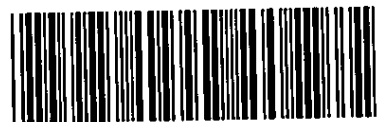


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*Electric & General
Investment Trust plc*

Annual Report & Accounts
for the period ended
30 June 2007

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COMPANIES HOUSE

CONTENTS

1	Company Profile, Benchmark Financial Highlights, Dividend and Performance
2	Historical Record
3	Growth in Net Asset Value and Share Price and NAV per Share Performance
4	Company Information and Reporting and Financial Calendar
5	Directors
6	Investment Manager
7-9	Chairman's Statement
10	Portfolio Analysis by Asset Category, Country and Currency Exposure
11	Analysis of Investments by Sector
12-13	Portfolio Valuation
14-15	Ten Largest Investments
16-19	Report of the Directors
20-22	Corporate Governance
23	Directors' Remuneration Report
24	Income Statement
25	Balance Sheet
26	Reconciliation of Movements in Shareholders' Funds
27	Cash Flow Statement
28-36	Notes to the Accounts
37	Report of the Independent Auditor
38-39	Notice of Meeting
40	Capital Gains Tax Information

ELECTRIC & GENERAL INVESTMENT TRUST PLC

COMPANY PROFILE

**The aim of the Company is to produce above average capital growth
by investing in an international portfolio of companies.**

BENCHMARK

Performance is measured against the MSCI World Index (Sterling excluding income)

FINANCIAL HIGHLIGHTS

	Period ended 30 June 2007	Year ended 31 May 2006	
Per ordinary share	Pence	Pence	% change
Net asset value – as per final accounts	483 09	406 76	18 8
Share price	428 00	377 50	13 4
Revenue return per share	9 47	6 54	44 8
Total return per share	82 01	80 85	1 4
Dividend	7 19	5 70	26 1

DIVIDEND

An interim dividend of 2 00p (2006 1 85p) was paid to ordinary shareholders on 22 February 2007

A final dividend of 5 19p (2006 3 85p) per ordinary share is being recommended to shareholders for approval for payment on 18 October 2007 to shareholders on the register on 14 September 2007

PERFORMANCE

Capital returns per ordinary share	1 year base 100	3 years base 100	5 years base 100
Net asset value [†]	118 5	166 9	168 9
Share price [#]	113 0	169 5	172 6
Peer group category size weighted average [†]	118 8	173 2	182 6
Benchmark [*]	111 7	136 7	134 7

[†] Source AIC – Capital return

[#] Source Bloomberg

^{*} Benchmark MSCI World Index (Sterling excluding income)

HISTORICAL RECORD

Year to 31 May	Total assets less current liabilities in £ 000	Net asset value per ordinary share in pence	Mid-market price per ordinary share in pence	Discount/ (premium) %	Revenue return per ordinary share in pence	Dividend per ordinary share in pence
1997	289,170	302 7	274 5	9 3	4 30	3 80
1998	350,811	380 1	358 3	5 8	4 85	4 00
1999	373,616	394 0	348 5	11 6	5 39	4 00
2000	501,786	526 5	468 0	11 1	3 61	4 00
2001	413,998	419 7	399 0	5 0	4 72	4 00
2002	319,248	337 5	286 0	15 3	4 56	4 20
2003	248,701	266 6	214 0	19 7	5 11	4 40
2004	264,349	294 2	247 0	16 0	5 36	4 75
2005*	225,679	333 8	304 0	8 9	6 94	7 85
2006	275,307	406 8	377 5	7 2	6 54	5 70
2007 #	323,787	483 1	428.0	11 4	9.47	7 19

Year end date has been changed to 30 June 2007. As a result the 2007 information is for 13 months.

* In 2005 the Company paid a special dividend of 2.85 pence per ordinary share to shareholders as a consequence of the 2004 tender offer.

PERFORMANCE GRAPHS

GROWTH IN NET ASSET VALUE ("NAV") AND SHARE PRICE (EXCLUDING DIVIDENDS)

for the period from 10 September 2004 to 30 June 2007 (10 September 2004 = base 100)

GRAPHIC REMOVED

NAV PER SHARE PERFORMANCE

from 10 September 2004 (rebased to £100) to 30 June 2007

GRAPHIC REMOVED

* Source Bloomberg

† Source AIC Capital Return

COMPANY INFORMATION

Directors

Lindsay C N Bury (Chairman)
Gerry P Aherne
John D W Pocock
Jonathan G Ruffer

Secretary and Registered Office

BNP Paribas Secretarial Services Limited
55 Moorgate
London EC2R 6PA

Telephone +44 (0)20 7410 2670
Facsimile +44 (0)20 7477 5849
Email secretarialservice@uk.bnpparibas.com

Manager

Taube Hodson Stonex Partners Limited
Cassini House
57-59 St James's Street
London SW1A 1LD

Registrars

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NM
Telephone 0870 707 1032

Custodian

BNP Paribas Securities Services
55 Moorgate
London EC2R 6PA
Telephone +44 (0)20 7595 2000

Auditors

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

Stockbroker

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Solicitor

Linklaters
One Silk Street
London EC2Y 8HQ

Savings Scheme Administrator

BNP Paribas Fund Services UK Limited
55 Moorgate
London EC2R 6PA
Investor helpline +44 (0)845 358 1113

Information

Share price and performance information can be found on the Company's website www.electricandgeneral.com

The Company publishes the net asset value per share daily. The market price of the shares is published in The Financial Times and other leading newspapers. The London Stock Exchange Daily Official List (SEDOL) Code is 0309019. Investors with Share Certificates (i.e. not those in the Share Plan or an ISA or PEP Scheme) can check their holding with our Registrar, Computershare Investor Services PLC. The link can be found via www.computershare.com

REPORTING AND FINANCIAL CALENDAR

Results

Interim results announced February
Year end results announced August
Annual General Meeting held October

Dividends

Interim March
Final/second interim October

Dividends can be paid to shareholders by means of BACS ("Bankers' Automated Clearing Services"). Mandate forms for this purpose are available on request from the Company's Registrar.

A member of the Association of Investment Companies
An investment company as defined under Section 266 of the Companies Act 1985
Registered in England, Number 31506

DIRECTORS

The Directors are listed below. All Directors served throughout the period and are non-executive.

Chairman

Lindsay C N Bury*

Aged 68, was appointed to the Board in 1995. Mr Bury is chairman of Bango Plc and a non-executive director of Service Power Technologies. In 2006 he came off the board of Sage Group plc where he was senior non-executive director. Earlier directorships include South Staffordshire Group where he was chairman for twelve years, ACT Group where he was a founder and director prior to the acquisition by Misys plc, Portals Holdings for twenty years prior to the acquisition by De La Rue plc and Dunbar plc, where he was a founder and director for twelve years prior to its acquisition by Allied Hambro. Other plc directorships have included Roxboro Christie Group and Unicorn plc where he was chairman. His city career includes five years at Schroders, seven years at Singer & Friedlander as well as 10 years managing the investment department at Dunbar.

Directors

Gerry P Aherne*

Aged 61, was appointed to the Board in 2003. Previously was a director of Schroder Investment Management Limited and a non-executive director of PRI Group plc. He is currently a non-executive director of Henderson Global Investors plc and Majedie Investments plc. He has spent a long career managing investments, pension funds and unit trusts, with a special interest in the insurance industry.

John D W Pocock*†

Aged 47, was appointed to the Board in 1999. Formerly CEO of Druid Group plc and subsequently a Director of Xansa plc, he is currently non-executive chairman of a number of institutionally backed UK software companies and a non-executive director of Murray VCT 4 plc.

Jonathan G Ruffer*

Aged 55, was appointed to the Board in 2001. Mr Ruffer trained as a barrister and stockbroker before moving into private client investment management in 1980, with Dunbar Fund Managers. Formerly chief investment officer of Rathbone Bros plc, he established Ruffer Investment Management Limited in 1994 and is chief executive of Ruffer LLP.

* Independent Director and member of the Audit, Nomination and Management Engagement Committees which are all chaired by Mr Bury.

† Senior Independent Director.

INVESTMENT MANAGER

Taube Hodson Stonex Partners Limited ("Taube Hodson Stonex" or "THS") is an independent fund management company which is ultimately owned by its directors John Hodson, Cato Stonex, Mark Evans and Simon Edelsten and is authorised and regulated by the Financial Services Authority. As at 30 June 2007 Taube Hodson Stonex had £10.62 billion of funds under management (excluding those of the Company).

Nils Taube retired from day to day investment management at Taube Hodson Stonex on 31 December 2006 to become a non-executive director, a post that he will relinquish on 31 December 2007.

All clients of Taube Hodson Stonex Partners Limited are managed on a collegiate basis by the individuals detailed below.

John Hodson

John has been involved in investment management for more than 30 years, first with National Employers Mutual Insurance Company and then with Dawnay Day, a small merchant bank, taking responsibility for the unit and life funds of Target Life. When Lord Rothschild took control of Dawnay Day in 1980, John went to work for Rothschild Investment Trust ("RIT") where he continued to manage the Target funds, and where he teamed up with Nils Taube. In 1983 Target was spun out of RIT as a management buy-out with John as investment director, and in 1987 Target was acquired by the TSB. In 1990 he returned to J. Rothschild Investment Management, renewing his association with Nils Taube.

Cato Stonex

Cato graduated from the London School of Economics in 1986 and joined the European government bond trading department at Morgan Grenfell. In 1989 he joined J. Rothschild Investment Management and began his association with Nils and John.

Mark Evans

Mark graduated from Bristol University in 1985 and joined Morgan Grenfell where he worked in various departments including two years spent trading German government bonds. In 1989, he moved to ING to work in the Dutch bank's emerging market debt department. In 1995 he left ING to join Montpelier Asset Management as a director and shareholder. He was asked to join Taube Hodson Stonex in 1998.

Simon Edelsten

Simon graduated from Trinity College Oxford in 1983. He came into the City in 1984 and worked for Phillips and Drew and was a director in Equity Sales from 1989 until 1993 and then joined BZW as a director in Equity Sales from 1993 until 1997. In 1997 he joined Dresdner Kleinwort Benson as Head of European Equity Sales and took special responsibility for their Telecommunications team. Simon joined Taube Hodson Stonex in 2001.

Robert Smithson

Robert graduated from Trinity College, Cambridge in 1995. In 1996, he joined Goldman Sachs equity research, covering European technology companies. In 2000, Robert left Goldman Sachs to start an independent equity research boutique, Arete Research, where he was finance director and head of the software team. Robert joined Taube Hodson Stonex in 2004.

Ali Miremadi

Ali graduated from Wadham College, Oxford in 1994 with a first class degree in English. On graduation, he joined Baring Securities for two years. Ali then joined Goldman Sachs where he worked in a variety of roles in proprietary trading, convertible and warrant sales and equity sales trading. Ali joined Taube Hodson Stonex in February 2007.

CHAIRMAN'S STATEMENT

Policy and Objective

The Company's objective is to maximise total return whilst pursuing a progressive dividend policy. The Investment Manager invests internationally in a relatively concentrated portfolio. They do not aim to replicate the global indices but look to invest in strong businesses with good growth prospects.

Benchmark

The benchmark against which the portfolio performance is measured is the MSCI World Index (Sterling excluding income), thus emphasising the global nature of the portfolio.

Change of Accounting Reference Date

As stated in the Interim Report, the Board has taken the decision to extend the Company's accounting reference date from 31 May to 30 June to facilitate more effective performance reporting.

Performance

For the thirteen months ended 30 June 2007, the net asset value ("NAV") of the Company (excluding income) increased by 18.77%, which compares to an increase of 12.79% in the MSCI World Index (Sterling excluding income). Over the same period the Company's share price increased by 13.38%, the difference in performance being made up by the discount to NAV having increased from 5.20% to 10.07% per share.

Dividend

The Board recommends that shareholders approve a final dividend of 5.19 pence per ordinary share, making a total of 7.19 pence per ordinary share for the period under review. This final dividend is recommended for payment to shareholders on the register as at 14 September 2007, payable on 18 October 2007.

Share Buy Back

During the period the discount to NAV widened and at one point reached 11.40%. The Board felt that the discount had become excessive in comparison to its peer group consisting of other international investment trusts. Market purchases of stock were made to the total of 202,122 ordinary shares at an average price of 426.65 pence and discount of 10.16%. This has so far had the desired effect of bringing the discount closer in line with other comparable investment trusts.

Market Background

Most of the world's major equity markets reached highs during the last few months of the period under review. Continued strong global growth and high levels of takeover activity buoyed the markets despite higher interest rates dampening the cost and availability of bond finance for private equity deals. This in turn meant that the cash flow calculations that underpin these transactions became less favourable. Central bankers in both the United States ("US") and Europe continue to warn about inflation and higher interest rates may be with us for longer than many anticipated.

The other main feature during the period under review has been the pronounced weaknesses of the US Dollar and the

Yen, both of which pose problems, but of a rather different nature. The weakness of the US Dollar may well begin to start some trade friction, especially in Europe. There is also a fear that some countries with large US Dollar holdings may wish to diversify into other currencies. To some extent, this is being seen in the Gulf as a number of oil producing states are requesting payment in currencies other than the US Dollar. The Yen poses a rather different problem in that the size of the Yen "carry trade" (foreign businesses and speculators borrowing Yen because the interest rates are so low) may at some stage unravel and cause financial turbulence.

During the period under review the Investment Manager has taken advantage of the weakness of the US Dollar by gradually building up the Company's North American portfolio. In the past six months purchases have been made in Williams-Sonoma and Carnival Corporation, both companies being consumer related and out of favour. Williams-Sonoma is an up-market retailer of home furnishings. It supplies kitchenware under its own name and household accessories under the Pottery Barn brand. It is also the country's biggest internet retailer in these sectors. Carnival Corporation is the world's largest cruise ship operator trading under various brand names such as P&O Princess and Cunard. Also worthy of note is the purchase of Exelon, the electric utility, which is the US' largest nuclear generator and which follows on from the developing theme that nuclear generators have an automatic edge once carbon trading comes into play. Coal, oil and gas-fired rivals will have to buy carbon credits to offset CO₂ emissions, whereas a nuclear utility will not. One of the best performing stocks in the portfolio during the period has been Electricité de France, the French nuclear generator, which is already benefiting from the European carbon trading system.

The only major market to disappoint during the period under review has been Japan. The underlying economy is now beginning to look reasonably healthy, with the country recently reporting record monthly trade surpluses. However the consumer still feels very fragile and uninterested in spending money. Politics appear stagnant with Japan's new Prime Minister, Shinzo Abe, losing his power base and unable to implement a number of important reforms, and there has been heated debate between politicians and the Central Bank as to the speed at which interest rates should rise. Whilst Japan has one of the highest savings rates in the world, at present, Japanese individuals earn virtually no interest on money in the bank and, until this changes, consumer spending will be muted. However, major changes are afoot in some of Japan's largest corporate entities. There is a growing interest in producing shareholder returns much of which has been generated by Japan's own savings industry, in particular its Pension Funds. To this end a new investment was made in Tokyu Corporation, a conglomerate based around a commuter train network in Tokyo, which was referred to in the Company's most recent Interim Report, and also Mitsubishi Heavy Industries, which over the

CHAIRMAN'S STATEMENT

(continued)

years has been very reluctant to explain its businesses but is now becoming rather more investor friendly. As well as being the largest supplier of arms to the Japanese Government, where it stands to gain from increased military spending, the company has a wide range of activities which includes the manufacture of ships, desalination plants and power stations, including nuclear power where it has worldwide manufacturing capabilities. It also has some substantially under-valued assets on its balance sheet, particularly land. A holding was also purchased in Nikko Cordial, which had a joint venture with Citicorp in one of Japan's major investment banks. Nikko Cordial also owns a substantial fund management business and venture capital operation and subsequently suffered some accounting problems that led to a takeover by Citicorp at an advantageous price.

One of the themes in the portfolio is investment in drug wholesalers. The Investment Manager saw how Alliance Boots helped the UK Government bring down their drugs bill by switching medicines to generics that, in most cases, are far cheaper than their branded equivalents. This seems to be a worldwide phenomenon. During the period under review a new position was started in Alfresa Holdings in Japan, which is the number two after Mediceo Paltec, a stock that is also held in the portfolio. A holding in Celesio, the German equivalent, was also purchased and an addition was made to the position in CVS Caremark, one of the main wholesalers and pharmacists in the US. These companies tend to trade on much lower margins than their large pharmaceutical counterparts who are finding themselves under attack from politicians as governments face increasing bills for medicines due to ageing populations in most of the developed world.

With interest rates rising, it was felt that property share values had peaked and, to that end, the Company's holdings in Westfield Group in Australia and Mitsubishi Estates in Japan were sold. The Investment Manager also sold Hilton Hotels at a good profit, although there has recently been a bid at a somewhat higher price than that at which the shares were sold. One of the other property related investments in the portfolio, Florida East Coast Industries, which runs the main railway in Florida in addition to being the primary commercial developer in the state, has recently accepted a takeover bid from Fortress at almost double the price it was purchased at just under two years ago.

The European economies have picked up as we had hoped. There has been a notable change in the political climate with the election of French President Nicolas Sarkozy, which has undoubtedly helped market sentiment. The telecommunications sector, which forms part of the Company's main exposure in Europe, was most unpopular just two years ago but now some of its latent assets in the form of mobile telephone operations, particularly in the developing world, are being recognised by the market. The Investment Manager has begun to take profits in the sector, particularly in Teliasonera, the Nordic telecommunications

provider, which has major mobile interests in Russia and Turkey.

Following the telecommunications theme, Hutchison Telecom sold its Indian associate to Vodafone at a very good price. The company has since repaid some of its share capital but kept some of the money it received to invest in new areas of operation. Having sold some shares earlier in the period at a good profit, the Investment Manager has now bought back the Company's previous position. When looking at mobile telephone valuations, the Investment Manager has found that there are some interesting values in Africa and the Middle East and new holdings have been purchased in Telkom SA and MTN Group. The Company also participated in the new issue of Clearwire, a start up mobile telephone business, which has just announced a joint venture with Sprint to build the first US WiMAX network.

During the period under review the Company's exposure to the United Kingdom ("UK") has been reduced slightly as the economy looks in danger of overheating. Property prices, both commercial as well as residential, have made London and the South East of England probably the most expensive place in the world to live and do business. The UK portion of the portfolio has a distinct bias toward companies with large and growing overseas earnings. A new holding was started in Prudential, whose UK business is being re-structured and who also has interesting operations and joint ventures in the Far East and India, as well as Jackson National, its US life insurance operation. As well as the takeover of Alliance Boots, the portfolio has lost BAA to a takeover by Ferrovial of Spain. The Investment Manager was surprised that there was no Government intervention in the BAA bid, given that airports are a key piece of the UK's infrastructure, especially in London where the Olympic Games will be held in 2012.

During the last six months other new investments include Svenska Handelsbanken, the conservatively run Swedish bank, and Aegon, the Dutch insurer, both of which were purchased purely on a valuation basis.

A new investment has been made in UCBH, a Californian bank which caters to the Chinese populations in California and New York, which looks to be an interesting way of participating in the growth in trade between the US and China. The Chinese stock market has begun to look very expensive. The Company's holding in Bank of Communications was sold at a very good profit, which leaves only one remaining direct Chinese investment in PICC Property and Casualty, the largest motor insurer in China, which should grow well as Chinese motor vehicle ownership increases.

One unlisted investment has been made in Scandinavian Property Development, which should be floated on the Norwegian stock market in 2008. The company owns the old Oslo airport situated on an island close to the city, which has interesting development potential, both for up-market housing and retail.

CHAIRMAN'S STATEMENT

(continued)

Prospects

Now that we are in the fifth year of a bull market, everyone must be aware that the equity markets are fairly mature. Whilst the world economy remains robust, the current strategy of being reasonably invested but not courting undue risk looks sound. If the Investment Manager sees conditions changing for the worse, a more defensive strategy will be deployed.

There may be some economic consequences from the credit contraction that is now going on, but the extent of this will not be known for the next few months. At the time of writing, the equity markets fear the worst and worry that a slow-down in the US economy will spread to the rest of the world. Whilst these concerns are real, many companies – particularly larger companies with strong balance sheets – should be largely unaffected. Global equity valuations are also modest by historical standards, which gives a degree of comfort. With a good geographical spread and the bulk of the portfolio in larger companies with good earning prospects, there remain grounds to be cautiously optimistic.

Annual General Meeting ("AGM")

The Company's AGM this year will be held at the offices of JPMorgan Cazenove Limited, 20 Moorgate, London EC2R 6DA on Thursday, 11 October 2007 at 12 noon. Full details of the business to be conducted at the AGM are set out in the Notice of Meeting on pages 38 and 39.

Naturally, your Board welcome your attendance at the forthcoming AGM, not least because it provides an excellent opportunity for shareholders to put questions to the Directors and the Investment Manager. Should you have a query that requires a detailed or technical response, I would urge you to submit it to the Company Secretary in advance of the AGM to ensure the most thorough response. The Company Secretary's contact details can be found on page 4 of this Report. For those of you who are unable to attend the AGM, the Board would encourage you to submit your proxy votes.

Lindsay Bury

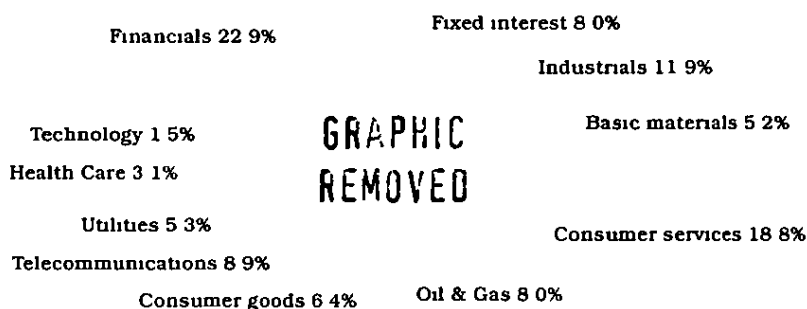
Chairman

5 September 2007

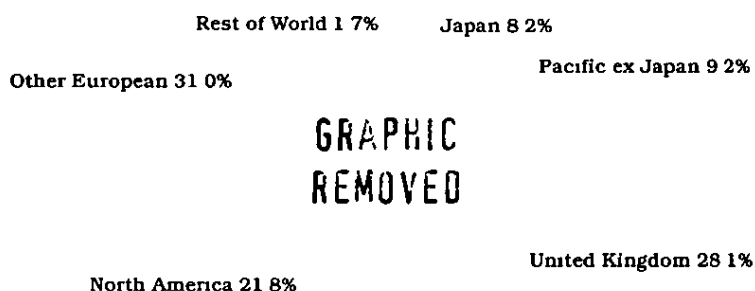
PORTFOLIO ANALYSIS BY ASSET CATEGORY, COUNTRY AND CURRENCY EXPOSURE

as at 30 June 2007

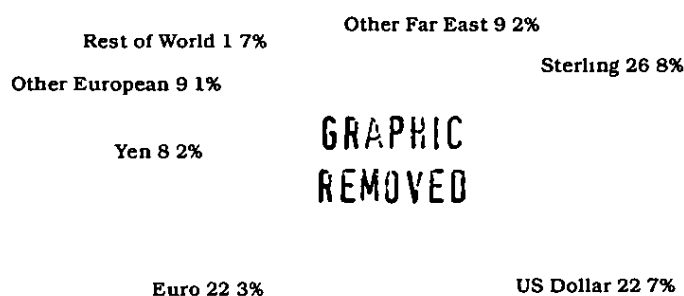
Portfolio Analysis by Asset Category



Portfolio Analysis by Country



Currency Exposure



ANALYSIS OF INVESTMENTS BY SECTOR

as at 30 June 2007

		Total 2007 %	Total 2006 %
Oil & Gas 8.0%	Oil & Gas Producers	8 0	9 1
		8 0	9 1
Basic Materials 5.2%	Mining	3 8	3 5
	Industrial Metals	1 4	2 3
		5 2	5 8
Industrials 11.9%	Support Services	1 9	1 1
	Industrial Transportation	4 8	5 2
	Construction & Materials	1 5	2 3
	General Industrials	1 7	0 8
	Industrial Engineering	2 0	-
	Electronic & Electrical Equipment	-	1 2
		11 9	10 6
Consumer Goods 6.4%	Food Producers	4 4	4 5
	Household Goods	1 1	-
	Personal Goods	0 9	1 2
	Automobiles & Parts	-	2 4
		6 4	8 1
Consumer Services 18.8%	General Retailers	2 5	1 7
	Media	9 6	8 4
	Food & Drug Retailers	4 3	4 3
	Travel & Leisure	2 4	2 0
		18 8	16 4
Telecommunications 8.9%	Mobile Telecommunications	3 4	4 8
	Fixed Line Telecommunications	5 5	3 4
		8 9	8 2
Utilities 5.3%	Gas Water & Multiutilities	1 3	1 3
	Electricity	4 0	1 9
		5 3	3 2
Financials 22.9%	Banks	11 4	10 2
	Life Insurance	4 4	2 1
	General Financial	2 6	2 6
	Nonlife Insurance	4 3	2 9
	Real Estate	0 2	1 6
		22 9	19 4
Health Care 3.1%	Health Care Equipment & Services	0 5	0 5
	Pharmaceuticals & Biotechnology	2 6	4 7
		3 1	5 2
Technology 1.5%	Technology Hardware & Equipment	1 5	1 5
		1 5	1 5
Fixed Interest 8.0%	Fixed Interest	8 0	12 5
		8 0	12 5
Total		100 0	100 0

PORTFOLIO VALUATION

as at 30 June 2007

	Sector	£ 000	% of Portfolio
United Kingdom			
UK Treasury 7 25% 07/12/07	Fixed Interest	13,073	4 1
Rio Tinto*	Mining	8,738	2 8
UK Treasury 5% 07/03/08	Fixed Interest	6,971	2 2
Royal Dutch Shell*	Oil & Gas Producers	6,206	2 0
Vodafone*	Mobile Telecommunications	6 020	1 9
British Sky Broadcasting	Media	4,614	1 5
Standard Chartered	Banks	4,528	1 4
National Grid Transco	Gas Water & Multiutilities	4,252	1 3
Cadbury Schweppes	Food Producers	3,577	1 1
Royal Bank of Scotland	Banks	3,456	1 1
HSBC Holdings	Banks	3 234	1 0
Home Retail Group	General Retailers	3,174	1 0
Prudential	Life Insurance	3,122	1 0
Davis Service Group	Support Services	3,119	1 0
Experian Group	Support Services	3,041	1 0
HM Rivergroup*	Media	2,644	0 8
WPP	Media	2 642	0 8
Yell	Media	2,208	0 7
Standard Life	Life Insurance	1,979	0 6
Medicover Holding*	Health Care Equipment & Services	1,642	0 5
Herald Ventures*	General Financial	793	0 3
Ubimetics*	Mobile Telecommunications	12	0 0
		89,045	28 1
North America			
Exelon Corporation*	Electricity	6 091	1 9
Petro-Canada	Oil & Gas Producers	4,986	1 6
CVS Corporation	Food & Drug Retailers	4,965	1 6
Verizon Communications	Fixed Line Telecommunications	4,900	1 5
Intel	Technology Hardware & Equipment	4,783	1 5
SNC-Lavalin	Construction & Materials	4,630	1 5
Alcoa	Industrial Metals	4,275	1 4
US Treasury 4 875% 31/08/08	Fixed Interest	4,031	1 3
Florida East Coast Industries	Industrial Transportation	3,857	1 2
Carnival	Travel & Leisure	3,164	1 0
Manulife Financial	Life Insurance	3,086	1 0
Talisman Energy	Oil & Gas Producers	2,849	0 9
Williams-Sonoma	General Retailers	2,584	0 8
Home Depot	General Retailers	2,243	0 7
DirecTV	Media	2,087	0 7
Clearwire Corporation	Fixed Line Telecommunications	1,920	0 6
Addax Petroleum	Oil & Gas Producers	1,825	0 6
Human Genome Sciences	Pharmaceuticals & Biotechnology	1,699	0 5
Ace Aviation	Travel & Leisure	1,529	0 5
US Treasury 0% 30/08/07	Fixed Interest	1,133	0 3
Aeroplan	Media	934	0 3
St Joe Company	Real Estate	671	0 2
UCBH Holdings	Banks	548	0 2
Jazz Air	Travel & Leisure	151	0 0
		68,941	21 8
Europe			
Nestlé*	Food Producers	7,287	2 3
Electricité de France*	Electricity	6,535	2 1
Unicredito Italiano*	Banks	5,981	1 9
Allianz*	Nonlife Insurance	5,828	1 8
Carrefour*	Food & Drug Retailers	5,114	1 6
Schibsted	Media	4,801	1 5
Fraport	Industrial Transportation	4,707	1 5

PORTFOLIO VALUATION

(continued)

	Sector	£'000	% of Portfolio
Europe (continued)			
France Telecom	Fixed Line Telecommunications	4,663	1.5
Swiss Reinsurance	Nonlife Insurance	4,608	1.5
Deutsche Post AG	Industrial Transportation	4,569	1.4
Statoil	Oil & Gas Producers	4,550	1.4
Vivendi Universal	Media	4,519	1.4
Eurazeo	General Financial	4,285	1.4
Lagardere	Media	3,600	1.1
Celesio AG	Food & Drug Retailers	3,498	1.1
Scandinavian Property	Household Goods	3,493	1.1
Deutsche Postbank AG	Banks	3,417	1.1
Portugal Telecom	Fixed Line Telecommunications	3,157	1.0
Svenska Handelsbanken	Banks	2,989	0.9
ING	Life Insurance	2,852	0.9
Aegon	Life Insurance	2,838	0.9
Total SA	Oil & Gas Producers	2,687	0.8
Premiere	Media	2,470	0.8
		<u>98,448</u>	<u>31.0</u>
Rest of World			
Telkom	Fixed Line Telecommunications	2,730	0.9
MTN	Mobile Telecommunications	2,246	0.8
		<u>4,976</u>	<u>1.7</u>
Japan			
Mitsubishi Heavy Industries	Industrial Engineering	4,419	1.4
Mediceo	Pharmaceuticals & Biotechnology	3,227	1.0
Bank of Kyoto	Banks	2,941	0.9
Kao Corporation	Personal Goods	2,888	0.9
Tokyu	Travel & Leisure	2,757	0.9
Chiba Bank	Banks	2,285	0.7
Kamigumi	Industrial Transportation	2,175	0.7
Kurita Water Industries	Industrial Engineering	1,936	0.6
Takeda Pharmaceutical	Pharmaceuticals & Biotechnology	1,884	0.6
Alfresa	Pharmaceuticals & Biotechnology	1,477	0.5
		<u>25,989</u>	<u>8.2</u>
Pacific ex Japan			
Hutchison Whampoa*	General Industrials	5,297	1.7
DBS Group	Banks	3,603	1.1
Newcrest Mining	Mining	3,290	1.0
PICC Property & Casualty	Nonlife Insurance	3,230	1.0
AMP	General Financial	3,114	1.0
Futuris	Food Producers	3,107	1.0
National Australia Bank	Banks	3,069	1.0
Hutchison Telecommunications	Mobile Telecommunications	2,359	0.7
Oil Search	Oil & Gas Producers	2,108	0.7
		<u>29,177</u>	<u>9.2</u>
Total Portfolio		<u>316,576</u>	<u>100.0</u>
* Included in top ten investments by value			
• Unquoted investments			
		2007	2006
		£'000	£'000
Equity		286,277	233,172
Fixed interest		25,208	33,008
Other		5,091	1,306
		<u>316,576</u>	<u>267,486</u>

TEN LARGEST INVESTMENTS

Rio Tinto

Valuation as at 30 June 2007 £8 7m (31 May 2006 £6 8m)

Rio Tinto, an Anglo Australian company, is one of the world's largest mining companies. Earnings grew 43% to US\$7 4bn in 2006 driven by rising raw material prices. In July 2007 Rio announced an agreed US\$38bn bid for Alcan, with the aim of making aluminium a third core product, alongside their existing copper and iron ore businesses. The price of aluminium has lagged that of other metals. If the bid for Alcan is successful Rio will be the biggest aluminium producer in the world. This will give Rio even further leverage into the growth of China and India as these countries continue to invest in building up their infrastructure.

Nestlé

Valuation as at 30 June 2007 £7 3m (31 May 2006 £6 1m)

Nestlé is the world's largest food and beverage company, with 2007 sales of CHF98bn. Nestlé has pursued a strategy of investing in higher margin products, such as baby foods and clinical nutrition, with the acquisitions of Gerber in April 2007, and of expanding operations in faster growing parts of the world. Over 35% of sales now come from the emerging world, which is helping Nestlé grow both sales and margins. A new CEO should be announced in September 2007, when long standing CEO Peter Brabeck steps down, which gives the company an opportunity to review strategy. It controls Alcon, the US\$43bn market cap US eye care company, with a 75% stake, and controls L'Oreal along with Ms Bettencourt, on whose stake Nestlé has right of first refusal. Nestlé's new chief executive will have plenty to do to continue to grow margins from current levels of 14%, further grow their existing businesses or refashion their existing subsidiary holdings.

Electricité de France ("EdF")

Valuation as at 30 June 2007 £6 5m (31 May 2006 £5 0m)

EdF is France's biggest power generator and distributor, and is the world's largest nuclear power station owner. The rising price of oil, and increased political and social concerns about emissions of greenhouse gases, have brought nuclear power forward as a "green" solution to some of our energy problems. EdF are at the forefront of this development, not only in their home market but also in Italy, the UK and Germany. In July 2007 EdF announced a tie-up with US utility Constellation Energy to build and operate nuclear power stations in North America. EdF has been obliged by French regulators to sell electricity at an artificially low price in the domestic market, but European regulatory influence should eventually remedy this anomalous situation. The formerly state-owned EdF also has an inefficiently large workforce which should start to shrink soon as many of their workers retire. EdF is therefore in a position where it can help itself with internal restructuring as its underlying strategic position continues to improve.

Royal Dutch Shell

Valuation as at 30 June 2007 £6 2m (31 May 2006 £5 5m)

Royal Dutch Shell is the world's second largest oil and gas company, with over 11bn barrels of reserves, and around 60bn barrels of oil equivalent of resources. With almost a third of earnings coming from downstream activities such as refining and retail, Royal Dutch Shell is less exposed to the oil price than its peers. The company also has significant investments in areas such as Canadian oil sands and the global LNG infrastructure, which give it opportunities for growth.

Exelon Corporation

Valuation as at 30 June 2007 £6 1m (31 May 2006 not held)

Exelon is a US utility, distributing electricity and gas to customers in Illinois and Pennsylvania. It is the largest nuclear power generator in the US, exposing it to many of the same positive trends as Electricité de France. Exelon has suffered from historic price controls set by the State of Illinois, which are rolling off between this year and 2011. As Exelon begins to sell a larger proportion of its generating capacity at market prices, rather than these historic lower fixed prices, both its earnings and the multiple placed on it by the market may rise.

Vodafone

Valuation as at 30 June 2007 £6 0m (31 May 2006 £5 0m)

Vodafone is one of the world's largest telecoms operators, with 206m proportional customers across 25 countries. The market has been critical of Vodafone's historic strategy of building a global footprint, and hence has not been prepared to put much of a multiple on Vodafone's growth prospects. At present there is a heavy focus on Vodafone's plans for its 45% strategic stake in Verizon Wireless in the US. However Vodafone has already shown an appetite for restructuring through exiting its low margin Japanese operations. Meanwhile management has built a significant emerging market business, with 29m customers in Turkey and Eastern Europe, with a further 21m customers in South Africa, Egypt and Kenya. Its recent investment in India should take earnings from the emerging world from 20% last year to over 33% over the next few years.

TEN LARGEST INVESTMENTS

(continued)

Unicredito Italiano

Valuation as at 30 June 2007 £6 0m (31 May 2006 £5 5m)

Unicredito Italiano is now the eighth largest European bank by market capitalisation, with a large German business, extensive interests in Central and Eastern Europe as well as its domestic business in Italy. It is well positioned to benefit from a number of structural trends: increased home ownership in Italy, which has been a historically under penetrated mortgage market, the nascent economic recovery in Germany, which should encourage faster loan growth, and faster economic growth in the CEE region. Unicredito Italiano has demonstrated an ability to cross sell products to its banking customers, with insurance and savings products a particular strength.

Allianz

Valuation as at 30 June 2007 £5 8m (31 May 2006 £4 2m)

Allianz is the largest insurer in Europe. Amongst its principal business lines are a large European property and casualty businesses, both German and US savings businesses, a large asset management operation and Dresdner Bank. Over the past few years Allianz has been involved in extensive house-cleaning, as it has sold off many of its cross holdings and non-core businesses, while buying in minorities in some of its listed subsidiaries across Europe. This puts Allianz now in a better position to concentrate on capturing a bigger portion of the growth in global savings, which is one of the strongest global trends we can currently observe. 10% of its premium income currently comes from emerging markets, with this segment unsurprisingly growing faster than the rest of the firm.

Hutchison Whampoa

Valuation as at 30 June 2007 £5 3m (31 May 2006 £2 1m)

Hutchison Whampoa is one of Li Ka-Shing's two biggest listed vehicles. It is a conglomerate operating across a number of exciting growth businesses: it is the largest port operator in Hong Kong, as well as having other port operations across the world; it has a large pan-Asian infrastructure business, the world's largest health and beauty retailer including an extensive network within mainland China's biggest cities, a hotel and real estate business in Hong Kong, mainland China and the UK, and a minority holding in Husky Energy, a Canadian E&P company. Hutchison Whampoa's biggest investments over the past decade have been in the "3" mobile telecommunications brand, which now operates in 11 countries and has over 14m subscribers. This business is forecast to breakeven in 2007, which should bring the market's attention back to the underlying value in the group. Hutchison Whampoa currently trades at a 20% discount to a sum of the parts valuation.

Carrefour

Valuation as at 30 June 2007 £5 1m (31 May 2006 £5 1m)

Carrefour is the largest supermarket chain in France, and is one of the few food retailers to have successfully expanded internationally. Carrefour is actively expanding its stores outside the core markets of France, Spain, Belgium and Italy, with operations in particular in Poland, Brazil, Argentina and China all now having meaningful scale. After a difficult few years during the consolidation of their 1999 purchase of Promodes, Carrefour is now beginning to succeed in extracting value from its global footprint. Sales grew by 6.4% in 2006. Meanwhile speculation over the intentions of two sizeable new shareholders on the register, who now own around 10% of Carrefour, is increasing pressure on the company to rationalise its property portfolio. While we see the real value in Carrefour being in its continuing global growth strategy, this flurry of interest has brought the market back to focus on the underlying value in the stock.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report and the audited financial statements of the Company for the period ended 30 June 2007

BUSINESS REVIEW

This business review has been prepared in accordance with requirements of Section 234 ZZZ of the Companies Act 1985 (the "Act"), Schedule 7 Part I of the Act and current best practices. The objective of the Directors has been to provide a balanced and comprehensive review that is consistent with the size and complexity of the business. As an externally managed investment trust company, the Company has no employees and delegates most of its functions to third party service providers. Accordingly, your Board has focused this review on the Company's financial performance for the period ended 30 June 2007.

The business review is addressed only to shareholders as a body, and no liability can be admitted by the Directors to any other parties in connection therewith. The purpose of the business review is limited to its statutory purpose, namely to assist shareholders in assessing the Company's strategies and the potential for those strategies to succeed. Any forward-looking statements contained in the business review will be considered in the preparation of the next business review.

Principal Activity

The principal activity of the Company is the making of investments in qualifying holdings of shares or securities in accordance with the investment objective set out on page 1. A description of the Company's activities and strategy during the period is given in the Chairman's Statement on pages 7 to 9.

Status of the Company

The Company is an investment company within the meaning of Section 266 of the Companies Act 1985 and satisfies the requirements for an investment trust under Section 842 of the Income & Corporation Taxes Act 1988. HMRC have confirmed that the Company has complied with these requirements for all accounting periods up to and including 31 May 2006. This approval is subject to there being no subsequent enquiry under Corporation Tax Self Assessment. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company is not a close company within the terms of the Income & Corporation Taxes Act 1988.

PEP/ISA Status

The current portfolio of the Company is such that its shares are eligible for inclusion in an Individual Savings Account, and the Directors expect this eligibility to be maintained.

Performance

The performance of the Company is reviewed regularly by the Board (details of performance are on page 1) and it has a number of key performance indicators ("KPIs") that it uses to measure the progress of the Company. The KPIs are:

- Net asset value movement
- Share price movement
- Relative movement of the net asset value and share price against the MSCI World Index (Sterling excluding income)
- Dividends per share
- Total expense ratio

In addition to the above KPIs, the Board assesses the discount/premium at which the share price stands against the underlying attributable net assets.

Results and Dividends

The results for the period are set out in the Income Statement on page 24. The Directors recommend the payment of a final dividend of 5.19 pence per ordinary share, payable on 18 October 2007, to all shareholders on the register as at 14 September 2007.

The net asset value per ordinary share, including retained income at 30 June 2007, was 483.09p (2006: 406.76p).

Current and Future Developments

Details of the Company's developments over the period ended 30 June 2007, along with its prospects for the future are set out in the Chairman's Statement on pages 7 to 9.

The Board's principal focus is the delivery of successful long term investment returns for shareholders and regular consideration is given to the investment process and factors that may have an influence on this process in the future. The Board regularly considers the ongoing development and direction of the Company, including the promotion and marketing of it and the effectiveness of communication with shareholders and other external parties.

Principal Risks and Uncertainties

The Company has established a risk management framework within the context of the Company's overall objective to achieve over the longer term a total return in excess of the MSCI World Index (Sterling excluding income). The Board and the Audit Committee are responsible for the risk management framework, which enables the Company to assess the overall risk exposure of the Company and to successfully manage that risk. As an investment company the principal risks faced by the Company relate to the nature of the individual investments and the investment activities generally. Such risks include market price risk, foreign currency risk, interest rate risk and liquidity risk. Further details of these risks and how they are managed are set out in note 18 of the notes to the financial statements on pages 34 to 36.

Life of the Company

There are no limited life provisions in the Company's Articles of Association.

Share Capital

At the Annual General Meeting ("AGM") on 14 September 2006, shareholders gave approval for the Company to purchase up to 9,821,421 ordinary shares of its own capital for cash, being 14.99% of the share capital in issue at the

REPORT OF THE DIRECTORS

(continued)

time of the AGM. During the period, the Company bought back 202,122 of its own ordinary shares at a cost of £864,000 including expenses. The authorised and issued share capital of the Company is detailed in note 14 to the financial statements. The total number of ordinary shares currently in issue is 65,318,174.

Management Agreements

Taube Hodson Stonex Partners Limited ("THS") is appointed as Investment Manager to manage the Company's assets under an Agreement dated 1 November 2004. Under the terms of this Investment Management Agreement, management fees are payable quarterly in arrears by the Company at a rate of 0.4% per annum of the total assets of the Company less liabilities. In addition, a performance fee of 10% of the out-performance against the benchmark index was calculated and payable by reference to the period from 1 January 2005 to 30 June 2007 and now by reference to rolling three-year periods. This performance fee will be capped at a maximum of 0.6% of the Company's net assets at the end of the period (or 0.2% if the Company's net asset value per share has fallen over that period). The management charge and performance fee are payable together with applicable VAT. The Agreement may be terminated by either party at not less than six months' notice. During the period ended 30 June 2007, fees amounting to £2,915,000 (inclusive of irrecoverable VAT) (2006: £2,757,000) were payable to THS.

The Company has entered into an Agreement with BNP Paribas Fund Services UK Limited ("BNP Paribas") to provide administration and company secretarial services. BNP Paribas have delegated the provision of secretarial services to its wholly owned subsidiary, BNP Paribas Secretarial Services Limited. BNP Paribas Fund Services UK Limited receives a fee of 0.05% of the total assets of the Company per annum (excluding VAT) subject to a minimum fee of £110,000 per annum. The agreement may be terminated by either party giving not less than six months' written notice.

Directors

The Directors of the Company and their biographical details are set out on page 5. All the Directors held office throughout the period.

In accordance with the Articles of Association and the Combined Code on Corporate Governance, Mr Ruffer is retiring by rotation and, being eligible, will be seeking re-election by shareholders at the forthcoming AGM. The Nomination Committee has reviewed Mr Ruffer's performance as a Director and his contribution to the operation of the Company and concluded that the Company benefited from his services and advice and, accordingly, recommended to the Board that a resolution be put to shareholders at the 2007 AGM that he should be re-elected. The Board concurred with the Nomination Committee's recommendation and recommends that shareholders vote in favour of Mr Ruffer's re-election.

In accordance with the Listing Rules of the UK Listing Authority, Mr Bury is required to stand for re-election at this and all subsequent years' AGMs during his appointment. Further detail regarding Mr Bury's re-election can be found on page 20.

None of the Directors has a contract of service with the Company.

Directors' Beneficial and Family Interests

The interests of the Directors in the share capital of the Company at the beginning and end of the period, all of which were beneficial, were as follows:

	At 30 June 2007 ordinary shares	At 1 June 2006 ordinary shares
L C N Bury	250,000	250,000
G P Aherne	1,000	1,000
J D W Pocock	38,354	31,477
J G Ruffer	3,000	3,000

There have been no other changes in the interests of the Directors up to the date of this Report.

No Director holds any interests in the debenture stock of the Company.

None of the Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements or agreements during the period ended 30 June 2007.

Continuing Appointment of the Investment Manager

Since its appointment in September 2004, the Investment Manager has successfully increased the Company's net asset value per share by 62.45% for the period ended 30 June 2007. The Board is satisfied with the Investment Manager's performance and believes that the continued appointment of the Investment Manager, on its current terms, is in the interests of shareholders.

Investment Manager's Directors' and Employees Share Interests

The interests of the Directors and employees of the Investment Manager in the share capital of the Company at the beginning and end of the period, all of which were beneficial, were as follows:

	At 30 June 2007 ordinary shares	At 1 June 2006 ordinary shares
John Hodson	250,000	104,919
Cato Stonex	30,000	30,000
Mark Evans	20,000	20,000
Simon Edelsten	74,736	39,202
Ali Miremadi	3,500	—

REPORT OF THE DIRECTORS

(continued)

There have been no other changes in the interests of the Directors and employees of the Investment Manager up to the date of this Report. No Director of the Investment Manager holds any interests in the debenture stock of the Company.

Substantial Share Interests

As at 3 August 2007, the Company has received notification of the following interests exceeding 3% of the ordinary share capital of the Company

	Number of shares held	% of issued share capital
BNP Paribas Fund Services UK Limited	6,263,439	9.59
Kleinwort Benson Private Bank Limited	3,049,552	4.67
Clients of Cazenove Capital Management Limited	2,951,129	4.52
Rensburg Sheppard Investment Management Limited	2,939,689	4.50
The Alliance Trust plc Rathbone Investment Management Limited	2,798,910	4.29
Legal & General Investment Management Limited (UK)	2,528,039	3.87
Gerrard Investment Management Limited	2,517,081	3.85
	2,508,114	3.84

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 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. Payment is made on these terms normally within 30 working days provided the supplier meets its obligations. At 30 June 2007 there were no trade creditors outstanding (31 May 2006: nil).

Going Concern

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements, as, after due consideration, the Directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future.

Auditors

The Independent Auditors, Ernst & Young LLP, have expressed their willingness to continue in office as the Company's Auditors. The Audit Committee has responsibility for making a recommendation to the Board on the re-appointment of the external auditors. After careful consideration of the services provided to the Company during the period and a review of the effectiveness of the external auditor, the Audit Committee recommended to the Board that Ernst & Young LLP should be re-appointed as the Company's Auditors. Accordingly, resolutions are to be

proposed at the forthcoming AGM for their re-appointment and to authorise the Directors to fix their remuneration for the ensuing year.

Annual General Meeting

The one hundred and seventeenth AGM of the Company will be held on Thursday, 11 October 2007 at the offices of JPMorgan Cazenove Limited, 20 Moorgate, London EC2R 6DA at 12.00 noon.

Authority to Allot Shares and to Disapply Pre-emption Rights (resolutions 8 and 9)

The Board is seeking shareholders' approval at the AGM in respect of three items of special business in addition to the approval of the Directors' Report on Remuneration. The Directors have not used the powers granted to them at the AGM in September 2006 to allot authorised but unissued shares in the Company. Resolution 8 will renew the Directors' authorisation to allot up to 5% of the Company's issued shares. Resolution 9 will authorise the Directors to issue these shares for cash, without offering the shares first to existing shareholders by way of rights in accordance with pre-emption procedures. These powers will only be used if the allotment price is greater than the net asset value per share and if the Directors consider that to do so will be in the best interests of the Company's existing shareholders. The Directors have no intention of utilising this authority at the present time.

Authority to Buy Back Shares

At the 2006 AGM, the Company was authorised to make market purchases of up to 9,821,421 ordinary shares (2005: 9,821,492) of the Company's own issued shares for cancellation. Since the granting of this authority, the Directors have made three market purchases of the Company's shares totalling 202,122 ordinary shares. This authority expires at the conclusion of the AGM on 11 October 2007. Resolution 10 will renew the Directors' authority to purchase on the London Stock Exchange up to 14.99% of the Company's issued capital as at the date of the AGM, equivalent to 9,791,194 ordinary shares or £489,559 aggregate nominal value, as at the date of this Report.

The authority to purchase shares will last until the AGM of the Company in 2008, or until the whole of the 14.99% has been utilised, whichever is the earlier. The authority may be renewed by shareholders at any time. The Directors believe that buying back the Company's own shares in the market, at appropriate times and prices, is in the best interests of shareholders generally. The Company will make either a single purchase or a series of purchases, within guidelines set from time to time by the Board and if or when market conditions are suitable, with the aim of maximising the benefits to shareholders.

Shares will not be bought at a price that is more than 5% above the average middle market price of the shares over the preceding five business days, or the higher of the price of the last independent trade and the highest current independent bid for an ordinary share on the London Stock Exchange.

REPORT OF THE DIRECTORS

(continued)

Statement of Directors' Responsibilities in Respect of the Financial Statements

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net return for that period. In preparing these financial statements, the Directors are required to

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

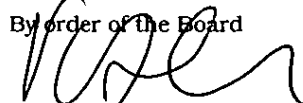
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

In accordance with their statement in the Annual Report and Accounts for the year ended 31 May 2006, the Directors changed the Company's accounting reference date from 31 May to 30 June in order to facilitate more effective performance reporting.

Information to Auditors

The Directors who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware, and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

By order of the Board



BNP Paribas Secretarial Services Limited
Secretary

5 September 2007

CORPORATE GOVERNANCE

Background

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code on Corporate Governance (the "Code"), as issued by the Financial Reporting Council in July 2003 and updated in 2006. In addition, the AIC Code of Corporate Governance was originally issued by the Association of Investment Companies in July 2003 and revised in February 2006, providing specific corporate governance guidelines to investment companies.

This statement aims to provide sufficient explanation to enable the Company's shareholders to evaluate how these principles were applied during the period and up to the date of this Report.

Corporate Governance Principles

Throughout the period ended 30 June 2007, the Company complied with the provisions of the Code subject to the exceptions explained below and its special circumstances as an investment trust company. The Board attaches great importance to the matters set out in the Code and observes its principles. It should be noted that as an investment trust, all the Directors are non-executive and most of the Company's day to day responsibilities are delegated to third parties.

The Board

The Board is responsible for determining the strategic direction of the Company. It meets at least six times a year to review the investment performance of the Company's investments, the financial position of the Company, its performance in line with the agreed investment objective and all other important issues to ensure that the Company's affairs are being operated within a framework of prudent and effective controls. The Board takes responsibility for the content of major corporate communications. A schedule of matters specifically reserved to the Board for its decision has been adopted. The Board sets the boundaries within which the Investment Manager operates. The Investment Manager makes decisions as to the investment of the portfolio assets of the Company.

Representatives of the Investment Manager attend each Board meeting enabling the Board to review the Investment Manager's performance against the Company's investment objective and to seek clarification on specific issues. In respect of the period ended 30 June 2007, of the six sets of meetings held, the Directors attended all meetings, with the exception of Mr Ruffer who was unable to attend the Audit Committee and Board meeting on 20 July 2006 and the Audit Committee meeting on 18 January 2007. However, Mr Ruffer reviewed all papers relating to these meetings and submitted his comments to the Chairman accordingly. All Directors attended the AGM held during the period.

The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible to the Board for advising on governance

matters and ensuring compliance with applicable rules, regulations and procedures. The Secretary is also responsible for ensuring good information flows. The appointment and removal of the Company Secretary is a matter for the whole Board. The Board has formalised arrangements under which Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense.

The Role of the Chairman

There is a clear division of responsibility between the Chairman, the Directors, the Investment Manager and the other third party service providers. No one individual has unfettered powers of decision.

The Chairman is responsible for leading the Board and ensuring its effectiveness on all aspects of its role and for ensuring that the Directors receive accurate, timely and clear information. He also ensures that there is effective communication with shareholders.

The Chairman at the time of his appointment was, and remains, independent of the Investment Manager. The details of the Chairman's professional commitments are included in his biography, which is set out on page 5.

Whilst the Chairman has been appointed to other non-executive roles, the Board is satisfied that these do not interfere with the performance of his duties to the Company.

Directors and their Independence

The Board comprises four Directors, all of whom are non-executive. As the Board is comprised solely of non-executive Directors, there is no chief executive position within the Company. The Senior Independent Director is Mr Pocock and his appointment is considered on an annual basis. The names of the Directors together with their biographical details are set out on page 5 of this Report. All the Directors served throughout the period under review.

The Board annually reviews the continued independence of its Directors and is of the view that an investment trust company Directors' length of service should not necessarily compromise their contribution to the Board as continuity and experience can add significantly to its strength. Mr Bury joined the Board of the Company in 1995 and has therefore been connected with the Company for more than eleven years. The Board has considered Mr Bury's independence with particular care and considers that his individual skills and considerable knowledge of both the Company and the industry provide continuity and an overall balance to the Board. In particular, he continues to demonstrate a strong independence in the manner in which he discharges his responsibilities as Chairman. Accordingly, the Board has decided that, in the absence of any other relevant factors, Mr Bury continues to be deemed an independent non-executive Director.

The Board considers that all Directors are independent of the Investment Manager and comply with the criteria for independence as set out in the Code.

CORPORATE GOVERNANCE

(continued)

On appointment new Directors will take part in an induction programme, which covers the Company's investment strategy, policies and practices. New Directors will also receive information on the role of the Board and the matters reserved for its decision, the terms of reference of its Committees, the Company's corporate governance practices and procedures and the latest financial information. Throughout their time in office, Directors are continually updated, through briefings and meetings with the Company's advisers, on the Company's business, the regulatory environment in which it operates and other changes affecting the Company.

Performance Evaluation and Succession Planning

The Board has formalised a process to evaluate its own performance and that of its Chairman on an annual basis. This process is based on a questionnaire and open discussion and assessment of the Board's and Directors' strengths and weaknesses, with the Chairman making recommendations to improve performance where necessary. The Chairman's performance is considered by the other Directors led by the Senior Independent Director.

The evaluation conducted during the financial period concluded that the Board was well-balanced and performing effectively and it was agreed that no further appointments would be made to the Board at this time, although the matter would be kept under review.

Directors are appointed subject to the Companies Act provisions and the Company's Articles of Association. The appointment or re-appointment of a Director is reviewed by the Nomination Committee prior to a Director seeking election or re-election at a forthcoming AGM. Re-appointment is not automatic and is subject to a review of performance. All Directors are subject to election by shareholders at the first AGM after their appointment. Thereafter all Directors are subject to re-election in accordance with the Articles of Association and the provisions of the Code. No Director would serve more than three years in office without shareholder approval.

The Directors have approved a timetable for Board succession planning whereby Directors are subject to a standard tenure period of six years. Thereafter, an extension to this period is subject to a rigorous review of the Director's performance.

In accordance with the Listing Rules of the UK Listing Authority, Directors serving for more than nine years are subject to annual re-election. Accordingly the Chairman, Mr Bury, is required to stand for re-election at this and all subsequent years during his appointment.

Board Committees

In order to enable the Directors to discharge their duties, three Board Committees have operated during the period under written terms of reference. No individuals other than the Committee Chairman and its members are entitled to be present at Committee meetings unless invited to attend by

its members. Copies of the terms of reference for the Board Committees are available from the Company Secretary. The Chairman of the Board acts as Chairman for all the Committees. The Secretary of the Company acts as Secretary to each Committee.

Audit Committee

The Audit Committee provides a forum through which the Company's external Auditors report to the Board. The main responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements and appropriateness of its accounting policies, reviewing the internal control systems and the risks to which the Company is exposed and making recommendations to the Board regarding the appointment of the external Auditor, their independence and the objectivity and effectiveness of the audit process. The Board considers the Auditors to remain independent.

The Audit Committee monitors the non-audit services being provided to the Company by its external Auditors, and, in accordance with the recommendations of the Code, a policy with regard to the provision of these services has been formalised. The Committee also reviews the independence of the Auditors annually to ensure this does not impair their independence or objectivity. Details of the amounts paid to the external Auditors during the financial period under review, for audit and other services, are set out in the notes to the financial statements on pages 28 to 36.

The Audit Committee met four times during the financial period ended 30 June 2007. The Board considers that all the Directors have relevant and recent financial experience as a result of their professional positions in the financial services and other industries.

The Company does not have a whistleblowing policy procedure in place. The Company delegates its main functions to third party providers who have such policies in place and the Audit Committee is happy to accept that these policies meet industry standards.

Nomination Committee

The Nomination Committee meets at least annually and is responsible for identifying and nominating to the Board new Directors, and for proposing that existing Directors be re-elected. On those occasions when the Committee is reviewing the Chairman or considering his successor, the Nomination Committee is chaired by another Committee member.

Management Engagement Committee

The Management Engagement Committee meets annually to review the performance of the Company's third party service providers, including the Investment Manager, and to review their terms of engagement.

Directors' Remuneration

The Board as a whole considers Directors' remuneration in accordance with the limits set by the Company's Articles of Association and a separate Remuneration Committee has not been established.

CORPORATE GOVERNANCE

(continued)

Under Listing Rule 15.4.15, where an investment trust company has only non-executive directors the Code's principles relating to directors' remuneration do not apply. Details of the annual review of Directors' remuneration can be found in the Directors' Remuneration Report on page 23.

Relations with Shareholders

The Directors are always available to enter into dialogue with shareholders and the Company places a great deal of importance upon such communications. The Investment Manager, together with the Chairman if requested, is available to meet with the Company's institutional shareholders to discuss the Company's investment strategy, performance and governance. Discussions with shareholders are reported at Board meetings.

All shareholders have the opportunity to attend and vote at the AGM, at which the Board and the Investment Manager are available to discuss issues affecting the Company. Proxy votes are declared at AGMs and are available on the Company's website, www.electricandgeneral.com, following the meeting. Details of proxy votes are also available to shareholders attending the AGM in person following the meeting. As part of the AGM the Investment Manager makes a presentation to shareholders at which the Company's performance and prospects can be explained in more detail.

The Company discloses the full portfolio annually and at least the top 10 holdings are disclosed to the market at each financial quarter end.

Voting Policy

It is the policy of the Investment Manager to exercise voting entitlements at all opportunities. In general, the policy in exercising shareholders' votes is to vote in favour of management's proposals unless the Investment Manager considers that it would be in the best interest of shareholders to vote against.

Internal Controls

The Code requires the Directors, at least annually, to conduct a review of the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management, which are documented in a "Risk Map". The Board is responsible for the Company's systems of internal control and for reviewing their effectiveness. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed. They are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their very nature provide reasonable but not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function. The Audit Committee considers annually whether there is any

need for an internal audit function. As most of the Company's functions are delegated to third parties, and at least the two major suppliers, Taube Hodson Stonex Partners Limited ("THS") and BNP Paribas Fund Services UK Limited, have their own internal audit function, it has been agreed that it is appropriate for the Company to rely on the internal audit controls which exist at these companies. Accordingly, it has been agreed that it would be inappropriate to have an internal audit function. The Investment Manager and Administrator have established internal control frameworks to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of their clients. THS reports to the Board on the operation of its internal controls and risk management within THS, in so far as it impacts on the Company, and in addition, reports compliance with the terms of its delegated authority under the investment management agreement on a quarterly basis. The Company Secretary also reports any breaches of law and regulation as and when they arise and on a quarterly basis. This enables the Board to promptly address any issues of concern regarding the management of the Company as and when they arise.

By the procedures set out above, and in accordance with the Turnbull Guidance for Directors on the Combined Code published by the Institute of Chartered Accountants in England & Wales, the Directors have kept under review the effectiveness of the Company's internal controls throughout the period under review and up to the date of this Report.

DIRECTORS' REMUNERATION REPORT

Introduction

The Directors present their Report on Directors Remuneration for the period ended 30 June 2007

The Company's Auditors are required to report on certain information contained within this Report. Where information set out below has been audited it is indicated as such. The Auditors opinion is included within the Auditors Report on page 37.

The Board comprises non-executive Directors and as a whole considers Directors remuneration. Accordingly, no separate Remuneration Committee has been appointed.

In accordance with the Company's Articles of Association, new Directors are required to stand for election at the first AGM following their appointment and thereafter, are required to retire by rotation so that over a three year period all Directors will have retired and stood for re-election. No Director has a contract of service with the Company, they are instead bound by the terms of their letter of appointment. A Director may resign by notice in writing to the Board at anytime, there are no set notice periods.

Policy on Directors' Remuneration

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him. There are no long term incentive schemes and Directors are not entitled to receive any benefits in kind, share options, pension or retirement benefits, nor compensation for loss of office. On account of the Directors' non-executive status it is deemed appropriate that no aspect of Directors fees is performance-related. Directors are entitled to claim expenses in respect of duties undertaken in connection with the management of the Company and any associated tax liabilities.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid a higher fee than the other Directors in recognition of his more onerous role. The Company's Articles of Association set the limit of aggregate permissible Directors fees at £130,000 per annum to accommodate any increase in Directors' fees and further appointments to the Board.

Directors' Emoluments

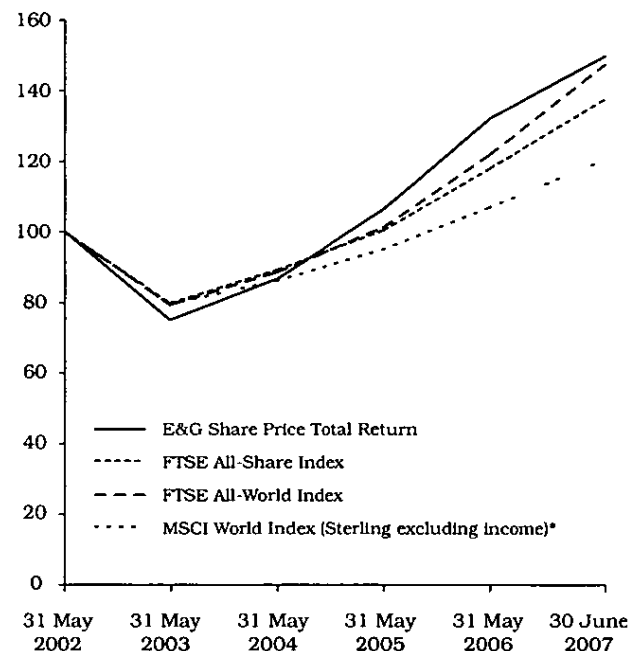
The fees payable by the Company in respect of each of the Directors who served during the period under review, and during the year ended 31 May 2006, were as follows:

	(Audited) Period ended 30 June 2007*	(Audited) Year ended 31 May 2006
	£	£
L C N Bury	36,562	27,000
G P Aherne	24,375	18,000
J D W Pocock	24,375	18,000
J G Ruffer	24,375	18,000
Total	109,687	81,000

* As the Company extended its accounting reference date to 30 June the Directors fees for 2007 reflect a 13 month pay cycle.

It is the Company's policy to review the level of fees paid to Directors annually, taking into account fees paid to directors of other investment trusts and changes in circumstances. In accordance with this policy, at the beginning of the thirteen month period under review, the Board resolved to increase the Chairman's salary from £27,000 to £33,750 and each of the Directors fees from £18,000 to £22,500. It is the Board's intention for this policy on Directors' remuneration to continue to apply to the forthcoming and subsequent financial periods.

Performance Graph



* Source Bloomberg

Following the appointment of Taube Hodson Stonex Partners Limited as the Company's Investment Manager, the Directors changed the benchmark index to MSCI World Index (Sterling excluding income) to reflect the true global nature of the portfolio. This is considered the most appropriate comparison for the Company to track its share price performance (assuming all dividends are re-invested) to ordinary shareholders. The performance graph above charts the share price total return (rebased to 100 and assuming that all dividends are reinvested) to ordinary shareholders since 1 June 2002 to 30 June 2007, compared to the total return on notional investments in the FTSE All-Share Index, the FTSE All-World Index and the MSCI World Index (Sterling excluding income).

Directors and Officers liability insurance cover is held by the Company in respect of the Directors and is renewed annually.

By order of the Board

[Signature]

BNP Paribas Secretarial Services Limited
Secretary

5 September 2007

for the period ended 30 June 2007

	Period ended 30 June 2007			Year ended 31 May 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £ 000	Capital £ 000	Total £'000
Gains on investments	–	49 984	49,984	–	50,233	50,233
Income	8,114	–	8,114	6,623	–	6 623
Foreign exchange gains	–	(10)	(10)	–	434	434
Other interest receivable and similar income	455	–	455	238	–	238
Investment management fee	(701)	(701)	(1,402)	(537)	(538)	(1,075)
Performance fee	–	(1,513)	(1,513)	–	(1,682)	(1,682)
Administrative expenses	(527)	–	(527)	(498)	–	(498)
Net return on ordinary activities before interest payable and taxation	7,341	47,760	55,101	5,826	48,447	54,273
Interest payable	(198)	(595)	(793)	(200)	(598)	(798)
Net return on ordinary activities before taxation	7,143	47,165	54,308	5,626	47,849	53,475
Taxation	(940)	365	(575)	(1,344)	845	(499)
Net return on ordinary activities after taxation	<u>6,203</u>	<u>47,530</u>	<u>53,733</u>	<u>4,282</u>	<u>48,694</u>	<u>52,976</u>
Return per ordinary share (pence):						
Basic	9.47	72.54	82.01	6.54	74.32	80.86

The total column of this statement represents the profit and loss account of the Company

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period under review.

The Company has no recognised gains or losses other than those recognised in the income statement above

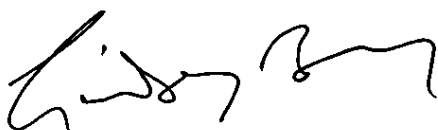
The accompanying notes are an integral part of the financial statements

BALANCE SHEET
at 30 June 2007

Notes		As at 30 June 2007	As at 31 May 2006
		£ 000	£'000
	Investments		
9	Investments at fair value through profit or loss	316,576	267 486
	Current assets		
10	Debtors	3 025	4,620
	Cash and short term deposits	8,837	4 887
		11,862	9,507
11	Creditors: amounts falling due within one year	(4 651)	(1,686)
	Net current assets	7,211	7 821
	Total assets less current liabilities	323,787	275,307
	Creditors: amounts falling due after more than one year		
12	Debentures	(7,000)	(7,000)
13	Provision for liabilities and charges	(1,239)	(1,795)
	Net assets	315,548	266,512
	Capital and reserves		
14	Called up share capital	3,266	3,276
	Share premium account	19,937	19 937
	Capital redemption reserve	1,441	1,431
	Realised reserves	219,706	199,385
	Unrealised reserves	57,300	30,955
	Revenue reserve	13,898	11,528
	Equity shareholders' funds	315,548	266,512
	Net asset value per ordinary share (pence):		
17	Basic	483 09	406 76

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2007 and were signed on its behalf by

Lindsay Bury
Chairman



The accompanying notes are an integral part of the financial statements

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the period ended 30 June 2007

	Share capital £'000	Share premium £ 000	Redemption reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000	Total £ 000
Balance at 31 May 2006	3,276	19 937	1,431	199,385	30,955	11,528	266 512
Return on ordinary activities after taxation	-	-	-	21 185	26 345	6,203	53,733
Purchase of own shares for cancellation	(10)	-	10	(864)	-	-	(864)
Dividends paid (see note 7)	-	-	-	-	-	(3,833)	(3,833)
Balance at 30 June 2007	3,266	19,937	1,441	219,706	57,300	13,898	315,548

For the year ended 31 May 2006

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Capital reserve - realised £'000	Capital reserve - unrealised £ 000	Revenue reserve £'000	Total £'000
Balance at 31 May 2005	3,276	19,937	1,431	166,400	15,246	12,389	218 679
Return on ordinary activities after taxation	-	-	-	32,985	15,709	4,282	52,976
Dividends paid (see note 7)	-	-	-	-	-	(5,143)	(5,143)
Balance at 31 May 2006	3,276	19,937	1 431	199,385	30,955	11,528	266,512

The accompanying notes are an integral part of the financial statements

CASH FLOW STATEMENT
for the period ended 30 June 2007

Notes	Period ended 30 June 2007	Year ended 31 May 2006
	£'000	£ 000
Return on ordinary activities before taxation	55,101	54,273
Adjustments for		
Realised gains on investments	(23,639)	(34,524)
Unrealised gains on investments	(26,345)	(15,709)
Effect of foreign exchange rates	10	(434)
(Increase)/decrease in accrued income	(5)	100
(Increase)/decrease in other debtors	(1,616)	21
Tax on unfranked investment income	(666)	(483)
Increase in creditors	1,569	1,669
Net cash inflow from operating activities	<u>4,409</u>	<u>4,913</u>
Servicing of finance		
Debenture interest paid	(815)	(752)
Bank overdraft and loan interest paid	21	(33)
Net cash outflow from servicing of finance	<u>(794)</u>	<u>(785)</u>
Financial investment		
Purchases of investments	(134,586)	(154,702)
Sales of investments	139,628	151,667
Net cash inflow/(outflow) from financial investment	<u>5,042</u>	<u>(3,035)</u>
Equity dividends paid	<u>(3,833)</u>	<u>(5,143)</u>
Net cash inflow/(outflow) before financing	4,824	(4,050)
Financing		
Purchase of own ordinary shares	(864)	-
Increase/(decrease) in cash	<u>3,960</u>	<u>(4,050)</u>
Reconciliation of net cash flow to movements in net funds		
Increase/(decrease) in cash as above	3,960	(4,050)
Exchange movements	(10)	434
Movement in net funds in the period	3,950	(3,616)
Net funds at start of period	(2,113)	1,503
15 Net funds at end of period	<u>1,837</u>	<u>(2,113)</u>
Represented by		
Cash	8,837	4,887
Debt due after more than one year	(7,000)	(7,000)
	<u>1,837</u>	<u>(2,113)</u>

The accompanying notes are an integral part of the financial statements

NOTES TO THE ACCOUNTS

for the period ended 30 June 2007

1. Accounting Policies

(a) Basis of preparation and going concern

The financial statements have been prepared in accordance with applicable UK Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice 'Financial Statements of Investment Companies' (issued January 2003 and revised in December 2005). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis, which the Directors believe is appropriate for the reasons outlined in the Directors' Report on page 18.

The same accounting policies used for the year ended 31 May 2006 have been applied to the 13 months ended 30 June 2007.

(b) Revenue, expenses and interest payable

Income from investments (other than special dividends), including taxes deducted at source, is included in the revenue column of the Income Statement by reference to the date on which the investment is quoted ex dividend. Special dividends are credited to capital or revenue, according to the circumstances. Expenses and interest payable are treated on an accruals basis. On the basis of the Board's expected long term split of returns in the form of capital gains and income of 75% and 25% respectively, the Company charges 75% of its finance costs and management fee (to the extent that it relates to maintenance or enhancement of the valuation of investments) to the capital column of the Income Statement. The performance fee however is charged entirely to the capital column of the Income Statement and the remainder of expenses are charged to the revenue column of the Income Statement.

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Income Statement.

(c) Investments

Investments have been designated upon initial recognition as fair value through the profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured as fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange's electronic trading service for UK blue chip securities including all the FTSE 100 constituents and the most liquid FTSE 250 along with some other securities. Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the unrealised reserve.

Overseas listed investments and investments which are quoted but are unlisted are valued at their closing or bid prices as issued by various sources. Unquoted investments are valued at fair value by the Directors taking into account the information available on the investee companies and funds held by the Company in accordance with International Private Equity and Venture Capital ("IPEVC") valuation guidelines.

(d) Dividends payable

Interim, special and final dividends are recognised in the period in which they are paid.

(e) Realised capital reserve

Gains or losses on investments realised in the period that have been recognised in the Income Statement are transferred to the realised capital reserve. In addition, any prior unrealised gains or losses on such investments are transferred from the unrealised capital reserve to realised capital reserve on disposal of the investment.

(f) Unrealised capital reserve

Increases and decreases in the fair value of investments are recognised in the Income Statement and are then transferred to the unrealised capital reserve.

(g) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Balance Sheet date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

NOTES TO THE ACCOUNTS

(continued)

(h) Foreign currency

Overseas monetary assets and liabilities are converted into Sterling at the rate of exchange ruling at the Balance Sheet date. Transactions during the period involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

2. Income

	Period ended 30 June 2007	Year ended 31 May 2006
	£'000	£'000
Income from investments		
UK listed – franked	2,119	1,453
Dividend income	4,622	4,215
Interest income	1,373	955
	<u>8,114</u>	<u>6,623</u>
Other interest receivable and similar income		
Bank interest	399	226
Treasury bill interest	55	–
Other income & underwriting commission	1	12
	<u>455</u>	<u>238</u>
Total income	<u><u>8,569</u></u>	<u><u>6,861</u></u>

3 Investment Management Fee

	Period ended 30 June 2007			Year ended 31 May 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	212	636	848	144	434	578
Investment management - administration	424	–	424	289	–	289
	<u>636</u>	<u>636</u>	<u>1,272</u>	<u>433</u>	<u>434</u>	<u>867</u>
Irrecoverable VAT thereon	65	65	130	104	104	208
	<u>701</u>	<u>701</u>	<u>1,402</u>	<u>537</u>	<u>538</u>	<u>1,075</u>
Performance fee provision	–	1,416	1,416	–	1,487	1,487
Irrecoverable VAT thereon	–	97	97	–	195	195
	<u>–</u>	<u>1,513</u>	<u>1,513</u>	<u>–</u>	<u>1,682</u>	<u>1,682</u>
Total	<u><u>701</u></u>	<u><u>2,214</u></u>	<u><u>2,915</u></u>	<u><u>537</u></u>	<u><u>2,220</u></u>	<u><u>2,757</u></u>

A summary of the terms of the Investment Management Agreement is given on page 17 in the Report of the Directors.

Taube Hodson Stonex Partners Ltd is entitled to a performance fee if the NAV, as calculated on the basis of audited annual accounts, exceeds the movement in the MSCI World Index (Sterling excluding income).

The calculation is based on NAVs over rolling three year periods, although the first period is from 1 January 2005 until 30 June 2007. Thereafter period two commenced 1 July 2005 and ends on 30 June 2008 and period three commenced 1 July 2006 and ends on 30 June 2009.

The objective of the performance bonus is to give the Investment Manager ten per cent of any such outperformance up to a maximum of 0.6% of the NAV. In relation to the first period a performance fee of £1,879,000 (excluding VAT) payable to the Investment Manager in September 2007 has been charged wholly to capital.

In addition a provision of £1,125,000 (excluding VAT) has been made for estimated performance fees to date in relation to periods two and three (2006 £1,588,000 excluding VAT, for periods one and two).

NOTES TO THE ACCOUNTS

(continued)

4 Administrative Expenses

	Period ended 30 June 2007	Year ended 31 May 2006
	£'000	£'000
Directors' emoluments	109	81
Auditor's remuneration – for interim review	–	6
Auditor's remuneration – for audit services	20	25
Bank charges and safe custody fees	68	65
Other expenses	330	321
	<u>527</u>	<u>498</u>

Details of the amounts paid to Directors are included in the audited part of the Directors' Remuneration Report on page 23

5 Interest Payable

	Period ended 30 June 2007			Year ended 31 May 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans and overdrafts	(6)	(16)	(22)	11	35	46
Debenture	204	611	815	189	563	752
	<u>198</u>	<u>595</u>	<u>793</u>	<u>200</u>	<u>598</u>	<u>798</u>

6. Taxation

	Period ended 30 June 2007			Year ended 31 May 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	575	–	575	499	–	499
Tax on management fee and finance costs charged to capital	365	(365)	–	845	(845)	–
	<u>940</u>	<u>(365)</u>	<u>575</u>	<u>1,344</u>	<u>(845)</u>	<u>499</u>

There was no provision for deferred taxation made for either the period ended 30 June 2007 or the previous year

The Company has not recognised a deferred tax asset of £28,000 (2006 £648,000) arising as a result of eligible unrelieved foreign tax. Given the uncertainty that the Company will generate sufficient taxable profits in the future no deferred tax asset has been recognised.

A reconciliation of the current tax charge is set out below

	Period ended 30 June 2007	Year ended 31 May 2006
	£'000	£'000
Revenue return on ordinary activities before taxation	7,143	5,626
Return on ordinary activities at the UK standard tax rate of corporation tax (30%)	2,143	1,688
Franked dividend receipts not chargeable to corporation tax	(636)	(436)
Income taxable in different periods	51	(37)
Overseas withholding tax	577	482
Overseas withholding tax deductible as an expense	–	(2)
Expenses not deductible for tax purposes	(1)	12
Double tax relief taken	(1,194)	(379)
Prior year adjustment on withholding tax recoverable	–	16
Current revenue tax charge for the period/year	<u>940</u>	<u>1,344</u>

NOTES TO THE ACCOUNTS
(continued)

7. Dividends

	Period ended 30 June 2007	Year ended 31 May 2006
	£'000	£ 000
Amounts recognised as distributions to equity holders in the period		
Final dividend for 2006 3 85p (2005 3 15p)	2,523	2,064
Special dividend for 2006 nil (2005 2 85p)	–	1,867
Interim dividend for 2007 2 00p (2006 1 85p)	1,310	1,212
	<u>3,833</u>	<u>5,143</u>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

We set out below the total dividends paid and proposed in respect of the financial period, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered. The revenue available for distribution by way of dividend for the period is £6,203,000 (2006 £4,282,000).

	Period ended 30 June 2007	Year ended 31 May 2006
	£'000	£ 000
Interim dividend for 2007 2 00p (2006 1 85p)	1,310	1,212
Proposed final dividend for 2007 5 19p (2006 3 85p)	3,390	2,523
	<u>4,700</u>	<u>3,735</u>

8. Return per Ordinary Share

The return per ordinary share is based on the following figures

	Period ended 30 June 2007			Year ended 31 May 2006		
	Revenue Pence	Capital Pence	Total Pence	Revenue Pence	Capital Pence	Total Pence
Basic	<u>9 47</u>	<u>72 54</u>	<u>82 01</u>	<u>6 54</u>	<u>74 32</u>	<u>80 86</u>

The total return per ordinary share is calculated on ordinary activities after taxation of £53,733,000 (2006 £52,976,000) and on 65,519,405 (2006 65,520,296) ordinary shares, being the weighted average number of shares in issue during the period

The revenue return per ordinary share is calculated on the net revenue on ordinary activities after taxation of £6,203,000 (2006 £4,282,000) and on 65,519,405 (2006 65,520,296) ordinary shares, being the weighted average number of ordinary shares in issue during the period

The capital return per ordinary share is calculated on the net capital return for the period of £47,530,000 (2006 £48,694,000) and on 65,519,405 (2006 65,520,296) ordinary shares, being the weighted average number of ordinary shares in issue during the period

NOTES TO THE ACCOUNTS
(continued)

9 Investments

	Valuation 31 May 2006 £'000	Purchases £ 000	Sales £ 000	Appreciation/ (depreciation) £'000	Valuation 30 June 2007 £'000	Cost 30 June 2007 £'000
UK	84,922	47 972	53,585	9,736	89,045	75,215
North America	46,903	46,755	29,791	5,074	68,941	58,633
Europe and Emerging Markets	86,858	19,863	13,767	10,470	103,424	78,030
Japan	18,086	14 577	5,822	(852)	25,989	23,714
Pacific	30,717	6 123	9,580	1,917	29,177	23,684
	<u>267,486</u>	<u>135,290</u>	<u>112,545</u>	<u>26,345</u>	<u>316,576</u>	<u>259,276</u>

Transaction costs

During the period expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	Period ended 30 June 2007 £'000	Year ended 31 May 2006 £'000
Purchases	215	402
Sales	123	280
	<u>338</u>	<u>682</u>

10 Debtors: Amounts Falling Due Within One Year

	As at 30 June 2007 £'000	As at 31 May 2006 £'000
Investments sold for future settlement	312	3,617
Taxation recoverable	234	160
Prepayments and accrued income	2,479	843
	<u>3,025</u>	<u>4,620</u>

11 Creditors: Amounts Falling Due Within One Year

	As at 30 June 2007 £ 000	As at 31 May 2006 £ 000
Purchases for future settlement	2,085	1,247
Performance fee	2,069	–
Accruals	497	439
	<u>4,651</u>	<u>1 686</u>

NOTES TO THE ACCOUNTS
(continued)

12 Creditors: Amounts Falling Due After More Than One Year

	As at 30 June 2007	As at 31 May 2006
	£ 000	£'000
10 75% debenture stock 2011	<u>7 000</u>	<u>7,000</u>

The 10 75% debenture stock is due to be redeemed at par on 30 November 2011 and interest is payable in half yearly instalments in May and November

The debenture stock is secured by a floating charge over all the Company's assets

13 Provision for Liabilities and Charges

	As at 30 June 2007	As at 31 May 2006
	£'000	£'000
Opening balance	1 795	113
Performance fee earned during the period/year	1 513	1 682
Payable for 2007	(2,069)	–
	<u>1,239</u>	<u>1,795</u>

14. Called up Share Capital

	As at 30 June 2007	As at 31 May 2006
	£'000	£'000
Called up, allotted and fully paid		
65,318,174 (2006 65,520,296) ordinary shares of 5p	<u>3,266</u>	<u>3,276</u>

During the period the Company repurchased 202,122 ordinary shares at a cost of £864,000 including expenses. This represents 0.003% of the Company's issued share capital at 30 June 2007.

15. Analysis of Changes in Net Debt

	At 31 May 2006	Cashflow	Exchange movements	At 30 June 2007
	£000	£000	£000	£000
Cash at bank and short term deposits	4,887	3,960	(10)	8,837
Debentures	(7 000)	–	–	(7,000)
Net debt	<u>(2,113)</u>	<u>3,960</u>	<u>(10)</u>	<u>1,837</u>

16. Commitments and Contingencies

As at 30 June 2007 there were no contingent liabilities (31 May 2006 nil)

17. Net Asset Value per Ordinary Share

	As at 30 June 2007	As at 31 May 2006
Net assets attributable	£315 548,000	£266,512,000
Number of ordinary shares in issue at period end	65,318,174	65,520,296
NAV per ordinary share (pence)	<u>483.09</u>	<u>406.76</u>

The NAV per share at 30 June 2007, adjusted to include the debenture stock at market value rather than at par is 481.13p (2006 403.97p)

NOTES TO THE ACCOUNTS
(continued)

18 Derivatives and Other Financial Instruments

a) Management of Risk

The Company's financial instruments held during the period comprise

- Equity shares held within the portfolio,
- Fixed interest stock held within the portfolio,
- Debenture stock issued to finance its investing activities, and
- Cash and short term debtors and creditors which arise from its investing activities

The debenture stock carries a fixed rate of interest

The risks arising from these financial instruments are due to fluctuations in market prices, foreign currency exchange rates and interest rates on cash deposits. The Board's policy for managing these risks is summarised below

Market price risk

An investment trust is exposed to market risk due to fluctuations in market prices of the investments held in its portfolio. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets together with stock selection covering small, medium and large companies are other factors which act to reduce market price risk. The Investment Manager actively monitors market prices throughout the year and reports to the Board which meets regularly to consider investment strategy.

Foreign currency risk

The Company's total return and Balance Sheet can be affected by fluctuations in foreign currency exchange rates. The Company may enter forward foreign currency exchange contracts to reduce the risk of holding investments whose operations are denominated in foreign currencies. From time to time the Company will hold foreign currency cash balances as well as foreign currency balances due to and receivable from brokers. These assets and liabilities arise from the Company's investing activities. The exposure is short term and therefore not considered to be material. The Company has no foreign currency loans at the period end.

Liquidity risk

The Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. The maturity of the Company's existing borrowings are set out in part (c) to this note.

Interest rate risk

The Company's exposure to risk arising from interest rate fluctuations is minimal. The financial liabilities carry fixed rates of interest. The Company has cash on deposit at floating rates but these are short term and therefore carry no material risk.

NOTES TO THE ACCOUNTS

(continued)

b) Risk Profile of Financial Assets and Financial Liabilities

Currency exposure

A significant portion of the Company's financial assets are denominated in currencies other than sterling with the effect that the Balance Sheet and total return can be significantly affected by currency movements

Currency	Monetary	Monetary	Net monetary	Monetary	Monetary	Net monetary
	assets	liabilities	assets	assets	liabilities	assets
	2007	2007	2007	2006	2006	2006
	£'000	£'000	£'000	£'000	£'000	£'000
US dollar	71,895	(1,225)	70,670	47,954	-	47,954
Euro	70,721	-	70,721	59,984	-	59,984
Yen	28,052	-	28,052	19,789	-	19,789
Other European	29,370	-	29,370	27,137	-	27,137
Other Far East and Australia	35,746	-	35,746	30,982	(1,247)	29,735
	<u>235,784</u>	<u>(1,225)</u>	<u>234,559</u>	<u>185,846</u>	<u>(1,247)</u>	<u>184,599</u>

Interest rate risk profile of financial assets and financial liabilities

The Company's financial assets comprise equity shares, which neither pay interest nor carry a maturity date, fixed interest securities, bank balances and short term deposits. The interest rate profile of the assets of the Company excluding short term debtors, at 30 June 2007 and 31 May 2006 was

	Other financial assets				Other financial assets			
	Floating rate	Fixed rate	on which		Floating rate	Fixed rate	on which	
	financial	financial	no interest		financial	financial	no interest	
Total	assets	assets	is paid	Total	assets	assets	is paid	Total
2007	2007	2007	2007	2006	2006	2006	2006	2006
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equities	291,368	-	-	291,368	234,478	-	-	234,478
Fixed interest securities	25,208	-	25,208	-	33,008	-	33,008	-
Sterling	6,461	6,461	-	-	3,188	3,188	-	-
US dollar	313	313	-	-	964	964	-	-
Euro	-	-	-	-	265	265	-	-
Yen	2,063	2,063	-	-	324	324	-	-
Other Far East and Australia	-	-	-	-	146	146	-	-
	<u>325,413</u>	<u>8,837</u>	<u>25,208</u>	<u>291,368</u>	<u>272,373</u>	<u>4,887</u>	<u>33,008</u>	<u>234,478</u>

Floating rate financial assets currently earn interest at the following rates

Sterling 5.29% (2006 4.39%)

US dollar 5.08% (2006 4.87%)

Euro 3.94% (2006 2.42%)

Yen nil (2006 0.02%)

Australian dollar nil (2006 5.40%)

NOTES TO THE ACCOUNTS

(continued)

18 Derivatives and Other Financial Instruments (continued)

The interest rate profile of the Company's financial liabilities excluding short term liabilities at 30 June 2007 and 31 May 2006 was

	Fixed rate financial liabilities 2007 £ 000	Fixed rate financial liabilities 2006 £ 000
Currency		
Sterling	7,000	7,000

The weighted average interest rate of the fixed rate financial liabilities was 10.75% (2006: 10.75%). The weighted average period for which interest rates on the fixed rate financial liabilities are fixed is 3 years and 6 months (2006: 4 years and 7 months).

c) Maturity profile of financial liabilities

The maturity profile of the Company's financial liabilities at 30 June 2007 and 31 May 2006 was as follows

	2007 £ 000	2006 £ 000
In two to five years	7,000	7,000

d) Fair values of financial assets and financial liabilities

All of the Company's assets are held at fair value.

Set out below is a comparison by category of book values and fair values of the Company's financial liabilities as at 30 June 2007 and 31 May 2006.

	Book value 2007 £'000	Fair value 2007 £'000	Book value 2006 £'000	Fair value 2006 £'000
10.75% debenture stock 2011	7,000	8,285	7,000	8,831

The fair value of the 10.75% debenture 2011 is calculated by reference to the market value at 30 June 2007.

REPORT OF THE INDEPENDENT AUDITOR
to the members of Electric & General Investment Trust plc

We have audited the financial statements of Electric & General Investment Trust plc for the period ended 30 June 2007 which comprises the Income Statement, Balance Sheet Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 18. 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 the information given in the Report of the Directors 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 is 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 company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only

the Company Profile, Benchmark, Financial Highlights, Dividend and Performance, Historical Record, Growth in Net Asset Value and Share Price and NAV per share performance, Company information and Reporting and Financial Calendar, Directors, Investment Manager, Chairman's Statement, Portfolio Analysis, Analysis of Investments by Sector, Portfolio Valuation, Ten Largest Investments, Report of the Directors, Corporate Governance, the unaudited part of the Directors' Remuneration Report, Notice of Meeting and Capital Gains Tax Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 Company's circumstances consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2007 and of its net return for the period then ended,
- 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
- the information given in the Report of the Directors is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

5 September 2007

NOTICE OF MEETING

Notice is hereby given that the one hundred and seventeenth Annual General Meeting of Electric & General Investment Trust plc will be held at the offices of JPMorgan Cazenove Limited, 20 Moorgate, London EC2R 6DA on Thursday, 11 October 2007 at 12 00 noon for the purpose of transacting the following business

Ordinary Business

- 1 To receive the Report of the Directors and audited accounts for the period ended 30 June 2007
2. To declare a final dividend of 5 19p per ordinary share
- 3 To re-elect Mr L C N Bury as a Director of the Company *
4. To re-elect Mr J Ruffer as a Director of the Company *
5. To re-appoint Ernst & Young LLP as Independent Auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which the accounts are laid before members
6. To authorise the Directors to determine the remuneration of Ernst & Young LLP as Auditors of the Company

Special Business

To consider and, if thought fit, pass resolutions 7 and 8 as Ordinary Resolutions and resolutions 9 and 10 as Special Resolutions

- 7 To approve the Directors Remuneration Report for the period ended 30 June 2007
- 8 THAT, the Board be and is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £163,295 (being 5% of the issued ordinary share capital at the date of this notice) and this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The Directors may only use this authority when it would be advantageous to the Company's existing shareholders
9. THAT, subject to the passing of the previous resolution, the Board be and is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited

- (a) to the allotment of equity securities whether by way of a rights issue, open offer or otherwise to ordinary

shareholders and/or holders of any other securities in accordance with the rights of those securities where the equity securities respectively attributable to the interests of all ordinary shareholders and/or such holders are proportionate to the respective numbers of ordinary shares and such securities held by them (or are otherwise allotted in accordance with the rights attaching to such securities) subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or otherwise howsoever,

- (b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal value of £163,295 (being 5% of the issued ordinary share capital at the date of this notice), and
- (c) to the allotment of equity securities at a price of not less than net asset value per share (as determined by the Directors from time to time), and shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired

10 THAT the Company be authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") upon and subject to the following conditions

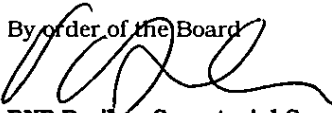
- (a) the maximum number of ordinary shares which may be purchased is 14.99% of the Company's issued ordinary share capital at the date of the Annual General Meeting equivalent to 9,791,194 ordinary shares at the date of this notice,
- (b) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed
 - i) 105% of the average middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days preceding the date of purchases, or
 - ii) the higher of the price of the last independent trade and highest current independent bid for an ordinary share made on the London Stock Exchange, and
- (c) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 5p being the nominal value per ordinary share, and

NOTICE OF MEETING

(continued)

- (d) this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry, enter into a contract to purchase ordinary shares under which such purchases will or may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of ordinary shares in pursuance of any such contract

By order of the Board


BNP Paribas Secretarial Services Limited
Secretary

5 September 2007

* The biographies of these Directors are set out on page 5 and the recommendation for their re-election can be found on pages 17 and 20 of this Report

Notes

- 1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 only those shareholders registered in the register of members of Electric and General Investment Trust plc at the close of business on Tuesday 9 October 2007 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after close of business on Tuesday, 9 October 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting

- 2 An ordinary shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and on a poll to vote on his or her behalf. Such proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Registrar of the Company not less than forty-eight hours before the time fixed for the meeting. If shareholders so wish the form of proxy may be returned in an envelope addressed to Computershare Investor Services PLC FREEPOST SWB 1002 PO Box 1075 Bristol BS99 3FA
- 3 The completion of the form of proxy will not preclude ordinary shareholders from attending and voting in person at the meeting
- 4 This notice is sent for information only to holders of debenture stock who are not entitled to attend or vote at the meeting
- 5 By attending the meeting members and their proxies and representatives are understood by the Company to have confirmed their agreement to receive any communications (including communications relating to the Company's securities) made at the meeting
- 6 The following documentation will be available for inspection at the registered office of the Company during usual business hours on any weekday (except bank holidays) until the date of the meeting and at the place of the meeting

a) A Statement of all transactions of each Director and of their family interests in the share capital of the Company

b) The Memorandum and Articles of Association and

c) Letters of appointment of non-executive Directors

Registered Office

55 Moorgate
London EC2R 6PA

LOCATION OF MEETING

GRAPHIC REMOVED

CAPITAL GAINS TAX INFORMATION

In 1998 considerable changes were made to the way that chargeable gains are calculated for non-corporate shareholders in respect of disposals made on or after 6 April 1998. From that date pooling no longer applies and disposals are matched against shares acquired in the following order:

- same date acquisitions,
- acquisitions within the following 30 days,
- previous acquisitions on or after 5 April 1998 (using the "last in first out" basis),
- any shares held in the pool as at 5 April 1998,
- any shares held in the pool as at 5 April 1982,
- any shares acquired before 6 April 1965, and
- any shares acquired subsequent to the disposal.

For disposals on or after 6 April 1998 indexation is still allowed but only up to April 1998. This has been replaced by taper relief which reduces the amount of the chargeable gain on these disposals the longer the shares are held. The taper is 5% for each complete year of ownership after the first two complete years, with a maximum reduction of 40% after ten complete years.

In calculating the tapering relief, assets held before 17 March 1998 qualify for an extra year.

The calculation of the tax on chargeable gains will depend on personal circumstances. The above information is of a general nature and is not exhaustive. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.