage costs totalling £1,131,000 in respect of the amounts repaid to date.

ZERO DIVIDEND PREFERENCE SHARES

In Issue: 18,750,000

31st August 2002: Net Asset Value 110.92p per share.

Price 66.75p per share.

The Zero Dividend Preference shares ("Zeros") are designed to offer the shareholder a predetermined rate of capital growth. They rank ahead of any capital entitlement of the Ordinary shares but behind the cost of repayment of the Loan Facility on the winding up of the Company. The Zeros are not entitled to income and their whole return will take the form of capital.

A holder of Zeros had an initial capital entitlement of 100p per share at 6th June 2001. This entitlement increases daily to reach 165.45p at the winding up date and will be paid, subject to the assets being sufficient. At 31st August 2002 this entitlement had increased to 110.92p per share.

The repayment entitlement of 165.45p at the winding up date was 1.2 times covered on 31st August 2002 and the gross redemption yield was 20.7% per annum.

The Zeros will not normally entitle their holders to vote at general meetings of the Company. However, the Zeros will have a right to vote in certain limited circumstances, including a variation or abrogation of their rights and on the winding up of the Company.

ORDINARY SHARES

In Issue: 75,000,000

31st August 2002: Net Asset Value 21.83p per share.

Price 12p per share.

The Ordinary shares are entitled to all the surplus assets of the Company on a winding up after the prior entitlements of the Loan Facility and Zeros have been met. Thus the Ordinary shares are geared by the prior ranking entitlements to capital of the Loan Facility and the Zeros. After repayment of the Loan Facility, any increase in capital over and above that attributable to the Zeros will be to the benefit of the Ordinary shareholder. However, capital gearing also has the effect that should the total assets of the Company fall, the net asset value per Ordinary share will fall by a greater proportion due to these prior entitlements.

CAPITAL STRUCTURE

continued

If the total assets of the Company remain unchanged from 31st August 2002 to the winding up date, each Ordinary share's entitlement would be approximately 8.20p. In order for the Ordinary shares to be repaid an amount equal to the current share price of 12p, the total assets would have to increase by 1.2% per annum to the winding up date.

WINDING UP

The Articles of Association provide for the directors to convene an extraordinary general meeting on which a resolution shall be proposed requiring that the Company be voluntarily wound up on 6th June 2007 unless the directors have previously been released from this obligation by a special resolution of the Company.

The limited life of the Company is designed to ensure that all shareholders can realise the underlying net asset value of their shares (after liquidation costs).

TWENTY LARGEST INVESTMENTS

As at 31st August 2002

<i>Company</i>	<i>Market Value £'000</i>
ICAP	6,525
MAN Group	6,036
Countrywide Assured	2,648
Bradford & Bingley	2,392
Gartmore Irish Growth Fund	2,276
Henderson Absolute Return Portfolio	1,760
Blackrock	1,430
Invesco Recovery Trust 2005	1,406
Jupiter Split Trust	1,388
Allied Irish Banks	1,249
Equity Partnership	1,218
Chelsfield	1,170
Asset Management Investment Company	1,100
Savills	1,023
Singer & Friedlander	797
Bank of Ireland	789
Cattles	775
Gabelli Asset Management	696
Provident Financial	560
Real Estate Opportunities 7.5% Convertible Unsecured Loan Stock	547
	<u>62.6% of total assets</u>
	<u>35,785</u>

ANALYSIS OF INVESTMENTS

<i>Total</i>		<i>UK</i>	<i>Europe</i>	<i>Japan & Far East</i>	<i>North America</i>
<i>%</i>		<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
11.0	Banks	5.4	5.6	—	—
6.0	Life Assurance	6.0	—	—	—
39.0	Speciality & Other Finance	34.2	—	—	4.8
9.4	Real Estate	9.4	—	—	—
33.4	Investment Companies	26.9	5.8	0.6	0.1
1.2	Fixed Interest	1.2	—	—	—
<u>100.0</u>	<u>Totals</u>	<u>83.1</u>	<u>11.4</u>	<u>0.6</u>	<u>4.9</u>

INCOME PORTFOLIO TWENTY LARGEST INVESTMENTS

As at 31st August 2002

<i>Company</i>	<i>Market Value £'000</i>
Invesco Recovery Trust 2005 Ord	1,406
Asset Management Investment Company Ord	1,100
Real Estate Opportunities 7.5% Convertible Unsecured Loan Stock	547
Gartmore High Income Trust Ord Income	398
Premium Trust Income	371
Property Acquisition & Management Ord	335
Edinburgh High Income Trust Ord	327
BFS Absolute Return Trust Geared Ordinary Units	315
Jersey Phoenix Trust Ord	290
Aberdeen Convertible Income Trust Ord	270
Blue Chip Value & Income Fund Ord	265
Martin Currie Enhanced Income Trust Ord	182
Jupiter Enhanced Income Investment Trust Ord Income	178
City of Oxford Geared Income Trust Income	156
JP Morgan Fleming Worldwide Income Investment Trust Ord Income	153
BFS Asian Assets Trust Geared Ordinary Units	145
Technology & Income Trust Income	130
Invesco Geared Opportunities Trust Geared Ord	126
Exeter Equity Growth & Income Fund Ord	115
Gartmore Absolute Growth & Income Trust Pref Income	113
	<hr/>
12.1% of total assets	6,922
	<hr/>

GROWTH PORTFOLIO TWENTY LARGEST INVESTMENTS

As at 31st August 2002

<i>Company</i>	<i>Market Value £'000</i>
ICAP	6,525
MAN Group	6,036
Countrywide Assured	2,648
Bradford & Bingley	2,392
Gartmore Irish Growth Fund	2,276
Henderson Absolute Return Portfolio	1,760
Blackrock	1,430
Jupiter Split Trust	1,388
Allied Irish Banks	1,249
Equity Partnership	1,218
Chelsfield	1,170
Savills	1,023
Singer & Friedlander	797
Bank of Ireland	789
Cattles	775
Gabelli Asset Management	696
Provident Financial	560
Grainger Trust	546
Unite Group	479
Sparebanken	419
59.8% of total assets	<u>34,176</u>

MANAGERS' REVIEW

Growth Portfolio

In the period from launch on 6th June 2001 to 31st August 2002, the growth portfolio, after adjusting for the loan repayments, declined by approximately 8.6% as compared with a 24.7% decline in the FTSE Financial Index.

The period under review was an exceptionally difficult one for equity investment in the financial sector. Financial companies with significant exposure to equity markets saw particularly heavy declines in prices and earnings. However, outperformance was achieved by the investment manager exercising considerable caution with respect to international corporate banking, investment banking and fund management businesses. The emphasis has principally been, and remains, on consumer oriented businesses which are lowly rated relative to assets and earnings. Such companies are benefiting, and should continue to benefit, from falling interest rates and rising or stable residential property prices. In addition, investments are being sought in companies which will benefit from the growth in hedge funds, notably MAN Group PLC. A prudent approach has been made to investments outside the UK and Ireland, given the weak economic prospects in many parts of the world.

Philip Gibbs
Jupiter Asset Management Limited

Income Portfolio

The period since launch has been exceptionally difficult for your Company and many similar companies within the split capital investment trust sector. In this environment, high gearing has proved to be a major problem for a number of investment trusts. In several cases, 11th September 2001 was the final catalyst that resulted in assets falling below the levels permitted by their bank covenants. Since then some sectors of the stock market have recovered, some have lost ground. However, several trusts which had either borrowed heavily from the banks and/or were themselves invested heavily in other trusts of a similar nature, have continued to suffer despite several fundraising reconstructions and the first signs of consolidation within the sector. Many trusts have had to sell assets to repay bank debt in order to maintain covenant levels with their lending banks. This environment has also led to an increasing number of trusts cutting or suspending their dividends. More recently, as asset values have continued to fall relative to debt liabilities, some companies have had to suspend their market quotations and appoint administrative receivers.

The liquidity of split capital investment trusts in the secondary market has worsened significantly and their future growth prospects and dividend paying abilities have also seriously declined. This environment, which has attracted considerable regulatory media attention, has affected all split capital trust share prices indiscriminately, even those of trusts that are not heavily geared through bank debt or materially invested in other split capital trusts. We believe such trusts still have their recovery prospects reasonably intact and their dividend paying abilities are comparable with those of the general equity market.

MANAGERS' REVIEW

continued

The Income Portfolio currently retains a high portfolio weighting in trusts that are either lower geared or generally more equity-oriented. In particular as at the end of August 2002, over 93% of the Income Portfolio's assets consisted of conventional trusts, split capital trusts of an "A" grade and above. The following table summarises your Company's approximate portfolio weightings according to ABN AMRO's published classifications of investments trusts ("ITs"):

<i>Portfolio</i>		<i>% of the Income Portfolio</i>
Conventional ITs		3.2
"AAA" Split Capital ITs	Nil holdings in other ITs	42.3
"AA" Split Capital ITs	Less than 5% holdings in other ITs	10.5
"A" Split Capital ITs	Less than 25% holdings in other ITs	37.2
"B" Split Capital ITs	Less than 50% holdings in other ITs	6.4
"C" Split Capital ITs	More than 50% holdings in other ITs	0.4

Stock markets worldwide continue to show considerable volatility and since the year end have continued to decline led by the US markets reaction to high profile accounting shocks and both renewed economic and political worries. The split capital investment trust sector will require a return to much more benign conditions in order to repair asset values as well as investor and media confidence.

Laurie Petar
Jupiter Asset Management Limited

REPORT OF THE DIRECTORS

The directors present their Annual Report and Accounts for the period from 14th May 2001 to 31st August 2002. The Company was incorporated on 14th May 2001 and its shares were listed on the London Stock Exchange on 6th June 2001, on which date it commenced business. These accounts reflect the results from incorporation to 31st August 2002.

Business and Status

During the period the Company carried on business as an investment trust. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985.

The Company has directed its affairs so as to enable it to seek approval from the Inland Revenue as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. The Company will be exempt from tax on capital gains on disposal of its investments for each accounting period for which approval is obtained.

The directors are of the opinion that the Company is not a close company as defined by the Income and Corporation Taxes Act 1988.

At 31st August 2002 the Company had a wholly owned subsidiary, JFIT Securities Limited which has not traded since launch.

Reviews of the Company's activities are included in the Chairman's Statement and Managers' Review on pages 5 to 6 and 12 to 13 respectively.

Results and Dividends

Results and reserve movements for the period are set out in the Statement of Total Return and the Notes to the Accounts.

The directors have declared a first interim dividend of 1.0p per Ordinary share, a second interim dividend of 2.0p per Ordinary share, a third interim dividend of 2.0p per Ordinary share, a fourth interim dividend of 1.0p per Ordinary share and a fifth interim dividend of 1.0p net per share.

Capital Gains Tax Information

The price of Ordinary shares on the first date of dealing for Capital Gains Tax purposes was 102p.

Directors and Directors' Interests

The directors who held office from 14th May 2001 to 17th May 2001 were Miss Annabelle Sfeir and Ms Virginia Coubrough. Neither Miss Sfeir nor Ms Coubrough held any shares in the Company for this period and their appointment was terminated on 17th May 2001.

The directors who held office at the end of the period covered by these accounts and their beneficial interests in the Ordinary and Zero Dividend Preference shares at 17th May 2001, the date of their appointment and 31st August 2002 are shown on the following page:

REPORT OF THE DIRECTORS

continued

	<i>31st August 2002</i>		<i>17th May 2001</i>	
	<i>Ordinary shares</i>	<i>ZDP shares</i>	<i>Ordinary shares</i>	<i>ZDP shares</i>
J G West	20,000	5,000	20,000	5,000
H D Hill	12,500	12,500	12,500	12,500
C Jones	5,000	—	5,000	—
The Rt Hon Lord Lamont	3,000	—	3,000	—

The Company has not been advised of any changes in the directors' interests between 31st August 2002 and the date of this report.

No director has a contract of service with the Company.

No director was a party to or had any interest in any contract or arrangement with the Company at any time during the period or subsequently.

Substantial Shareholders

The Company has been notified of the following substantial interests in the Ordinary shares as at 31st August 2002.

	<i>Ordinary shares</i>		<i>Zero Dividend Preference shares</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Merrill Lynch Hedge Fund	8,000,000	10.67		
Merchant Investors Assurance Company Limited	5,000,000	6.67		
Royal London UK Equity & Income Trust PLC	4,500,000	6.00		
Dartmoor Investment Trust PLC	4,400,000	5.87		
Murray Global Return Trust PLC	4,312,478	5.75		
Aberdeen Preferred Income Trust PLC	3,607,366	4.81		
Geared Opportunity Income Trust PLC	3,000,000	4.00		
Leverage Income Fund Limited	3,000,000	4.00		
Britannic Global Income Trust PLC	3,000,000	4.00		
Legg Mason Investment Income & Growth Trust PLC	2,885,000	3.85		
RBSI Custody Bank Limited	2,770,000	3.69		
Britannic Asset Management	2,500,000	3.33		
Exeter Selective Assets Investment Trust PLC	2,250,000	3.00		
Investors Bank and Trust Company			2,723,165	14.52
Exeter Zero Preference Fund			1,475,000	7.87
Aberdeen Progressive Growth Unit Trust			1,425,000	7.60
Deutsche Bank Prime Brokerage Account			1,425,000	7.60
Clients of Northern Trust			1,133,127	6.04
Merchant Investors Assurance Company Limited			700,000	3.73
Private Clients of Rathbone			647,000	3.45
Grange Nominees Limited			600,000	3.20

REPORT OF THE DIRECTORS

continued

Corporate Governance

The Combined Code of Best Practice

The board of directors comprises four non-executive directors all of whom are independent of the Investment Manager. Mr J G West is the Chairman. The Company has no executive directors nor any employees. The structure of the board is such that it is considered unnecessary to identify a senior non-executive director other than the Chairman. As the board is small there is no formal Nomination Committee and appointments of new directors are considered by the board as a whole. New directors will be subject to election by shareholders at the Annual General Meeting following their appointment and thereafter each director is re-appointed at least at every third subsequent Annual General Meeting. The board does not therefore consider it appropriate that directors should be appointed for a specific term. No formal training is given to directors in Corporate Governance.

The board receives monthly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its review. At these meetings the board monitors the investment performance of the Company. The directors also review the Company's activities every quarter to ensure that it adheres to its investment policy or, if appropriate, to make any changes to that policy. Additional ad hoc reports are received as required and directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

A procedure has been adopted for the directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Directors' Remuneration

No director has a service contract with the Company and details of the directors' fees are shown in Note 5 to the Accounts. Under the Financial Services Authority Listing Rule 21.20 (i), where an investment trust company has no executive directors, the Code's principles relating to directors' remuneration do not apply.

Shareholder Relations

All Ordinary shareholders have the opportunity to attend and vote at the Annual General Meeting during which the directors and the investment manager will be available to answer questions regarding the Company. The Company will seek to provide twenty working days notice of that meeting. The Notice of Meeting sets out the business of the Annual General Meeting and any item not of an entirely routine nature is explained in the Directors' Report or notes accompanying the Notice. Separate resolutions are proposed for each substantive issue. Information about proxy votes held is available to shareholders attending the Annual General Meeting. The Company reports to shareholders twice a year by way of the Interim Report and Annual Report and Accounts. In addition net asset values are published on a weekly basis. Information can be obtained from Jupiter Asset Management Limited's website (<http://www.jupiteronline.co.uk>).

Exercise of Voting Powers

The investment manager is responsible for the management of the Company's investment portfolio and for exercising on behalf of the board the voting powers in respect of the shareholdings within the portfolio. It is the practice of the investment manager to vote in favour of resolutions proposed by a company's management. However, in exceptional cases where it is felt that a resolution

REPORT OF THE DIRECTORS

continued

could be detrimental to the interests of shareholders or the financial performance of the company, the investment manager would first raise these concerns with the management of the company and in appropriate cases would obtain the instruction of the Company on the exercise of the voting rights. In reaching any investment decision or exercising any voting rights, the investment manager has regard to a company's policies on social responsibility issues and is able to seek specialist advice from the Jupiter Environmental Research Unit who actively engage with companies to promote better social, environmental and ethical practice.

Internal Control

The board is responsible for establishing and maintaining the Company's system of internal control and for reviewing its effectiveness. Internal control systems are designed to meet the particular requirements of the Company and to manage rather than eliminate the risks of failure to achieve its objectives. The systems by their very nature can provide reasonable but not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and managing risks significant to the Company. The board has reviewed the effectiveness of the Company's internal control systems including the financial, operational and compliance controls and risk management. These systems have been in place for the period under review and to the date of signing the accounts.

The Company receives services from Jupiter Asset Management Limited and Jupiter Administration Services Limited relating to its investment management and administration activities. Documented contractual arrangements are in place with Jupiter Asset Management Limited and Jupiter Administration Services Limited which define the areas where the Company has delegated authority to them. The directors have considered the report on the internal control objectives and procedures of Jupiter Asset Management Limited and Jupiter Administration Services Limited together with the opinion of the reporting accountants on that report. The report details the measures and the testing of the measures which are in place to ensure the proper recording, valuation, physical security and protection from theft of the Company's investments and assets. It also describes the controls and procedures which have been established to ensure compliance with all regulatory, statutory and fiscal obligations of the Company. The directors have also had regard to the procedures for safeguarding the integrity of the computer systems operated by the investment manager and administrators and the key business disaster recovery plans. The board intends to review the procedures in place to manage the risks to the Company on an annual basis.

Audit

The board has established and approved the terms of reference of an Audit Committee of the four independent directors which meets to consider the financial reporting by the Company, the internal controls and relations with the Company's external auditors.

Going Concern

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Compliance with the Combined Code

The board believes that subject to any exception explained above and the nature of the Company as an investment trust, the Company has complied with the provisions set out in section 1 of the Combined Code throughout the period.

REPORT OF THE DIRECTORS

continued

Directors and Officers Liability Insurance

During the period the Company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

Donations

No charitable or political donations were made by the Company during the period.

Payment of Suppliers

It was the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will take place and it is the policy to abide by those terms. Investment purchases for future settlement are settled in accordance with the rules and regulations of the Stock Exchange on which they are purchased. As the Company is an investment trust, it does not have any trade creditors.

Auditors

A resolution proposing the appointment of Ernst & Young LLP as auditors will be submitted at the Annual General Meeting.

For and on behalf of
JUPITER ASSET MANAGEMENT LIMITED
Secretaries

By Order of the Board
Jupiter Asset Management Limited
Secretaries
15th October 2002

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

Section 270(4) of the Companies Act 1985 requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the revenue for that period.

In preparing these accounts, the directors are required to:

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

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
JUPITER FINANCIAL & INCOME TRUST PLC**

We have audited the Company's accounts for the period ended 31st August 2002, which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement, and the related notes 1 to 25. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Chairman's Statement, Capital Structure, Twenty Largest Investments, Analysis of Investments, Managers' Review, Report of the Directors and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

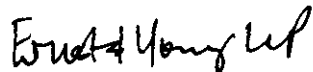
**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
JUPITER FINANCIAL & INCOME TRUST PLC**

continued

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31st August 2002 and of the revenue of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
15th October 2002

STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT)

for the period ended 31st August 2002

		<i>14th May 2001 to 31st August 2002</i>		
	<i>Note</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net realised losses on investments		—	(7,462)	(7,462)
Foreign exchange loss		—	(383)	(383)
Unrealised depreciation on investments		—	(41,921)	(41,921)
Total capital losses on investments		—	(49,766)	(49,766)
Income	2	8,835	—	8,835
Investment management fee	3	(314)	(942)	(1,256)
Other expenses	4	(299)	—	(299)
Return on ordinary activities before finance costs and taxation		8,222	(50,708)	(42,486)
Interest payable	6	(1,082)	(3,247)	(4,329)
Loan redemption costs		(282)	(849)	(1,131)
Return on ordinary activities before taxation		6,858	(54,804)	(47,946)
Tax on ordinary activities	7	(568)	558	(10)
Return on ordinary activities after taxation		6,290	(54,246)	(47,956)
Dividends in respect of equity shares	8	(5,250)	—	(5,250)
Other appropriations in respect of non equity shares	8	—	(2,047)	(2,047)
Transfer to/(from) reserves		1,040	(56,293)	(55,253)
Return/(loss) per Ordinary share	9	8.39p	(75.06)p	(66.67)p

The revenue column of this statement is the profit and loss account of the Company.

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

No operations were acquired or discontinued during the period.

The notes on pages 25 to 36 form part of these accounts.

The Company was incorporated on 14th May 2001 and its shares were listed on the London Stock Exchange on 6th June 2001, on which date it commenced business. Consequently, the Statement of Total Return above reflects the returns from 6th June 2001 to 31st August 2002.

BALANCE SHEET

as at 31st August 2002

	<i>Note</i>	<i>£'000</i>
Fixed asset investments		
Investments	10	44,121
Current assets		
Debtors	11	864
Cash at bank		13,875
		<u>14,739</u>
Creditors: amounts falling due within one year	12	<u>(1,691)</u>
Net current assets		<u>13,048</u>
Total assets less current liabilities		57,169
Creditors: amounts falling due after more than one year	13	<u>(20,000)</u>
Net assets		<u><u>37,169</u></u>
Capital and reserves		
Called up share capital	16	937
Share premium	17	89,438
Capital reserve – realised	18	(14,372)
Capital reserve – unrealised	18	(41,921)
Redemption reserve	19	2,047
Revenue reserve	20	1,040
Total shareholders' funds		<u><u>37,169</u></u>
Total shareholders' funds are attributable to:		
Equity shareholders		16,372
Non-equity shareholders		20,797
		<u><u>37,169</u></u>
Net asset value per share:	15	
Ordinary		21.83p
Zero Dividend Preference		110.92p

Approved by the board of directors on 15th October 2002 and signed on its behalf.

JG West



The notes on pages 25 to 36 form part of these accounts.

CASH FLOW STATEMENT

for the period ended 31st August 2002

	<i>Note</i>	<i>£'000</i>
Operating activities		
Net cash inflow from operating activities	22	6,891
Servicing of finance		
Interest paid		(4,013)
Loan redemption costs		(1,131)
Net cash outflow from servicing of finance		<u>(5,144)</u>
Taxation		
Tax paid		<u>(171)</u>
Capital expenditure and financial investment		
Purchase of fixed asset investments		(204,128)
Sale of fixed asset investments		110,935
Net cash outflow from capital expenditure and financial investment		<u>(93,193)</u>
Equity dividends paid		<u>(4,500)</u>
Net cash outflow before financing		<u>(96,117)</u>
Financing		
Proceeds of shares issued		93,750
Cost of shares issued		(3,375)
Long term loan received		56,250
Long term loan repaid		(36,250)
Net cash inflow from financing		<u>110,375</u>
Increase in cash	23	<u><u>14,258</u></u>

The notes on pages 25 to 36 form part of these accounts.

NOTES TO THE ACCOUNTS

for the period ended 31st August 2002

1. Accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies". Consolidated accounts have not been prepared on the basis that the subsidiary undertaking was dormant throughout the period and it is not considered material to the accounts. The particular accounting policies adopted by the directors are described below. The accounts have been prepared in accordance with the historical cost convention except as described in Note 1(d).

- (a) *Revenue:* Dividends on investments are included in revenue when the investment price is quoted ex-dividend. Interest on deposits is accounted for on an accruals basis. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.
- (b) *Expenses:* Expenses are accounted for on an accruals basis. Management fees including VAT and interest payable are charged 25% to the revenue account and 75% to the capital reserve based on the directors' expected long term split of returns in the form of capital gains and revenue from the entire investment portfolio. Other management expenses are charged wholly to the revenue account. Any investment performance fee is charged wholly to the capital reserve. Expenses which are incidental to the purchase or sale of an investment are included in the cost or deducted from the proceeds of the investment.
- (c) *Zero Dividend Preference shares:* These shares have a pre-determined growth in capital entitlements and hence the finance cost attributable to these instruments is treated as a capital item.
- (d) *Valuation of Investments:* Listed fixed asset investments are stated at mid-market value and unlisted fixed asset investments are stated at directors' valuation. The net unrealised appreciation/depreciation between market value or directors' valuation and cost is taken to the capital reserve.
- (e) *Finance Costs:* Finance costs, including dividends and other finance costs of non-equity shares, are accounted for on an accruals basis, and in accordance with the provisions of Financial Reporting Standard 4 "Capital Instruments". Finance costs of debt are charged 25% to the revenue account and 75% to the capital reserve in line with the directors' expected long term split of returns in the form of capital gains and revenue from the entire investment portfolio.
- (f) *Taxation:*
 - (i) Withholding tax deducted from income received is treated as part of the taxation charge against income.

NOTES TO THE ACCOUNTS

continued

1. Accounting policies (continued)

- (ii) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.
 - (iii) The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates using the Company's effective rate of tax for the accounting period.
- (g) *Foreign Currency:*
- (i) Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.
 - (ii) Foreign currency transactions are translated at the rates of exchange applicable at the transaction date.
 - (iii) Foreign currency differences are dealt with in the capital reserve.
- (h) *Capital Reserve:* The following are accounted for in this reserve:
- gains and losses on the realisation of investments
 - expenses charged to capital together with related taxation effect and VAT
 - foreign exchange gains and losses
 - unrealised gains and losses on investments
 - transfer to redemption reserve

The capital reserve is not available for the payment of dividends.

NOTES TO THE ACCOUNTS

continued

2. Income*14th May 2001 to 31st August 2002*

£'000

Income from investments

UK dividend income (net)	4,963
UK unfranked investment income	2,444
Dividends from overseas companies	552
	<u>7,959</u>

Other income

Deposit interest	876
Total income	<u>8,835</u>

Total income comprises

Dividends	7,959
Interest	876
	<u>8,835</u>

Income from investments

Listed in the UK	7,407
Listed overseas	552
	<u>7,959</u>

3. Investment management fee*14th May 2001 to 31st August 2002*

<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
£'000	£'000	£'000
Investment management fee	267	802
Irrecoverable VAT on management fee	47	140
	<u>314</u>	<u>942</u>
		<u>1,256</u>

Details of the investment management contract are given in Note 24.

4. Other expenses*14th May 2001 to 31st August 2002*

£'000

Directors' remuneration (Note 5)	70
Auditors' remuneration—audit	28
—non audit	10
Administration fee	93
Other administrative expenses	93
Bank charges	5
	<u>299</u>

NOTES TO THE ACCOUNTS

continued

5. Directors' remuneration

The aggregate emoluments of the directors, excluding VAT, where applicable, for the period to 31st August 2002 were £69,774. The emoluments of the Chairman, who was also the highest paid director, were £23,226. The Chairman's fee is paid to Jimmy West Associates Limited and the remaining three directors were paid £15,516 each. The Company does not have a share option scheme or any incentive scheme. No pension contributions were made in respect of the directors. There were no employees other than the directors.

6. Interest payable

	<i>14th May 2001 to 31st August 2002</i>		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Term loan	<u>1,082</u>	<u>3,247</u>	<u>4,329</u>

7. Taxation

	<i>14th May 2001 to 31st August 2002</i>		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Analysis of charge in period:			
Overseas tax	10	—	10
Tax relief to capital	<u>558</u>	<u>(558)</u>	<u>—</u>
	<u>568</u>	<u>(558)</u>	<u>10</u>

Factors affecting current tax charge for the period:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a large company (30%).

The differences are explained below: £'000

Net income before taxation	<u>6,858</u>
Corporation tax at 30%	2,057
Effects of:	
Non taxable UK dividends	(1,489)
Accrued overseas dividends not taxable until received	(26)
Tax relief to capital	558
Expenses in capital account	(1,511)
Excess expenses	972
Overseas tax expensed	(3)
Overseas tax written off	<u>10</u>
Current tax charge for the period	<u>568</u>

There is an unrecognised deferred tax asset of £946,055 which relates to current period unutilised expenses. The deferred tax asset would only be recovered if the Company were to generate sufficient taxable profits in the future to utilise these expenses. It is considered too uncertain that the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

NOTES TO THE ACCOUNTS

continued

8. Dividends and other appropriations

	<i>14th May 2001 to 31st August 2002</i>		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Dividends on equity shares:			
1st Interim Ordinary dividend 1.0p net	750	—	750
2nd Interim Ordinary dividend 2.0p net	1,500	—	1,500
3rd Interim Ordinary dividend 2.0p net	1,500	—	1,500
4th Interim Ordinary dividend 1.0p net	750	—	750
5th Interim Ordinary dividend 1.0p net	750	—	750
Appropriations for premiums payable on redemption of non-equity shares:			
Zero Dividend Preference shares	—	2,047	2,047
	<u>5,250</u>	<u>2,047</u>	<u>7,297</u>

9. Return per ordinary share

Revenue return per Ordinary share is calculated on 75,000,000 Ordinary shares in issue which represents the number of shares in issue throughout the period of operation and net revenue attributable to these shares of £6,290,000.

Capital return per Ordinary share is calculated on 75,000,000 Ordinary shares in issue throughout the period of operation and net capital losses attributable to these shares of £56,293,000 which is after deduction of the redemption reserve.

10. Fixed asset investments

	<i>£'000</i>
Purchases at cost	204,555
Disposals at cost	(118,513)
Cost at end of period	86,042
Unrealised depreciation at end of period	(41,921)
Valuation at end of period	<u>44,121</u>
Investments listed in the UK	39,538
Investments listed overseas	4,583
	<u>44,121</u>

The Company owns the whole of the share capital of JFIT Securities Limited. JFIT Securities Limited was dormant throughout the period and is valued at £1 in the Company's balance sheet.

NOTES TO THE ACCOUNTS

continued

11. Debtors

	£'000
Dividends receivable	250
Sales awaiting settlement	116
Prepayments and accrued interest	337
Taxation	161
	<u>864</u>

12. Creditors: amounts falling due within one year

	£'000
Purchases awaiting settlement	427
Dividends payable	750
Interest payable	316
Other creditors and accruals	198
	<u>1,691</u>

13. Creditors: amounts falling due after more than one year

	£'000
Bank loan	<u>20,000</u>

This loan is due to The Royal Bank of Scotland and Bank of Scotland. The Company has entered into swap arrangements to fix the interest rate on the whole amount of this loan at 6.69% per annum up to the Winding Up Date of 6th June 2007.

14. Derivatives and other financial instruments*Background*

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income. The numerical disclosures below exclude short term debtors and creditors.

The Company has little exposure to credit risk. All investments in the portfolio are subject to liquidity risk. This risk is taken into account by the directors when arriving at their valuation of these items.

The principal risks the Company faces in its portfolio management activities are:

- foreign currency risk
- market price risks i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement
- interest rate risk
- liquidity risk

NOTES TO THE ACCOUNTS

continued

14. Derivatives and other financial instruments (continued)

The Investment Managers' policies for managing these risks are summarised below and have been applied throughout the year.

*Policy**(i) Foreign Currency Risk*

A proportion of the Company's portfolio is invested in overseas securities and their sterling value can be significantly affected by movements in foreign exchange rates. As the Company invests in other investment trust companies, the currency exposure at any time is dependent on the geographical distributions of the companies in which the Company invests. The Company does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions. The manager monitors the exposures of the funds in which the Company invests based on public information but cannot know the extent to which these risks are hedged.

(ii) Market Price Risk

By the very nature of its activities, the Company's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Managers' Review.

(iii) Interest Rate Risk

The Company takes account of this risk when making investment decisions.

(iv) Liquidity Risk

The investments include £7,562,627 of holdings in other split capital investment trusts. These carried in the accounts at mid market value in accordance with the Company's accounting policies. The market for such shares, as noted in the Chairman's Statement on pages 5 to 6, is very illiquid and the prices at which these securities could be realised is uncertain.

The directors have no present intention of liquidating these holdings in the short term and consider that no change should be made to their current accounting policies in respect of these holdings.

(iv) Use of Derivatives

It is not the Company's policy to enter into derivative contracts, other than the swap arrangements to fix the interest rate on the The Royal Bank of Scotland and Bank of Scotland long term loan and the Company does invest in company warrants to enhance gearing.

Financial assets

	<i>Floating Rate £'000</i>	<i>Non-Interest Bearing £'000</i>	<i>Total £'000</i>
Sterling	13,866	39,538	53,404
Euro	—	2,457	2,457
US Dollar	9	2,126	2,135
	<u>13,875</u>	<u>44,121</u>	<u>57,996</u>

NOTES TO THE ACCOUNTS

continued

14. Derivatives and other financial instruments (continued)

The floating rate assets consist of cash deposits at call.

The non-interest bearing assets represent the equity element of the investment portfolio.

Financial liabilities

	<i>Fixed Rate</i>
	<i>£'000</i>
Sterling	<u>20,000</u>

The fixed rate liability represents a loan due to the Royal Bank of Scotland and Bank of Scotland.

The Company has made interest swap arrangements to fix the interest rate at 6.69% per annum for the term of the loan to the winding up date.

Currency exposure

The currency denomination of the Company's financial assets and liabilities is shown above. The analysis assumes the currency of exposure to be the currency in which each financial asset is priced. However, the true currency exposure is dependent on the unhedged exposure of the funds in which the Company invests. Short term debtors and creditors, which are excluded, are predominantly denominated in Sterling which is the functional currency of the Company.

Primary financial instruments

Fixed asset investments are included in the balance sheet at market values, which represent fair values.

15. Net asset value

The net asset value per share and the net asset value attributable to each class of share as at 31st August 2002 calculated in accordance with the Articles of Association were as follows:

	<i>Net asset value per share attributable</i>	<i>Net assets attributable</i>
	<i>p</i>	<i>£'000</i>
Zero Dividend Preference shares	110.92	20,797
Ordinary shares	21.83	16,372

NOTES TO THE ACCOUNTS

continued

15. Net asset value (continued)

The movements during the period of the assets attributable to each class of share were as follows:

	<i>Zero Dividend</i>		<i>Total</i>
	<i>Ordinary</i>	<i>Preference</i>	
	<i>shares</i>	<i>shares</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Total net assets attributable at launch	71,625	18,750	90,375
Total recognised (losses)/gains for the period	(50,003)	2,047	(47,956)
Dividends appropriated in the period	(5,250)	—	(5,250)
	<u>16,372</u>	<u>20,797</u>	<u>37,169</u>

Net asset value per Ordinary Income share is based on net assets after deducting the prior entitlements of the Zero Dividend Preference shares and 75,000,000 Ordinary shares, being the number of Ordinary shares in issue at the period end. The analysis of shareholders' funds on the face of the balance sheet has been computed in accordance with the provisions of Financial Reporting Standard 4 "Capital Instruments". The resulting apportionment is the same as under the Articles of Association.

16. Called up share capital

	<i>£'000</i>
<i>Authorised:</i>	
37,500,000 Zero Dividend Preference shares of 1p each	375
145,000,000 Ordinary shares of 1p each	1,450
	<u>1,825</u>
<i>Issued called up and fully paid:</i>	<i>£'000</i>
18,750,000 Zero Dividend Preference shares of 1p each	187
75,000,000 Ordinary shares of 1p each	750
	<u>937</u>

Each Zero Dividend Preference share carries no right to income and the whole of their return will take the form of capital. Zero Dividend Preference shareholders had an initial capital entitlement of 100p per share on 6th June 2001 increasing to reach a maximum of 165.45p per share at the winding up date of 6th June 2007. Holders of Zero Dividend Preference shares are not entitled to vote at general meetings of the Company.

Ordinary shareholders are entitled to the net distributable revenue of the Company.

On a return of Capital, Ordinary shareholders are entitled to the surplus assets of the Company after satisfying the prior entitlements of the Zero Dividend Preference shares.

The Company was incorporated on 14th May 2001 with an authorised share capital of £1,825,000 divided into 145,000,000 Ordinary shares of 1p each and 37,500,000 Zero Dividend Preference shares of 1p each.

On 6th June 2001, pursuant to the Offer for Subscription, the Company issued 75,000,000 Ordinary shares of 1p each for a price of £1 each and 18,750,000 Zero Dividend Preference shares of 1p each for a price of £1 each.

NOTES TO THE ACCOUNTS

continued

17. Share premium

	£'000
Premium on shares issued in the period	92,813
Costs of share issue	<u>(3,375)</u>
	<u>89,438</u>

18. Capital reserve

	£'000
Realised:	
Realised investment losses	(7,462)
Exchange losses	(383)
Interest charged to capital	(3,247)
Loan redemption costs charged to capital	(849)
Investment management fee plus VAT charged to capital	(942)
Tax on capital items	558
Transfer to redemption reserve for non-equity shares	<u>(2,047)</u>
At end of period	<u>(14,372)</u>
Unrealised:	
Unrealised depreciation in period	<u>(41,921)</u>
At end of period	<u>(41,921)</u>

19. Redemption reserve

	£'000
Transfer from capital reserve	<u>2,047</u>
At end of period	<u>2,047</u>

20. Revenue reserve

	£'000
Retained revenue for period	<u>1,040</u>
At end of period	<u>1,040</u>

21. Reconciliation of movements in shareholders' funds

	£'000
New share capital subscribed	93,750
Costs of share issue	(3,375)
Revenue return	6,290
Dividends	(5,250)
Capital return	<u>(54,246)</u>
Closing shareholders' funds	<u>37,169</u>

NOTES TO THE ACCOUNTS

continued

22. Reconciliation of operating profit to net cash inflow from operating activities

	<i>£'000</i>
Revenue before interest payable and taxation	8,222
Increase in prepayments and accrued income	(587)
Increase in current accruals and other creditors	198
Expenses charged to capital reserve:	
Investment management fee (including VAT)	(942)
Net cash inflow from operating activities	<u>6,891</u>

23. Analysis of net cash balances

	<i>£'000</i>
Net cash inflow during period	14,258
Exchange losses	(383)
Balance at end of period	<u>13,875</u>

24. Related parties

Jupiter Asset Management Limited is contracted to provide investment management services to the Company (subject to termination by not less than one year's notice by either party) for an annual fee of 0.85% (plus VAT) of total assets payable quarterly in arrears. The management fee for the quarter ended 31st August 2002 of £120,004 plus VAT was outstanding at 31st August 2002.

Jupiter Asset Management Limited is entitled to receive a performance related fee if the net asset value per Ordinary share (adjusted to ignore any accrual for unpaid performance fee per Ordinary share) (the "Adjusted Net Asset Value") has increased by more than 10% above the greater of (i) 100 pence; (ii) the Adjusted Net Asset Value per Ordinary share on the last day of a calculation period in respect of which a performance fee was last paid (after deduction of any performance fee per Ordinary share paid to Jupiter Asset Management Limited in respect of that period); and (iii) the Adjusted Net Asset Value per Ordinary share on the last day of the previous calculation period (after deduction of any performance fee per Ordinary Share paid to Jupiter Asset Management Limited in respect of that period). In such circumstances, the performance fee per Ordinary share will amount to 10% of any such excess. No performance fee was payable for the period.

Jupiter Administration Services Limited is contracted to provide secretarial, accounting and administrative services to the Company for an annual fee of £75,000 (plus VAT) plus indexation, payable quarterly in advance. No amounts were outstanding at 31st August 2002.

Jupiter Asset Management Limited received 2.25% of the initial assets of the Company out of which all expenses and commissions of the launch were paid.

NOTES TO THE ACCOUNTS

continued

24. Related parties (continued)

The Company may invest from time to time in other funds managed by Jupiter International Group PLC or its subsidiaries. At 31st August 2002 the Company held 552,000 Jupiter Split Trust PLC Capital shares representing 2.4% of total assets, 260,000 Jupiter Enhanced Income Investment Trust Ordinary Income shares representing 0.3% of total assets, 425,000 Jupiter Dividend and Growth Trust PLC Ordinary Income shares representing 0.2% of total assets, 625,000 Investment Trust of Investment Trust Ordinary shares representing 0.02% of total assets.

25. Contingent liabilities and capital commitments

There were no contingent liabilities in respect of investments not fully called up and none in respect of underwriting at 31st August 2002.