

## EP Global Opportunities Trust plc

Interim Report 30 June 2005



## **INVESTMENT OBJECTIVE & POLICY**

The Company's objective is to provide Shareholders with an attractive real long-term total return by investing globally in undervalued securities. The portfolio will be managed without reference to the composition of any stockmarket index.

The Company invests in a focused portfolio of approximately 30 to 40 securities of issuers throughout the world, predominantly in quoted equities. The Company may also invest in unquoted securities, in other listed investment companies (including investment trusts) and in debt instruments, cash or cash equivalents where the Investment Manager believes it is appropriate in the prevailing market or economic conditions.

It is intended that, from time to time, and when deemed appropriate, the Company will borrow for investment purposes up to the equivalent of 25 per cent of its total assets. By contrast, the Company's portfolio may from time to time have substantial holdings of debt instruments, cash or cash equivalents.

The investment objective and policy are intended to distinguish the Company from other investment vehicles which have relatively narrow investment objectives and which are thus constrained in their decision making and asset allocation. The objective and policy will allow the Company to be constrained in its investment selection only by valuation, and to be pragmatic in portfolio construction by only investing in securities which Edinburgh Partners considers to be undervalued on an absolute basis.

## **CHAIRMAN'S STATEMENT**

### **Investment Performance**

This is the second Interim Report of your Company since it commenced operations in December 2003 and it is pleasing to report another six months of excellent performance. At the end of June 2005, the net asset value per share had risen to 128.7p, a gain of 10.5 per cent over the year end figure, which is fractionally greater than that reported in the Annual Report due to accounting changes (as explained on page 6). For comparison, the FT World Index and the FT All-Share Index achieved total return performances of 7.4 per cent and 8.2 per cent respectively in the first half of 2005.

The share price increased 18.3 per cent to 130.8p. The substantially greater increase in the share price resulted from a change in the level of the discount to net asset value. At the end of 2004, the shares were quoted at a discount of 5.0 per cent to the net asset value. By the end of June, this had become a premium of 1.6 per cent.

As was stated in the Annual Report, it is your Board's intention to buy-in shares in the open market and to issue shares to limit, as far as possible, the divergence of the share price and the net asset value per share. Encouragingly, the discount was eliminated without any shares being bought-in and, in fact, we were able to place 620,000 new shares during the six months at a small premium to net asset value.

### **Revenue Account**

The revenue account shows a considerable improvement compared to the same period last year. The revenue per share is 1.25p, compared to 0.62p in the period to the end of June 2004. The improvement is the result of investing in a number of higher yielding shares in the second half of last year. This was not done with a view to improving the revenue account but is simply a consequence of where our Investment Manager found the best value in individual shares.

The majority of the revenue is received in the first half of the year, so the net revenue at the year end may be little different from the level in this Interim Report. As was the case last year, your Board has not declared an interim dividend but will wait until the year end, when the amount available for distribution will be known, before proposing a dividend.

### **Investment Policy**

Edinburgh Partners, our Investment Manager, is committed to a policy of identifying undervalued shares in global markets. Good stock selection has maintained its positive contribution to the investment performance in the six months to the end of June. It was also noteworthy that stock markets have risen even where economies have demonstrated weakness. The UK exemplified this feature with a strong stock market performance despite poor performance in sectors close to the consumer. The Manager

## **CHAIRMAN'S STATEMENT (continued)**

continues its relative preference for Japan, Europe and the UK because it finds better value in these markets. Europe, in particular, has afforded several opportunities to invest in undervalued stocks and these have provided much of the good performance.

Our Manager was cautious of valuations in the American market and Wall Street proved to be one of the poorer performers in the half year. That caution generally remains and the Federal Reserve has clearly flagged the need to keep raising short term interest rates to head off the risk of inflation. Some segments of the US stock market remain overvalued but exposure may be changed to reflect the emergence of better value in some American stocks. Within Europe our Manager continues to find value in corporate restructuring and in the involvement of companies in Central and Eastern Europe.

### **Outlook**

Equity markets have now been recovering for over two years and that in itself might be cause to take a more cautious view of the outlook. Also, there have been signs of a slower rate of growth in economic activity in a number of countries, no doubt partly caused by the rise in the oil price, which remains at a high level, as well as the distressing increase in terrorist activity. There are, however, a number of positive factors, including the relatively subdued level of inflation, long term interest rates trending lower and the likelihood that short term interest rates in the UK and elsewhere, with the probable exception of the United States, have peaked.

The lower long term interest rates are particularly encouraging as this increases the attractiveness of equities relative to bonds. On balance, we continue to believe that there remain opportunities to make money in equity markets.

**Teddy Tulloch**

Chairman

18 August 2005

## STATEMENT OF TOTAL RETURN

(incorporating the revenue account)\* for the 6 months to 30 June 2005

	6 months to 30 June 2005			Period 13 November 2003 to 30 June 2004 (restated**)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	2,594	2,594	–	1,643	1,643
Dividends and interest	552	–	552	390	–	390
Investment management fee	(99)	–	(99)	(90)	–	(90)
Other expenses	(118)	–	(118)	(141)	–	(141)
<b>Net return before taxation</b>	<b>335</b>	<b>2,594</b>	<b>2,929</b>	159	1,643	1,802
Taxation on ordinary activities	(50)	–	(50)	(21)	–	(21)
<b>Net return on ordinary activities after taxation</b>	<b>285</b>	<b>2,594</b>	<b>2,879</b>	138	1,643	1,781
Dividend in respect of ordinary shares (note 3)	(91)	–	(91)	–	–	–
Transfer to reserves	194	2,594	2,788	138	1,643	1,781
	pence	pence	pence	pence	pence	pence
<b>Return per share***</b>	<b>1.25</b>	<b>11.41</b>	<b>12.66</b>	0.62	7.37	7.99

\* The revenue column of this statement is the revenue account of the Company.

\*\* For details of the restatement of the Company's comparative figures please refer to the notes on pages 6 to 7.

\*\*\* The revenue return per Ordinary share for the six months to 30 June 2005 is based on earnings of £285,000 and on 22,740,588 Ordinary shares being the weighted average number of Ordinary shares in issue during the period.

The capital return per Ordinary share for the six months to 30 June 2005 is based on net capital gains of £2,594,000 and on 22,740,588 Ordinary shares being the weighted average number of Ordinary shares in issue during the period.

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

## BALANCE SHEET

as at 30 June 2005

	<b>30 June 2005</b>	31 December 2004 (restated*)	30 June 2004 (restated*)
	<b>£'000</b>	£'000	£'000
<b>Fixed assets</b>			
Investments at fair value	<b>29,406</b>	25,389	22,067
<b>Current assets</b>			
Debtors	<b>151</b>	60	68
Cash at bank	<b>219</b>	826	2,396
	<b>370</b>	886	2,464
<b>Current liabilities</b>			
Creditors – amounts falling due within one year	<b>101</b>	145	849
<b>Net current assets</b>	<b>269</b>	741	1,615
<b>Total net assets</b>	<b>29,675</b>	26,130	23,682
<b>Capital and reserves</b>			
Called up share capital	<b>231</b>	224	225
Capital redemption reserve	<b>1</b>	1	–
Share premium account	<b>1,842</b>	1,092	1,092
Special reserve	<b>20,506</b>	20,506	20,584
Capital reserve – realised	<b>1,373</b>	393	344
– unrealised	<b>5,397</b>	3,783	1,299
Revenue reserve	<b>325</b>	131	138
<b>Total Shareholders' funds</b>	<b>29,675</b>	26,130	23,682
	<b>pence</b>	pence	pence
<b>Net asset value per Ordinary share including current period revenue (note 2)</b>	<b>128.65</b>	116.41	105.14

\* For details of the restatement of the Company's comparative figures please refer to the notes on pages 6 and 7.

## STATEMENT OF CASH FLOWS

for the 6 months to 30 June 2005

	6 months to 30 June 2005 £'000	Period 13 November 2003 to 30 June 2004 £'000
<b>Operating activities</b>		
Investment income received	417	229
Bank deposit interest received	9	68
Investment management fee paid	(91)	(50)
Administration fee paid	(30)	(18)
Other cash payments	(110)	(34)
<b>Net cash inflow from operating activities</b>	<b>195</b>	<b>195</b>
<b>Capital expenditure and financial investment</b>		
Purchases of investments	(6,494)	(22,525)
Sales of investments	5,026	2,822
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(1,468)</b>	<b>(19,703)</b>
<b>Net cash outflow before financing</b>	<b>(1,273)</b>	<b>(19,508)</b>
<b>Equity dividends paid</b>	<b>(91)</b>	<b>–</b>
<b>Financing</b>		
Proceeds of share issue net of issue expenses	757	21,904
<b>Net cash inflow from financing</b>	<b>757</b>	<b>21,904</b>
<b>(Decrease)/increase in cash</b>	<b>(607)</b>	<b>2,396</b>

## NOTES

The unaudited interim financial information does not constitute statutory accounts. This information has been prepared on the basis of the accounting policies used in the statutory accounts of the Company for the period ended 31 December 2004, with the exception of the changes stated below. The statutory accounts for the period ended 31 December 2004 received an unqualified audit opinion.

### 1. **Changes in accounting policies**

This Interim Report has been prepared using new accounting standards which have been issued to begin the process of converging UK standards with International Financial Reporting Standards ("IFRS"). The small effect on the net asset value of these changes is laid out in the table in note 2. The first change, Financial Reporting Standard ("FRS") 21, is to recognise any dividend payable as a liability only after it has been declared, (a) in the table in note 2. The second, FRS 26, is to value the portfolio at bid prices rather than at mid market prices, (b) in the table in note 2.

With effect from 1 January 2005, the Company has adopted the following Financial Reporting Standards :

#### **FRS 21 Events after the balance sheet date**

Dividends paid by the Company are accounted for in the period in which the dividend has been declared. Previously, the Company recognised dividends in the period in which net revenue, to which those dividends related, was accounted for.

#### **FRS 25 Financial Instruments: Disclosure and Presentation and FRS 26 Financial instruments: Measurement**

All investments held by the Company are classified as 'fair value through profit and loss'. For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Previously all listed investments were valued using closing mid market prices at the balance sheet date.

## NOTES (continued)

### 2. Net asset value per share

The net asset value per Ordinary share is based on total net assets at 30 June 2005 of £29,675,000 (31 December 2004 £26,130,000, 30 June 2004 £23,682,000) and on 23,065,339 Ordinary shares (31 December 2004 22,445,339, 30 June 2004 22,525,339) being the issued share capital at that date. These net asset values have been calculated in accordance with the revised accounting policies set out in note 1 and include current period revenue.

Reconciliation of changes to net asset values resulting from accounting policy changes (the references (a) and (b) below refer to note 1):

	30 June 2005		31 December 2004		30 June 2004	
	£'000	pence	£'000	pence	£'000	pence
<b>Net asset value*</b>	29,708	128.80	26,077	116.18	23,719	105.30
<b>Increase</b> due to dividend accounting change (a)	–	–	90	0.40	–	–
<b>Reduction</b> due to using bid prices (b)	(33)	(0.15)	(37)	(0.17)	(37)	(0.16)
<b>Net assets per revised UK GAAP</b>	<u>29,675</u>	<u>128.65</u>	<u>26,130</u>	<u>116.41</u>	<u>23,682</u>	<u>105.14</u>

\* including current period revenue

### 3. Dividends paid

The Company issued 200,000 Ordinary shares on 9 February 2005 and a further 100,000 on 17 February 2005. These issues were prior to the record date for the final dividend for the period ended 31 December 2004 and therefore were entitled to receive that dividend. The total amount paid by the Company was £91,000, £1,000 higher than the original accrual. See note 1 for details of the Company's revised policy relating to dividends payable to Shareholders.

### 4. Status of Company

It is the intention of the Directors to conduct the affairs of the Company so that they satisfy the conditions for approval as an investment trust company set out in Section 842 of the Income and Corporations Taxes Act 1988.

## 20 LARGEST INVESTMENTS

as at 30 June 2005

Company	Sector	Country	Valuation £'000
Pfleiderer	Basic industries	Germany	1,505
Edinburgh Partners Japan Opportunities Fund	Financials	Japan*	1,335
Korea Electric Power	Utilities	South Korea	1,145
ENI	Resources	Italy	1,120
C&C Group	Non-cyclical consumer goods	Ireland	1,117
Repsol	Resources	Spain	1,100
Mizuho Financial Group	Financials	Japan	1,061
Glaxosmithkline	Non-cyclical consumer goods	United Kingdom	1,000
Vodafone Group	Non-cyclical services	United Kingdom	993
Philippine Long Distance Telephone	Non-cyclical services	Philippines	971
Bradford & Bingley	Financials	United Kingdom	940
Allied Irish Banks	Financials	Ireland	896
Kookmin Bank	Financials	South Korea	890
UBS	Financials	Switzerland	849
Mitsubishi	General industry	Japan	820
Banque Cantonale Vaudoise	Financials	Switzerland	818
Bank Of America	Financials	United States	814
Electrolux	Cyclical consumer goods	Sweden	782
Merck & Co	Non-cyclical consumer goods	United States	773
Lloyds TSB Group	Financials	United Kingdom	771
<b>Total – Top 20 Investments (66.4% of total net assets)</b>			<b><u>19,700</u></b>

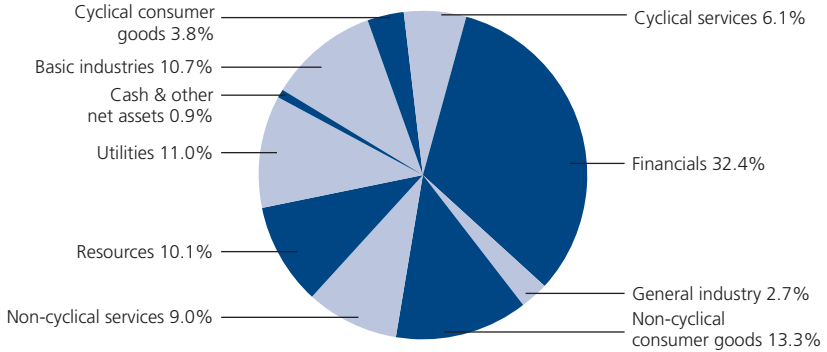
\* classified by region of investment.

# DISTRIBUTION OF INVESTMENTS

(% of total assets)

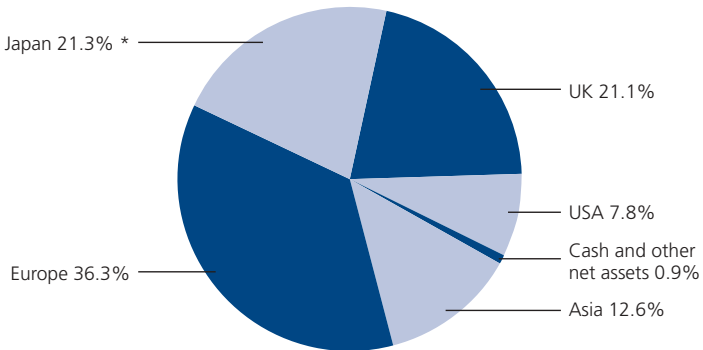
## Sector distribution

as at 30 June 2005



## Geographical distribution

as at 30 June 2005



\* The 21.3% invested in Japan includes the Company's investment in Edinburgh Partners Japan Opportunities Fund.

## SHAREHOLDER INFORMATION

### Financial calendar

Company's year end	31 December
Annual results announced	February
Company's half-year	30 June
Interim results announced	August

### NAV

The Company's unaudited Ordinary share net asset value is released to the London Stock Exchange weekly.

### Share price

The Company's Ordinary shares are listed on the London Stock Exchange. The mid-market price is quoted daily in the *Financial Times* under 'Investment Companies' and previous day closing price, weekly net asset value and other portfolio information is published on Edinburgh Partners' website: [www.edinburghpartners.com](http://www.edinburghpartners.com).

### How to invest

The Company's Ordinary shares are eligible to be held through ISAs, PEPs and SIPPs. Edinburgh Partners plans shortly to make available a savings scheme, PEP transfers and ISAs; details can be obtained by contacting Edinburgh Partners at the address on page 12, by telephoning 0131 272 2701 or by email to [info@edpam.com](mailto:info@edpam.com).

Shares can also be purchased and sold through a stockbroker.

### Share register enquiries

The register for the Ordinary shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0870 889 3101 or email [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk). Changes of name and/or address must be notified in writing to the Registrar.

## **RISK FACTORS**

An investment in the Company should be regarded as long term and is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

The market value of, and the income derived from, the Ordinary shares can fluctuate. The Company's share price may go down as well as up. Past performance is not necessarily a guide to future performance. There is no guarantee that the market price of the Ordinary shares will fully reflect their underlying net asset value. Fluctuations in exchange rates will affect the value of overseas investments held by the Company. Investors may not get back the full value of their investment. There can be no guarantee that the investment objectives of the Company will be met. The levels of, and reliefs from, taxation may change.

The Company is a UK Public Limited Company. Its shares are listed on the London Stock Exchange. The Company is not regulated or authorised by the Financial Services Authority.

Employees of Edinburgh Partners may hold shares in the Company and may buy, sell or offer to deal in the Company's shares from time to time.

## **DIRECTORS AND ADVISERS**

<b>Directors (all non-executive)</b>	Teddy Tulloch (Chairman) Richard Burns David Hough Ian McBean
<b>Secretary and Registered Office</b>	Kenneth J Greig 16 Charlotte Square Edinburgh EH2 4DF
<b>Investment Manager</b>	Edinburgh Partners Limited CBC House 24 Canning Street Edinburgh EH3 8EG
<b>Auditors</b>	Ernst & Young LLP 10 George Street Edinburgh EH2 2DZ
<b>Registrar and Transfer Office</b>	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
<b>Marketing Adviser</b>	G&N Collective Funds Services Limited 14 Alva Street Edinburgh EH2 4QG
<b>Solicitor and Sponsor</b>	Dickson Minto W.S. 16 Charlotte Square Edinburgh EH2 4DF
<b>Bankers and Custodian</b>	The Bank of New York One Canada Square Canary Wharf London E14 5AL

*Registered in Scotland No. 259207*

*An investment company as defined under section 266 of the  
Companies Act 1985*



