INVESTMENT POLICY

The objective of the Company is to invest in securities of European companies and in sectors or geographical areas which are considered by the investment manager to offer good prospects for capital growth, taking into account economic trends and business development.

BENCHMARK INDEX

FTSE World Europe ex UK Total Return Index
(Bloomberg Indication Code FTRSERXU)

SHARE IDENTIFIERS

ISIN Number: GB0000197722
Sedol Number: 0019772
Ticker: JEO/LON

RISK WARNING

Investment in the Company should not be regarded as short term in nature and an investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss. The value of the Company's underlying investment portfolio fluctuates and income and the capital growth are not guaranteed. The Company's investment portfolio is geared through the use of its flexible loan facility. Geared investment in securities may be subject to sudden and large falls in value. Investors may not get back the full amount invested and, in certain circumstances, investors could lose all of their investment. Past performance should not be seen as a guide to future performance. The market price of the Company's Ordinary Shares on the London Stock Exchange may not reflect their underlying net asset value.

CONTENTS

COMPANY INFORMATION

Directors

H M Priestley *Chairman*
A F C Darwall Sir M Goulding, KCMG
J W Robinson J D A Wallinger

Investment Manager, Secretary and Registered Office

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Custodian

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

Registrars and Transfer Office

Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone: 0870 162 310
www.capitaregistrars.com

Auditors

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

Subsidiary Company

JEOT Securities Limited
1 Grosvenor Place, London SW1X 7JJ

The Company's Ordinary Shares are listed on the London Stock Exchange and their middle market prices are published daily in the 'Financial Times' and 'The Times' under 'Investment Companies'.

A MEMBER OF THE ASSOCIATION OF INVESTMENT TRUST COMPANIES

An investment company under S266 of the Companies Act 1985

Company Registration Number: 4056870

DIRECTORS

***Hugh Michael Priestley** (Chairman), (aged 63) is a director of Perpetual Japanese Investment Trust PLC and of F&C Capital & Income Investment Trust PLC and a former deputy chairman of the Association of Investment Trust Companies. He was a director of Henderson Administration from 1972-1993 and the managing director of the Witan Investment Company from 1980-1992. He is an Honourable Fellow of University College London, having been its Treasurer from 1981-1998, and is a member of the investment panel of SAUL (Superannuation Arrangements of the University of London) and a Trustee of Independent Age.

Alexander Frederick Clifford Darwall, (aged 43) is a director of Jupiter International Group PLC and Jupiter Asset Management Limited. He joined Jupiter in 1995 from Goldman Sachs where he worked as a French equity analyst. He took over the management of Jupiter European Investment Trust PLC (the Company's predecessor) in early 1999 and has been the portfolio manager of the Company since its launch in November 2000.

***Sir Marrack Goulding, KCMG**, aged 69) was knighted in June 1997 following a career in the British Diplomatic Service and the United Nations. He was a member of the British Diplomatic Service from 1959-1985, during which time he served in the Middle East, North Africa, Portugal, New York (in the UK mission to the United Nations) and Angola (as Ambassador). He was also seconded for two years to the Cabinet Office 'Think Tank'. In 1986 he joined the United Nations as Under-Secretary-General for Peacekeeping (1986-1993) and Political Affairs (1993-1997). He is currently Warden of St. Antony's College, Oxford.

Jackson Worthington Robinson, (aged 64) is the President and Chief Investment Officer of Winslow Management Company, LLC an independent investment management firm located in Boston that has specialised in green investing since 1983. Mr Robinson is the non-executive chairman of Spartech Corporation (NYSE), a trustee of Suffield Academy and sits on the advisory board of the American Council on Renewable Energy.

***John David Arnold Wallinger**, (aged 66) is currently a consultant to UBS AG and Chairman of the following companies: Attica International Portfolio Limited, Zebedee European Fund Limited and Zebedee Capital International Limited, all listed on the Irish Stock Exchange, and Hardt Group Capital Partners Limited and Kingsbridge Capital Advisers Limited, both unlisted. He is also a director of MM Institutional Funds PLC, and MM 360 PLC, both listed on the Irish Stock Exchange, and Piccadilly Asset Management (Cayman) SPC, Attica Holdings (UK) Ltd and HTM Energy Limited, unquoted companies. He has forty years' experience in investment management and financial services, most recently having been a director of Euroland Plus (Smaller Companies) PLC, and an executive director of SBC Warburg Dillon Read (now UBS). Mr Wallinger was a member of the Association of Institutional Investment Management & Research.

*** Members of the *Audit* Committee**

FINANCIAL HIGHLIGHTS

Capital performance

	31.05.06	*31.05.05*	*% Change*
Total Assets less Current Liabilities (£'000)	154,927	117,679*	+31.7*
FTSE World Europe ex UK Total Return Index	570.78	452.3	+26.2

* Restated – see notes 21 and 22.

Ordinary Share performance

	31.05.06	*31.05.05*	*% Change*
Net Asset Value (pence)	167.47	133.54*	+25.4
Middle Market Price (pence)	161.5	130.0	+ 24.2
Discount to Net Asset Value (%)	3.6	2.7	

* Restated.

HISTORY SINCE LAUNCH

Year ended 31st May	*Total Assets less Current Liabilities £'000*	*Net Asset Value per Ordinary Share pence*	*Change in Net Asset Value per Ordinary Share %*	*Change in Benchmark Index %*
20 November 2000 (launch)	93,969	94.66	–	–
2001	83,600	89.29	–5.7	–8.0
2002	91,028	91.12	+2.0	–10.7
2003	84,592	83.82	–8.0	–19.0
2004	97,915	109.25	+30.3	+15.7
2005(restated)*	117,679	133.54	+22.2	+19.3
2006	154,927	167.47	+25.4	+26.2

* Prior to 2005, financial information has been prepared under UK GAAP. From 2005 all information is prepared under IFRS.

WINDING UP PROVISIONS

The Articles of Association provide for the Directors to convene an extraordinary general meeting at which a resolution shall be proposed requiring the Company to be voluntarily wound up on 29th February 2008 unless the Directors have previously been released from this obligation by a special resolution of the Company.

CHAIRMAN'S STATEMENT

The net asset value of your Company's Ordinary Shares rose by 25.4 per cent. in the year under review. The total return on the Company's benchmark index, the FTSE World Europe ex UK Total Return Index, was 26.2 per cent. over the same period. In the UK the FTSE All-Share index rose by only 18.8 per cent., justifying our shareholders' decision to hold at least part of their investment portfolios in Europe.

Given the Company's minimal exposure during the year under review to mining shares and to Eastern Europe – two of the strongest areas in 2005 and 2006 in spite of a late sell-off – these results will, we hope, be regarded as satisfactory. The Company's position has continued to improve since the financial year end and, as at 31st August 2006, the last practicable date prior to publication of this report, your Company's total assets had increased to £159 million and the net asset value per Ordinary Share had increased to 173.16p. This represents an increase in the net asset value per Ordinary Share since 31st May 2006 of 3.4 per cent., which compares with a rise in the Company's benchmark index of 3.4 per cent. over the same period.

Over the five years to 31st May 2006 the net asset value of the Company's Ordinary Shares has risen by 87.6 per cent., which compares well with the 25.9 per cent. total return on the benchmark index over the same period. A year on year analysis of the Company's performance relative to its benchmark index since launch is set out on page 6 of this report.

The discount between the middle market price of the Company's Ordinary Shares on the London Stock Exchange and their net asset value widened slightly during the year from 2.7 per cent. at 31st May 2005 to 3.6 per cent. at the year end. At no point was the discount sufficiently wide as to encourage your Board to exercise their powers to buy Ordinary Shares for treasury or for cancellation.

In May and June of this year equity markets became unusually volatile, a sharp slide being succeeded by a partial recovery. The reasons for the sudden weakness may not become apparent for several months, but one likely cause was the less accommodative monetary stance taken by the Japanese authorities back in March which impacted adversely on the so-called "carry trade", whereby investors borrow inexpensive yen in order to finance investments elsewhere. Reduced liquidity will have caused such investors to cut positions, notably in higher-risk areas such as emerging markets. Fears of rising inflation, and higher interest rates in the U.S., China and in Europe itself, also dented confidence. However the subsequent recovery has helped European markets.

Your Manager's Review on pages 9 to 10 comments in greater detail on performance and on the major background influences which affected it. As he notes, performance was enhanced by judicious use of gearing. Since the year end we have renegotiated our borrowing facilities on terms more advantageous to your Company.

Corporate Governance

We had expected that this year's Report and Accounts would include an Operating and Financial Review ('OFR') but the Chancellor abolished this item last November. He expected plaudits, but the City had decided that an OFR was basically a Good Thing, since it gave shareholders a better idea of what their company was aiming to achieve and how far it was succeeding in the achievement thereof. It also forced directors of companies to think about strategy and to consider the attendant risks – another Good Thing.

Hence the adoption of the Business Review – effectively an OFR in all but name. In this year's Report it is set out on pages 13 to 16. You are welcome to question us on it at the Annual General Meeting.

CHAIRMAN'S STATEMENT

Shareholder power is set to increase. This autumn will see changes in company law, designed to make company directors more accountable, enshrined in a Bill and, next year, in an Act of Parliament. The general intention is laudable, but execution may prove tricky unless the initial proposals are amended to some degree. For example, directors will be required to promote the 'success' of a company, success being defined as 'enlightened shareholder value', which itself involves assessing the long term consequences of any decision. Meanwhile shareholders will be entitled to sue directors for negligence, default, breach of duty or breach of trust. Presumably, therefore, they can be penalised for getting short term decisions wrong; Lord Keynes pointed out, after all, that 'the long term is a succession of short terms and in the long term we are all dead'. In short, directors will be damned if they do a thing and damned if they don't. It is to be hoped that such anomalies will be ironed out in the drafting process, otherwise the cost of D & O ('Directors & Officers') liability insurance will rise dramatically, lawyers will do quite well, and it will be harder to persuade individuals to serve on company boards.

Investment Trusts

In the retail marketplace it is generally accepted that investment trusts, as a sector, have generally not grown at the rate achieved by open-ended funds such as unit trusts and OEICs. This is largely because independent financial advisers have often found it easier to sell products which generate commission for themselves out of the money invested rather than to sell products which do not.

Many of the institutional supporters of investment trusts,such as insurance companies, pension funds and private client stockbrokers, have begun to divert some of their traditional equity market asset allocation to 'alternative' investments such as hedge funds, private equity (what used to be called 'unquoted investments', beloved of actuaries as their prices do not change much and are theoretically not volatile), property and even commodities.

However, we firmly believe that the plus points for investment trusts such as your Company remain as powerful as ever. The advantages of the closed ended structure include the ability to sell when markets are high without the need to invest a flood of new money from subcribers and, equally, to buy at the bottom when open-ended funds are forced to sell stock in order to meet redemption requests from investors. Moreover, investment trusts can manage their gearing to take advantage of market opportunities and, thanks to the introduction of treasury shares, they can seek to manage the market rating of their shares too. Investment trusts are inexpensive to run and their expense ratios are low compared with open ended funds such as unit trusts, hedge funds and private equity funds. Investment trusts with a particular sectoral or geographical specialisation will continue to earn inclusion in a well diversified portfolio for both retail and institutional investors, always provided that they generate top-class investment performance.

We believe that your Company has been a success story since launch, will continue to deliver shareholder value, and will more than hold its own against the investment alternatives out there in the market place today.

H M Priestley
Chairman
7th September 2006

MANAGER'S REVIEW

The net asset value of the Company's Ordinary Shares rose by 25.4 per cent. during the twelve months to 31st May 2006.

Borrowings were gradually increased over the summer of 2005 from €14.7m at the beginning of the financial year to €22.2m in September. Borrowings were further increased to €28.9m in March 2006. With rising asset values, the Company's use of bank debt to gear its investment portfolio has added to returns. The Company's trading subsidiary, JEOT Securities Limited, made a pre-tax profit of £102,000.

Equity markets around the world performed well in the year under review, driven by strong economic growth, particularly in China, India and other emerging markets. For sterling investors, the FTSE World Index rose by 18.4 per cent. and European equities once again outperformed, doing better than both the US (up 7.5 per cent.) and UK (up 22.8 per cent.) markets. Of the major equity markets, Japan, up around 33 per cent. during the period, was the strongest performer as overseas investors priced in the end of deflation and the early stages of an economic upturn.

The financial year started with the rejection of the EU constitution by French and Dutch voters but, despite the political headlines, the impact on the portfolio was minimal. Even as the 'No' votes were being counted, Unicredito and HVB Group announced Europe's biggest ever cross-border bank merger. This shows that, despite political problems in Europe, the corporate sector is making its own way. We have always mitigated the effects of European political intransigence by focusing on businesses that are not overly dependent on the eurozone's economy or its politicians. This is an approach which has produced consistent results.

European stock markets rose strongly during the period under review, supported by a number of factors: economic activity picked up; companies reported earnings growth that was better than expected; the IFO index of German business confidence (a good leading indicator of German GDP growth) rose to its highest level since reunification in 1991. Underpinning all these factors were low interest rates. 'Cheap' money created an appetite for risk and fuelled an extraordinary boom in private equity and M&A activity. A combination of low borrowing costs and strong company cash flows has encouraged private equity to raise large amounts of leveraged financing in the region. Europe's largest ever leveraged buy-out to date occurred in November when a private equity consortium agreed to pay €12bn in cash for TDC – Denmark's leading telecoms company.

Our performance was hampered by underweight positions in strong performing sectors, notably the banking sector, oils, commodities and other cyclicals. These are all areas where we tend to be underweight as they contain relatively few businesses which meet our investment criteria. These sectors performed well variously because of private equity interest and because of a surge in profitability on the back of strong global growth. Nevertheless, we are confident that our policy of investing in structural, long term 'winners' will lead to outperformance over a reasonable period. Results from our main holdings confirmed our confidence that these businesses will deliver sustainable progress.

Since the year end Associated British Ports, the portfolio's largest holding as at the year end, was taken over at 910p per share which has raised proceeds of £15.039 million for your Company.

MANAGER'S REVIEW

As a result of this transaction your Company's exposure to the UK listed companies has reduced from 22.2 per cent. to 14 per cent. Novozymes, the world leader in industrial enzymes, reported good results. Of particular interest was the strong growth seen in demand for its enzymes to produce bioethanol. This market has been growing strongly and will receive a further boost if the US is serious in its aims to reduce dependence on Middle Eastern oil. Neopost announced results well above expectations. This mail systems and logistics company remains very cash generative, raising its dividend by 47 per cent. while announcing an exceptional dividend and further share buybacks. Novo Nordisk, the market-leading diabetes care and biopharmaceuticals group, reported full-year figures with both sales and profits up 16 per cent.. The company's insulin production now accounts for half of all insulin sold globally. Essilor International, the world's leading manufacturer and distributor of ophthalmic lenses, reported another year of very good results as margins continued to increase. Besides outperforming its rivals in mature markets, Essilor's long-term growth prospects remain excellent, particularly in emerging markets such as India and China. DNB, the Norwegian bank, reported good results. Its substantial dividend increase was indicative of management's confidence in the future outlook for growth. DNB can be regarded as an indirect play on the strong oil price as Norway, an oil-based economy, is getting richer and the benefits of this are flowing back to the banking sector. Syngenta, the crop protection group, also delivered good results. This business continues to take market share from competitors.

New positions were taken in a number of companies across a broad range of business activities: Carphone Warehouse, the UK mobile phone retailer and provider of 'triple play' telecomm services; Deutsche Postbank, the largest German retail bank; Quick Restaurants, a Franco-Belgian fast food chain and Geophysique, a world leader in seismic data and equipment. Most purchases were additions to existing holdings: Euler Hermes (credit insurance), Lonza (contract manufacture of complex bio-pharmacological drugs), Vopak, (world leader in oil and chemicals storage at major ports). The position in Reed Elsevier was increased. We regard the latter as a fundamentally strong business even if the publishing industry is currently out of fashion.

One of the main disposals from the portfolio was the German temporary work agency DIS which was taken over by the Swiss company Adecco. Other sales were of Coloplast (healthcare reforms affect competitive landscape), Celesio (profit taking after this German pharmacy chain signalled a move to acquisition strategy), Techem (valuation) and a reduction in Fimalac (after 20 per cent. disposal of its ratings agency Fitch). Another sale was that of Adidas following their takeover of Reebok. We considered that the valuation reflected undue optimism.

Investment Outlook

No matter what metric one chooses, for many of the most successful businesses, company profitability, as a share of GDP, has rarely been higher. Typically, we should expect a reversion to the mean, yet there are some good reasons why strong profitability will continue. Productivity is still improving. This phenomenon is inextricably linked with the benefits of the application of technologies (mainly digital), itself part of ever increasing globalisation. Against this background 'world class' European companies have a great opportunity. Within Europe companies are able to rationalize effectively; the enlargement of the European Union to include Central and East European countries has been an important factor in empowering management teams. Companies in core eurozone states now outsource to these new entrants more cheaply than to Asia, as they offer cheaper and faster transportation of many goods and tax 'competition' between European countries is to the benefit of many companies.

MANAGER'S REVIEW

Your Company's returns will depend on the ability to identify well-managed companies with a 'winning franchise', that benefit from structural trends and their ability to enter new markets. In an environment where rapid technological advances help good companies selling leading products in a global marketplace to thrive, we remain confident of our ability to locate an attractive selection of long-term winners. For many European companies there has never been a better time to be in business.

Alex Darwall
Jupiter Asset Management Limited
7th September 2006

TWENTY LARGEST INVESTMENTS

as at 31st May 2006

Company	*Country of Listing*	*Market Value* £'000	*Percentage of Portfolio*	*31st May 2005 Market Value Restated* £'000	*31st May 2005 Percentage of Portfolio*
Associated British Ports	UK	14,660	9.5	6,841	5.8
Novozymes	Denmark	12,254	7.9	9,179	7.7
Numico	Netherlands	10,686	6.9	9,318	7.9
Reed Elsevier	Netherlands	9,963	6.5	5,985	5.0
Neopost	France	9,933	6.4	10,597	8.9
Intertek Group	UK	7,606	4.9	7,555	6.4
Novo-Nordisk	Denmark	6,130	4.0	5,379	4.5
Essilor International	France	5,962	3.9	4,555	3.8
DnB NOR	Norway	5,868	3.8	5,083	4.3
Dassault Systemes	France	5,596	3.6	5,632	4.8
L'Air Liquide Primes de Fidelite	France	5,566	3.6	4,786	4.1
Syngenta	Switzerland	5,545	3.6	4,973	4.2
Euler Hermes	France	5,277	3.4	2,647	2.2
Eurofins Scientific	France	4,329	2.8	–	–
Johnson Matthey	UK	4,131	2.7	2,007	1.7
Royal Caribbean	Norway	4,048	2.6	–	–
Ingenico	France	3,525	2.3	–	–
Carphone Warehouse	UK	3,424	2.2	–	–
Vopak	Netherlands	2,814	1.8	1,092	0.9
Geophysique	France	2,728	1.8	–	–
Total of twenty largest investments		**130,045**	**84.2**		

CROSS HOLDINGS IN OTHER INVESTMENT COMPANIES

As at 31st May 2006, 1.1 per cent. of the Company's total assets were invested in the securities of other UK listed investment companies. It is the Company's stated policy that this exposure should not be permitted to exceed 15 per cent. of total assets.

CLASSIFICATION OF INVESTMENTS

as at 31st May 2006

2005 Total	2006 Total	EQUITIES	Denmark %	France %	Germany %	Netherlands %	Norway %	Switzerland %	UK %	Other %
11.4	**11.6**	**Basic Materials**								
11.4	11.2	Chemicals	–	3.6	–	–	–	4.9	2.7	–
–	0.4	Forestry & Paper	–	–	–	–	–	–	–	0.4
29.4	**29.0**	**General Industrials**								
3.0	0.8	Construction & Materials	–	0.8		–	–	–	–	–
–	1.0	General Industrials	–	–	–	1.0	–	–	–	–
17.1	7.7	Electronic & Electrical Equipment	–	6.5	1.2	–	–	–	–	–
1.0	1.9	Industrial Engineering	–	–	–	–	–	–	–	1.9
–	11.5	Industrial Transportation	–	–	–	1.8	0.2	–	9.5	–
8.3	6.1	Support Services	–	1.0	0.2	–	–	–	4.9	–
8.4	**8.3**	**Consumer Goods**								
–	0.7	Beverages	–	–	0.7	–	–	–	–	–
8.4	7.6	Food Producers	–	–	–	6.9	–	0.3	–	0.4
24.5	**20.0**	**Health Care**								
11.9	4.8	Health Care Equipment & Services	–	4.8	–	–	–	–	–	–
12.6	15.2	Pharmaceuticals & Biotechnology	11.9	2.8	–	–	–	0.2	0.3	–
11.7	**13.6**	**Consumer Services**								
–	3.7	General Retailers	–	–	–	–	–	–	3.7	–
5.0	6.5	Media	–	–	–	6.5	–	–	–	–
6.7	3.4	Travel & Leisure	–	–	–	–	2.6	–	–	0.8
8.4	**9.2**	**Financials**								
4.9	4.7	Banks	–	–	0.9	–	3.8	–	–	–
2.2	3.4	General Financial	–	3.4		–	–	–	–	–
1.3	1.1	Equity Investment Instruments	–	–	–	–	–	–	1.1	–
6.2	**8.3**	**Information Technology**								
6.2	6.0	Software & Computer Services	–	5.4	0.6	–	–	–	–	–
–	2.3	Information Technology Hardware	–	2.3	–	–	–	–	–	–
100.0	**100.0**	**Totals**	**11.9**	**30.6**	**3.6**	**16.2**	**6.6**	**5.4**	**22.2**	**3.5**

All investments are in Ordinary Shares.

REPORT OF THE DIRECTORS

The Directors present their Annual Report and Accounts for the year ended 31st May 2006.

Business Review

Investment Objective and Benchmark

The Company carries on business as an Investment Trust. The Company's investment objective is to maximise capital growth through investment in European securities in sectors or geographical areas which are considered by the portfolio manager to offer good prospects for capital growth, taking into account economic trends and business developments.

It is the Company's policy to invest no more than 15 per cent. of its gross assets in other investment companies (including investment trusts listed on the London Stock Exchange). At 31st May 2006, the only such investment was in Mecom, which represented 1.1 per cent. of total assets.

The Company's performance is benchmarked against the FTSE World Europe ex UK Total Return Index.

Management

The Company has no employees and most of its day-to-day responsibilities are delegated to Jupiter Asset Management Limited, who act as the Company's Investment Manager and Company Secretary. Further details of the Company's arrangement with Jupiter Asset Management Limited can be found in note 19 to the accounts on pages 49 to 50.

Investment Approach and Activities

The portfolio manager adopts a stock picking approach in the belief that a thorough analysis and understanding of a company is the best way to identify long-term superior growth prospects. This understanding begins with identifying those companies where the ownership structure and incumbent management are conducive to the realisation of the aim of achieving superior long-term earnings growth. In particular, the portfolio manager seeks to identify companies which enjoy certain key business characteristics including some or all of the following:

- A strong management record and team, and the confidence that the portfolio manager has in that management's ability to explain and account for its actions;
- Proprietary technology and other factors which indicate a sustainable competitive advantage;
- A reasonable expectation that demand for their products or services will enjoy long-term growth; and
- An understanding that structural changes are likely to benefit rather than negatively impact that company's prospects.

In analysing potential investments, the portfolio manager will employ differing valuation techniques depending on their relevance to the business characteristics of a particular company. However, the underlying feature will be the sustainability and growth of free cash-flow in the long-term.

REPORT OF THE DIRECTORS

There has been no significant change in the activities of the Company during the year to 31st May 2006 and the Directors anticipate that the Company will continue to operate in the same manner during the current financial year.

The Company currently manages its affairs so as to be a fully qualifying investment trust under the Individual Savings Account (ISA) rules. As a result, under current UK legislation, the Ordinary Shares qualify for investment via the stocks and shares component of an ISA up to the full annual subscription limit (currently £7,000 in each tax year and £4,000 for mini-account ISAs). The Company's Ordinary Shares are fully qualifying for inclusion in an existing general PEP. It is the present intention that the Company will conduct its affairs so as to continue to qualify for ISA and PEP products.

Gearing

Gearing is defined as the ratio of a company's total assets to its net assets, expressed as a percentage. The effect of gearing is that in rising markets a geared share class tends to benefit from any outperformance of the relevant company's investment portfolio above the cost of payment of the prior ranking entitlements of any lenders and other creditors. Conversely, in falling markets the value of the geared shares class suffers more if the company's investment portfolio underperforms the cost of those prior entitlements.

In order to improve the potential for capital returns to shareholders the Company had access to a committed revolving credit facility with Commerzbank A.G. for amounts up to £20 million throughout the financial year under review. Further details of the Commerzbank loan facility can be found in note 12 to the accounts on page 45.

Since the financial year end the Company has negotiated a new committed revolving credit facility with the Governor and Company of the Bank of Ireland for amounts up to £35 million. This facility replaces the facility with Commerzbank A.G.

The Company also has access to an uncommitted overdraft facility with the Royal Bank of Scotland PLC for short term liquidity purposes.

Derivative transactions

Details of the Group's derivative transactions are set out in note 13 to the accounts on pages 45 to 47.

Discount to Net Asset Value

The Directors review the level of the discount between the middle market price of the Company's Ordinary Shares and their net asset value on a regular basis.

The average discount to net asset value during the year under review was 2.18 per cent. and the average discount to net asset value since the Company was launched in November 2000 to 31st May 2006 was 6.03 per cent. The average investment trust discount in the Company's 'European' Peer group for the year under review was 4.8 per cent. according to the Association of Investment Trust Companies (the 'AITC').

REPORT OF THE DIRECTORS

The Directors have powers granted to them at the last annual general meeting to purchase Ordinary Shares and hold them in treasury as a method of controlling the discount to net asset value and enhancing shareholder value. In view of the relatively low discount to net asset value in comparison to the discount since the Company launched and to the average investment trust discount, the Directors did not feel it necessary to make use of this facility during the year under review.

Review of the Year

As mentioned in the Manager's Review and Chairman's Statement, your Company fell marginally short of it's benchmark, the FTSE World Europe ex UK index, during the year under review. The net asset value increased by 25.4 per cent. against the benchmark's 26.2 per cent. The Board considers it appropriate to consider this return in the context of the return achieved since the Company launch in November 2000 of 76.9 per cent. against the benchmarks return during the same period of 19.7 per cent.

A more detailed review of your Company's performance over the past financial year can be found on pages 6 to 10 under the headings 'Manager's Review' and 'Chairman's Statement'.

Risks and Uncertainties

The risks and uncertainties are detailed in note 13 to the accounts on pages 45 to 47 as is an explanation of how they are managed. Principally, the risks to the Company are foreign currency movements, market price movements, interest rates, use of derivatives, liquidity risk, credit risk, the discount to net asset value, and loss of investment trust status.

Performance

At their quarterly board meetings the Directors consider a number of performance indicators to help assess the Company's success in achieving its objectives. The key performance indicators used to measure the performance of the Company over time are as follows:

- Net asset value changes over time
- Ordinary Share Price movement
- A comparison of the Ordinary Share price and net asset value to the Benchmark
- Discount over varying periods
- Peer Group comparative performance
- Funds in/outflows of the retail investment wrapper products managed by the Investment Manager

A history of the net asset value, Ordinary Share price and benchmark are shown on the monthly fact sheets which can be viewed on the Investment Manager's website www.jupiteronline.co.uk and which are available on request from the Company Secretary.

REPORT OF THE DIRECTORS

International Financial Reporting Standards (IFRS)

The accounts for the year are the first to be prepared in accordance with International Financial Reporting Standards ('IFRS'). The main change is that the portfolio is valued using the bid prices of securities rather than mid-market prices. The effect on your Company's accounts has been a reduction on total assets of £60,000 as at 31st May 2005. The changes are described in greater detail in note 23 to the accounts on pages 52 to 53.

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.

HM Revenue & Customs ('HMRC') 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 May 2005. 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 HMRC will grant investment trust status. Such approval will not preclude HMRC 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.

Reviews of the Company's activities are included in the Chairman's Statement and Manager's Review on pages 6 to 10.

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

The Company has a wholly owned subsidiary, JEOT Securities Limited, which is an investment dealing company.

Results and Dividends

Results and reserve movements for the year are set out in the Consolidated Income Statement, the Consolidated Statement of Changes in Equity and the Notes to the Accounts.

In accordance with the Company's stated dividend policy no dividends have been paid in respect of the year under review.

Capital Gains Tax Information

The closing middle market price of Ordinary Shares on the first date of dealing (20th November 2000) for Capital Gains Tax purposes was 101.5p.

REPORT OF THE DIRECTORS

Directors and their Interests

The Directors who held office at the end of the year and their beneficial interests in the Ordinary Shares as at 31st May 2006 are shown below:

	31st May 2006	*Percentage of issued Ordinary shares*	*1st June 2005*	*Percentage of issued Ordinary shares*
A F C Darwall	2,827,013	3.50	2,294,013	2.84
Sir M Goulding, KCMG	33,000	0.041	33,000	0.041
H M Priestley	26,154	0.03	11,154	0.014
J W Robinson	13,959	0.017	13,959	0.017
J D A Wallinger	45,000	0.06	45,000	0.06

Since 31st May 2006 Mr Darwall has advised the Company that he purchased 100,000 Ordinary Shares at 160p each and 50,000 Ordinary Shares at 157.5p each in the Company on 29th June 2006.

The Company has not been advised of any other changes in the Directors' interests between 31st May 2006 and the date of this report.

No Director has a contract of service with the Company. Directors' terms and conditions for appointment are set out in the letters of appointment which are available for inspection at the Registered Office of the Company.

The Directors' interests in contractual arrangements with the Company are as detailed in Note 20 to the Accounts. Subject to these exceptions, 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.

Mr J W Robinson, having retired by rotation in accordance with the Company's Articles of Association is seeking re-election as a Director. Mr A F C Darwall, being a director of Jupiter Asset Management Limited, the Company's Investment Manager, is subject to annual re-election.

REPORT OF THE DIRECTORS

Substantial Shareholders

The Company has been notified of the following substantial interests in the Ordinary Shares as at 31st July 2006:

	Ordinary Shares *Number*	*%*
Clients of Jupiter Asset Management Limited	9,500,713	11.78
Jupiter Asset Management PEP, ISA and Savings Schemes	5,860,022	7.26
NCL Smith & Williamson	4,829,874	5.99
East Riding of Yorkshire	4,000,000	4.96
Rensburg Sheppards Investment Management	3,682,786	4.57
F&C Asset Management	3,457,435	4.29
UBS Wealth Management UK/Laing & Cruickshank Investment Management	3,163,292	3.92
Reliance Mutual Society Limited	3,108,247	3.85
Mr Darwall and family	2,977,013	3.69
Legal & General Investment Management	2,921,995	3.62
SVM Asset Management	2,642,114	3.28

The directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

Corporate Governance

The FRC Combined Code on Corporate Governance

Application of the AITC Code's Principles

This statement describes how the principles of the revised AITC Code of Corporate Governance ('the AITC Code') issued by the Association of Investment Trust Companies in February 2006, have been applied to the affairs of the Company. Prior to February 2006 the Company reported on how it had complied with the Combined Code on Corporate Governance issued by the Financial Reporting Council ('the FRC') in July 2003. In February 2006, the FRC confirmed that investment trust companies who report against the revised AITC Code (instead of the Combined Code on Corporate Governance) will be deemed to have met their obligations under paragraph 9.8.6 of the Listing Rules.

The principles laid down by the two Codes are similar but there are some areas where the AITC is more specifically applicable to investment trust companies. In complying with the AITC Code, the Company is not required to report on the role of chief executive, executive directors' remuneration and the need for an internal audit function which are all irrelevant to investment trust companies.

The AITC Code comprises 21 principles. The Directors attach importance to the matters set out in the AITC Code and believe that, during the period under review, they have complied with all of the principles of the AITC Code.

REPORT OF THE DIRECTORS

The Board

As at 31st May 2006 the Board of Directors comprised five Non-Executive Directors of whom three were independent of the Investment Manager.

Mr H M Priestley 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 at least at every third subsequent Annual General Meeting with the exception to Mr A F C Darwall who, as a Director of Jupiter Asset Management Limited, the Company's Investment Manager, is subject to annual re-election.

As at 31st May 2006 Mr A F C Darwall, being a director of both Jupiter Asset Management Limited and Jupiter International Group PLC, was considered a non independent director. Likewise Mr J W Robinson, being a Director of Jupiter Global Green Investment Trust PLC which as at that date was also managed by Jupiter Asset Management Limited, was classified as a non-independent director. Jupiter Global Green Investment Trust PLC was put into voluntary liquidation on 8th June 2006 and, as of that date, it was no longer under the management of Jupiter Asset Management Limited. Therefore, as of 8th June 2006, Mr Robinson became an independent director of the Company. The Board does not consider it appropriate that Directors should be appointed for a specific term.

Although no formal training in Corporate Governance is given to Directors, the directors are kept up-to-date on Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary and the AITC.

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.

During the year to 31st May 2006 the board adopted a schedule of items specifically reserved for its decision.

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.

REPORT OF THE DIRECTORS

Directors' Performance Evaluation

The Board has established an informal system for the evaluation of its own performance and that of individual Directors. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services to external providers.

The independent directors undertake on an annual basis a verbal assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Manager and other key service providers. The Board will also evaluate and confirm the effectiveness of any of the Directors who may be proposed for re-election at an Annual General Meeting of the Company. Mr Robinson and Mr Darwall, whose biographical details are set out on page 4, are being proposed for re-election at the forthcoming Annual General Meeting and the Board is pleased to confirm that each of the Directors being put forward for re-election continue to perform effectively and demonstrate commitment to their roles.

Directors' Remuneration

No Director has a service contract with the Company and details of the Directors' fees are shown on page 27. 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.

Directors' Attendance

There were 5 scheduled Board meetings and one formal Audit Committee meeting held during the year all of which were attended by the relevant Directors with the exception of Mr Robinson who could not attend one Board meeting and the Annual General Meeting. All of the Directors except Mr Robinson attended the Annual General Meeting on 20th September 2005.

Shareholder Relations

All 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 deemed by the Board not to be 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 and fact sheets are published monthly on the Investment Manager's website, www.jupiteronline.co.uk.

The Board has not established a formal process for ensuring that each Director develops an understanding of the views of major shareholders. However, regular contact with major shareholders is undertaken by the Company's corporate brokers and the corporate finance executive of the Investment Manager. Any issues raised by major shareholders are reported to the Board on a regular basis.

REPORT OF THE DIRECTORS

The Board also receives details of all correspondence with major shareholders and the Chairman and individual Directors are willing to meet major shareholders to discuss any particular items of concern regarding the performance of the Company. The Chairman, Directors and Investment Manager are also available to answer any questions which may be raised by any shareholder at the Company's Annual General Meeting.

Exercise of voting powers

The Board and the Investment Manager believe that shareholders have a vital role in encouraging a higher level of corporate performance and therefore adopt a positive approach to corporate governance. The Investment Manager follows the Combined Code as its standard approach to corporate governance voting for UK listed companies. As a long term participant in the socially responsible investment ('SRI') industry, the Investment Manager believes that corporate governance should be extended to include environmental, social and ethical issues and is able to seek specialist advice from Jupiter's SRI and Governance Team who offer a programme of constructive dialogue and engagement with companies in which your Company has invested.

In line with the Institutional Shareholders' Committee's Statement of Principles – The responsibilities of Institutional Shareholders and Agents – the Board and the Investment Manager believe that institutional investors should exercise their corporate governance rights including voting at general meetings. In deciding how to vote the Investment Manager subscribes to a number of leading providers of corporate governance research (NAPF and ABI) in addition to applying its own policy. All contentious issues are identified and, where necessary (and where timescales permit) have been discussed with companies and corporate governance providers. The Investment Manager ensures that its policy is voted in practice and timely voting decisions made.

From time to time resolutions will be brought to Annual General Meetings by third parties encouraging companies to address specific environmental and/or social concerns. In such instances, the Jupiter SRI and Governance Team will discuss their views with the portfolio manager and the company if appropriate. The Investment Manager will then vote for what it considers to be in the best financial interests of shareholders, whilst having regard for any specific environmental and/or social concerns unless otherwise directed.

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 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 which accords with the Turnbull guidance on internal controls 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 year under review and to the date of signing the accounts.

The Company receives services from Jupiter Asset Management Limited and Jupiter Administration Services Limited (the 'Administrator') relating to its investment management and administration activities. Documented contractual arrangements are in place with Jupiter Asset

REPORT OF THE DIRECTORS

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 their reporting accountants. This 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 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 Administrator and the key business disaster recovery plans. By way of the procedures described above the Board intends to review the procedures in place to manage the risks to the Company on an annual basis.

Audit Committee

The Board has established and approved written terms of reference of an Audit Committee of the four Independent Non-Executive Directors which meets at least twice a year, once formally to consider the financial reporting by the Company, the internal controls and relations with the Company's external auditors. In addition, it reviews the independence and objectivity of the auditors with particular regard to the non audit fees relating to the provision of taxation services. Notwithstanding the provision of such non audit services, the Board considers Ernst & Young LLP to be independent of the Company.

The Board having reviewed the effectiveness of the internal control systems of the 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.

The Audit Committee met formally once during the year to receive and consider the report of the Company's auditors and to approve the Company's Annual Report and Accounts for the year ended 31st May 2005. The Audit Committee also gave consideration to the performance of those Board members seeking re-election and to the performance of the Board as a whole. Consideration was also given to the performance and administration of the Company by the portfolio manager. All the independent Directors attended this meeting. On an informal basis the Board as a whole give consideration to the audit plan of the year and the Interim Report of the Company at the appropriate time.

Audit Information

The Directors are not aware of any relevant audit information of which the Group's auditors are unaware. The Directors also confirm that they have taken all the steps required of a company director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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.

REPORT OF THE DIRECTORS

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 and with the Turnbull guidance on internal controls throughout the year.

Appointment of the Investment Manager

The independent 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 payment is set out in note 19 of the accounts on pages 49 to 50.

The Directors believe that it is in the best interests of all shareholders for the Company to continue the appointment of the Investment Manager on its existing terms of appointment. The individual at the Investment Manager who is responsible for the day to day management of the Company's portfolio, Alex Darwall, has extensive experience and an exemplary record of good performance for the various European funds under his management.

Having regard to the Company's excellent long term performance against its benchmark index since the Company's launch in November 2000, the Directors are of the view that the portfolio should remain under Jupiter Asset Management Limited's stewardship for the foreseeable future.

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.

Directors and Company Secretary Indemnification

The Company has indemnified its Directors and Company Secretary against certain civil claims brought by third parties and associated legal costs to the extent that they are permitted by the Companies (Audit, Investigations and Community Enterprise) Act 2004.

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.

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be submitted to the Annual General Meeting.

REPORT OF THE DIRECTORS

Special Business at the Annual General Meeting

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

Resolution 6 Authority to Allot Shares for Cash

The Directors may only allot shares for cash or sell shares held in treasury (other than by way of offer to all existing shareholders pro rata to their shareholdings) if they are authorised to do so by shareholders in general meeting. This resolution seeks authority for the Directors to allot Ordinary Shares for cash or sell Ordinary Shares held in treasury up to a nominal amount of £80,665 without first offering them to existing shareholders. This sum represents 8,066,472 Ordinary Shares of 1p each being equivalent to 10 per cent. of the current issued share capital. The Directors will only use this authority where it believes that it is in the best interest of the Company to issue Ordinary Shares for cash or sell Ordinary Shares held in treasury.

Resolution 7 Authority to buy back shares

Resolution 7 seeks shareholder approval for the Company to renew the power to purchase its own Ordinary Shares. The Board believes that the ability of the Company to purchase its own shares in the market will potentially benefit all shareholders of the Company. The purchase of Ordinary Shares at a discount to the underlying net asset value would enhance the net asset value on the remaining Ordinary Shares if they were cancelled on repurchase or reissued (as treasury shares) at a lesser discount than that on which they were first repurchased.

The Company is seeking shareholder approval to repurchase up to 12,091,641 Ordinary Shares, representing 14.99 per cent. of the Company's issued share capital (the maximum permitted under the Listing Rules) at a price that is not less than 1p per Ordinary Share (the nominal value of each Ordinary Share) and not more than 5 per cent. above the average of the middle market quotations for the five business days preceding the day of purchase. The authority being sought will last until the date of the next Annual General Meeting or, if less, for a period of 15 months. The decision as to whether to repurchase any Ordinary Shares will be at the absolute discretion of the Board. Ordinary Shares repurchased under this authority may either be held by the Company in treasury for resale (up to a maximum of 10 per cent. of the issued Ordinary Shares) or cancelled. The Company will fund any purchases by utilising existing cash resources or loan facilities.

The Board has determined the following policies in respect of the Investment Manager's discretion in the use of treasury shares. In the event that treasury shares are not reissued to the market within six months of their date of purchase they will automatically be cancelled. During any period in which treasury shares are held by the Company the Investment Manager will publish both a diluted and an undiluted estimate of net asset value for its Ordinary Shares (to reflect their attributable value if the Ordinary Shares were either to be reissued or cancelled on the date of valuation). The Investment Manager shall not repurchase Ordinary Shares for treasury at a discount to net asset value of less than 10 per cent. on the date or purchase. The number of treasury shares that may be held for reissue at any one time will be limited to 10 per cent. of the shares in issue. Treasury shares will only be reissued at a lesser discount to net asset value than that at which they were acquired. Any treasury shares will only be reissued at a price not less than the market bid price at the time of purchase.

REPORT OF THE DIRECTORS

The Board has considered carefully the pros and cons of restricting the reissue of treasury shares at prices in excess of their net asset value and has concluded that the maximum flexibility for the Investment Manager in the use of this facility is in the interests of shareholders. In any event, the Board would be free to issue either treasury or new Ordinary Shares at prices in excess of net asset value if the opportunity were to arise.

Accordingly shareholders will also be asked at the Annual General Meeting to approve resolution 6 which will dis-apply the statutory pre-emption rights over the new issue of Ordinary Shares on the reissue of shares from treasury. This will enable the Company to sell Ordinary Shares held in treasury (or issue new Ordinary Shares for cash) without having to make a pro rata offer to all shareholders.

By Order of the Board
Jupiter Asset Management Limited
Secretaries

For and on behalf of
JUPITER ASSET MANAGEMENT LIMITED
.... Secretaries

7th September 2006

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to 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 pages 29 to 30.

Directors' Fees

The Directors of Jupiter European Opportunities 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 is £15,000. 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

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.

Director	*Date of Appointment*	*Due date for Re-election*
HM Priestley	31/10/00	AGM 2008*
AFC Darwall	19/08/04	AGM 2006
Sir M Goulding, KCMG	31/10/00	AGM 2007
JW Robinson	31/10/00	AGM 2006
JDA Wallinger	31/10/00	AGM 2008*

* The Directors' will be re-elected at these dates if the Company were to continue in existence beyond its planned wind up date of 29th February 2008.

Policy on 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 as listed on page 4 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 reviewed since the launch of the Company in October 2000 and there is no intention at present to increase such fees.

DIRECTORS' REMUNERATION REPORT

Directors' emoluments for the year (audited)

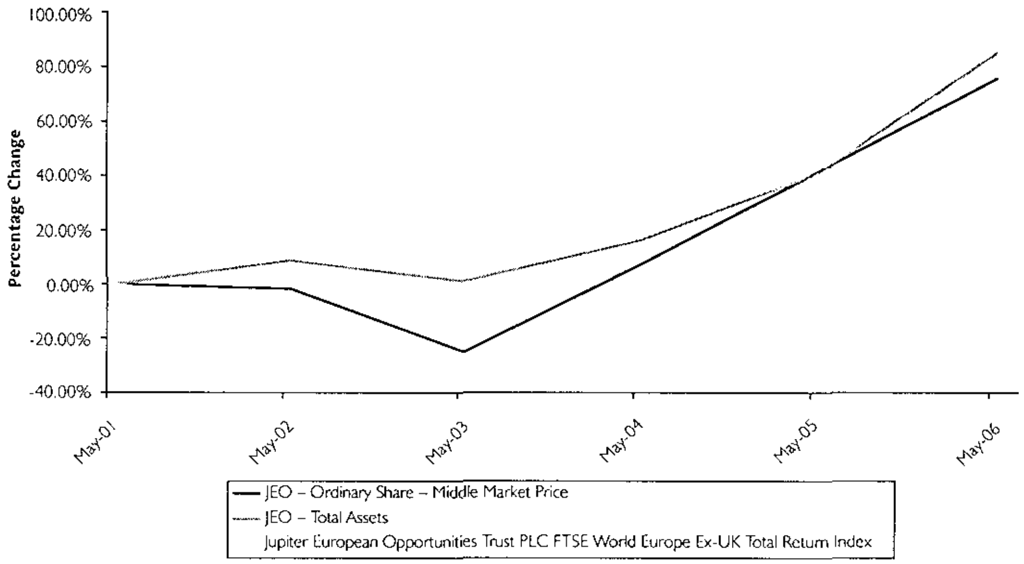
	Total fees for the year ended 31st May 2006 £	*Total fees for the year ended 31st May 2005* £
H M Priestley	18,000	18,000
J C R D'Albiac (resigned 23rd September 2004)	–	4,715
A F C Darwall* (appointed 19th August 2004)	15,000	11,250
Sir M Goulding, KCMG	15,000	15,000
J W Robinson	15,000	15,000
J D A Wallinger	15,000	15,000
	78,000	78,965

*Fees paid to Jupiter Asset Management Limited.

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 World Europe ex UK Total Return Index. The FTSE World Europe ex UK Total Return Index has been chosen as the most suitable benchmark against which to measure the performance of the Company.

Year on Year Performance from 31st May 2001 to 31st May 2006



The graph is provided in accordance to Schedule 7A of the Companies Act 1985.

By Order of the Board
Jupiter Asset Management Limited
Secretaries
7th September 2006

For and on behalf of
JUPITER ASSET MANAGEMENT LIMITED
Secretaries

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

(i) select suitable accounting policies and then apply them consistently;

(ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(iii) provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

(iv) state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUPITER EUROPEAN OPPORTUNITIES TRUST PLC

We have audited the Group and Company financial statements (the 'financial statements') of Jupiter European Opportunities Trust PLC for the year ended 31st May 2006 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Change in Shareholders' Equity and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

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 and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, 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 and Article 4 of the IAS Regulation and whether the information given in the directors' report is consistent with the financial statements.

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

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Investment Policy, Company Information, Directors, Financial Highlights, Winding up, Chairman's Statement, Manager's Review, Twenty Largest Investments, Classification of Investments, Report of the Directors, the unaudited part of the Directors' Remuneration Report and the Notice of Annual General Meeting. We consider the implications for our report if we become aware of any

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUPITER EUROPEAN OPPORTUNITIES TRUST PLC

apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 group's and 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31st May 2006 and of its net return for the year then ended;

- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31st May 2006;

- 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 and Article 4 of the IAS Regulation; and

- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

7th September 2006

CONSOLIDATED INCOME STATEMENT

for the year ended 31st May 2006

	Note	Revenue return £'000	Capital return £'000	2006 Total return £'000	Revenue return £'000	Capital return £'000	2005 (Restated see notes 21 and 22) Total return £'000
Gains on investments at fair value through profit or loss	8	–	27,113	27,113	–	20,848	20,848
Foreign exchange losses on loan		–	(195)	(195)	–	(168)	(168)
Other exchange gains/(losses)		–	–	–	–	(4)	(4)
		–	26,918	26,918	–	20,676	20,676
Investment income		2,765	–	2,765	1,970	–	1,970
Dealing profits of subsidiary	13	59	–	59	253	–	253
Foreign exchange gains/(losses) by subsidiary	13	14	–	14	(5)	–	(5)
Total income	2	2,838	26,918	29,756	2,218	20,676	22,894
Investment management fee	3	(1,243)	–	(1,243)	(962)	–	(962)
Investment performance fee	3	–	–	–	(1,524)	(1,524)	
Other expenses	4	(290)	–	(290)	(376)	–	(376)
Total expenses		(1,533)	–	(1,533)	(1,338)	(1,524)	(2,862)
Profit before finance costs and tax		1,305	26,918	28,223	880	19,152	20,032
Finance costs	5	(514)	–	(514)	(312)	–	(312)
Profit before taxation		791	26,918	27,709	568	19,152	19,720
Taxation	6	(337)	–	(337)	(124)	–	(124)
Profit after taxation		454	26,918	27,372	444	19,152	19,596
Return per Ordinary Share	7	0.56p	33.37p	33.93p	0.55p	23.74p	24.29p

The total column of this statement is the income statement of the Group. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Trust Companies ('AITC').

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

No operations were acquired or discontinued during the year.

The notes on pages 37 to 53 form part of these accounts.

CONSOLIDATED BALANCE SHEET

as at 31st May 2006

	Note	2006 £'000	2005 (Restated see notes 21 and 22) £'000
Non current assets			
Investments held at fair value through profit or loss	8	154,390	118,508
Current assets			
Investments	9	3,194	1,525
Receivables	10	2,221	401
Cash and cash equivalents		–	41
		5,415	1,967
Total assets		159,805	120,475
Current liabilities	11	(4,878)	(2,796)
Total assets less current liabilities		154,927	117,679
Non current liabilities			
Bank loan	12	(19,835)	(9,959)
Net Assets		135,092	107,720
Capital and reserves			
Called up share capital	14	807	807
Share premium		38,843	38,843
Special reserve		37,597	37,597
Redemption reserve		22	22
Retained earnings	15	57,823	30,451
Total equity		135,092	107,720
Net asset value per Ordinary Share	16	167.47p	133.54p

Approved by the Board of Directors and authorised for issue on 7th September 2006.

H M Priestley Chairman

The notes on pages 37 to 53 form part of these accounts.

COMPANY BALANCE SHEET

as at 31st May 2005

	Note	2006 £'000	2005 (Restated see notes 21 and 22) £'000
Non current assets			
Investments held at fair value through profit or loss	8	154,390	118,508
Current assets			
Receivables	10	3,122	399
Cash and cash equivalents		–	41
		3,122	440
Total assets		157,512	118,948
Current liabilities	11	(4,853)	(3,466)
Total assets less current liabilities		152,659	115,482
Non current liabilities			
Bank loan	12	(19,835)	(9,959)
Net Assets		132,824	105,523
Capital and reserves			
Called up share capital	14	807	807
Share premium		38,843	38,843
Special reserve		37,597	37,597
Redemption reserve		22	22
Retained earnings	15	55,555	28,254
Total equity		132,824	105,523

Approved by the Board of Directors and authorised for issue on 7th September 2006.

H M Priestley Chairman

The notes on pages 37 to 53 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	*Share Premium £'000*	*Special Reserve £'000*	*Redemption Reserve £'000*	*Retained Earnings £'000*	*Total £'000*
For the year ended 31st May 2006						
31st May 2005	807	38,843	37,597	22	30,451	107,720
Net profit for the year	–	–	–	–	27,372	27,372
Balance at 31st May 2006	807	38,843	37,597	22	57,823	135,092
For the year ended 31st May 2005						
31st May 2004	807	38,843	37,597	22	10,855	88,124
Net profit for the year	–	–	–	–	19,596	19,596
Balance at 31st May 2005	807	38,843	37,597	22	30,451	107,720

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	*Share Premium £'000*	*Special Reserve £'000*	*Redemption Reserve £'000*	*Retained Earnings £'000*	*Total £'000*
For the year ended 31st May 2006						
31st May 2005	807	38,843	37,597	22	28,254	105,523
Net profit for the year	–	–	–	–	27,301	27,301
Balance at 31st May 2006	807	38,843	37,597	22	55,555	132,824
For the year ended 31st May 2005						
31st May 2004	807	38,843	37,597	22	8,884	86,153
Net profit for the year	–	–	–	–	19,370	19,370
Balance at 31st May 2005	807	38,843	37,597	22	28,254	105,523

The notes on pages 37 to 53 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st May 2006

	Note	2006 £'000	2005 (Restated see notes 21 and 22) £'000
Cash flows from operating activities			
Purchases of investments		(65,276)	(41,874)
Sales of investments		55,201	38,256
Realised losses on foreign currency		–	(4)
Investment income received		2,737	1,885
Deposit interest received		17	60
Investment management fee paid		(1,116)	(666)
Sales less purchases of dealing subsidiary		(2,120)	(202)
Other cash receipts		73	–
Other cash expenses		(1,794)	(357)
Net cash outflow from operating activities before finance costs and taxation	17	(12,278)	(2,902)
Finance costs		(446)	(312)
Taxation		(452)	(127)
Net cash outflow from operating activities		(13,176)	(3,341)
Financing activities			
Long term loan received		9,681	–
Decrease in cash		(3,495)	(3,341)
Decrease in cash and cash equivalents		(3,495)	(3,341)
Cash and cash equivalents at start of year		(520)	2,821
Cash and cash equivalents at end of year		(4,015)	(520)

The notes on pages 37 to 53 form part of these accounts.

COMPANY CASH FLOW STATEMENT

for the year ended 31st May 2006

	2006	2005
	(Restated see notes 21 and 22)	
	£'000	*£'000*
Cash flows from operating activities		
Purchases of investments	(65,276)	(41,874)
Sales of investments	55,201	38,256
Realised losses on foreign currency	–	(4)
Investment income received	2,709	1,876
Deposit interest received	15	52
Investment management fee paid	(1,116)	(666)
Other cash expenses	(1,794)	(354)
Net cash outflow from operating activities before finance costs and taxation	(10,261)	(2,714)
Finance costs	(446)	(312)
Taxation	(447)	80
	(11,154)	(2,946)
Financing activities		
Long term loan received	9,681	–
Cash paid to subsidiary	(2,022)	(395)
Decrease in cash	(3,495)	(3,341)
Change in cash and cash equivalents	(3,495)	(3,341)
Cash and cash equivalents at start of year	(520)	2,821
Cash and cash equivalents at end of year	(4,015)	(520)

The notes on pages 37 to 53 form part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31st May 2006

1. Accounting policies

The consolidated accounts comprise the financial results of the Company and its subsidiary JEOT Securities Limited for the year to 31st May 2006. The accounts are presented in pounds sterling, as this is the functional currency of the Group. The consolidated accounts were authorised for issue in accordance with a resolution of the Directors on 7th September 2006. All values are rounded to the nearest thousand pounds (£'000) except where indicated.

These are the first annual accounts to be prepared in accordance with International Financial Reporting Standards (IFRS). Previously the accounts were prepared in accordance with UK General Accepted Accounting Practice (UK GAAP) including the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. UK GAAP differs in certain respects from IFRS. When preparing the accounts to 31st May 2006, the Directors have amended certain accounting and valuation methods applied in the UK GAAP accounts to comply with IFRS as follows:

Investments valued at fair value (bid price) rather than mid-market value; and

No equity dividend accrued unless declared.

Transaction costs are expensed as they are incurred rather than carried as part of the cost of investment.

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue includes dividends from investments quoted ex-dividend on or before the balance sheet date.

Deposit and other interest receivable, expenses and interest payable are accounted for on an accruals basis.

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Presentation of income statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AITC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend.

An analysis of retained earnings broken down into revenue items, which may be distributed as dividends, and capital items is given in note 15. The Company's Articles prevent the distribution of capital profits. In arriving at this breakdown, expenses have been presented as revenue items except any performance fees payable are allocated wholly to capital, reflecting the fact that, although they are calculated on a total return basis, they are expected to be attributable largely, if not wholly, to capital performance.

Investments

Investments are recognised and derecognised on a trade date where a purchase and sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, being the consideration given.

All investments are classified as held at fair value through profit or loss. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated income statement as 'Gains on investments at fair value through profit or loss'. The fair value of listed investments is based on their quoted bid market price at the balance sheet date without any deduction for estimated future selling costs.

Foreign exchange gains and losses on fair value through profit and loss investments are included within the changes in the fair value of the investment.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risks of changes in value.

Borrowing costs

Borrowing costs are recognised in profit and loss in the period in which they are incurred. All borrowing costs are directly charged to revenue.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future 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 temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

Investment Trusts which have approval under section 842 of the Income and Corporation Taxes Act 1988 are not liable for taxation of capital gains.

NOTES TO THE ACCOUNTS

2. Income

	2006 Group £'000	2005 Group £'000
Income from investments		
Dividend from United Kingdom companies	604	346
Dividends from overseas companies	2,148	1,561
	2,752	1,907
Other income		
Deposit interest	13	63
Profit on dealings by subsidiary	73	248
	86	311
Total income	2,838	2,218
Total income comprises		
Dividends	2,752	1,907
Interest	13	63
Other income	73	248
	2,838	2,218
Income from investments		
Listed in the UK	604	346
Listed overseas	2,148	1,561
	2,752	1,907

3. Investment management and performance fees

	2006 Group £'000	2005 Group £'000
Investment management fee	1,058	819
Irrecoverable VAT on investment management fee	185	143
Investment performance fee	–	1,297
Irrecoverable VAT on investment performance fee	–	227
	1,243	2,486

Details of the investment management contract are given in note 19.

NOTES TO THE ACCOUNTS

4. Other expenses

	2006 Group £'000	2005 Group £'000
Directors' remuneration	78	79
Auditors' remuneration – audit	22	19
– taxation	14	12
Administration fee	56	56
Other administrative expenses	120	210
	290	376

5. Finance costs

	2006 Group £'000	2005 Group £'000
Term loan	466	298
Bank overdraft	48	14
	514	312

6. Taxation

(a) Analysis of charge in year:

	2006 Group £'000	2005 Group £'000
Foreign tax suffered	337	232
Prior year adjustment to corporation tax	–	(40)
Prior year adjustment to foreign tax	–	(40)
Avoir fiscal	–	(28)
Total current tax (see Note 6b)	337	124

NOTES TO THE ACCOUNTS

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 for a company (30%) (2005: 30%). The differences are explained below:

	2006 Group £'000	*2005 Group £'000*
Net gain before taxation	27,709	19,720
Less Capital gain	(26,918)	(19,152)
	791	568
Corporation tax at 30%	237	170
Effects of:		
UK dividend income not taxable	(181)	(104)
Overseas dividends taxable on receipt	30	(10)
Overseas tax	306	232
Avoir fiscal	–	(20)
Excess expenses for the year	(61)	387
Adjustments in respect of prior periods	–	(39)
Prior year adjustment to foreign tax	–	(40)
Allowable expenses in capital	–	(457)
Expenses not deductible for tax purposes	6	5
Current tax charge for the year	337	124

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 deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(c) There is an unrecognised deferred tax asset of £1,278,000 (2005: £847,000) which consists of non trading loan relationship deficits and excess unrelieved foreign tax. The deferred tax asset would only be recovered if the Group were to generate sufficient profits to utilise these expenses. It is considered too uncertain that this will occur and, therefore, no deferred tax asset has been recognised.

7. Return per Ordinary share

The return per Ordinary Share figure is based on the net profit for the year of £27,372,000 (2005: £19,596,000) and on 80,664,723 (2005: 80,664,723) Ordinary Shares, being the number of Ordinary Shares in issue during the year.

NOTES TO THE ACCOUNTS

7. Return per Ordinary Share (continued)

The return per Ordinary Share figure detailed above can be further analysed between revenue and capital, as below.

	2006	2005 (Restated see notes 21 and 22)
	£'000	£'000
Net revenue profit	454	444
Net capital profit	26,918	19,152
Net total profit	27,372	19,596
Number of Ordinary Shares in issue during the year	80,664,723	80,664,723
	pence	*pence*
Revenue return per Ordinary Share	0.56	0.55
Capital return per Ordinary Share	33.37	23.74
Total return per Ordinary Share	33.93	24.29

8. Investments held as at fair value through profit or loss

	2006 Group and Company	2005 Group and Company (Restated see notes 21 and 22)
	£'000	£'000
Portfolio Investments		
Valuation at beginning of year	118,508	93,335
Unrealised appreciation at beginning of year	(38,845)	(17,509)
Cost at beginning of year	79,663	75,826
Purchases at cost	65,193	41,957
Sales at cost	(38,444)	(38,120)
Cost at end of year	106,412	79,663
Unrealised appreciation at end of year	47,978	38,845
Valuation at end of year	154,390	118,508

	£'000	£'000
Investments listed in the UK	34,222	17,843
Investments listed overseas	120,168	100,665
	154,390	118,508

NOTES TO THE ACCOUNTS

8. Investments held as at fair value through profit or loss (continued)

Gains on investments

	2006	2005
	(Restated see notes 21 and 22)	
	£'000	£'000
Net gains realised on sale of investments	17,980	(488)
Movement in unrealised gains	9,133	21,336
Gains on investments	27,113	20,848

Transaction costs

The following transaction costs were incurred during the year:

	2006	2005
	£'000	£'000
Purchases	189	114
Sales	111	82
	300	196

The Company's subsidiary undertaking is JEOT Securities Limited, a wholly owned investment dealing company that is registered in England and Wales. JEOT Securities Limited is stated at cost of £100 in the Company's Balance Sheet.

9. Current asset investments

	2006		2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Fair value of investments held by JEOT Securities Limited and listed on a recognised investment exchange	3,194	–	1,525	–

10. Receivables

	2006		2005	
	Group £'000	Company £'000	Group £'000	Company £'000
Dividends receivable	89	89	74	74
Prepayments and accrued interest	500	24	33	32
Taxation	409	409	294	293
Sales awaiting settlement	1,223	1,223	–	–
Due from subsidiary	–	1,377	–	–
	2,221	3,122	401	399

NOTES TO THE ACCOUNTS

11. Current liabilities

	2006 Group £'000	2006 Company £'000	2005 Group £'000	2005 Company £'000
Overdraft	4,015	4,015	561	561
Interest payable	83	83	15	15
Other creditors and accruals	780	755	2,137	2,137
Purchases awaiting settlement	–	–	83	83
Due to subsidiary undertaking	–	–	–	670
	4,878	4,853	2,796	3,466

12. Non current liabilities

	2006 Group and Company £'000	2005 Group and Company £'000
Bank loan	19,835	9,959

The Company's bank loan is with Commerzbank A.G., London with a loan facility available up to a maximum of 45 per cent. of the Group's total assets but not exceeding £20 million. The amount outstanding at 31st May 2006 was £19.835 million (€28.9 million) (2005: £9.959 million (€14.7 million)). The interest rate is variable and is linked to Euribor plus a margin of 0.8 per cent. p.a. The latest all-in rate being applied to the loan is 3.6006 per cent. p.a. (2005: 2.926 per cent.).

13. Derivatives and other financial instruments

Background

The Group's financial instruments comprise securities and other investments, cash balances and term loan, 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 Group has little exposure to credit and cashflow risks.

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

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

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

NOTES TO THE ACCOUNTS

13. Derivatives and other financial instruments (continued)

Policy

(i) Foreign Currency Risk

The Group may hedge against foreign currency movements affecting the value of the investment portfolio where adverse movements are anticipated but otherwise takes account of this risk when making investment decisions.

(ii) Market Price Risk

By the very nature of its activities, the Group'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 Group takes account of this risk when making investment decisions.

(iv) Use of Derivatives

The Company's trading subsidiary, JEOT Securities Limited, will take short positions (using contracts for differences) in respect of a small number of larger capital securities.

(v) Liquidity Risk

The investments include no holdings in other split capital investment trusts and there have been no holdings in such investment trusts during the period under review.

Financial Assets

		2006 Group			*2005 Group*	
	Floating Rate £'000	*Non-Interest Bearing £'000*	*Total £'000*	*Floating Rate £'000*	*Non-Interest Bearing £'000*	*Total £'000*
Sterling	–	34,222	34,222	41	18,229	18,270
Euros	–	81,923	81,923	–	71,061	71,061
Danish Krone	–	18,384	18,384	–	18,392	18,392
Other	–	23,055	23,055	–	12,351	12,351
	–	157,584	157,584	41	120,033	120,074

The floating rate assets consist of cash deposits at call. Sterling cash deposits at call earn interest at floating rates based on daily Sterling Overnight Index Average (SONIA) rates.

The non-interest bearing assets represent the equity element of the investment portfolio and contracts for differences in JEOT Securities Limited.

NOTES TO THE ACCOUNTS

13. Derivatives and other financial instruments (continued)

Financial Liabilities

		2006		2005
		Group		Group
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Euro bank loans	19,835	19,835	9,959	9,959
Sterling overdraft	4,015	4,015	561	561
	23,850	23,850	10,520	10,520

Details of the Euro bank loans are disclosed in note 12.

Currency Exposure

The currency denomination of the Group'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. Short term debtors and creditors, which are excluded, are predominantly denominated in Sterling which is the functional currency of the Group.

Primary Financial Instruments

Both fixed asset investments and current asset investments are included in the balance sheet at market values, which represent fair values.

Financial Assets Held for Trading

The Group trades in current asset investments and other instruments through its dealing subsidiary, JEOT Securities Limited. During the year, the Group made a net gain on trading of £59,000 (2005: £253,000). Details of the value of investments held by the subsidiary as at 31st May 2006 are disclosed in note 9.

14. Called-up share capital

		2006		2005
	Number	£	Number	£
Authorised:				
Ordinary shares of 1p each	305,000,000	3,050,000	305,000,000	3,050,000
Issued called up and fully paid				
Ordinary shares of 1p each	80,664,723	806,647	80,664,723	806,647

NOTES TO THE ACCOUNTS

15. Retained earnings

The table below shows the movement in the retained earnings analysed between revenue and capital items.

			Group			Company
	Revenue £'000	Capital £'000	Total £,000	Revenue £'000	Capital £'000	Total £,000
At 31st May 2005 (as restated)	1,036	29,415	30,451	(1,161)	29,415	28,254
Net income for the year	454	26,918	27,372	383	26,918	27,301
At 31st May 2006	1,490	56,333	57,823	(778)	56,333	55,555

The Group's capital reserve includes £47,978,000 of unrealised gains (2005 restated: £38,845,000).

The Company's capital reserve includes £47,978,000 of unrealised gains (2005 restated: £38,845,000).

16. Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on the net assets attributable to the equity shareholders of £135,092,000 (2005: £107,720,000 as restated) and on 80,664,723 (2005: 80,664,723) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

17. Reconciliation of profit before finance costs and taxation to net cash outflow from operating activities

	2006 Group	2005 Group (restated see notes 21 and 22)
	£'000	£'000
Profit before finance costs and taxation	28,223	20,032
Gains on fixed asset investments	(27,113)	(20,848)
Foreign exchange losses on loan	195	168
Purchases of investments	(65,276)	(41,874)
Sales of investments	55,201	38,256
Increase in prepayments and accrued income	(182)	(39)
Increase in current asset investments	(1,969)	(455)
(Decrease)/increase in other creditors and accruals	(1,357)	1,858
Net cash outflow from operating activities before interest and taxation	(12,278)	(2,902)

NOTES TO THE ACCOUNTS

18. Analysis of changes in net debt

	1 June 2005 £'000	*Foreign Cashflow £'000*	*31st May Exchange £'000*	*2006 £'000*
Cash:				
Cash at bank	41	(41)	–	–
Bank overdraft	(561)	(3,454)	–	(4,015)
	(520)	(3,495)	–	(4,015)
Debt:				
Debts falling due after more than one year	(9,959)	(9,681)	(195)	(19,835)
Total	(10,479)	(13,176)	(195)	(23,850)

Reconciliation of net cash flow to movement in net debt

	2006 £'000	*2005 £'000*
Decrease in cash for the year	(3,495)	(3,337)
Increase in debt	(9,681)	–
Foreign exchange	(195)	(172)
Net debt at beginning of year	(10,479)	(6,970)
Net debt at the end of year	(23,850)	(10,479)

19. Related parties

Mr. Darwall is a Director of Jupiter Asset Management Limited and Jupiter International Group PLC whose subsidiaries Jupiter Asset Management Limited and Jupiter Administration Services Limited receive investment management and administration fees as set out below.

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 a quarterly fee (exclusive of VAT) of 0.1875 per cent. of the net assets of the Group excluding the value of any Jupiter managed investments payable in arrears on 31st May, 31st August, 30th November and the last calendar day of February. Management fees of £545,083 plus VAT were outstanding as at 31st May 2006 (2005: £436,018 plus VAT).

Jupiter Asset Management Limited is also entitled to an investment performance fee which is based on the out-performance of the lower of the price of an Ordinary Share or the Net Asset Value per Ordinary Share over the total return on the Benchmark Index, the FTSE World Europe ex UK total return index in an accounting period. Any performance fee payable will equal 15 per cent. of the amount by which the increase in the lower of the price of an Ordinary Share (plus any dividends per Ordinary Share paid during the period) or the Net Asset Value per Ordinary Share (plus any dividends per Ordinary Share paid or payable and any accrual for unpaid performance fees for the period) exceeds the higher of (a) the closing price of an Ordinary Share or the Net Asset Value per Ordinary Share on the last

NOTES TO THE ACCOUNTS

19. Related parties (continued)

business day of the previous accounting period (whichever is the lower); (b) the lower of the price of an Ordinary Share or the Net Asset Value per Ordinary Share (as the case may be) on the last day of a period in respect of which a performance fee was last paid: and (c) 100p. In each case the values of (a), (b) and (c) are increased by the percentage by which the total return of the Benchmark Index increases or decreases during the calculation period. The total amount of any performance fee payable in respect of one accounting period is limited to 7.5 per cent. of the Total Assets of the Company. No performance fee was payable for the year ended 31st May 2006 (2005: £1,297,088 plus VAT).

Jupiter Administration Services Limited is contracted to provide secretarial, accounting and administrative services to the Company for an annual fee of £56,207 (plus VAT) adjusted each year in line with the Retail Price Index payable quarterly (2005: £55,798 plus VAT). None of the fee payable for the year ended 31st May 2006 was outstanding at the year end (2005: Nil).

Commerzbank, the ultimate parent company of Jupiter International Group PLC, has committed a 7¼ year multi-currency revolving credit facility of up to a maximum of 45 per cent. of the Group's total assets but not exceeding £20 million. The outstanding balance of the loan was £19,835,000 as at 31st May 2006 (2005: £9,959,000).

The Company has invested from time to time in funds managed by Jupiter International Group PLC or its subsidiaries. The only such holding as at 31st May 2006 was East European Food Fund representing 0.4 per cent. of total investments.

20. *Contingent liabilities and capital commitments*

There were no contingent liabilities in respect of investments not fully called up (2005: nil) and none in respect of underwriting as at 31st May 2006 (2005: nil).

21. IFRS restatement

The restatement has been prepared on the basis of all IFRSs currently issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC) effective for 2005 reporting and adopted by the European Union. The Company has prepared its restatement based on a transition date of 1st June 2005. The company has not relied on any exemptions in IFRS 1.

When preparing the accounts to 31st May 2006, the Directors have amended the UK GAAP accounts to comply with IFRS as follows:

(a) Under IAS 39 – 'Financial instruments recognition and measurement'; quoted investments previously reported at mid-market value are now shown at bid price and classified as 'investments held at fair value through profit or loss'. The effect of these changes is recorded in the Income Statement.

(b) Under UK GAAP the profit and loss account of the Group was the revenue column of the Statement of Total Return. However, under IFRS, the profit and loss account is now the total column of the Income Statement. As a result all of the items in the capital column of the income statement form part of the profit or loss of the Group.

NOTES TO THE ACCOUNTS

22. (a) Restatement of balances as at and for the year ended 31st May 2005

At 1st June 2005 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1 (First Time Adoption of International Financial Reporting Standards) the following is a reconciliation of the results as at and for the year ended 31st May 2005, previously reported under the applicable UK Accounting Standards and the SORP, to the restated IFRS results.

	Note	*Previously reported 31st May 2005 Audited £'000*	*Effect of transition to IFRS £'000*	*Restated 31st May 2005 £'000*
Investments	1	118,568	(60)	118,508
Current assets		1,967		1,967
Creditors: amounts falling due within one year		(2,796)		(2,796)
Total assets less current liabilities		117,739		117,679
Creditors: amounts falling due after more than one year		(9,959)		(9,959)
		107,780		107,720
Capital and reserves				
Called up share capital		807		807
Share premium		38,843		38,843
Special reserve		37,597		37,597
Redemption reserve		22		22
Capital reserve – realised	2	(8,044)	8,044	–
Capital reserve – unrealised	2	37,519	(37,519)	–
Revenue reserve	2	1,036	(1,036)	–
Retained earnings	2	–	30,451	30,451
		107,780		107,720

Notes to the reconciliation

1. Investments are designated as held at fair value through profit or loss under IFRS and are carried at bid prices which total their fair value of £118,508,000. Previously, under UK GAAP they were carried at mid prices. The aggregate differences, being a revaluation downwards of £60,000, also decrease retained earnings.

2. Under IFRS, there is no differentiation between capital and revenue gains/losses. The previous headings of Capital reserve – realised and Capital reserve – unrealised are now included under the heading Retained earnings.

NOTES TO THE ACCOUNTS

22. (b) Reconciliation of the Statement of Total Return to the Income Statement for the year ended 31st May 2005

Under IFRS the Income Statement is the equivalent of the Statement of Total Return reported previously.

	31st May 2005 £'000	*EPS impact in pence*
Total transfer to reserves per the Statement of Total Return	19,656	–
Investments held at fair value changed from mid to bid basis at 31st May 2004	–	–
Investments held at fair value changed from mid to bid basis at 31st May 2005	(60)	(0.07)
Net profit per the Income Statement	19,596	(0.07)

The portfolio valuations at 31st May 2004 and 31st May 2005 are required to be valued at fair value under IFRS. These values differ from the previous valuations by £nil and £60,000 respectively.

23. Restatement of opening balances as at 31st May 2004

At 1st June 2005 the Company adopted International Financial Reporting Standards. In accordance with IFRS 1 (First Time Adoption of International Financial Reporting Standards) the following is a reconciliation of the results as at and for the year ended 31st May 2004, previously reported under the applicable UK Accounting Standards and with the SORP, to the restated IFRS results.

	Note	*Previously reported 31st May 2004 Audited £'000*	*Effect of transition to IFRS £'000*	*Restated 31st May 2004 £'000*
Investments	1	93,335		93,335
Current assets		5,039		5,039
Creditors: amounts falling due within one year		(459)		(459)
Total assets less current liabilities		97,915		97,915
Creditors: amounts falling due *after more than one year*		(9,791)		(9,791)
		88,124		88,124

NOTES TO THE ACCOUNTS

23. Restatement of opening balances as at 31st May 2004 (continued)

Capital and reserves				
Called up share capital		807		807
Share premium		38,843		38,843
Special reserve		37,597		37,597
Redemption reserve		22		22
Capital reserve – realised	2	(6,028)	6,028	–
Capital reserve – unrealised	2	16,291	(16,291)	–
Revenue reserve	2	592	(592)	–
Retained earnings	2	–	10,855	10,855
		88,124		88,124

Notes to the reconciliation

1. Investments are designated as held at fair value through profit or loss under IFRS and are carried at bid prices which total their fair value of £93,335,000. They were carried at mid prices previously under UK GAAP. The aggregate difference is nil.

2. Under IFRS, there is no differentiation between capital and revenue gains/losses. The previous headings of Capital reserve – realised and Capital reserve – unrealised are now included under the heading Retained earnings.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixth Annual General Meeting of Jupiter European Opportunities Trust PLC will be held at 1 Grosvenor Place, London SW1X 7JJ on 3rd October 2006 at 12.00 noon for the following purposes:–

ORDINARY BUSINESS

1. That the Report of the Directors and the audited Accounts for the year ended 31st May 2006 be received and adopted.

2. That the Directors' Remuneration Report for the year ended 31st May 2006 be approved.

3. That Mr. J W Robinson be re-elected a Director of the Company.

4. That Mr. A F C Darwall be re-elected a Director of the Company.

5. That Ernst & Young LLP be re-appointed as auditors of the Company and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

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

6. That

   (i) The Directors of the Company are hereby granted power, pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash, pursuant to the authority previously conferred on them, and to sell equity securities which are held by the Company in treasury, as if Section 89(1) of the Act did not apply to any such allotment and sales. Provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, except that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted or sold after such expiry, and the Directors may allot or sell equity securities pursuant to such offer or agreement as if the power hereby conferred had not expired.

   (ii) All authorities previously conferred under Section 95 of the Act be and they are hereby revoked provided that such revocation shall not have retrospective effect.

7. That the Company be generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of Ordinary Shares of 1p each in the capital of the Company ('Ordinary Shares') provided that:

   (i) The maximum aggregate number of Ordinary Shares authorised to be purchased is 12,091,641 or, if less, the number representing 14.99 per cent. of the issued Ordinary Share capital of the Company at the date of the meeting at which this resolution is proposed;

   (ii) The minimum price which may be paid for an Ordinary Share is 1p;

NOTICE OF ANNUAL GENERAL MEETING

(iii) The maximum price (excluding expenses of such purchase) which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Share is purchased;

(iv) This authority expires at the conclusion of the Annual General Meeting of the Company to be held in 2005 or within 15 months from the date of the passing of this resolution whichever is earlier; and

(v) The Company may make a contract to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract.

1 Grosvenor Place
London SW1X 7JJ
7th September 2006

By Order of the Board
Jupiter Asset Management Limited
Secretaries

Notes:

1. A Member 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, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than forty-eight hours before the meeting.

2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that to be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members at 12.00 noon on 29th September 2006. If the Meeting is adjourned then, to be so entitled, Members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

3. No Director has a service contract with the Company.