

Report and Accounts

for the year ended 31st August 2003

Jupiter

Financial

Trust PLC



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INVESTMENT POLICY

The objectives of the Company are to provide Ordinary shareholders with capital and income growth from a portfolio principally invested in financial sector companies and to provide Zero Dividend Preference shareholders with a predetermined final capital entitlement.

RISK WARNING

Investment in the Company should not be regarded as short term in nature. An investment in the Company is only suitable for sophisticated investors who are capable of evaluating the risks and merits of such investment and have sufficient resources to bear any loss.

Investors should recognise that income from the Ordinary shares is not assured and that the market price of either class of shares may not reflect its underlying asset position.

The attention of shareholders is drawn to the section entitled 'Capital Structure' on pages 7 and 8 which summarises the rights and certain risks specific to each class of share.

COMPANY INFORMATION

Registered Office

1 Grosvenor Place, London SW1X 7JJ

Company Registration No. 4216323

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
www.jupiteronline.co.uk
Authorised and regulated by the Financial Services Authority

Custodian

The Northern Trust Company
50 Bank Street, Canary Wharf, London E14 5NT
Authorised and regulated by the Financial Services Authority

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
1 More London Place, London SE1 2AF

Subsidiary Company

JFT Securities Limited
1 Grosvenor Place, London SW1X 7JJ

The Ordinary shares and the 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 56) 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 55) is currently the managing director of Countrywide Assured Group plc (formerly Hambro Countrywide plc), a position that he has held for 14 years.

Christopher Jones (aged 62) is the head of investments at Merchant Investors Assurance Company Limited, a wholly owned subsidiary of Allianz (UK) Limited. Mr Jones has over 32 years investment experience. In particular, from 1971-1985 he was a fixed interest and money manager for Property Growth Assurance Company Limited (a subsidiary of Royal & Sun Alliance Insurance Group plc). He is a non-executive director of Schroder UK Mid and Small Cap Fund plc, Thompson Clive Investments PLC, Recovery Trust PLC, Ecofin Water & Power Opportunities PLC, Montanaro UK Smaller Companies Investment Trust PLC, Montanaro European Smaller Companies PLC and Atlantis Japan Growth Fund Limited.

The Rt Honourable Lord Lamont of Lerwick (aged 61) 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) and a director of Balli PLC, Scottish Re PLC and Aberdeen Growth & Income Trust PLC.

All directors are independent of the Investment Manager and are members of the Audit Committee.

CHAIRMAN'S STATEMENT

I have pleasure in presenting my third report for the Company for the year ended 31st August 2003.

At the beginning of the year the Company had two separate investment portfolios: an 'income' portfolio (valued at £8.5 million) which was focused on generating income from investing in a portfolio of other split capital investment trusts; and a 'growth' portfolio (valued at £35.6 million) focused on growth opportunities in the financials sector.

The change in the Company's investment policy approved by shareholders in December 2002 required an increased concentration on financial sector companies and a gradual realisation of the income portfolio for cash. This adjustment has now been completed and, as at 31st August 2003, no value was attributed to the few remaining holdings in the income portfolio.

Since the Company does not report the performance of its growth and income portfolios separately, the relative performance during the year of the growth portfolio against its benchmark index, the FTSE Financials Index, is obscured by the impact on the income portfolio of the turmoil in the split capital investment trust sector.

Despite the effect on the Company's performance of the value of its income portfolio, the Company's total assets fell by only 1.8%* during the year to 31st August. The FTSE Financial Index rose by 0.4% over the year. Now that the income portfolio has been eliminated, the board hopes that any future outperformance of the enlarged financials portfolio against its benchmark will be more readily apparent to shareholders than may have been the case in the past.

In accordance with the proposals approved by shareholders in December 2002, your Company has changed its investment policy and repaid in full the fixed rate bank borrowings that were drawn down on launch.

During the year to 31st August 2003 the assets attributable to your Company's Ordinary shares fell by 24.6%. This was due to a combination of: the fall in capital value of your Company's investment portfolio by £1.3 million; breakage costs of £1 million incurred on the early termination of the Company's interest rate swap agreement (due to the repayment of the Company's remaining debt with The Royal Bank of Scotland and Bank of Scotland); and the accrual to the fixed entitlement of the Zero Dividend Preference shareholders of a further £1.8 million.

However, over the same period the middle market price of the Company's Ordinary shares increased by 6.3% reflecting cautious optimism in the market for the Company's future prospects.

Your Company's split capital structure means that the value of its Ordinary shares reflects the value of the residual assets of the Company after the prior ranking entitlements of the Company's creditors and the fixed entitlement of the Zero Dividend Preference shareholders have been met

*Adjusted for loan repayments of £16 million in October 2002 and the balance of £4 million in November 2002.

CHAIRMAN'S STATEMENT

continued

in full. In rising markets geared investments of this type benefit from any outperformance of their issuer's asset value over the fixed cost of those prior entitlements. However, in falling markets geared investments suffer more as they bear the full impact of any losses to their issuer's asset value before any cost accrues to the issuer's creditors or the Zero Dividend Preference shareholders.

Investment Policy

The board has considered the recent publication of the Investment Entities (Listing Rules and Conduct of Business) Instrument 2003. However, I confirm that it remains the Company's policy not to limit the Company's investment in other listed investment companies (as defined in chapter 21 of the Listing Rules) to a maximum of 15% of the Company's total assets. As at 31st October 2003 the Company's holdings in Gartmore Irish Growth Fund PLC and Jupiter Split Trust PLC together represented 15.0% of the Company's total assets.

Dividends

The Company's distributable revenues for the year ended 31st August 2003 amounted to £793,000. An interim dividend of 0.2p (net) was paid to Ordinary shareholders in March and a second interim dividend of 0.6p (net) in respect of the year ended 31st August 2003 will be paid on 5th December 2003.

In future the board intends to declare two interim dividends in each financial year. The amount of those interim dividends will be dictated by the revenues generated from the Company's investment portfolio at any given time.

Market Outlook

Since I last wrote to you in March in the interim accounts, the Company's portfolio has been gradually shifted away from more defensive companies into more economically sensitive companies, especially those in the life assurance sector. The valuations of many financial sector companies look low when set against government bonds. Moreover, earnings appear to be generally on an improving trend.

Overall, there appears to be room for cautious optimism about your Company's prospects.

Jimmy West

Chairman

11th November 2003

CAPITAL STRUCTURE

BANK LOAN

The Company entered into a loan agreement at launch with The Royal Bank of Scotland and Bank of Scotland. This was cancelled in November 2002 following its repayment in full. The Company has since entered into a flexible revolving credit facility with The Royal Bank of Scotland for amounts of up to £4 million, which has not been drawn upon to date.

ZERO DIVIDEND PREFERENCE SHARES

IN ISSUE: 18,750,000

31st August 2003: Net Asset Value 120.63p per share. Mid-market price 117p 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 any drawn down bank debt or other outstanding creditors 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 on 6th June 2001. This entitlement increases daily at an approximate annualised rate of 8.75% until the Company's winding up date on 6th June 2007 by which time the entitlement will amount to 165.45p. At 31st August 2003 this entitlement had increased to 120.63p per share.

The repayment entitlement of 165.45p at the winding up date was 1.1 times covered by the Company's total assets on 31st August 2003 and the Gross Redemption Yield, the annualised return on the current share price, was 9.5% per annum.

The Zeros will not normally entitle their holders to vote at general meetings of the Company. However, holders of 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 2003: Net Asset Value 16.46p per share. Mid-market price 12.75p 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 Company's creditors and the Zeros have been met. Thus, although the Company's fixed bank debt has now been repaid in full, its Ordinary shares are still geared by the prior ranking entitlements to capital of the Zeros and the Company's creditors, if any. Any increase in capital over and above those entitlements will be to the benefit of the Ordinary shareholders. 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 amount due to these prior entitlements.

CAPITAL STRUCTURE

continued

Ordinary shareholders are entitled to receive any dividends declared by the Company.

If the total assets of the Company remain unchanged from 31st August 2003 to the winding up date, each Ordinary share's entitlement would be 5.3p. In order for the Ordinary shares to be repaid an amount equal to the current share price of 12.75p, the total assets would have to increase by 4.0% per annum to the winding up date.

Ordinary shareholders have the right to vote at general meetings of the Company and will, on a poll, be entitled to one vote per Ordinary share.

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).

JUPITER FINANCIAL TRUST PLC

ANALYSIS OF INVESTMENTS

| <i>2002</i> | <i>2003</i> | | <i>U.K.</i> | <i>Europe</i> |
|--------------|--------------|----------------------------|-------------|---------------|
| <i>Total</i> | <i>Total</i> | | | |
| % | % | | % | % |
| 11.0 | 29.9 | Banks | 8.7 | 21.2 |
| 6.0 | 18.3 | Life Assurance | 18.3 | – |
| – | 3.8 | Insurance | – | 3.8 |
| 39.0 | 22.2 | Speciality & Other Finance | 18.1 | 4.1 |
| 9.4 | 8.0 | Real Estate | 8.0 | – |
| 33.4 | 17.8 | Investment Companies | 8.5 | 9.3 |
| 1.2 | – | Fixed Interest | – | – |
| <u>100.0</u> | <u>100.0</u> | Totals | <u>61.6</u> | <u>38.4</u> |

ALL INVESTMENTS

at 31st August 2003

| <i>Company</i> | <i>Market Value £'000</i> |
|--|-----------------------------------|
| Bank of Ireland | 2,999 |
| Gartmore Irish Growth Fund | 2,997 |
| Anglo Irish Bank | 2,621 |
| ICAP | 2,403 |
| Royal Bank of Scotland | 2,361 |
| Jupiter Split Trust | 1,949 |
| Friends Provident | 1,367 |
| Countrywide Assured | 1,143 |
| British Land | 1,093 |
| Legal & General | 995 |
| Credit Agricole | 901 |
| Prudential | 873 |
| Euronext | 871 |
| Singer & Friedlander | 865 |
| Amvescap | 844 |
| Zurich Financial Services | 813 |
| Equity Partnership | 733 |
| Aviva | 501 |
| Kensington Group | 480 |
| Derwent Valley Holdings | 474 |
| Total of Twenty Largest Investments | 27,283 |
| Deutsche Boerse | 458 |
| HBOS | 422 |
| Investec | 408 |
| Skandia Insurance | 404 |
| Hammerson | 384 |
| Old Mutual | 384 |
| Irish Life & Permanent | 372 |
| Caledonia Investments | 369 |
| Quintain Estates & Development | 319 |
| DNB Holding | 296 |
| Britannic | 262 |
| Provident Financial | 192 |
| Tops Estates | 169 |
| Collins Stewart Tullett | 152 |
| Slough Estates | 150 |
| MAN Group | 123 |
| Equity Partnership Warrants | 48 |
| 20 Other investments each with a market value of nil | — |
| 92.1% of total assets | 32,195 |

MANAGER'S REVIEW

The year to 31st August 2003 was marked by two distinct periods for the Company's investment portfolio. Prior to the conflict in Iraq world stockmarkets had experienced a sustained period of extreme weakness and economic uncertainty. However, the invasion of Iraq in March was followed by a sharp rally in stockmarkets and, since then, encouraging signs have begun to emerge of improvements in the world economy.

Prior to March we adopted a highly conservative approach to the Company's investments in the financial sector. There was a heavy emphasis on consumer orientated businesses with low valuations in relation to assets and earnings.

Since March we have gradually shifted the portfolio away from these more defensive companies into more economically sensitive companies. A broad spread of exposure is now being maintained to banking, insurance, real estate, investment companies and more specialist groups such as ICAP. However, representation has been increased significantly to life assurance, which is typically geared into stronger equity markets.

At the end of the year some 60% of the Company's equity exposure was to UK companies, with the balance in Ireland and Continental Europe. Our positive view on Ireland is reflected in the Company's holdings in Anglo Irish, Bank of Ireland and Gartmore Irish Growth Fund.

The financials sector continues to contain many attractive growth companies and, in general, we feel that earnings prospects from the sector are underestimated. Moreover, the ratings of several sub-sectors look conservative compared with our views on their prospects.

Philip Gibbs
Jupiter Asset Management Limited
11th November 2003

* * * * *

In accordance with the new investment policy adopted by the Company in December 2002, the Company's former 'income' portfolio of higher yielding securities in other split capital investment trusts, valued at some £8.5 million at 31st August 2002, was almost entirely sold during the year. The proceeds of sale were reinvested in accordance with the Company's new investment policy. No value was attributable as at 31st August 2003 to the few residual investments that remained.

REPORT OF THE DIRECTORS

The directors present their Annual Report and Accounts for the year ended 31st August 2003.

Business and Status

During the year 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 Inland Revenue has approved the Company as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA") for the year ended 31st August 2002. In the opinion of the directors the Company has subsequently conducted its affairs so as to enable it to maintain such approval. It is the Company's intention to seek authorisation under Section 842 of ICTA. Where a company has specifically applied for it the Inland Revenue will grant investment trust status. Such approval will not preclude the Inland Revenue from opening a subsequent enquiry into the Company's tax return. The Company will be exempt from tax on capital gains on disposal of its investments for each accounting period for which approval is granted.

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 the year end 31st August 2003 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 Manager's Review on pages 5 and 6 and 11 respectively.

Results and Dividends

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

During the year an interim dividend of 0.2 pence net per Ordinary share was paid to shareholders and the second interim dividend of 0.6 pence net per Ordinary share will be paid on 5th December 2003.

Capital Gains Tax Information

The price of the Ordinary shares on the first date of dealing for capital gain tax purposes was 102p.

REPORT OF THE DIRECTORS

continued

Directors and Directors' Interests

The directors who held office at the end of the year and their beneficial interests in the Ordinary shares and Zero Dividend Preference shares of the Company at 31st August 2003 are shown below:

| | <i>31st August 2003</i> | | <i>1st September 2002</i> | |
|------------------------|----------------------------|--|----------------------------|--|
| | <i>Ordinary Shares</i> | <i>Zero Dividend Preference Shares</i> | <i>Ordinary Shares</i> | <i>Zero Dividend Preference Shares</i> |
| J G West | 20,000 | 5,000 | 20,000 | 5,000 |
| H D Hill | 62,500 | 12,500 | 12,500 | 12,500 |
| C Jones | 155,000 | — | 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 2003 and the date of this report.

No director has a contract of service with the Company.

The directors retiring by rotation are Mr J G West and Mr H D Hill, who being eligible, offer themselves for re-election.

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

Substantial Shareholders

The Company has been notified of the following substantial interests in its Ordinary shares as at 31st August 2003:

| | <i>Ordinary shares</i> | |
|--|------------------------|----------|
| | <i>Number</i> | <i>%</i> |
| Merchant Investors Assurance Company Limited | 12,230,000 | 16.31 |
| Barings (Guernsey) Limited | 4,600,000 | 6.13 |
| Royal London UK Equity and Income Trust PLC | 4,500,000 | 6.00 |
| Dartmore Investment Trust PLC | 4,400,000 | 5.87 |
| RBSI Custody Bank Limited | 3,815,639 | 5.09 |
| Aberdeen Preferred Income Trust PLC | 3,377,295 | 4.50 |
| Cross Europe Fund Limited | 3,349,500 | 4.47 |
| Britanic Global Income Trust PLC | 3,000,000 | 4.00 |
| Pictet & CIE | 2,300,000 | 3.07 |
| Exeter Selective Assets Investment Trust PLC | 2,250,000 | 3.00 |

REPORT OF THE DIRECTORS

continued

Corporate Governance The Combined Code of Best Practice

The Board

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 next Annual General Meeting following their appointment and thereafter 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 it to decide on. 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 recommend any changes to that policy. Additional adhoc reports are received as required and directors have access at all times to the advice and services of the Company Secretary, which 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.

Shareholder Relations

All Ordinary shareholders have the opportunity to attend and vote at the Annual General Meeting during which the directors and 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. Separate resolutions are proposed for each substantive issue. Information about proxy votes held is available to shareholders attending the Annual General Meeting. The Chairman and directors are also available to enter into dialogue or correspondence with large institutional shareholders regarding the progress and performance of the Company. 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.

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 could be detrimental to the interests of shareholders or the financial

REPORT OF THE DIRECTORS

continued

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 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 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. This process has 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 reports on the internal control objectives and procedures of Jupiter Asset Management Limited and Jupiter Administration Services Limited together with the opinion of their reporting accountants. These reports detail 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 and the controls 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. The board having reviewed the effectiveness of the internal control systems of its investment manager and administrator, and having regard to the role of its external auditors, does not consider that there is a need for the Company to establish its own internal audit function.

REPORT OF THE DIRECTORS

continued

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 year.

Continued Appointment of the Investment Manager

The directors have reviewed the performance and terms of appointment of Jupiter Asset Management Limited as the Company's investment manager. A summary of the terms of the appointment including the notice of termination period, annual fee and any performance fee payable are set out in note 23 of the accounts on page 37.

The directors believe that it is in the best interests of shareholders as a whole for the Company to continue the appointment of the investment manager on its current terms of engagement. The Company's objectives are to provide shareholders with growth from a portfolio principally invested in financial sector companies. This is a sector in which the portfolio's lead manager, Philip Gibbs, has specialist expertise and an outstanding record of top quartile performance. The portion of the Company's portfolio managed by Philip Gibbs during the year ended 31 August 2003 outperformed its benchmark index. The directors are optimistic about the portfolio's relative performance under the investment manager's stewardship.

Directors' and Officers' Liability Insurance

During the year 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 year.

Payment of Suppliers

It is 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.

REPORT OF THE DIRECTORS

continued

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution proposing their reappointment as auditors and authorising the directors to determine their remuneration will be submitted to the Annual General Meeting.

Annual General Meeting

A special resolution relating to the following item of special business will be proposed at the forthcoming Annual General Meeting:

Resolution 6 Authority to buy back shares

The directors are also proposing that the Company be authorised to purchase through the London Stock Exchange up to 14.99% of its Ordinary shares and Zero Dividend Preference shares for cancellation. Purchases will be made at the discretion of the board and within guidelines set from time to time. The maximum price to be paid will not exceed 105% of the average of the middle market quotations for the shares for the five business days immediately preceding the purchase date and the minimum price will be the nominal value of the shares. The Company will fund the purchases by utilising existing cash resources or loan facilities. Purchases will only be made at prices below the net asset value per share thereby increasing the net asset value for the remaining shareholders. The authority to purchase shares will last until the next Annual General Meeting of the Company in 2004 unless renewed earlier.

For and on behalf of
JUPITER ASSET MANAGEMENT LIMITED
D. J. Fletcher Secretaries

By Order of the Board
Jupiter Asset Management Limited
Secretaries
11th November 2003

DIRECTORS' REMUNERATION REPORT

The board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985, which applies for the first time to this financial year. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 21 and 22.

Directors' Fees

The directors of Jupiter Financial Trust PLC are non-executive and by way of remuneration receive only an annual fee, which in the case of the Chairman is £18,000 and for each of the other directors £12,000. The fee is payable quarterly. The Company does not award any other remuneration or benefits to the Chairman or directors. There are no bonus schemes, pension schemes, share option or long term incentive schemes in place for the directors.

Directors' Service Contracts

The directors do not have any service contracts which specify any period of notice of termination. Accordingly, the directors are not entitled to any compensation in the event of termination of their appointment or loss of office, other than the payment of any outstanding fees.

The board does not consider it appropriate that directors should be appointed for a specific term. However, each director is subject to election by shareholders at least at every third Annual General Meeting and any new directors appointed would be subject to election by shareholders at the next Annual General Meeting following their appointment.

| <i>Director</i> | <i>Date of Appointment</i> | <i>Due date for Re-election</i> |
|------------------------|----------------------------|---------------------------------|
| J G West | 17th May 2001 | AGM 2003 and 2005 |
| H D Hill | 17th May 2001 | AGM 2003 and 2005 |
| C Jones | 17th May 2001 | AGM 2004 and 2006 |
| The Rt Hon Lord Lamont | 17th May 2001 | AGM 2004 and 2006 |

Policy of Directors' Fees

The board has not established a Remuneration Committee and any review of the directors' fees would be undertaken by the board as a whole and would have regard to the level of fees paid to non-executive directors of other investment companies of equivalent size. The directors' fees have not been increased since the launch of the Company in June 2001.

DIRECTORS' REMUNERATION REPORT

continued

Directors' emoluments for the year (audited)

| | <i>Total fees for year ended 31st August 2003</i> | <i>Total fees for period 14th May 2001 to 31st August 2002</i> |
|------------------------|---|--|
| | £ | £ |
| J G West * | 18,000 | 23,226 |
| H D Hill ** | 12,000 | 15,516 |
| C Jones | 12,000 | 15,516 |
| The Rt Hon Lord Lamont | 12,000 | 15,516 |
| | <u>54,000</u> | <u>69,774</u> |

* Fees paid to Jimmy West Associates Limited

** Fees paid to Countrywide Assured Group Plc.

Company Performance

The graph below provides details of the Company's performance by reference to both the Company's total assets and Ordinary share price compared against the FTSE Financials and the FTSE All-Share Indices. The FTSE Financials Index has been chosen as the most suitable benchmark against which to measure the performance of the Company and the FTSE All-Share Index has been included in the graph for additional comparison.

Performance since launch* to 31 August 2003

The graph is provided pursuant to Section 4(1) of Part 2 of Schedule 7A of the Directors' Remuneration Report Regulations 2002

For and on behalf of
JUPITER ASSET MANAGEMENT LIMITED
D. J. Field Secretaries

By Order of the Board
Jupiter Asset Management Limited
Secretaries
11th November 2003

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the revenue for that year.

In preparing these accounts, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements 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 SHAREHOLDERS OF JUPITER FINANCIAL TRUST PLC

We have audited the Company's financial statements for the year ended 31st August 2003, which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement, and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors' are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited 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 financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 financial statements, 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 financial statements. This information comprises the Investment Policy, Company Information, Directors, Chairman's Statement, Capital Structure, Analysis of Investments, All Investments, Manager's Review, Report of the Directors, Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report, Directors' Responsibilities for the Accounts and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JUPITER FINANCIAL TRUST PLC

continued

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 financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31st August 2003 and of its revenue for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

11th November 2003

STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNTS)

for the year ended 31st August 2003

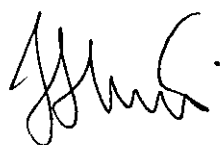
| | | 31st August 2003 | | | 14th May 2001 to 31st August 2002 | | |
|--|------|------------------|------------------|----------------|--------------------------------------|------------------|----------------|
| | Note | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Realised losses on investments | 18 | — | (35,358) | (35,358) | — | (7,462) | (7,462) |
| Foreign exchange losses | | — | — | — | — | (383) | (383) |
| Unrealised appreciation/(depreciation) of fixed asset investments | 18 | — | 34,045 | 34,045 | — | (41,921) | (41,921) |
| Total capital losses on investments | | — | (1,313) | (1,313) | — | (49,766) | (49,766) |
| Income | 2 | 1,588 | — | 1,588 | 8,835 | — | 8,835 |
| Investment management fee | 3 | (72) | (214) | (286) | (314) | (942) | (1,256) |
| Other expenses | 4 | (342) | — | (342) | (299) | — | (299) |
| Return on ordinary activities before finance costs and taxation | | 1,174 | (1,527) | (353) | 8,222 | (50,708) | (42,486) |
| Interest payable | 5 | (45) | (135) | (180) | (1,082) | (3,247) | (4,329) |
| Loan redemption costs | | (247) | (741) | (988) | (282) | (849) | (1,131) |
| Return on ordinary activities before taxation | | 882 | (2,403) | (1,521) | 6,858 | (54,804) | (47,946) |
| Tax on ordinary activities | 6 | (89) | — | (89) | (568) | 558 | (10) |
| Return on ordinary activities after taxation | | 793 | (2,403) | (1,610) | 6,290 | (54,246) | (47,956) |
| Dividends in respect of equity shares | 7 | (600) | — | (600) | (5,250) | — | (5,250) |
| Other appropriations in respect of non equity shares | | — | (1,820) | (1,820) | — | (2,047) | (2,047) |
| Transfer (from)/to reserves | | 193 | (4,223) | (4,030) | 1,040 | (56,293) | (55,253) |
| Return/(loss) per ordinary share | 8 | 1.06p | (5.63)p | (4.57)p | 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 year.

Approved by the Board of Directors on 11th November 2003 and signed on its behalf.



The notes on pages 26 to 38 form part of these accounts.

JUPITER FINANCIAL TRUST PLC

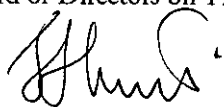
BALANCE SHEET

at 31st August 2003

| | Note | 2003 £'000 | 2002 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 9 | 32,195 | 44,121 |
| Current assets | | | |
| Debtors | 10 | 667 | 864 |
| Cash at bank | | 3,317 | 13,875 |
| | | 3,984 | 14,739 |
| Creditors: amounts falling due within one year | 11 | (1,220) | (1,691) |
| Net current assets | | 2,764 | 13,048 |
| Total assets less current liabilities | | 34,959 | 57,169 |
| Creditors: amounts falling due after more than one year | 12 | — | (20,000) |
| Net assets | | 34,959 | 37,169 |
| Capital and reserves | | | |
| Called up share capital | 15 | 937 | 937 |
| Share premium | 16 | — | 89,438 |
| Special reserve | 17 | 89,438 | — |
| Capital reserve - realised | 18 | (52,640) | (14,372) |
| Capital reserve - unrealised | 18 | (7,876) | (41,921) |
| Redemption reserve | | 3,867 | 2,047 |
| Revenue reserve | 19 | 1,233 | 1,040 |
| Total shareholders' funds | | 34,959 | 37,169 |
| Total shareholders' funds are attributable to: | 14 | | |
| Equity shareholders | | 12,342 | 16,372 |
| Non equity shareholders | | 22,617 | 20,797 |
| | | 34,959 | 37,169 |
| Net asset value per share: | 14 | | |
| Ordinary share | | 16.46p | 21.83p |
| Zero Dividend Preference share | | 120.63p | 110.92p |

Approved by the Board of Directors on 11th November 2003 and signed on its behalf.

J G West
Chairman



The notes on pages 26 to 38 form part of these accounts.

CASH FLOW STATEMENT

for the year ended 31st August 2003

| | <i>Note</i> | <i>Year ended 31st August 2003 £'000</i> | <i>14th May 2001 to 31st August 2002 £'000</i> |
|---|-------------|--|--|
| Operating activities | | | |
| Net cash inflow from operating activities | 21 | 1,347 | 6,891 |
| Servicing of finance | | | |
| Interest paid | | (496) | (4,013) |
| Loan redemption costs | | (988) | (1,131) |
| Net cash outflow from servicing of finance | | (1,484) | (5,144) |
| Taxation | | | |
| Tax paid | | (50) | (171) |
| Capital expenditure and financial investment | | | |
| Purchase of fixed asset investments | | (49,862) | (204,128) |
| Sale of fixed asset investments | | 60,391 | 110,935 |
| Net cash inflow/(outflow) from capital expenditure and financial investment | | 10,529 | (93,193) |
| Equity dividends paid | | (900) | (4,500) |
| Net cash inflow/(outflow) before financing | | 9,442 | (96,117) |
| Financing | | | |
| Proceeds of shares issued | | – | 93,750 |
| Cost of shares issued | | – | (3,375) |
| Long term loan received | | – | 56,250 |
| Long term loan repaid | | (20,000) | (36,250) |
| Net cash (outflow)/inflow from financing | | (20,000) | 110,375 |
| (Decrease)/increase in cash | 22 | (10,558) | 14,258 |

The notes on pages 26 to 38 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31st August 2003

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 1995". Consolidated accounts have not been prepared as the Company only has one subsidiary, JFIT Securities Limited, which has not traded since incorporation. 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 is quoted ex-dividend. Interest on deposits is accounted for on an accruals basis. The fixed return on a debt security is recognised, where appropriate, 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. Investment management fees including VAT and interest payable are charged 25% to the revenue account and 75% to the capital account 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 closing mid-market value at the balance sheet date and unlisted fixed asset investments are stated at directors' valuation. The net unrealised revaluation 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 in accordance with double taxation treaties is treated as part of the taxation charge against income.

NOTES TO THE ACCOUNTS

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 years.
- (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 year.
- (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

| | <i>Year ended 31st August 2003</i> | <i>14th May 2001 to 31st August 2002</i> |
|-----------------------------------|--|--|
| | <i>£'000</i> | <i>£'000</i> |
| <i>Income from investments</i> | | |
| UK dividend income (net) | 1,009 | 4,963 |
| UK unfranked investment income | — | 2,444 |
| Dividends from overseas companies | 358 | 552 |
| | <u>1,367</u> | <u>7,959</u> |
| <i>Other income</i> | | |
| Deposit interest | 221 | 876 |
| Total income | <u>1,588</u> | <u>8,835</u> |
| <i>Total income comprises</i> | | |
| Dividends | 1,367 | 7,959 |
| Interest | 221 | 876 |
| | <u>1,588</u> | <u>8,835</u> |
| <i>Income from investments</i> | | |
| Listed in the UK | 1,230 | 7,407 |
| Listed overseas | 358 | 552 |
| | <u>1,588</u> | <u>7,959</u> |

3. Investment management fee

| | <i>Year ended 31st August 2003</i> | | | <i>14th May 2001 to 31st August 2002</i> | | |
|-------------------------------------|--|--------------------------|------------------------|--|--------------------------|------------------------|
| | <i>Revenue £'000</i> | <i>Capital £'000</i> | <i>Total £'000</i> | <i>Revenue £'000</i> | <i>Capital £'000</i> | <i>Total £'000</i> |
| Investment management fee | 61 | 182 | 243 | 267 | 802 | 1,069 |
| Irrecoverable VAT on management fee | 11 | 32 | 43 | 47 | 140 | 187 |
| | <u>72</u> | <u>214</u> | <u>286</u> | <u>314</u> | <u>942</u> | <u>1,256</u> |

Details of the investment management contract are given in Note 23.

NOTES TO THE ACCOUNTS

continued

4. Other expenses

| | <i>Year ended 31st August 2003</i> | <i>14th May 2001 to 31st August 2002</i> |
|---------------------------------------|--|--|
| | <i>£'000</i> | <i>£'000</i> |
| Directors' remuneration (See page 19) | 54 | 70 |
| Auditors' remuneration - audit | 16 | 28 |
| - non audit | 10 | 10 |
| Administration fee | 76 | 93 |
| Other administrative expenses | 185 | 93 |
| Bank charges | 1 | 5 |
| | <u>342</u> | <u>299</u> |

5. Interest payable

| | <i>Year ended 31st August 2003</i> | | | <i>14th May 2001 to 31st August 2002</i> | | |
|-----------|--|--------------------------|------------------------|--|--------------------------|------------------------|
| | <i>Revenue £'000</i> | <i>Capital £'000</i> | <i>Total £'000</i> | <i>Revenue £'000</i> | <i>Capital £'000</i> | <i>Total £'000</i> |
| Term loan | <u>45</u> | <u>135</u> | <u>180</u> | <u>1,082</u> | <u>3,247</u> | <u>4,329</u> |

6. Taxation

| | <i>Year ended 31st August 2003</i> | | | <i>14th May 2001 to 31st August 2002</i> | | |
|---------------------------------|--|--------------------------|------------------------|--|--------------------------|------------------------|
| | <i>Revenue £'000</i> | <i>Capital £'000</i> | <i>Total £'000</i> | <i>Revenue £'000</i> | <i>Capital £'000</i> | <i>Total £'000</i> |
| (a) Analysis of charge in year: | | | | | | |
| Overseas tax | 20 | — | 20 | 10 | — | 10 |
| Tax relief to capital | — | — | — | 558 | (558) | — |
| Prior year adjustment | 69 | — | 69 | — | — | — |
| Total current tax (note 6b) | <u>89</u> | <u>—</u> | <u>89</u> | <u>568</u> | <u>(558)</u> | <u>10</u> |

NOTES TO THE ACCOUNTS

continued

6. Taxation (continued)

- (b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company (30%). The differences are explained below:

| | Year ended 31st August 2003 | 14th May 2001 to 31st August 2002 |
|--|--------------------------------|---|
| | £'000 | £'000 |
| Net income before taxation | 882 | 6,858 |
| Corporation tax at 30% | 265 | 2,057 |
| Effects of: | | |
| Non taxable UK dividends | (303) | (1,489) |
| Expenses not deductible for tax purposes | 18 | - |
| Adjustments in respect of prior periods | 69 | - |
| Overseas dividends taxable on receipt | 24 | (26) |
| Allowable expenses in capital | (327) | (1,511) |
| Transfer to capital | 0 | 558 |
| Movement in excess expenses | 329 | 972 |
| Overseas tax | 20 | 10 |
| Overseas tax expensed | (6) | (3) |
| Current tax charge for the year | 89 | 568 |

Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of assets.

- (c) After claiming relief against accrued income taxable on receipt, the Company has unrelieved excess expenses of £4,905,000 (2002: £3,153,000). It is unlikely 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

7. Dividends

| | <i>Year ended 31st August 2003</i> | | | <i>14th May 2001 to 31st August 2002</i> | | |
|---|--|--------------------------|------------------------|--|--------------------------|------------------------|
| | <i>Revenue £'000</i> | <i>Capital £'000</i> | <i>Total £'000</i> | <i>Revenue £'000</i> | <i>Capital £'000</i> | <i>Total £'000</i> |
| Dividends on equity shares: | | | | | | |
| 1st Interim Ordinary dividend | | | | | | |
| 0.2p net (2002: 1.0p) | 150 | – | 150 | 750 | – | 750 |
| 2nd Interim Ordinary dividend | | | | | | |
| 0.6p net (2002: 2.0p) | 450 | – | 450 | 1,500 | – | 1,500 |
| 3rd Interim Ordinary dividend | | | | | | |
| nil (2002: 2.0p net) | – | – | – | 1,500 | – | 1,500 |
| 4th Interim Ordinary dividend | | | | | | |
| nil (2002: 1.0p net) | – | – | – | 750 | – | 750 |
| 5th Interim Ordinary dividend | | | | | | |
| nil (2002: 1.0p net) | – | – | – | 750 | – | 750 |
| Appropriations for premiums payable on redemption of non-equity shares | | | | | | |
| Zero Dividend Preference shares | – | 1,820 | 1,820 | – | 2,047 | 2,047 |
| | <u>600</u> | <u>1,820</u> | <u>2,420</u> | <u>5,250</u> | <u>2,047</u> | <u>7,297</u> |

8. Return per Ordinary share

Revenue return per Ordinary share is based on net revenue after taxation of £793,000 (2002: £6,290,000) and on 75,000,000 (2002: 75,000,000) shares being the number of Ordinary shares in issue throughout the year.

Capital return per Ordinary share is based on net capital loss of £4,223,000 (2002: £56,293,000) and on 75,000,000 (2002: 75,000,000) shares being the number of Ordinary shares in issue throughout the year.

NOTES TO THE ACCOUNTS

continued

9. Fixed asset investments

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| Portfolio investments | | |
| Valuation at beginning of year | 44,121 | – |
| Unrealised depreciation at beginning of year | 41,921 | – |
| Cost at beginning of year | 86,042 | – |
| Purchases at cost | 50,067 | 204,555 |
| Sales at cost | (96,038) | (118,513) |
| Cost at end of year | 40,071 | 86,042 |
| Unrealised depreciation at end of year | (7,876) | (41,921) |
| Valuation at end of year | 32,195 | 44,121 |
| | £'000 | £'000 |
| Investments listed in the UK | 25,454 | 39,538 |
| Investments listed overseas | 6,741 | 4,583 |
| | 32,195 | 44,121 |

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

10. Debtors

| | 2003 £'000 | 2002 £'000 |
|----------------------------------|---------------|---------------|
| Dividends receivable | 122 | 250 |
| Sales awaiting settlement | 405 | 116 |
| Prepayments and accrued interest | 18 | 337 |
| Taxation | 122 | 161 |
| | 667 | 864 |

11. Creditors: amounts falling due within one year

| | 2003 £'000 | 2002 £'000 |
|-------------------------------|---------------|---------------|
| Purchases awaiting settlement | 632 | 427 |
| Dividends payable | 450 | 750 |
| Interest payable | – | 316 |
| Other creditors and accruals | 138 | 198 |
| | 1,220 | 1,691 |

NOTES TO THE ACCOUNTS*continued***12. Creditors: amounts falling due after more than one year**

| | 2003 | 2002 |
|-----------|-------|--------|
| | £'000 | £'000 |
| Bank loan | — | 20,000 |

13. 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 flow risk. Unquoted 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

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

*Policy***(i) Foreign Currency Risk**

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.

(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 Manager's Review.

(iii) Interest Rate Risk

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

(iv) Use of Derivatives

It is not the Company's current policy to enter into derivative contracts.

NOTES TO THE ACCOUNTS

continued

13. Derivatives and other financial instruments (continued)*Financial assets*

| | 2003 | | | 2002 | | |
|-----------|-----------------|---------------------|---------------|-----------------|---------------------|---------------|
| | <i>Floating</i> | <i>Non-Interest</i> | | <i>Floating</i> | <i>Non-Interest</i> | |
| | <i>Rate</i> | <i>Bearing</i> | <i>Total</i> | <i>Rate</i> | <i>Bearing</i> | <i>Total</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Sterling | 3,308 | 25,454 | 28,762 | 13,866 | 39,538 | 53,404 |
| Euro | - | 6,741 | 6,741 | - | 2,457 | 2,457 |
| US Dollar | 9 | - | 9 | 9 | 2,126 | 2,135 |
| | <u>3,317</u> | <u>32,195</u> | <u>35,512</u> | <u>13,875</u> | <u>44,121</u> | <u>57,996</u> |

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

| | 2003 | 2002 |
|----------|--------------|---------------|
| | <i>£'000</i> | <i>£'000</i> |
| Sterling | <u>-</u> | <u>20,000</u> |

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.

NOTES TO THE ACCOUNTS

continued

14. Net asset value

The net asset value per share and the net asset value attributable to each class of share 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>Pence</i> | <i>£'000</i> |
| Ordinary shares | 16.46 | 12,342 |
| Zero Dividend Preference shares | 120.63 | 22,617 |

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

| | <i>Ordinary shares</i> | <i>Zero Dividend Preference shares</i> |
|--|------------------------|--|
| | <i>£'000</i> | <i>£'000</i> |
| Total net assets attributable at beginning of year | 16,372 | 20,797 |
| Total recognised (losses)/gains for the year | (3,430) | 1,820 |
| Dividends appropriated in the year | (600) | — |
| | <u>12,342</u> | <u>22,617</u> |

15. Called up share capital

| | <i>Number</i> | <i>2003 £'000</i> | <i>Number</i> | <i>2002 £'000</i> |
|--|---------------|-----------------------|---------------|-----------------------|
| <i>Authorised:</i> | | | | |
| Ordinary shares of 1p each | 145,000,000 | 1,450 | 145,000,000 | 1,450 |
| Zero Dividend Preference shares of 1p each | 37,500,000 | 375 | 37,500,000 | 375 |
| | | <u>1,825</u> | | <u>1,825</u> |
| <i>Allotted, issued and fully paid shares:</i> | | | | |
| Ordinary shares of 1p each | 75,000,000 | 750 | 75,000,000 | 750 |
| Zero Dividend Preference shares of 1p each | 18,750,000 | 187 | 18,750,000 | 187 |
| | | <u>937</u> | | <u>937</u> |

16. Share premium

| | <i>£'000</i> |
|-----------------------------|--------------|
| At beginning of year | 89,438 |
| Transfer to special reserve | (89,438) |
| At end of year | <u>—</u> |

NOTES TO THE ACCOUNTS

continued

17. Special reserve

| | |
|-----------------------------|--------|
| | £'000 |
| Transfer from share premium | 89,438 |

18. Capital reserves

| | |
|---|----------|
| | £'000 |
| (a) Realised: | |
| At beginning of year | (14,372) |
| Realised investment losses | (35,358) |
| Interest charged to capital | (135) |
| Loan redemption costs charged to capital | (741) |
| Investment management fee plus VAT charged to capital | (214) |
| Transfer to redemption reserve for non-equity shares | (1,820) |
| At end of year | (52,640) |
| (b) Unrealised: | |
| At beginning of year | (41,921) |
| Unrealised appreciation in year | 34,045 |
| At end of year | (7,876) |

The capital reserves of the Company may not be distributed under the provisions of the Memorandum and Articles of Association.

19. Revenue reserve

| | |
|---------------------------|-------|
| | £'000 |
| At beginning of year | 1,040 |
| Retained revenue for year | 193 |
| At end of year | 1,233 |

20. Reconciliation of movements in shareholders' funds

| | 2003 £'000 | 2002 £'000 |
|------------------------------|---------------|---------------|
| Opening shareholders' funds | 37,169 | — |
| New share capital subscribed | — | 93,750 |
| Cost of share issue | — | (3,375) |
| Revenue return | 793 | 6,290 |
| Dividends | (600) | (5,250) |
| Capital return | (2,403) | (54,246) |
| Closing shareholders' funds | 34,959 | 37,169 |

NOTES TO THE ACCOUNTS

continued

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

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Revenue before interest payable and taxation | 1,174 | 8,222 |
| Decrease/(increase) in prepayments and accrued income | 447 | (587) |
| (Decrease)/increase in current accruals and other creditors | (60) | 198 |
| Expenses charged to capital reserve: | | |
| Investment management fee (including VAT) | (214) | (942) |
| Net cash inflow from operating activities | <u>1,347</u> | <u>6,891</u> |

22. Analysis of net cash balances

| | 1st September 2002 £'000 | Cash Flow £'000 | 31st August 2003 £'000 |
|--------------|--------------------------------|--------------------|------------------------------|
| Cash at bank | <u>13,875</u> | <u>(10,558)</u> | <u>3,317</u> |

23. Related parties

Jupiter Asset Management Limited is contracted to provide investment management services to the Company (subject to termination by not less than one years notice by either party) for an annual fee of 0.85% (plus VAT) of total assets payable quarterly in arrears. Management fees of £71,609 plus VAT were outstanding as at 31st August 2003 (2002: £120,004 plus VAT).

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 year (2002: nil).

Jupiter Administration Services Limited is contracted to provide secretarial, accounting and administrative services to the Company for an annual fee of £75,825 (plus VAT) adjusted each year in line with the Retail Price Index payable quarterly. £550 was outstanding at 31st August 2003 (2002: nil).

The Company has invested from time to time in funds managed by subsidiaries of Jupiter International Group PLC.

NOTES TO THE ACCOUNTS

continued

24. Contingent liabilities and capital commitments

There were no contingent liabilities in respect of investments not fully called up (2002: nil) and none in respect of underwriting as at 31st August 2003 (2002: nil).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Jupiter Financial Trust PLC will be held at 1 Grosvenor Place, London SW1X 7JJ on 10th December 2003 at 11 a.m. for the purpose of considering the following business:

Ordinary Business

- (1) That the Report of the Directors and the audited Accounts for the year ended 31st August 2003 be received.
- (2) That the Directors' Remuneration Report for the year ended 31st August 2003 be received.
- (3) That Mr J G West be re-elected a director of the Company.
- (4) That Mr H D Hill be re-elected a director of the Company.
- (5) That Ernst & Young LLP be re-appointed as auditors of the Company and the directors be authorised to determine their remuneration.

Special Business

To consider and, if thought fit, pass the following as a special resolution.

- (6) That the Company is hereby authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market repurchases (within the meaning of section 163 of the Act) of Ordinary shares and Zero Dividend Preference shares in the capital of the Company provided that:
 - (i) the maximum number of Ordinary shares hereby authorised to be repurchased shall be 11,242,500;
 - (ii) the minimum price which may be paid for an Ordinary share shall be 1p;
 - (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be 5% above the average of the market values of the Ordinary shares as derived from the Daily Official List of the London Stock Exchange plc for the 5 business days before the repurchase is made;
 - (iv) the maximum number of Zero Dividend Preference shares hereby authorised to be repurchased shall be 2,810,625;
 - (v) the minimum price which may be paid for a Zero Dividend Preference share shall be 1p;

NOTICE OF ANNUAL GENERAL MEETING

continued

- (vi) the maximum price (exclusive of expenses) which may be paid for a Zero Dividend Preference share shall be 5% above the average of the market values of the Zero Dividend Preference shares as derived from the Daily Official List of the London Stock Exchange plc for the 5 business days before the repurchase is made;
- (vii) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, save that the Company may, prior to such expiry, enter into a contract to repurchase Ordinary shares and/or Zero Dividend Preference shares which will or may be completed or executed wholly or partly after such expiry.

By Order of the Board
Jupiter Asset Management Limited
Secretaries

1 Grosvenor Place
London SW1X 7JJ
11th November 2003

Notes:

1. Ordinary shareholders entitled to attend and vote may appoint a proxy or proxies to attend and on a poll to vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed which, if used, must be lodged at the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL not less than forty-eight hours before the meeting.
2. No director has a service contract with the Company.

JUPITER FINANCIAL TRUST PLC

FORM OF PROXY

I/We

of

.....
being a shareholder of JUPITER FINANCIAL TRUST PLC hereby appoint the Chairman of the Meeting or failing him:

.....
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 10th December 2003 and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions as set out in the Notice convening the Annual General Meeting as follows:

| | FOR | AGAINST |
|--|--------------------------|--------------------------|
| 1. Directors' Report and Accounts | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Directors' Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Re-election of Mr J G West as a director of the Company | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Re-election of Mr H D Hill as a director of the Company | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Re-appointment of Auditors | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Purchase of shares | <input type="checkbox"/> | <input type="checkbox"/> |

Dated2003 Signature

Notes:

1. If it is desired to appoint any other person as proxy strike out the words "the Chairman of the Meeting" above and add the name of the proxy you wish to appoint in the space provided.
2. Please indicate how you wish your proxy to vote by placing a tick in the appropriate box.
3. The signature of any joint holder is sufficient.
4. A corporation can complete the proxy under its common seal or under the hand of a duly authorised officer.

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