

*Electric & General  
Investment Trust plc*

Interim Report  
for the six months ended  
30 November 2006  
Taube Hodson Stonex Partners Limited

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## ELECTRIC & GENERAL INVESTMENT TRUST PLC

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

### FINANCIAL HIGHLIGHTS

	(Unaudited) Six months ended 30 November 2006 Pence	(Unaudited) Six months ended 30 November 2005 Pence	(Audited) Year ended 31 May 2006 Pence
Per ordinary share			
<b>Net asset value</b>	428.94	374.03	406.76
<b>Share price</b>	399.00	357.25	377.50
<b>Earnings per share</b>	2.94	2.30	6.54
<b>Dividend</b>	2.00	1.85	5.70

## CHAIRMAN'S STATEMENT

### Policy and objectives

The Company's objective is to maximise total return while pursuing a progressive dividend policy where achievable within the overriding objective of capital growth. The Investment Manager invests internationally in a relatively concentrated portfolio. The Investment Manager does not aim to replicate the global indices, but looks to invest in strong businesses with good growth prospects.

### Benchmark

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

### Performance

For the six months ended 30 November 2006 the Net Asset Value of the Company increased by 6.15%, which compares with an increase of 4.69% in the MSCI World Index (excluding income). Over the same period the Company's share price increased by 5.70%, the difference in performance being made up by the discount to Net Asset Value having gone up from 5.15% per share to 5.63% per share.

### Market background

Equity markets have made a good recovery since the low point in mid-June 2006, with indices in both the US and Europe reaching new highs by the end of the six months under review. The improvement in the summer was driven by the perception that the period of rising interest rates in America was coming to an end. The weakness in the US housing market, a general slowdown in the economy and calmer oil and commodity prices have all contributed to produce a more benign inflation outlook.

In Continental Europe, the economy continues to improve, with the latest figures from the European Commission showing that economic growth in the region reached its highest level for six years during the first half of the year. The European recovery now appears to be robust enough to shrug off a modest slowdown in the US with domestic demand an increasingly important

component of European growth. This stronger picture is underlined by the recent decision by the European Central Bank to raise interest rates.

In Japan, after years of stagnation, recovery is also underway. Unemployment has begun to fall and consumer spending has started to pick up. This is reflected in the Bank of Japan's decision to raise interest rates from effectively zero, where they had been held for several years, to 0.25% in July. Shinzo Abe, Japan's new prime minister, has indicated that he is committed to economic reform and to reducing the country's large budget deficit.

During the six months under review, the Company's successful investment in Japan's premier real estate company, Mitsubishi Estate, was switched into Tokyu Corporation, one of the country's largest private railway companies, which owns an extremely valuable portfolio of retail and commercial premises in Tokyo. Tokyu Corp is now better value than Mitsubishi Estate and is well placed to benefit from a revival in Japanese consumption. Shares were also purchased in the Japanese investment banking and fund management group, Nikko Cordial, which will benefit from increased corporate activity. Also of interest in Japan, a new holding has been started in Kurita Water, which makes equipment to produce ultra-pure water for cutting-edge semiconductor and electronics plants - it has 60% market share in LCD-TV plants. It has spent the last few years selling purifiers cheaply to these plants and is now benefiting from volume growth through reagent sales. Kurita thus is geared to rising production of high-tech wafers and LCD-TV screens without being exposed to price erosion.

Other new investments include Cesio, the German pharmacy and drug distribution company, which benefits from the continuing growth in demand for drugs from the world's aging population, and from the high margins available on the sale of generic products. The Company also participated in the IPO of Standard Life, the UK life assurance company, and bought shares in PICC Property & Casualty, a Chinese insurer in which we have profitably invested in the

past. At the end of the last accounting period a holding was started in Yell, of which more has now been purchased. Yell is an attractive investment because it is the only directories business with a clear growth plan: it is consolidating its US presence through small purchases and may soon be the only nationwide directories business. Yell is also making opportunistic purchases in Europe, such as the acquisition of Spain's TPI. More recently, the market reacted very positively when the UK regulator announced a relaxation in the regulatory regime which governs the company's business.

Sales during the period include Alumina and Marathon Oil. Although we reduced the Company's oil investments earlier in the year, the remaining holdings were a drag on performance during the third quarter as the oil price fell. On the positive side, holdings in large, more defensive stocks performed well. These include ING, National Grid, and Unicredito. In addition, good rises were achieved by some special situations including Alliance Unichem, which has performed strongly since the announcement of the merger with Boots, and Mediceo, Japan's largest pharmaceutical wholesaler. A tender offer was made for Medicover, the Eastern European health provider, by the company's management, which we turned down because we think the company has very interesting long term prospects. The company is now in the process of being de-listed, so in future it will be held as an unquoted investment.

### **Prospects**

Looking ahead, the slow down of the American economy, and subsequent decline in interest rate expectations, have removed one of the major worries of the market. For the moment, the handover of growth engine status from America to the rest of the world is proceeding smoothly and while this continues, we feel the case for equity markets is still positive. However, we are now into the fourth year of recovery in global equities so it is sensible to have a cautious weather eye.

### **Dividend**

The Directors have declared an interim dividend of 2.00p per ordinary share payable on 22 February 2007 to shareholders on the register of members at the close of business on 2 February 2007.

### **Change of accounting reference date**

The Board has taken the decision to extend the Company's accounting reference date from 31 May to 30 June. Accordingly, the Company's Annual Report and Accounts for the year ended 30 June 2007 is due to be published in September 2007.

### **Lindsay Bury**

Chairman

22 January 2007

**INCOME STATEMENT**  
for the six months ended 30 November 2006

	(Unaudited)		
	Six months ended 30 November 2006		
	Revenue	Capital	Total
	£'000	£'000	£'000
Gains on investments	–	15,708	15,708
Income from investments	2,785	–	2,785
Foreign exchange (losses)/gains	–	(84)	(84)
Other interest receivable and similar income	146	–	146
Investment management fee	(305)	(305)	(610)
Performance fee	–	(112)	(112)
Administrative expenses	(283)	–	(283)
<b>Return on ordinary activities before interest payable and taxation</b>	2,343	15,207	17,550
Interest payable	(96)	(286)	(382)
<b>Net return on ordinary activities before taxation</b>	2,247	14,921	17,168
Taxation	(324)	210	(114)
<b>Return on ordinary activities after taxation</b>	1,923	15,131	17,054
 <b>Return per ordinary share</b> (see note 2)	 2.94p	 23.09p	 26.03p

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 in the year.

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

(Unaudited)			(Audited)		
Six months ended 30 November 2005			Year ended 31 May 2006		
Revenue	Capital	Total	Revenue	Capital	Total
£'000	£'000	£'000	£'000	£'000	£'000
-	29,460	29,460	-	50,233	50,233
2,213	-	2,213	6,623	-	6,623
-	-	-	-	434	434
162	-	162	238	-	238
(234)	(234)	(468)	(537)	(538)	(1,075)
-	(287)	(287)	-	(1,682)	(1,682)
(234)	-	(234)	(498)	-	(498)
1,907	28,939	30,846	5,826	48,447	54,273
(101)	(301)	(402)	(200)	(598)	(798)
1,806	28,638	30,444	5,626	47,849	53,475
(298)	172	(126)	(1,344)	845	(499)
1,508	28,810	30,318	4,282	48,694	52,976
2.30p	43.97p	46.27p	6.54p	74.32p	80.86p

**BALANCE SHEET**  
as at 30 November 2006

	(Unaudited) 30 November 2006 £'000	(Unaudited) 30 November 2005 £'000	(Audited) 31 May 2006 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	280,501	247,191	267,486
<b>Current assets</b>			
Debtors	868	898	4,620
Cash and short term deposits	9,007	5,496	4,887
	9,875	6,394	9,507
<b>Creditors:</b> amounts falling due within one year	(2,333)	(1,519)	(3,481)
<b>Net current assets</b>	7,542	4,875	6,026
<b>Total assets less current liabilities</b>	288,043	252,066	273,512
<b>Creditors:</b> amounts falling due after more than one year			
Debentures	(7,000)	(7,000)	(7,000)
<b>Net assets</b>	281,043	245,066	266,512
<b>Capital and reserves</b>			
Called-up share capital	3,276	3,276	3,276
Share premium account	19,937	19,937	19,937
Capital redemption reserve	1,431	1,431	1,431
Realised reserves	208,024	179,163	199,385
Unrealised reserves	37,447	31,293	30,955
Revenue reserve	10,928	9,966	11,528
<b>Equity shareholders' funds</b>	281,043	245,066	266,512
<b>Net asset value per ordinary share</b> (see note 4)	428.94p	374.03p	406.76p

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

### For the six months ended 30 November 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 2006	3,276	19,937	1,431	199,385	30,955	11,528	266,512
Return on ordinary activities after taxation	-	-	-	8,639	6,492	1,923	17,054
Dividends paid (see note 6)	-	-	-	-	-	(2,523)	(2,523)
<b>Balance at 30 November 2006</b>	<b>3,276</b>	<b>19,937</b>	<b>1,431</b>	<b>208,024</b>	<b>37,447</b>	<b>10,928</b>	<b>281,043</b>

### For the six months ended 30 November 2005

	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	-	-	-	12,763	16,047	1,508	30,318
Dividends paid (see note 6)	-	-	-	-	-	(3,931)	(3,931)
<b>Balance at 30 November 2005</b>	<b>3,276</b>	<b>19,937</b>	<b>1,431</b>	<b>179,163</b>	<b>31,293</b>	<b>9,966</b>	<b>245,066</b>

### 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 6)	-	-	-	-	-	(5,143)	(5,143)
<b>Balance at 31 May 2006</b>	<b>3,276</b>	<b>19,937</b>	<b>1,431</b>	<b>199,385</b>	<b>30,955</b>	<b>11,528</b>	<b>266,512</b>

**CASH FLOW STATEMENT**  
for the six months ended 30 November 2006

	(Unaudited) Six months ended 30 November 2006 £'000	(Unaudited) Six months ended 30 November 2005 £'000	(Audited) Year ended 31 May 2006 £'000
<b>Return on ordinary activities before taxation</b>	17,550	30,846	54,273
Adjustments for:			
Realised gains on investments	(9,215)	(13,183)	(34,524)
Unrealised gains on investments	(6,493)	(15,836)	(15,709)
Effect of foreign exchange rates	84	(441)	(434)
Decrease in accrued income	105	413	100
(Increase)/decrease in other debtors	(10)	2	21
Tax on unfranked investment income	(114)	(129)	(483)
Increase in creditors	98	192	1,669
<b>Net cash inflow from operating activities</b>	<u>2,005</u>	<u>1,864</u>	<u>4,913</u>
<b>Servicing of finance</b>			
Debenture interest paid	(376)	(376)	(752)
Bank overdraft and loan interest paid	(6)	(25)	(33)
<b>Net cash outflow from servicing of finance</b>	<u>(382)</u>	<u>(401)</u>	<u>(785)</u>
<b>Taxation</b>			
Tax recovered	42	-	-
<b>Financial investment</b>			
Purchases of investments	(67,784)	(86,355)	(154,702)
Sales of investments	72,846	85,383	151,667
<b>Net cash inflow/(outflow) from financial investment</b>	<u>5,062</u>	<u>(972)</u>	<u>(3,035)</u>
<b>Equity dividends paid</b>	<u>(2,523)</u>	<u>(3,931)</u>	<u>(5,143)</u>
<b>Net cash inflow/(outflow) before financing</b>	4,204	(3,440)	(4,050)
<b>Financing</b>			
Purchase of own ordinary shares	-	(8)	-
<b>Increase/(decrease) in cash</b>	<u>4,204</u>	<u>(3,448)</u>	<u>(4,050)</u>
<b>Reconciliation of net cash flow to movements in net funds</b>			
Increase/(decrease) in cash as above	4,204	(3,448)	(4,050)
Exchange movements	(84)	441	434
Movement in net funds in the year	4,120	(3,007)	(3,616)
Net funds at start of period	(2,113)	1,503	1,503
<b>Net funds at end of period</b>	<u>2,007</u>	<u>(1,504)</u>	<u>(2,113)</u>
<b>Represented by:</b>			
Cash	9,007	5,496	4,887
Debt due after more than one year	(7,000)	(7,000)	(7,000)
	<u>2,007</u>	<u>(1,504)</u>	<u>(2,113)</u>

**NOTES TO THE INTERIM ACCOUNTS**  
for the six months ended 30 November 2006

**1. Accounting policies**

The accounts have been prepared under the historical cost convention, as modified to include the revaluation of investments and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice for "Financial Statements of Investment Trust Companies". They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The financial statements, and net asset value per share figures, have been prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP") and the new Financial Reporting Standards, issued as part of the programme to converge UK GAAP with International Financial Reporting Standards ("IFRS").

The same accounting policies used for the year ended 31 May 2006 have been applied.

**2. Return per ordinary share**

The return per ordinary share is based on the following figures:

	Six months ended 30 November 2006 £'000	Six months ended 30 November 2005 £'000	Year ended 31 May 2006 £'000
Revenue return	1,923	1,508	4,282
Capital return	15,131	28,810	48,694
<b>Total return</b>	<b>17,054</b>	<b>30,318</b>	<b>52,976</b>
Weighted average number of ordinary shares in issue	65,520,296	65,520,296	65,520,296
Revenue return per ordinary share	2.94p	2.30p	6.54p
Capital return per ordinary share	23.09p	43.97p	74.32p
<b>Return per ordinary share</b>	<b>26.03p</b>	<b>46.27p</b>	<b>80.86p</b>

**3. Transaction costs**

During the six months ended 30 November 2006, 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:

**NOTES TO THE INTERIM ACCOUNTS**  
(continued)

**3. Transaction costs (continued)**

	Six months ended 30 November 2006 £'000	Six months ended 30 November 2005 £'000	Year ended 31 May 2006 £'000
Purchases	112	216	402
Sales	49	146	280
	<u>161</u>	<u>362</u>	<u>682</u>

**4. Net asset value per ordinary share**

The net assets attributable to the ordinary shares were as follows:

	As at 30 November 2006	As at 30 November 2005	As at 31 May 2006
Net assets attributable	£281,043,000	£245,066,000	£266,512,000
Number of ordinary shares in issue	65,520,296	65,520,296	65,520,296
Net asset value per share	<u>428.94p</u>	<u>374.03p</u>	<u>406.76p</u>

**5. Financial information**

The financial information in this report comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 May 2006 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified under Section 235 of the Companies Act 1985. The interim accounts have been prepared using the same accounting policies as the preceding annual accounts.

**6. Dividend**

	Six months ended 30 November 2006 £'000	Six months ended 30 November 2005 £'000	Year ended 31 May 2006 £'000
Final dividend for 2006: 3.85p (2005: 3.15p)	2,523	2,064	2,064
Special dividend for 2005: 2.85p	-	1,867	1,867
Interim dividend for 2006: 1.85p	-	-	1,212
	<u>2,523</u>	<u>3,931</u>	<u>5,143</u>

The Company has declared an interim dividend in respect of the year ending 30 June 2007 of 2.00p (2006: 1.85p) per ordinary share which will be paid on 22 February 2007 to ordinary shareholders on the register of members at the close of business on 2 February 2007.

## PORTFOLIO INFORMATION

at 30 November 2006

£'000	Thirty largest investments by value	Description	% of total portfolio
6,902	Nestle	<i>Food</i>	2.46
6,199	Rio Tinto	<i>Mining</i>	2.21
5,893	Unicredito Italiano	<i>Banks</i>	2.10
5,586	Electricite de France	<i>Electricity</i>	1.99
5,413	Royal Dutch Shell	<i>Oil &amp; Gas</i>	1.93
5,217	Carrefour	<i>Food</i>	1.86
4,939	Allianz AG	<i>Insurance</i>	1.76
4,825	Vodafone Group	<i>Telecommunications</i>	1.72
4,740	Fraport	<i>Airport Operator</i>	1.69
4,506	Bank of Communications	<i>Banks</i>	1.61
4,488	France Telecom	<i>Telecommunications</i>	1.60
4,396	Swiss Reinsurance	<i>Insurance</i>	1.57
4,318	Petro Canada	<i>Oil &amp; Gas</i>	1.54
4,292	Deutsche Post	<i>Transport</i>	1.53
4,148	Statoil	<i>Oil &amp; Gas</i>	1.48
4,141	Alliance Boots	<i>Retail</i>	1.48
4,119	Vivendi Universal	<i>Media &amp; Entertainment</i>	1.47
4,097	Hilton Hotels	<i>Leisure &amp; Hotels</i>	1.46
4,084	Verizon Communications	<i>Telecommunications</i>	1.46
4,063	Mediceo Paltac	<i>Pharmaceuticals</i>	1.45
4,053	Standard Chartered	<i>Banks</i>	1.44
3,961	National Grid	<i>Electricity</i>	1.41
3,937	Teliasonera	<i>Telecommunications</i>	1.40
3,879	Eurazeo	<i>Investment Companies</i>	1.38
3,810	British Sky Broadcasting	<i>Media &amp; Entertainment</i>	1.36
3,650	SNC Lavalin Group	<i>Manufacturing</i>	1.30
3,649	Schibsted Asa	<i>Media &amp; Entertainment</i>	1.30
3,555	Newcrest Mining	<i>Mining</i>	1.27
3,434	Cadbury Schweppes	<i>Food Producers &amp; Processors</i>	1.22
3,359	DBS Group	<i>Finance</i>	1.20

These investments account for 47.6% of the total portfolio valuation of £280,501,000. The remaining 57 comprise 52.4% of the portfolio.

Geographical spread	£'000	% of total portfolio
United Kingdom	82,924	29.5
Europe	89,906	32.1
North America	51,650	18.4
Japan	24,664	8.8
Far East	31,357	11.2
	<u>280,501</u>	<u>100.0</u>

## COMPANY INFORMATION

### Directors

Lindsay C N Bury (Chairman)

Gerry P Aherne

John D W Pocock

Jonathan G Ruffer

### Secretary and Registered Office

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### Information

Share price and performance information can be found on the Company's website

**[www.electrilandgeneral.com](http://www.electrilandgeneral.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](http://www.computershare.com)**.

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.



