

Annual Report 08

JPMorgan Overseas Investment Trust plc

Annual Report & Accounts for the year ended 30th June 2008

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Objective

Capital growth from world stockmarkets.

Investment Policies

- To provide a diversified portfolio of 70 to 90 stocks in which the investment manager has a high degree of conviction.
- To achieve diversification through ensuring that there is a low degree of correlation between investment ideas.
- To aim to capture the best stock ideas through leveraging JPMorgan's extensive network of regional investment teams and global analysts.

Investment Strategy

To hold only those stocks that the investment manager believes to be the best, without regard to sector, country of listing or benchmark weighting. Sales are made from the portfolio when the investment case changes, the risk/reward ratio is no longer attractive or when better stock ideas exist elsewhere.

Gearing

A flexible, low cost £10 million borrowing facility is in place and available for the investment manager to utilise at times of low absolute valuation or for short term borrowing to avoid contingent investment decisions.

Benchmark

The MSCI AC World Index expressed in Sterling terms is used as a performance comparator.

Capital Structure

The Company has an authorised share capital of 132,840,000 ordinary shares of 25p each, of which 26,940,948 were in issue at the year end.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM') to manage its assets.

Financial Results

Total Returns (capital plus income)

-9.2%

Return to shareholders¹
(2007: +12.5%)

-8.7%

Return on net assets²
(2007: +11.3%)

-9.9%

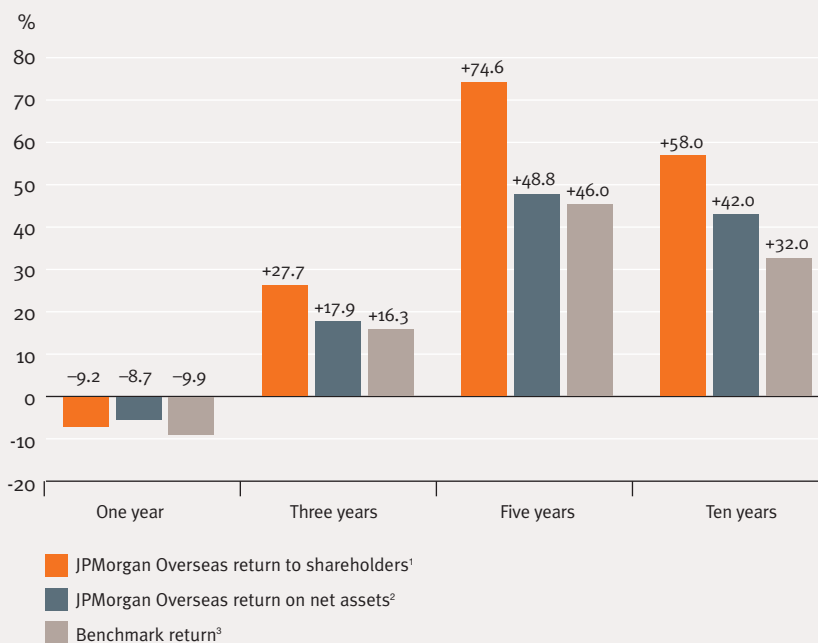
Benchmark return³
(2007: +13.9%)

11.5p

Dividend
(2007: 10.0p)

Long Term Performance

for periods ended 30th June 2008



A glossary of terms and definitions is provided on page 55.

¹Source: Standard & Poor's – www.funds.morningstar.com.

²Source: Fundamental Data - www.funddata.com.

³Source: MSCI. The Company's Benchmark is the MSCI World Index expressed in Sterling terms.

Chairman's Statement



The year under review has been extremely difficult for investment managers generally, with the global stock markets experiencing some of the biggest challenges seen in recent times. Apart from Emerging markets, which posted a small positive rise, a negative return was seen across all developed stock markets. This is reflected in the Company's portfolio returns for the year. The Company returned a negative total return on net assets of 8.7% for the year ended 30th June 2008, which was better than the Company's benchmark, the MSCI World Index (expressed in Sterling terms) which recorded a negative total return of 9.9% for the same period.

Dividends

The Directors are proposing, subject to shareholders' approval at the Annual General Meeting ('AGM'), to pay a final dividend of 11.5 pence per share (2007: 10.0 pence) on 28 November 2008 to shareholders on the register at the close of business on 7 November 2008. The Company's principal aim is to maximise capital growth so as to give shareholders the advantage of the more benign tax rate on capital gains. This increase in dividend takes into account some of the VAT recoverable as explained in Note 6 to the accounts on page 33.

Share Buybacks

The Board remains committed to maintaining the discount at which the share price trades relative to its net asset value at around 5% by means of repurchases of the Company's shares in the market. By the year end, the Company had repurchased 3,548,500 shares at an average discount of 6%. The total cost of these repurchases was £22.3 million and this activity enhanced the net asset value by approximately 5 pence per share to the continuing shareholders. A resolution to renew the authority to permit the Company to continue to repurchase shares will be submitted at the AGM.

Benchmark Index

Following a review of the composition of relevant indices, the Board has decided to change the Company's benchmark to the MSCI AC World Index (expressed in Sterling terms) with effect from 1st July 2008. Unlike the MSCI World Index, the MSCI AC World Index includes Emerging markets, which is more relevant to where the Company's assets are invested.

Investment Process

As shareholders will be aware, over the past few years we have worked with our Manager to focus the Company's investment strategy. This has led to a gradual reduction in the number of stocks in the Company's portfolio to around 80 and a higher degree of conviction where our investment manager will only hold shares in those stocks that he believes to be the best, without regard to sector, country of listing or benchmark weighting.

As part of this evolution of strategy the Board has decided that, Jeroen Huysinga should succeed Ed Walker as our investment manager. Jeroen is a highly experienced senior fund manager within JPMorgan's global equities team and has responsibility for the management of their similar global focus portfolios. The Board would like to thank Ed Walker for his stewardship over the Company's portfolio during the past five years during which performance has been ahead of the Company's benchmark. We very much look forward to introducing Jeroen to our shareholders over the coming months and you will also have an opportunity to meet him at this year's AGM.

The immediate outlook for the global economy remains difficult for the coming months as markets absorb the double blow of slower economic growth and surging inflationary pressures globally. However, action taken by the governments of the United States, the United Kingdom and other leading countries of the world should stabilise the situation and lead to a recovery in financial markets. Although this has been a difficult period for the Company and stock markets generally, I would urge shareholders to consider the longer term perspective. The Investment Manager's Report describes the events of the year and outlook for the future in greater detail.

Total Expense Ratio

Your Board maintains a close watch on the costs of operating your Company to ensure that they are kept to a minimum. The Company's total expense ratio, (the proportion that its management expenses represent the average of opening and closing net assets) was 0.61% for the year ended 30th June 2008. While some of the Company's expenses will vary with its size, there are, nevertheless, other expenses that are fixed. High levels of share buybacks could, over time, have a detrimental effect on the total expense ratio and your Board will continue to monitor this figure to ensure that it remains within acceptable parameters.

VAT Recoverable on Management Fees

In 2007 the European Court of Justice ruled that VAT should not be levied on the management and performance fees of investment trust companies. Consequently, with effect from 1st October 2007, VAT has not been paid on these fees. The Company also has the right to reclaim VAT it has paid on these fees in respect of most years since 1990. Following discussions with JPMorgan Asset Management, the Board has concluded that the recovery of £1.5m of this VAT is sufficiently certain that it can be recognised in the Company's accounts for the year to 30th June 2008. However, the timing of its receipt remains uncertain. There may be further small sums of VAT recoverable and interest, which cannot be quantified at this stage. More information on this matter is given in Note 6 to the accounts on page 33.

Gearing

A £10 million borrowing facility is currently in place with Lloyds TSB. This facility is highly flexible and can be used tactically as investment opportunities present themselves, with the aim of enhancing returns. As at 30th June 2008, £6 million had been drawn on the facility.

Annual General Meeting

My fellow Directors and I invite you to attend the Company's Annual General Meeting which will be held at Trinity House, Tower Hill, London EC3N 4DH on Tuesday, 4th November 2008 at 12 noon. An investment presentation will be made at the meeting by Jeroen Huysinga. If you have any detailed or technical questions, please raise these in advance with the Secretary whose contact details are shown on page 48. Shareholders who are unable to attend the AGM in person are encouraged to use their proxy votes.

The AGM will be followed by refreshments and there will be an opportunity for shareholders to meet the Directors and the investment manager. I hope to have the pleasure of meeting you then.

George Paul
Chairman

26th September 2008

Investment Manager's Report



Performance attribution for the year to 30th June 2008

	%
Contributions to Total Returns	
Benchmark total return	-9.9
Asset allocation	1.3
Stock selection	-1.2
Gearing/cash	-0.2
Currency	0.9
Investment Manager contribution	0.8
Portfolio total return	-9.1
Management fees/ other expenses	-0.6
Share buy-back/issuance	0.7
Performance fees	0.1
Residual	+0.2
Other effects	0.4
Net asset value total return	-8.7
Impact of decrease/(increase) in discount	-0.5
Share price total return	-9.2

Source: Xamin/JPMAM/Fundamental Data.
All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark index.

The Xamin attribution system accounts for income on a received (on the ex-dividend date) basis whereas Fundamental Data calculates the Company's NAV Total Return using the actual dividend(s) paid by the Company (on the ex-dividend date).

A glossary of terms and definitions is provided on page 55.

Review of the Year

After enjoying an almost uninterrupted rise over the previous five years, Global equity markets suffered in the 12 month period ended 30 June 2008, with the MSCI World falling 9.9%, measured in Sterling terms. This negative return was consistent across all developed markets. However, Emerging markets posted a small positive rise, led by markets such as Brazil and Russia due to their high exposures to energy and basic materials.

Financial markets experienced high levels of volatility for most of the review period. The financial market turmoil, now widely known as the "credit crisis", can be said to have begun in July 2007 as the decline in bond values related to sub-prime mortgages began to accelerate. Although the genesis of this crisis can be traced to the sub-prime issue, it is clear that leverage rose to excessive levels more generally and institutions, corporates and individuals have in many cases been forced to reduce the size of outstanding debts. This has had knock-on effects on the price of many other assets.

Central banks took varying actions during the period in an effort to prevent a financial and economic meltdown. The US Federal Reserve cut interest rates by 3.25%. The Bank of England embarked on an easing cycle from December, cutting the base rate by 0.75% over the period. In contrast, the European Central Bank kept interest rates constant throughout the twelve-month period, but supplied ample liquidity to the banking system.

During the period several large investment banks announced extremely large losses, some high profile hedge funds blew up, and US investment bank, Bear Stearns, nearly became bankrupt. Meanwhile, commodity prices increased significantly and the high price of agricultural products caused widespread concern. Crude oil reached new highs in June; breaking \$140 a barrel and continues to drive inflation higher. This constrained the ability to cut interest rates in many countries.

At the beginning of 2008, negative economic data in the US and concerns of a broader slowdown in global economic activity continued to feed investors' nervousness and increase speculation of recession. While the Financials sector continued to be a weak performer, other sectors with cyclical exposure have also performed poorly more recently as fears that global growth will decline in response to these events.

The performance of the Company's portfolio of investments during the year was negative in absolute terms, but marginally better than the decline in the MSCI World Index, the Company's performance comparator. Performance in Emerging market holdings were very strong in both absolute and relative terms, led by Petrobras, Vale and Femsas. Stock selection in Europe and the US was negative, principally in the Healthcare and Materials sectors. Stock selection in both Financials and Energy (down 30% and up 20% respectively) added over 1% each to performance, without taking major sector bets in our weightings to these sectors.

With hindsight it would have been possible to take more risk given the wide variance of sector returns. Valuation has not been a good guide to sector performance, with both Energy and Financials appearing low throughout the year.

Investment Process

The summary of investment activity on page 11 shows transactions by region. Holdings continue to be selected on the basis of the merits of the individual company fundamentals and valuations, rather than targeting a particular weighting by region or by sector.

The most significant changes to portfolio allocations were increases in Japan and UK, both markets that had not been favoured for a long period, at the expense of reductions in Emerging markets and Europe. By sector the portfolio remains well diversified, but the weighting in Energy rose substantially due to both net positive flow into the sector, and through outperformance of those stocks. The other main change was an increase in weightings in the Telecommunication and Utilities sectors, from very low exposures previously. Financials were reduced, through selling investment banking exposure, before the main damage was inflicted on the sector from January 2008 onwards.

Outlook for the Future

Further volatility can be expected in financial markets until confidence is fully restored in the Western banking system when those financial institutions that need to raise capital have done so. This scenario is complicated by a rise in bad debts at banks when economic growth slows. However, it is our view that we are a long way through this crisis and that many financial stock prices are discounting a very negative scenario, including the potential for further dilution of equity holders. It is, however, likely that equity prices will anticipate better newsflow from the sector well before the turn is visible and hence we will look to re-build holdings in this sector when the downside is perceived to be limited, but very substantial upside exists.

The comments above relating to financials are also quite applicable for other cyclical stocks, across a range of industries. Equity markets have been swift to price in a substantial cut in profit margins for businesses as diverse as cement, aerospace and advertising agencies. Low valuation, even on much lowered earnings, have proved no barrier to further stock price falls in companies perceived to be vulnerable to a slowdown, particularly those operating in developed markets. Stocks across a range of sectors are offering compelling valuation in high quality businesses, where we see no risk of financial distress, but in fact sound and defensible franchises that can continue to earn solid profit margins. Again, whilst uncertainty persists these stocks may not get rewarded in the short term, but will in the long term and should offer very attractive investment opportunities.

As investors we do not seek to call the bottom in these situations, but position the portfolio for the future, in a manner that seeks to limit the downside whilst markets remain focussed on the challenging current conditions. This should though lead to very attractive returns from the portfolio when either fundamentals are expected to improve or even perhaps in cases where the attractive valuations of these high quality companies is recognised by the market.

Although inflationary pressures have dominated the headlines over the last few months, curtailing the ability of central banks to respond to slowing growth through lower interest rates, these forces appear to be transitory and related to the sharp rises in commodity prices over the last 2 to 3 years. However, we have reached a point where substitution or demand destruction has occurred and further rises from the highs recently seen seem unlikely. That is not say that we are expecting significant falls in either energy or commodity prices.

Investment Manager's Report continued

Against this background growth may well slow in the months ahead, but interest rates are likely to be able to be lowered in markets outside the US offering stimulus to growth over the next year or two. This relatively benign view supports the case for selectively owning financial and cyclical stocks that appear to have compelling valuations in their own right.

Your Company retains a portfolio with a bias to stocks that in aggregate are expected to grow faster than the market with a lower valuation, and with higher returns on equity and invested capital. In the last year not all these factors have been rewarded, but it is our firm expectation that over time this will prove beneficial. Our efforts continue to focus on finding individual company ideas that we believe are fundamentally mis-priced. It is likely that in order to build a portfolio of such ideas the Company will hold a very different portfolio from the benchmark, and hence deliver returns that are also different from the index. Over time this offers the opportunity for the Company to meet its objective, and offer attractive returns for you as shareholders.

Ed Walker

Investment Manager

26th September 2008

Summary of Results

	2008	2007	
Total Returns (capital plus income) for the year ended 30th June			
Return to shareholders ¹	-9.2%	+12.5%	
Return on net assets ²	-8.7%	+11.3%	
Benchmark return ³	-9.9%	+13.9%	
Net Asset Value, Share Price and discount as at 30th June			
			% change
Shareholders' funds (£'000)	165,806	207,743	-20.2
Net asset value per share	615.4p	681.4p	-9.7
Net asset value per share with debt at fair value	615.6p	681.6p	-9.7
Share price	566.0p	634.0p	-10.7
Discount of share price to net asset value ⁴	5.0%	5.7%	
Revenue for the year ended 30th June			
Net revenue available for shareholders (£'000)	3,599	3,221	+11.7
Revenue per share	12.6p	9.7p	+29.9
Dividend per share	11.5p	10.0p	+15.0
Actual Gearing Factor at 30th June ⁵	101.1%	100.2%	
Total Expense Ratio ('TER')⁶	0.61%	0.62%	

A glossary of terms and definitions is provided on page 55.

¹Source: Standard & Poor's – www.funds.morningstar.com.

²Source: Fundamental Data – www.funddata.com.

³Source: MSCI.

⁴Ex-income. Source: Bloomberg.

⁵Actual gearing represents investments, excluding holdings in liquidity funds, expressed as a percentage of total net assets.

⁶Management fees and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. Further details are given in the glossary of terms and definitions on page 55.

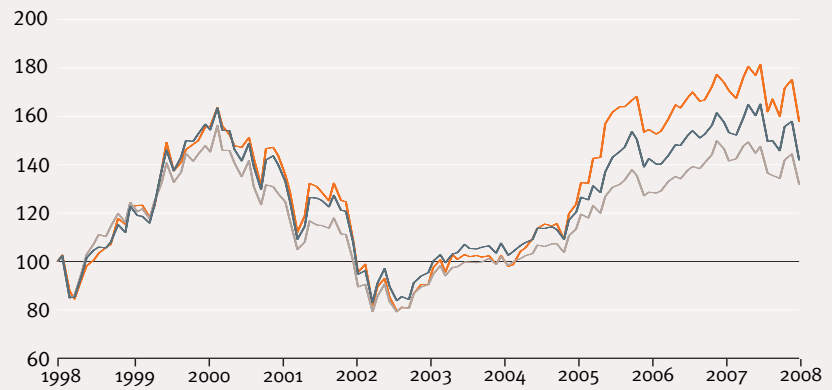
Performance

- JPMorgan Overseas – Share price
- JPMorgan Overseas – Net asset value
- Benchmark

Source: Standard & Poor's – www.funds.morningstar.com
 Fundamental Data – www.funddata.com
 MSCI (Total Return).

Ten Year Performance

Figures have been rebased to 100 at 30th June 1998

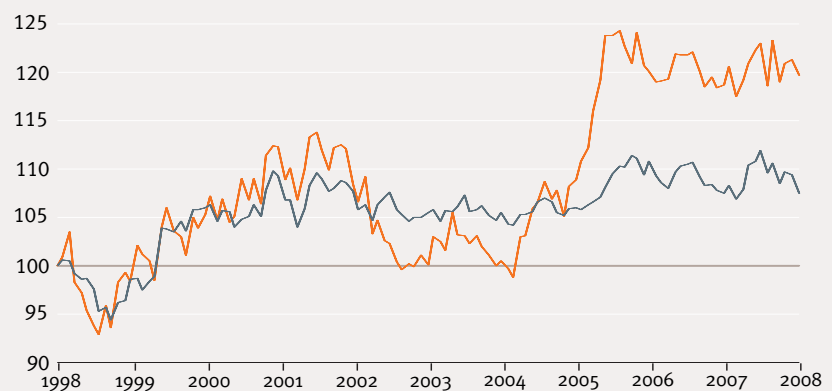


- JPMorgan Overseas – Share price
- JPMorgan Overseas – Net asset value
- The benchmark index is represented by the grey horizontal line

Source: Standard & Poor's – www.funds.morningstar.com
 Fundamental Data – www.funddata.com
 MSCI (Total Return).

Performance relative to Benchmark Index

Figures have been rebased to 100 at 30th June 1998



Ten Year Financial Record

As at 30th June	1998	1999 ¹	2000	2001	2002	2003	2004 ²	2005 ²	2006	2007	2008
Shareholders' funds (£m)	623.0	645.4	690.3	501.7	349.7	305.9	342.7	375.9	227.6	207.7	165.8
Net asset value per share (p)	469.0	571.4	725.8	645.2	493.1	431.3	488.4	538.9	627.7	681.4	615.4
Share price (p)	405.5	492.5	622.5	572.0	428.0	352.0	394.0	467.0	575.0	634.0	566.0
Discount (%) ³	13.5	13.8	14.2	11.9	12.7	18.3	17.7	12.0	5.3	5.7	5.0
Actual gearing factor (%)	109.2	110.4	111.9	115.8	117.1	106.9	107.8	98.6	99.5	100.2	101.1
Year ended 30th June											
Revenue attributable to shareholders (£'000)	4,327	6,255	4,783	4,490	3,304	3,847	5,122	5,776	5,457	3,221	3,599
(Loss)/return per share (p)	3.26	4.81	4.50	5.03	4.50	5.42	7.24	8.27	8.88	9.69	12.62
Dividends per share (p)	3.00	2.45	3.60	4.20	4.20	5.00	7.00	8.00	12.50*	10.00	11.50
Total expense ratio ('TER') (%) ⁴	0.67	0.55	0.62	0.63	0.64	0.60	0.61	0.56	0.67	0.62	0.61
Rebased to 100 at 30th June 1998											
Return to shareholders ⁵	100.0	122.5	155.7	143.9	108.7	90.5	102.5	123.7	154.6	174.0	158.0
Return on net assets ⁶	100.0	122.9	156.8	140.1	107.9	95.4	107.6	120.4	142.6	155.5	142.0
Benchmark ⁷	100.0	124.5	147.9	128.1	100.2	90.4	102.0	113.5	128.7	146.5	132.0

A glossary of terms and definitions is included on page 55.

¹Figures have been restated to reflect changes in accounting bases whereby income is accounted for net of tax credits and management fees and finance costs are allocated 50% to income and 50% to capital. Previous years have not been restated.

²Figures have been restated to reflect change in accounting policy regarding dividends payable. Such dividends are now included in the accounts in the year in which they are approved by shareholders.

³Ex income. Source: Bloomberg.

⁴Management fees and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. Further details are given in the glossary of terms and definitions on page 55.

⁵Source: Standard & Poor's – www.funds.morningstar.com.

⁶Source: Fundamental Data – www.funddata.com.

⁷Source: MSCI.

*Includes a special dividend of 4.0p.

Ten Largest Equity Investments

Company	Country	As at 30th June 2008		As at 30th June 2007	
		Valuation £'000	% ¹	Valuation £'000	%
JPMorgan Emerging Markets Investment Trust	Emerging Markets	5,041	3.0	6,203	3.0
Total	France	4,962	3.0	4,291	2.0
El Paso	USA	4,960	3.0	3,734	1.8
Mitsubishi	Japan	4,804	2.9	3,591	1.7
Vodafone ²	UK	4,237	2.5	—	—
Talisman Energy ²	Canada	3,304	2.0	1,255	0.6
Cisco Systems	USA	3,047	1.8	3,937	1.9
Intesa Sanpaolo ²	Italy	3,002	1.8	3,345	1.6
Merck ²	USA	2,816	1.7	3,461	1.7
Zurich Financial Services ²	Switzerland	2,731	1.6	3,121	1.5
Total³		38,904	23.3		

¹Based on total assets less current liabilities of £166.8m.

²Not included in the ten largest investments at 30th June 2007.

³As at 30th June 2007, the value of the ten largest investments amounted to £41.3m representing 19.8% of total assets less current liabilities.

Portfolio Analyses

Geographic Analysis	30th June 2008		30th June 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
North America	36.6	51.8	38.1	51.5
Continental Europe	27.9	22.3	32.4	22.5
United Kingdom	12.2	10.6	8.2	11.2
Japan	11.5	10.3	9.7	10.3
Emerging Markets	7.7	—	7.7	—
Developed Asia	4.5	5.0	3.8	4.5
Total equities	100.4	100.0	99.9	100.0
Liquidity fund	2.1	—	—	—
Net current (liabilities)/assets	(2.5)	—	0.1	—
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £166.8m (2007: £208.4m).

Sector Analysis	30th June 2008		30th June 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials	20.6	20.1	27.4	25.1
Energy	15.7	13.5	8.7	9.7
Information Technology	14.0	10.7	16.0	10.6
Industrials	13.0	11.1	13.1	11.3
Consumer Staples	8.7	8.9	8.0	8.0
Consumer Discretionary	7.1	8.7	7.0	11.1
Materials	6.8	8.7	7.3	6.7
Healthcare	5.7	8.8	7.8	8.6
Investment Companies	4.5	—	3.7	—
Telecommunication Services	3.2	4.4	0.9	4.6
Utilities	1.1	5.1	—	4.3
Liquidity Fund	2.1	—	—	—
Net current (liabilities)/assets	(2.5)	—	0.1	—
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £166.8m (2007: £208.4m).

Investment Activity

during the year ended 30th June 2008

	Value at		Purchases	Sales	Change in value	Value at	
	30th June 2007	%				30th June 2008	%
	£'000	%	£'000	£'000	£'000	£'000	%
North America	79,500	38.2	28,928	38,452	(8,878)	61,098	35.7
Continental Europe	67,459	32.4	18,872	29,820	(9,881)	46,630	27.3
United Kingdom	17,046	8.2	10,489	5,744	(1,335)	20,456	12.0
Japan	20,181	9.7	12,040	11,997	(1,103)	19,121	11.2
Emerging Markets	17,767	8.5	7,742	10,488	1,303	16,324	9.5
Developed Asia	6,217	3.0	1,288	2,919	(650)	3,936	2.3
Liquidity Fund	—	—	31,910	28,440	—	3,470	2.0
Total Portfolio	208,170	100.0	111,269	127,860	(20,544)	171,035	100.0

List of Investments

at 30th June 2008

Company	Valuation £'000	Company	Valuation £'000
North America		United Kingdom	
El Paso	4,960	Vodafone	4,237
Talisman Energy	3,304	BG	2,725
Cisco Systems	3,047	Tesco	2,372
Merck	2,816	WPP	2,303
IBM	2,538	ICAP	2,074
Microsoft	2,489	Standard Chartered	1,628
Metlife	2,387	Vedanta Resources	1,615
Apache	2,269	BHP Billiton	1,588
Schering-Plough	2,268	Barclays	908
Goldman Sachs	2,226	Wolseley	530
Philip Morris International	2,183	Premier Foods	476
Corning	2,144		20,456
Yamana Gold	2,112		
United Technologies	2,095	Japan	
Safeway	2,069	Mitsubishi	4,804
Prudential Financial	1,973	Mitsui Fudosan	2,437
Qualcomm	1,882	Japan Tobacco	1,964
Comcast	1,828	East Japan Railway	1,935
Norfolk Southern	1,821	Nintendo	1,899
News Corporation	1,791	Honda Motor	1,390
Duke Energy	1,739	Nidec	1,314
Boeing	1,737	Murata Manufacturing	1,248
Hansen Natural	1,597	Toyota Motor	1,185
Bank of America	1,549	JPMorgan Fleming Japanese Smaller Companies Investment Trust ³	945
Weatherford International	1,528		19,121
Autodesk	1,449	Emerging Markets	
Allegheny Technologies	1,012	JPMorgan Emerging Markets Investment Trust ³	5,041
BE Aerospace	940	Petroleo Brasileiro	2,069
Neustar	930	Fomento Economico Mexicano	1,850
Fleming US Discovery Fund III ^{1,2}	415	Taiwan Semiconductor Manufacturing	1,701
	61,098	JPMorgan Indian Investment Trust ³	1,223
Continental Europe		Focus Media	1,090
Total (France)	4,962	China Mobile	1,036
Intesa Sanpaolo (Italy)	3,002	Teva Pharmaceutical Industries	953
Zurich Financial Services (Switzerland)	2,731	Bank Rakyat Indonesia	809
Nokia (Finland)	2,701	Suntech Power	552
Roche Holdings (Switzerland)	2,567		16,324
Accor (France)	2,260	Developed Asia	
ENI (Italy)	2,134	HSBC	2,033
Pernod Ricard (France)	2,037	Hang Lung Properties	1,903
Unicredito Italiano (Italy)	2,004		3,936
Siemens (Germany)	2,002	Liquidity	
Bouygues (France)	1,999	JPMorgan Sterling Liquidity Fund	3,470
E.ON (Germany)	1,878		3,470
Bank of Piraeus (Greece)	1,841	Total Portfolio	
Deutsche Post (Germany)	1,802		171,035
AXA (France)	1,675		
Holcim (Switzerland)	1,576		
Lafarge (France)	1,557		
Banco Bilbao (Spain)	1,557		
Société Générale (France)	1,530		
Schneider Electric (France)	1,200		
Norsk Hydro (Norway)	1,102		
Adecco (Switzerland)	900		
Bayer (Germany)	884		
Rhodia (France)	729		
	46,630		

¹Unlisted

²Managed by JPMorgan Asset Management (USA) Ltd.

³Managed by JPMorgan Asset Management (UK) Ltd.

Board of Directors



George Paul (Chairman)[†] §

A Director since January 1998

Chairman of Agricola Group Limited and of Notcutts Limited. He was formerly Chairman of Norwich Union plc and latterly Deputy Chairman of Aviva plc.



**Richard Barfield^{*†} §
(Senior Independent Director and Chairman of the Nomination Committee)**

A Director since November 2001

Chairman of Synergy GP Ltd and a Director of Baillie Gifford Japan Trust plc, Edinburgh Investment Trust plc and Merchants Trust plc as well as a member of the Professional Oversight Board. He was formerly Chief Investment Manager of Standard Life, Director of Umbro plc and Equitas and Chairman of its investment committee.



**Simon Davies^{*†} §
(Chairman of the Remuneration Committee)**

A Director since November 1999

Chairman of Threadneedle Asset Management. He began his investment career in 1981 with Rothschild Asset Management, before moving to Gartmore where he became Head of International Equities. He joined Threadneedle as Chief Investment Officer before becoming Chief Executive. He moved to the position of Chairman in 2007. He is a director of Sound Oil plc.



**John Rennocks^{*†} §
(Chairman of the Audit and Management Engagement Committee)**

A Director since November 2001

Chairman of Nestor plc and Diploma plc and Intelligent Energy plc, Deputy Chairman of Inmarsat plc and a Non-Executive Director of Babcock International Group plc. He was previously Finance Director of Corus Group plc (formerly British Steel plc), Powergen plc and Smith & Nephew plc.

* Member of the Audit Committee

† Member of the Nomination Committee

§ Member of the Remuneration Committee

Directors' Report

The Directors present their report for the year ended 30th June 2008.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th June 2007. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 30th June 2007 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 and 3, and in the Investment Manager's Report on pages 4 to 6.

Objective

The Company's objective is to achieve capital growth from world stockmarkets. The concentration is on capital growth with income a lesser consideration.

Investment Policies and Risk Management

In order to achieve the investment objective and to seek to manage risk, the Company invests in a diversified portfolio of Companies.

The Company manages liquidity and borrowings to increase potential sterling returns to shareholders; the Board has set a normal range of 95% -120% invested.

The Board sets a minimum limit on the number of investments in the portfolio and the Company's aim is to provide a diversified portfolio in which the investment manager has a high degree of conviction. At the year end, the number of investments held was 88. To gain the appropriate exposure, the Investment Managers are permitted to invest in pooled funds. JPMAM is responsible for management of the Company's assets. On a day-to-day basis the assets are managed by an investment manager based in London, supported by a strong equity team.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- As an investment trust, the Company cannot invest more than 15% of its assets in any one investment, at the time of acquisition. The Company will not invest more than 5% of its total assets in any one individual stock at the time of acquisition. The aggregate of the Company's top 10 holdings and top 20 holdings will not exceed 30% and 50% respectively.
- The Company does not normally invest in unquoted investments and to do so requires prior Board approval.
- No more than 25% of the Company's assets may be invested in non-OECD countries.
- No more than 75% of the Company's assets in aggregate, may be invested in the US, Japan and the UK.
- In accordance with the Listing Rules of the UK Listing Authority, the Company will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval.

These limits and restrictions may be varied by the Board at any time at its discretion.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

In the year to 30th June 2008, the Company produced a total return to shareholders of -9.2% and a total return on net assets of -8.7%. This compares with the return on the Company's benchmark index of -9.9%. As at 30th June 2008, the value of the Company's investment portfolio was £171.0m. The Investment Manager's Report on pages 4 to 6 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total loss for the year amounted to £16.0m (2007: £20.0m return) and net total loss after deducting management fees, performance fees, other administrative expenses, finance costs and taxation, amounted to £16.7m (2007: £19.4m return). Distributable income for the year amounted to £3.6m (2007: £3.2m).

The Directors recommend a final dividend of 11.5p per share payable on 28th November 2008 to holders on the register at the close of business on 7th November 2008. This distribution will amount to £3,098,000. No other dividends were paid in respect of the year. The revenue reserve after this transfer will amount to £14,512,000.

Key Performance Indicators ('KPIs')

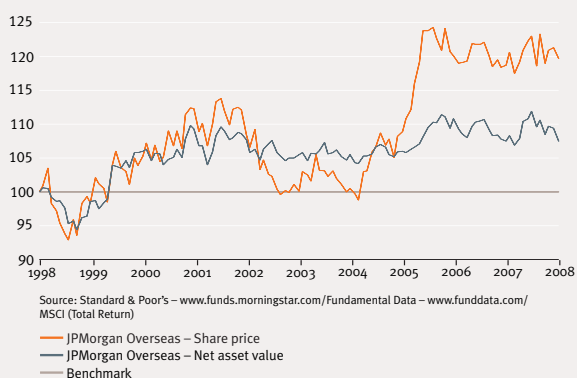
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:-

- **Performance against the benchmark index**

This is the most important KPI by which performance is judged.

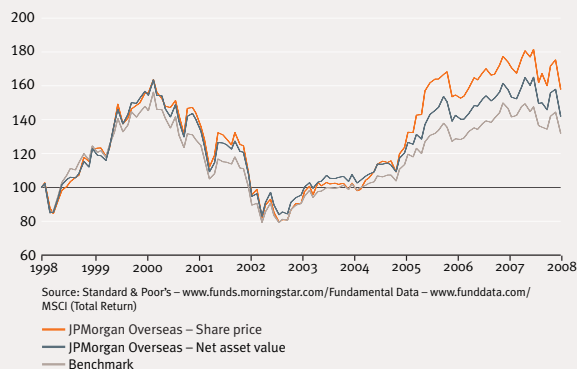
Performance relative to Benchmark Index

Figures have been rebased to 100 at 30th June 1998



Ten Year Performance

Figures have been rebased to 100 at 30th June 1998



- **Performance against the Company's peers**

The principal objective is to achieve capital growth and out-performance relative to the benchmark. However, the Board also monitors the performance relative to a range of competitor funds.

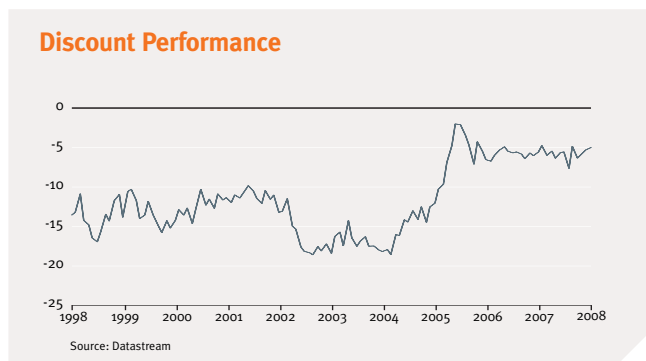
- **Performance attribution**

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 30th June 2008 are given in the Investment Manager's Report on page 4.

- **Discount to net asset value ('NAV')**

The Board has continued to operate a share repurchase programme which seeks to address imbalances in supply and demand of the Company's shares within the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade. Under this policy, the Company repurchases its shares with the aim of maintaining an average discount of 5% with any borrowings valued at book value. In the year to 30th June 2008, the discount (with debt at par value) ranged between 4.8% and 7.6%.

Directors' Report continued



- **Total expense ratio ('TER')**

The TER is an expression of the Company's management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 30th June 2008 was 0.61% (2007: 0.62% as restated). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Share Capital

The Company has authority to issue new shares and to repurchase shares for cancellation.

During the year, the Company repurchased a total of 3,548,500 ordinary shares for cancellation for a total consideration of £22,250,000.

Since the end of the year the Company has repurchased 264,000 ordinary shares for cancellation.

The Company did not issue any new shares during the year. The Company does not currently have authority to re-issue shares from treasury at a discount to NAV.

Resolutions to renew the authority to issue new shares and repurchase shares will be put to shareholders at the forthcoming Annual General Meeting. The full text of these resolutions are set out in the Notice of Meeting on pages 50 and 51

Principal Risks

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification
- **Market:** Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.
- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Where the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Acts and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing, which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM to ensure compliance with the Companies Acts and The UKLA Listing Rules.
- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 20 to 22.

of investments through its investment restrictions and guidelines which are monitored and reported by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Manager, who attends all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- **Operational:** Loss of key staff by JPMAM, such as the Investment manager, could affect the performance of the Company. Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included with the Internal Control section of the Corporate Governance report on pages 21 to 22.
- **Financial:** The financial risks faced by the Company include market price risk, interest rate risk, liability risk and credit risk. Further details are disclosed in note 23 on pages 41 to 46. Additional disclosures are provided this year for the first time in accordance with FRS29.

Future Developments

Clearly, the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The Investment Manager discusses the outlook in his report on pages 5 and 6.

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract which can be terminated on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

JPMAM is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Manager, noting performance against the benchmark over the long term and the quality of the support that the Company receives from JPMAM.

Management and Performance Fees

The management fee is charged at the rate of 0.4% per annum of the Company's assets less current liabilities. The terms of the management contract make allowance for the exclusion of management charges on investments held in funds on which JPMAM earns a separate management fee.

A performance fee is payable if the total return attributable to shareholders (change in net asset value plus dividend) exceeds

the total return of the Company's benchmark by more than 0.5%. The performance fee payable is 15% of any excess of the total return (excluding the effect of share buybacks) over the benchmark total return. Payment of any amount earned under the performance fee in any relevant period is spread equally over four years. Performance is measured on a cumulative basis. Any performance fee accrued but not paid can be and is reduced by the extent of any underperformance in subsequent years. Any adjustment in respect of underperformance is deducted at the first opportunity from any amount accrued in respect of previous years' outperformance. The amount of any performance fee paid in any one year is capped at 0.8% of the published net assets of the Company at the end of the relevant period. Any excess is carried forward until paid in full (or offset against subsequent underperformance).

The results for the year ended 30th June 2008 give rise to a performance fee provision of £432,000 (2007: £1,254,000 write back) excluding VAT. No performance fee will be payable this year (2007: £nil). A balance of £817,000 (2007: £385,000) remains payable in future years but will first be reduced by any future underperformance.

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 30th June 2008, the Company had no outstanding trade creditors (2007: none).

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's shares, are shown below:

Directors	30th June 2008	1st July 2007
Richard Barfield	4,922	4,922
Simon Davies	500	500
George Paul	15,000	15,000
John Rennocks	1,000	1,000

Directors' Report continued

No changes in the above holdings have been recorded as at the date of this report.

In accordance with the Company's Articles of Association, the Directors retiring by rotation at the forthcoming Annual General Meeting will be Richard Barfield, Simon Davies and George Paul who, being eligible, offer themselves for re-election. As George Paul has been a Director for more than nine years, he stands for re-election annually. During the year, the Nomination Committee considered Mr Paul's position in the light of this and of the evaluation exercise (referred to on page 21), and concluded that his continuing appointment as a Director and Chairman is in the interests of the shareholders as a whole.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions

Disclosure of Information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's Auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 234 ZA of the Companies Act 1985.

Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 11 to the Notice of AGM on page 51.

Notifiable Interests in the Company's Voting Rights

At the date of this report, the following declared a notifiable interest in the Company's voting rights:

Shareholders	Number of shares held	%
Puddle Dock Nominees Ltd ¹	2,917,997	10.27
Prudential Assurance	1,592,949	5.90
Legal & General plc	1,354,009	4.88

¹Held on behalf of JPMAM Share Plan and ISA participants.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Acts 1985 and 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for loss of office.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors and a resolution to re-appoint them and authorise the Directors to determine their remuneration for the ensuing year, will be proposed at the Annual General Meeting.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial advisor authorised under the Financial Services and Markets Act 2000.

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

(i) Authority to issue new shares for cash and disapply pre-emption rights (Resolutions 8 and 9)

The Directors will seek renewal of the authority at the AGM to issue up to 1,333,847 new shares for cash up to an aggregate nominal amount of £333,461, such amount being equivalent to approximately 5% of the present issued share capital. The full text of the resolutions is set out in the Notice of Meeting on pages 50 and 51.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMAM savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the NAV, thereby increasing the assets underlying each share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's market capitalisation, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's shares (Resolution 10)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2007 Annual General Meeting, will expire on 22nd May 2009 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder approval at the Annual General Meeting to renew this authority, which will last until 4th May 2010 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on pages 50 and 51. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

(iii) Adoption of new Articles of Association (Resolution 11)

The Company proposes to adopt new Articles of Association. These incorporate amendments to the current Articles of Association to reflect the provisions of the Companies Act 2006 (the '2006 Act') and otherwise generally update the Articles of Association for current law, regulation and market practice. The 2006 Act came, or will come, into effect in 2007, 2008 and 2009. As the 2006 Act will not be fully in force until October 2009, it is not yet possible to fully reflect the 2006 Act

changes and it is expected that shareholders will be asked to approve further changes to the Articles of Association at the 2009 Annual General Meeting.

The principal changes brought about by the new Articles of Association proposed to be adopted at the forthcoming Annual General Meeting relate to electronic communication with shareholders, shareholder meetings and resolutions, directors' indemnities, transfers of shares and directors' conflicts of interest. For a more detailed explanation of these and other amendments please refer to the Appendix on pages 52 to 54.

A copy of the current Articles of Association and the proposed new Articles of Association will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of JPMAM, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ from the date of this report up until the close of the AGM. Copies will also be available at Trinity House, Tower Hill, London EC3N 4DH, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting.

Recommendation

The Board considers that resolutions 8 to 11 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 21,422 shares representing approximately 0.1% of the voting rights of the Company.

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
26th September 2008

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 24, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the Combined Code and the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority.

This includes management of the Company's assets and the provision of accounting, company secretarial, administration, and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved for Board decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by George Paul, consists of four non-executive Directors, all of whom are regarded by the Board as independent, including the Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 13.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Senior Independent Director leads the evaluation of the performance of the Chairman and he is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the requirements of the Combined Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

The Board confirms that Richard Barfield, Simon Davies and George Paul, who retire by rotation at this year's Annual General Meeting, continue to be effective Directors and demonstrate commitment to their roles, and therefore recommends their re-election.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of Committees are shown with the Directors' profiles on page 13. Directors who are not members of Committees may attend at the invitation of the Chairman.

The table below details the number of Board and Committee meetings attended by each Director. During the year, there were five full Board meetings, two Audit and Management Engagement Committee meetings, one Nomination Committee meeting and one Remuneration Committee meeting.

Director	Board Meetings attended	Audit and Management Engagement Committee Meetings attended	Nomination Committee Meetings attended	Remuneration Committee Meetings attended
Richard Barfield	5	2	1	1
Simon Davies	5	2	1	1
George Paul	4	1	1	1
John Rennocks	5	2	1	1

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board conducts a formal evaluation of the Manager, its own performance and of that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, and the Senior Independent Director leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Richard Barfield, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. A variety of sources, including the use of external search consultants, may be used to ensure that a wide range of candidates is considered.

Remuneration Committee

The Remuneration Committee, chaired by Simon Davies, consists of all of the Directors and meets at least annually to review Directors' fees and to make recommendations to the Board as and when required.

Audit and Management Engagement Committee

The Audit and Management Engagement Committee, chaired by John Rennocks and whose membership is set out on page 13, meets at least twice each year. The members of the Audit and Management Engagement Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

With effect from 25th September 2007, George Paul stood down from membership of the Audit and Management Engagement Committee, but continues to attend Audit and Management Engagement Committee meetings by invitation.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors; in the Directors' opinion

the auditors are considered independent. Representatives of the Company's auditors attend the Audit and Management Engagement Committee meeting at which the draft Annual Report and Accounts are considered.

The Directors' statement on the Company's system of internal control is set out below.

The Audit and Management Engagement Committee, the Nomination Committee and the Remuneration Committee all have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website, on request at the Company's registered office and at the Company's Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders quarterly each year by way of the annual report and accounts, the half year financial report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the investment manager who reviews the Company's performance. During the year the Company's brokers, the investment managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 48.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 48.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

Internal Control

The Combined Code requires the Directors, at least annually, to review 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.

The Directors are responsible for the Company's system of internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to

Corporate Governance continued

manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure that they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM which reports any material failings or weakness. The key elements designed to provide effective internal control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement – Appointment of a manager and custodian regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's Compliance department which regularly monitors compliance with FSA rules.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board either directly or through the Audit and Management Engagement Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;
- reviews the report on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviews every six months an independent report on the internal controls and the operations of JPMAM.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th June 2008, and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows: go to www.jpmanassetmanagement.co.uk/institutional and within the "Commentary & Analysis" tab you will find a section on Corporate Governance.

"JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect those companies to demonstrate high standards of governance in the management of their business.

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable we will vote at all of the meetings called by companies in which we are invested.

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues (see below). These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote."

Corporate Social Responsibility

The following is a summary of JPMAM's policy statement on corporate social responsibility which has been noted by the Board:

"We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non-financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision."

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution to approve this report will be put to the shareholders at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 25.

Directors' Remuneration¹

Director's Name	2008 £	2007 £
George Paul (Chairman)	32,000	32,000
Richard Barfield	19,000	19,000
Simon Davies	19,000	19,000
Geoffrey Howe ²	—	19,000
John Rennocks	22,000	22,000
Total	92,000	111,000

¹Audited information.

²Retired on 30th June 2007.

The total Directors' fees of £92,000 (2007: £111,000) comprises £92,000 (2007: £111,000) in respect of aggregate emoluments paid to Directors and £nil (2007: £nil) paid to third parties for making available the services of Directors.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit and Management Engagement Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Remuneration Committee reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited and industry research on the level of fees paid to the directors of the Company's peers and within the investment trust

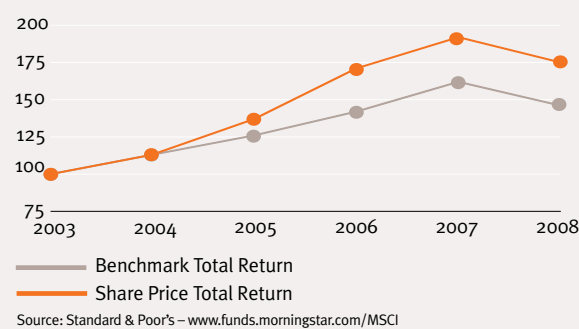
industry generally. The Directors' fees are not performance-related. The Directors do not have service contracts with the Company. The articles stipulate that aggregate fees must not exceed £150,000 per annum. Any increase in this amount requires both Board and shareholder approval.

The terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 20.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company. The Directors do not have service contracts and are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

A graph showing the Company's share price total return compared with its benchmark, the MSCI World Index expressed in sterling terms, is shown below.

Five year share price and benchmark total return to 30th June 2008



By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
26th September 2008

Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the annual report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company as at the end of the year and of the total return for the year. In preparing these accounts, 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 accounts.

The Directors confirm that they comply with these requirements.

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

The accounts are published on the www.jpmoveas.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of JPMAM.

Statement under the Disclosure & Transparency Rules

4.1.12

The Directors each confirm to the best of their knowledge that:

- a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
John Rennocks
Director
26th September 2008

Independent Auditors' Report¹

To the members of JPMorgan Overseas Investment Trust plc

We have audited the accounts of the JPMorgan Overseas Investment Trust plc for the year ended 30th June 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts 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.

Respective Responsibilities of Directors and Auditor

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Investment Manager's Report that is cross referenced from the Business Review section of the Directors' Report.

In addition we 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 Combined Code 2006 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 the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Financial Results, the Chairman's Statement, the Investment Manager's Report and the other elements of the Investment Review, the Directors' Report, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 accounts 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 accounts, 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 accounts 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 accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts 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 30th June 2008 and of its net return and cash flows for the year then ended;
- the accounts 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 Directors' Report is consistent with the accounts.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London, 26th September 2008

¹The accounts are published on www.jpmoveas.co.uk, which is a website maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM or any of its subsidiaries is, so far as it relates to the Company, the responsibility of JPMAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website or any other website upon which the accounts may be published and accordingly, the auditors accept no responsibility for any changes that may occur to the accounts following presentation on a website. Visitors to any website containing the accounts need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Income Statement

for the year ended 30th June 2008

	Notes	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
(Losses)/gains from investments held at fair value through profit or loss	2	—	(20,552)	(20,552)	—	15,433	15,433
Net foreign currency losses		—	(19)	(19)	—	(68)	(68)
Income from investments	3	4,453	—	4,453	4,429	—	4,429
Other interest receivable and similar income	3	131	—	131	156	—	156
Gross return/(loss)		4,584	(20,571)	(15,987)	4,585	15,365	19,950
Management fee	4	(374)	(374)	(748)	(457)	(457)	(914)
Performance fee	4	—	(401)	(401)	—	1,287	1,287
Other administrative expenses	5	(389)	—	(389)	(439)	—	(439)
VAT recoverable	6	713	794	1,507	—	—	—
Net return/(loss) on ordinary activities before finance costs and taxation		4,534	(20,552)	(16,018)	3,689	16,195	19,884
Finance costs	7	(156)	(156)	(312)	(10)	(10)	(20)
Net return/(loss) on ordinary activities before taxation		4,378	(20,708)	(16,330)	3,679	16,185	19,864
Taxation	8	(779)	371	(408)	(458)	—	(458)
Net return/(loss) on ordinary activities after taxation		3,599	(20,337)	(16,738)	3,221	16,185	19,406
Return/(loss) per share	10	12.62p	(71.32)p	(58.70)p	9.69p	48.68p	58.37p

Dividends proposed in respect of the financial year ended 30th June 2008 total 11.5p per share (2007: 10.0p per share) costing £3,098,000 (2007: £3,049,000). More details can be found in note 9 on page 35.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The 'Total' column of this statement is the Profit and Loss Account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The 'Total' column represents all the information that is required to be disclosed in a 'Statement of Total Recognised Gains and Losses' ('STRGL'). For this reason a STRGL has not been presented.

The notes on pages 30 to 47 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30th June 2008

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30th June 2006	9,064	24,881	175,693	17,941	227,579
Shares bought back and cancelled	(1,442)	1,442	(35,040)	—	(35,040)
Net return on ordinary activities	—	—	16,185	3,221	19,406
Dividends appropriated in the year	—	—	—	(4,202)	(4,202)
At 30th June 2007	7,622	26,323	156,838	16,960	207,743
Shares bought back and cancelled	(887)	887	(22,250)	—	(22,250)
Net (loss)/return on ordinary activities	—	—	(20,337)	3,599	(16,738)
Dividends appropriated in the year	—	—	—	(2,949)	(2,949)
At 30th June 2008	6,735	27,210	114,251	17,610	165,806

The notes on pages 30 to 47 form an integral part of these accounts.

Balance Sheet

at 30th June 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Equity investments at fair value through profit or loss		167,565	208,170
Investments in liquidity funds at fair value through profit or loss		3,470	—
Total investments	11	171,035	208,170
Current assets			
Debtors	12	2,224	1,813
Cash and short term deposits		304	84
		2,528	1,897
Creditors: amounts falling due within one year	13	(6,740)	(1,707)
Derivative financial instruments: forward currency contract at fair value through profit or loss		—	(1)
Net current (liabilities)/assets		(4,212)	189
Total assets less current liabilities		166,823	208,359
Creditors: amounts falling due after more than one year	14	(200)	(200)
Provisions for liabilities and charges	15	(817)	(416)
Total net assets		165,806	207,743
Capital and reserves			
Called up share capital	16	6,735	7,622
Capital redemption reserve	17	27,210	26,323
Capital reserve	17	114,251	156,838
Revenue reserve	17	17,610	16,960
Shareholders' funds		165,806	207,743
Net asset value per share	18	615.4p	681.4p

The accounts on pages 26 to 47 were approved and authorised for issue by the Directors on 26th September 2008 and are signed on their behalf by:

John Rennocks
Director

The notes on pages 30 to 47 form an integral part of these accounts.

Cash Flow Statement

for the year ended 30th June 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	19	2,713	2,250
Returns on investments and servicing of finance			
Interest paid		(295)	(20)
Net cash outflow from returns on investments and servicing of finance		(295)	(20)
Taxation			
Taxation recovered		34	8
Capital expenditure and financial investment			
Purchases of investments		(111,780)	(126,272)
Sales of investments		129,184	159,471
Other capital charges		(22)	(38)
Net cash inflow from capital expenditure and financial investment		17,382	33,161
Dividends paid		(2,949)	(4,202)
Net cash inflow before financing		16,885	31,197
Financing			
Draw down of short term loan		6,000	—
Repurchase of shares		(22,644)	(34,788)
Net cash outflow from financing		(16,644)	(34,788)
Increase/(decrease) in cash for the year	20	241	(3,591)

The notes on pages 30 to 47 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th June 2008

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') as issued by the AIC in December 2005. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value.

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in notes 23 and 24 on pages 41 to 47.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition, the investments are designated by the Company as 'at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off in the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments. Unquoted and restricted investments are valued at fair value by the Board. In making its valuations, the Board has taken into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the income statement within 'Gains from investments held at fair value through profit or loss'. Expenses incidental to the purchase and sale of investments are also included within this caption. All purchases and sales are accounted for on a trade date basis.

(c) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is taken to capital. UK dividends are accounted for net of any tax credits. Overseas dividends are shown gross of withholding tax.

Special dividends are recognised on an ex-dividend basis and treated as a capital or an income item depending on the facts and circumstances of each dividend.

Interest receivable from debt securities together with any premiums or discounts on purchase are allocated to revenue on a time apportionment basis so as to reflect the effective interest rate of those securities.

Stock lending income and interest receivable on deposits is taken to revenue on an accruals basis.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of cash dividend is recognised in capital.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- performance related fees are allocated 100% to capital;
- management fees are allocated 50% to revenue and 50% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio;
- expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sales proceeds. These expenses are commonly referred to as transaction costs and include items such as stamp duty and broker commissions. In accordance with the SORP, disclosure of transaction costs is now required and can be found in note 11.

1. Accounting Policies continued

(e) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest rate method in accordance with the provisions of FRS 25: 'Financial Instruments: Presentation' and FRS 26: 'Financial Instruments: Measurement'.

Finance costs are allocated 50% to revenue and 50% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(f) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other receivables do not carry any interest, are short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Interest bearing bank loans, overdrafts and debenture issues are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method.

Derivative financial instruments are valued at fair value and are included in current assets or current net liabilities in the balance sheet in accordance with FRS 26: 'Financial Instruments: Measurement'.

Short term forward currency contracts are classified as derivative financial instruments and the net unrealised gain or loss is included in debtors or creditors respectively. This represents a change in accounting policy from the prior year where the amount receivable under these contracts and the amount payable was included separately in debtors and creditors respectively. The prior year accounts have been restated, however this adjustment has no effect on the net assets of the Company.

(g) Foreign currency

In accordance with FRS 23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, have determined the functional currency to be Sterling. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising on monetary assets from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature. Gains and losses on investments arising from a change in exchange rates are included in gains from investments held at fair value through profit or loss.

(h) Taxation

Deferred tax is accounted for in accordance with FRS 19: 'Deferred Tax'.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal' basis. On this basis, if taxable income is capable of being offset entirely by revenue expenses, then no tax relief is transferred to capital.

(i) Dividends

In accordance with FRS 21: 'Events after the Balance Sheet Date', dividends are included in the accounts in the year in which they are paid.

(j) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 6 on page 33.

Notes to the Accounts continued

	2008 £'000	2007 £'000
2. (Losses)/gains from investments held at fair value through profit or loss		
Realised gains from investments held at fair value through profit or loss based on historical cost	4,014	25,677
Amounts recognised as revaluation gains in the previous year	(9,589)	(22,256)
Realised (losses)/gains based on carrying value at previous balance sheet date	(5,575)	3,421
Net movement in revaluation gains	(14,969)	12,028
Other capital charges	(8)	(16)
Total (losses)/gains from investments held at fair value through profit or loss	(20,552)	15,433

	2008 £'000	2007 £'000
3. Income from investments		
Income from investments:		
UK dividend income	860	687
Overseas dividends	3,512	3,687
Income from liquidity fund	81	55
	4,453	4,429
Other income:		
Deposit interest	16	44
Stock lending fees	115	112
	131	156
Total income	4,584	4,585

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
4. Management fee and performance fee						
Management fee	367	367	734	422	422	844
VAT thereon	7	7	14	35	35	70
	374	374	748	457	457	914
Performance fee	—	432	432	—	(1,254)	(1,254)
VAT written back on prior year performance fee	—	(31)	(31)	—	—	—
VAT on performance fee	—	—	—	—	(33)	(33)
	—	401	401	—	(1,287)	(1,287)

Details of the Management and Performance fees are given in the Directors' Report on page 17.

	2008 £'000	2007 £'000
5. Other administrative expenses		
Other management expenses	192	221
Directors' fees ¹	92	111
Savings product ²	79	82
Auditors' remuneration – for audit services ³	26	25
	389	439

¹Full disclosure is given in the Directors' Remuneration Report on page 23.

²Paid to JPMAM for the marketing of 'wrapper' products.

³Includes £2,000 (2007: £1,000) irrecoverable VAT.

6. VAT recoverable

In November 2007, HM Revenue & Customs announced that it had withdrawn its appeal in the case, brought jointly by the AIC and JPMorgan Claverhouse Investment Trust plc, challenging the imposition of VAT on management fees paid by investment trust companies. The Company ceased paying VAT on management fees with effect from 1st October 2007 and is entitled to seek reimbursement of VAT paid in the past. The VAT stated as recoverable represents VAT which is expected to be recovered from the Manager with sufficient certainty in respect of the period from 1st January 1990 to 30th September 2007. The amounts will not be actually received by the Company from the Manager until HM Revenue & Customs refunds certain amounts to the Manager. The VAT expected to be recoverable has been allocated between income and capital in the proportions in which it was expensed to income and capital in each relevant period when it was paid by the Company.

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
7. Finance costs						
On bank loans and overdrafts	152	152	304	5	5	10
On debenture stock	4	4	8	5	5	10
	156	156	312	10	10	20

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
8. Taxation						
(a) Analysis of tax charge in the year						
UK corporation tax at 29.5% (2007: 30%)	447	—	447	950	—	950
Double taxation relief	(447)	—	(447)	(950)	—	(950)
Overseas withholding tax	408	—	408	458	—	458
Tax attributable to expenses and finance costs charged to capital	371	(371)	—	—	—	—
Current tax charge for the year	779	(371)	408	458	—	458

Notes to the Accounts continued

8. Taxation (continued)

(b) Factors affecting current tax charge for the year

	2008			2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	4,378	(20,708)	(16,330)	3,679	16,185	19,864
Corporation tax at 29.5% (2007: 30%)	1,292	(6,109)	(4,817)	1,104	4,856	5,960
Effects of:						
Non taxable capital losses/returns	—	6,069	6,069	—	(4,610)	(4,610)
Non taxable UK dividends	(254)	—	(254)	(206)	—	(206)
Income taxed in different periods	13	—	13	2	—	2
Tax relief on capitalised expenses	(40)	40	—	246	(246)	—
Overseas withholding tax	408	—	408	458	—	458
Double taxation relief	(447)	—	(447)	(950)	—	(950)
Brought forward excess expenses utilised	(564)	—	(564)	(196)	—	(196)
Tax attributable to expenses charged to capital	371	(371)	—	—	—	—
Current tax charge for the year	779	(371)	408	458	—	458

The Company has an unrecognised deferred tax asset of £2,267,000 based on a prospective corporation tax rate of 28% (2007: £2,967,000 based on a corporation tax rate of 30%). This has arisen because deductible expenses have exceeded taxable income. This asset may be utilised in future years where there is an excess of taxable income over deductible expenses. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

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

	2008 £'000	2007 £'000
9. Dividends		
(a) Dividends paid		
2007 final dividend of 10.0p (2006: 8.5p) ¹	2,949	2,857
2006 special dividend of 4.0p	—	1,345
Total dividends paid in the year	2,949	4,202
Dividends proposed		
2008 final dividend proposed of 11.5p (2007: 10.0p)	3,098	3,049

¹The final dividend declared in respect of the year ended 30th June 2007 amounted to £3,049,000. However, the actual amount paid was £2,949,000, due to share repurchases after the balance sheet date but prior to the share register record date.

The final dividend proposed in respect of the year ended 30th June 2008 is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ended 30th June 2009.

(b) Dividend for the purposes of Section 842 of the Income and Corporation Taxes Act 1988

The requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends declared in respect of the financial year, as follows:

	2008 £'000	2007 £'000
Final dividend payable of 11.5p (2007: 10.0p)	3,098	3,049
Total dividends for Section 842 purposes	3,098	3,049

The revenue available for distribution by way of dividend for the year is £3,599,000 (2007: £3,221,000).

10. Return/(loss) per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £3,599,000 (2007: £3,221,000) and on the weighted average number of shares in issue during the year of 28,515,890 (2007: 33,247,679).

The capital loss per share is based on the capital losses attributable to the ordinary shares of £20,337,000 (2007: £16,185,000 gains) and on the weighted average number of shares in issue during the year of 28,515,890 (2007: 33,247,679).

The total loss per share is based on the total losses attributable to the ordinary shares of £16,738,000 (2007: £19,406,000 gains) and on the weighted average number of shares in issue during the year of 28,515,890 (2007: 33,247,679).

Notes to the Accounts continued

	2008 £'000			2007 £'000	
11. Investments					
Investments listed on a recognised investment exchange ¹	170,620			207,486	
Unlisted investments	415			684	
	171,035			208,170	
	Listed £'000	Unlisted £'000			Total £'000
Opening book cost	174,489	673			175,162
Opening revaluation gains	32,997	11			33,008
Opening valuation	207,486	684			208,170
Movements in the year:					
Purchases at cost	111,269	—			111,269
Sales – proceeds	(127,540)	(320)			(127,860)
Sales – realised gains on investments	(5,575)	—			(5,575)
Net change in revaluation gains	(15,020)	51			(14,969)
	170,620	415			171,035
Closing book cost	162,183	402			162,585
Closing revaluation gains	8,437	13			8,450
	170,620	415			171,035

¹Includes the investment in the JPMorgan Sterling Liquidity Fund.

Transaction costs on purchases during the year amounted to £168,000 (2007: £205,000) and on sales during the year amounted to £129,000 (2007: £163,000). These costs comprise brokerage commission.

During the year, prior year revaluation gains amounting to £9,589,000 have been transferred to realised gains, as disclosed in note 17.

	2008 £'000			2007 £'000
Stock lending details				
Net fee income from stock lending during the year	115			112

Subsidiary company

The Company owns the whole of the issued share capital of Foss Securities Limited, which is registered in England and has not traded. Consolidated accounts have not been prepared since the Directors are of the opinion that the value of the subsidiary is not material.

	2008 £'000	2007 £'000
12. Current assets		
Debtors		
Securities sold for future settlement	—	1,324
Foreign tax recoverable	173	110
Dividends and interest receivable	468	271
VAT recoverable	1,507	—
Other debtors	76	108
	2,224	1,813

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and short term deposits

Cash and short term deposits comprises bank balances and cash held by the Company, including short term bank deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

	2008 £'000	2007 £'000
13. Creditors: amounts falling due within one year		
Securities purchased for future settlement	322	833
Short term loan	6,000	—
Repurchase of shares for future settlement	260	654
Other creditors and accruals	158	220
	6,740	1,707

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

	2008 £'000	2007 £'000
14. Creditors: amounts falling due after more than one year		
Falling due in more than five years:		
£200,000 4½% perpetual debenture stock	200	200

The debenture is secured by a floating charge over the assets of the Company.

Notes to the Accounts continued

	2008 £'000	2007 £'000
15. Provisions for liabilities and charges		
Performance fee payable:¹		
Opening balance	385	1,639
Performance fee for the year	432	(1,254)
Amount realised during the year	—	—
	817	385

¹Further details of the performance fee can be found in the Directors' Report on page 17.

	2008 £'000	2007 £'000
Irrecoverable VAT on performance fee payable		
Opening balance	31	78
Performance fee for the year	—	(47)
Amount realised during the year	(31)	—
Closing balance	—	31

	2008 £'000	2007 £'000
16. Called up share capital		
Authorised:		
132,840,000 (2007: 132,840,000) ordinary shares of 25p each	33,210	33,210
Allotted and fully paid:		
Opening balance of 30,489,448 (2007: 36,257,448) shares	7,622	9,064
Repurchase of 3,548,500 (2007: 5,768,000) shares	(887)	(1,442)
Closing balance of 26,940,948 (2007: 30,489,448) shares	6,735	7,622

During the year, the Company repurchased a total of 3,548,500 ordinary shares, nominal value £887,125 for cancellation representing 11.6% of the shares outstanding at the beginning of the year. The aggregate consideration paid for these shares was £22,250,000 and the reason for the purchases was to reduce the discount of the share price to net asset value per share.

More details of the share buybacks can be found in the Directors' Report on page 16.

	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
17. Reserves				
Opening balance	26,323	124,248	32,590	16,960
Net losses on foreign currency transactions	—	(19)	—	—
Repurchase of ordinary shares	887	(22,250)	—	—
Management fee charged to capital	—	(374)	—	—
Finance costs charged to capital	—	(156)	—	—
Realised losses on investments	—	(5,575)	—	—
Net change in revaluation gains	—	—	(14,969)	—
Transfer on disposal of investments	—	9,589	(9,589)	—
Unrealised loss on open foreign currency contract now realised	—	(2)	2	—
Other capital charges	—	(8)	—	—
VAT recoverable	—	794	—	—
Performance fee for the year	—	—	(432)	—
Irrecoverable VAT on performance fee written back	—	—	31	—
Tax relief on expenses charged to capital	—	371	—	—
Dividends appropriated in the year	—	—	—	(2,949)
Retained revenue for the year	—	—	—	3,599
Closing balance	27,210	106,618	7,633	17,610

The Company may only distribute accumulated “realised” profits. The institute of Chartered Accountants In England and Wales, has issued guidance (TECH 01/08), stating that profits arising out of the change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence revaluation gains less losses on listed investments amounting to £8,437,000 currently included within the Capital reserve - unrealised may be regarded as distributable under the Company Law.

18. Net asset value per share

Net asset value per share is based on funds attributable to ordinary shareholders and on 26,940,948 (2007: 30,489,448) shares in issue at the year end.

	2008 £'000	2007 £'000
19. Reconciliation of net (loss)/return on ordinary activities before finance costs and taxation to net cash flow from operating activities		
Net (loss)/return on ordinary activities before finance costs and taxation	(16,018)	19,884
Add back capital loss/(return) before finance costs and taxation	20,552	(16,195)
(Increase)/decrease in accrued income	(197)	47
VAT recoverable credited to revenue	(713)	—
Decrease in other debtors	33	79
(Increase)/decrease in accrued expenses	(65)	48
Tax on unfranked investment income	(505)	(546)
Management fee charged to capital	(374)	(457)
Performance fee paid	—	(568)
VAT on performance fee paid	—	(42)
Net cash inflow from operating activities	2,713	2,250

Notes to the Accounts continued

	At 30th June 2007 £'000	Cashflow £'000	Exchange movement £'000	At 30th June 2008 £'000
20. Analysis of changes in net debt				
Cash at bank and in hand	84	241	(21)	304
Debt due within one year	—	(6,000)	—	(6,000)
Debt due after five years	(200)	—	—	(200)
Net debt	(116)	(5,759)	(21)	(5,896)

21. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2007: £nil).

22. Transactions with JPMorgan Asset Management

Details of the management contract are set out in the Directors' Report on page 17. The terms make allowance for the exclusion of management charges on investments held in funds on which JPMorgan Asset Management ('JPMAM') earns a separate management fee. The fee payable to JPMAM for the year was £734,000 (2007: £844,000) of which £nil (2007: £nil) was outstanding at the year end.

No performance fee is payable for the year (2007: £nil) and £nil (2007: £nil) was outstanding at the year end. An amount of £817,000 (2007: £385,000 excluding VAT) is carried forward and will either be paid or absorbed by underperformance in subsequent years.

Expenses amounting to £73,000 (2007: £76,000) were payable to JPMAM for the marketing of its savings products of which £nil (2007: £6,000) was outstanding at the year end.

Included in other management expenses in note 5 on page 33 are safe custody fees payable to the JPMorgan Group amounting to £27,000 (2007: £26,000) of which £20,000 (2007: £6,000) was outstanding at the year end.

JPMAM carries out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £6,000 (2007: £2,000) of which £nil (2007: £nil) was outstanding at the year end.

Handling charges incurred on dealing transactions amounting to £8,000 (2007: £16,000) were payable to the JPMorgan Group of which £4,000 (2007: £3,000) was outstanding at the year end.

The Company holds investments in funds managed by JPMAM. At 30th June 2008 these were valued at £7.6m (2007: £9.7m) and represented 4.5% (2007: 4.7%) of the Company's investment portfolio. During the year, the Company made purchases of such investments amounting to £nil (2007: £1.6m) and sales amounting to £1.9m (2007: £0.7m). Income amounting to £nil (2007: £0.2m) was receivable from these investments for the year.

During the current and prior year, the Company made purchases and sales of units in the JPMorgan Sterling Liquidity Fund, which is managed by JPMAM. At the year end, the Company's investment in this fund amounted to £3.5m (2007: £nil) and represented 2.0% of the Company's investment portfolio. Income amounting to £81,000 (2007: £55,000) was receivable from this investment for the year.

The Company received £115,000 (2007: £112,000) from stock lending transactions during the year. JPMAM commissions in respect of such transactions amounted to £29,000 (2007: £28,000).

At the year end, a bank balance of £115,000 (2007: £99,000) was held with JPMorgan Chase. A net amount of interest of £25,000 (2007: £19,000) was receivable by the Company from JPMorgan Chase for the year.

23. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on page 14. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's financial instruments comprise the following:

- investments in equity shares of overseas companies and a Sterling liquidity fund which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- short term forward currency contracts for the purpose of settling short term liabilities; and
- a floating rate loan facility with Lloyds TSB.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks, which policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency and the currency in which it reports). As a result, movements in the exchange rate may affect the Sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to the foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. This borrowing would be limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currency is converted to Sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 30th June are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2008					
	US\$ £'000	Euro £'000	Yen £'000	Swiss Franc £'000	Other £'000	Total £'000
Investments at fair value through profit or loss that are monetary items	—	—	—	—	—	—
Current assets	245	17	99	366	67	794
Creditors	(116)	—	—	(206)	—	(322)
Foreign currency exposure on net monetary items	129	17	99	160	67	472
Investments at fair value through profit or loss that are equities	63,897	37,755	18,176	7,774	12,299	139,901
Total net foreign currency exposure	64,026	37,772	18,275	7,934	12,366	140,373

	2007					
	US\$ £'000	Euro £'000	Yen £'000	Swiss Franc £'000	Other £'000	Total £'000
Investments at fair value through profit or loss that are monetary items	—	—	—	—	—	—
Current assets	154	453	877	—	126	1,610
Creditors	—	—	(833)	—	—	(833)
Foreign currency exposure on net monetary items	154	453	44	—	126	777
Investments at fair value through profit or loss that are equities	83,588	47,085	18,837	17,189	15,428	182,127
Total net foreign currency exposure	83,742	47,538	18,881	17,189	15,554	182,904

The above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

23. Financial instruments' exposure to risk and risk management policies continued**Foreign currency sensitivity**

The following tables illustrate the sensitivity of profit after taxation for the year and equity with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 5% appreciation or depreciation in Sterling against the US\$, Euro, Yen, Swiss Franc and other currencies to which the Company is exposed, which is deemed reasonable based on the volatility of exchange rates during the year.

If Sterling had weakened this would have had the following effect:

	2008 £'000	2007 £'000
Income statement revenue after taxation:		
Revenue return	176	184
Capital return	24	39
Total revenue after taxation for the year	200	223
Net assets	200	223

Conversely if Sterling had strengthened this would have had the following effect:

	2008 £'000	2007 £'000
Income statement revenue after taxation:		
Revenue return	(176)	(184)
Capital return	(24)	(39)
Total revenue after taxation for the year	(200)	(223)
Net assets	(200)	(223)

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate cash borrowings.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required.

The Company may finance part of its activities through borrowings at levels approved and monitored by the Board.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the loan facility. However, amounts drawn down on this facility are for short term one month periods and therefore exposure to interest rate risk is not significant.

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below. The £200,000 debenture in issue carries a fixed rate of interest and therefore has no exposure to interest rate movements.

	2008 £'000	2007 £'000
Exposure to floating interest rates:		
JPMorgan Sterling Liquidity Fund	3,470	—
Cash at bank	304	84
Creditors: amounts falling due within one year		
– borrowings on the loan facility	(6,000)	—
Total exposure	(2,226)	84

The target interest earned on the JPMorgan Sterling Liquidity Fund is the 7 day Sterling London Interbank Bid Rate.

Interest receivable on cash balances is at a margin over LIBOR.

In July 2007, the Company arranged a £20m Revolving Loan Facility with Lloyds TSB. The facility expires in July 2008. Under the terms of this agreement the Company may draw down up to £20m at an interest rate of LIBOR as offered in the market for Sterling deposits in the amount and term of the relevant period, plus a margin of 0.27% per annum plus associated costs, which are the costs of complying with certain regulatory requirements. At 30th June 2008, the Company had drawn down £6.0m on this facility at an interest rate of 5.56%. With effect 1st August 2008 the facility with Lloyds TSB was amended to a £10m revolving loan facility. This facility expires in July 2009.

During the prior year, a similar facility was available with ING Bank which was undrawn at the year end.

The exposure to floating interest rates has fluctuated during the year between net loan balances and net cash balances as follows:

	2008 £'000	2007 £'000
Maximum interest rate exposure to floating rates - net loan balances	(13,707)	(757)
Minimum interest rate exposure to floating rates - net cash and liquidity fund balances	2,253	3,786

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue after taxation for the year and net assets to a 1% increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2008		2007	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Income statement - return after taxation:				
Revenue return increase/(decrease)	8	(8)	1	(1)
Capital return (decrease)/increase	(30)	30	—	—
Total (decrease)/increase in return after taxation for the year	(22)	22	1	(1)
Net assets (decrease)/increase	(22)	22	1	(1)

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole year as the level of exposure to floating interest rates has fluctuated during the year between net loan balances and net cash balances as shown above.

The maximum investment in the JPMorgan Sterling Liquidity Fund during the year amounted to £3.5m (2007: £3.6m). The highest amount drawn down on the loan facility during the year amounted to £7.0m (2007: nil) and the interest rate on the drawings fluctuated between 5.56% and 7.03%.

23. Financial instruments' exposure to risk and risk management policies continued**(iii) Other price risk**

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of investments.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Other price risk exposure

The Company's exposure to changes in market prices at 30th June comprises its holdings in equity investments as follows:

	2008 £'000	2007 £'000
Equity investments at fair value through profit or loss	167,565	208,170

The above data is broadly representative of the exposure to other price risk during the year.

Concentration of exposure to other price risk

An analysis of the Company's investments is given on page 11. This shows that the investments' value is in a broad spread of countries with the highest proportion in the USA. Accordingly there is a concentration of exposure to that country. However, it should also be noted that an investment's country of domicile does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

The following table illustrates the sensitivity of net assets to an increase or decrease of 10% in the fair value of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2008		2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement: revenue after taxation				
Revenue return – (decrease)/increase	(34)	34	(42)	42
Capital return – increase/(decrease)	16,723	(16,723)	20,775	(20,775)
Total return after taxation and net assets - increase/(decrease)	16,689	(16,689)	20,733	(20,733)

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a) (ii) to this note on page 43.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:-

	2008			2007		
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year:						
Purchases of investments for future settlement	322	—	322	833	—	833
Short term loan	6,000	—	6,000	—	—	—
Purchases of the Company's own shares for future settlement	260	—	260	654	—	654
Other creditors	158	—	158	220	—	220
Derivative financial instrument	—	—	—	1	—	1
Creditors: amounts falling due after more than one year:						
Perpetual debenture stock	—	200	200	—	200	200
Performance fee payable	—	817	817	—	416	416
	6,740	1,017	7,757	1,708	616	2,324

(c) Credit risk

Credit risk is the risk that a counterparty to a transaction fails to discharge its obligations under that transaction which could result in loss to the Company.

Management of credit risk

This risk is not significant and is managed by:

- only dealing with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies; and
- setting limits to the maximum exposure to any one counterparty at any time.

23. Financial instruments' exposure to risk and risk management policies continued**Credit risk exposure**

The amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year ends.

Cash at bank comprises balances held at banks with an AA credit rating or higher (2007: same).

The aggregate value of securities on loan as at 30th June 2008 amounted to £11,669,000. The highest value of securities on loan during the year ended 30th June 2008 amounted to £18,378,000. Collateral, with a fair value equivalent to a minimum of 105% of the outstanding value of securities on loan is obtained by JPMorgan Chase as agent to the Company. Collateral acceptable under the Stock Lending Agreement may comprise: cash, British Government Stock, Sterling Issues by foreign governments, Sterling Certificates of Deposit and other securities with a similarly high credit rating.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value except for the debenture disclosed below. The fair value of the £200,000 debenture issued by the Company has been calculated by reference to a similar dated gilt plus a margin.

	Accounts value		Fair value	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Debenture	200	200	146	142

24. Capital management policies and procedures

The Company's capital management policy is to ensure that it will continue as a going concern and to maximise capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range 95% to 120%. Gearing for this purpose is defined as investments, excluding liquidity fund holdings, expressed as a percentage of total net assets.

	2008 £'000	2007 £'000
Investments excluding liquidity fund holdings	167,565	208,170
Net assets	165,806	207,743
Gearing	101.1%	100.2%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the need for issues of new shares, including re-issues from Treasury.

Information about the Company

Financial Calendar

Financial year end	30th June
Final results announced	September
Half year end	31st December
Half year results announced	February
Interim management statements announced	April and October
Final dividend payment on ordinary shares	November
Interest payments on 4.5% (net) perpetual debenture stock	1st January, 1st July
Annual General Meeting	November

History

The Company was formed in 1887. The Company was a general investment trust until 1982, when it adopted its present objective. The current name was adopted in 2006.

Company Numbers

Company registration number: 24299
 London Stock Exchange number: 0914327
 ISIN: GB00091432 71
 Bloomberg code: JMO LN

Market Information

The Company's net asset value ('NAV') is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan internet site at www.jpmoveoverseas.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmoveoverseas.co.uk

Share Transactions

The shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account ('ISA') and the Pension Account.

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
 20 Finsbury Street
 London EC2Y 9AQ
 Telephone number: 020 7742 6000

For company secretarial issues and administrative matters, please contact Divya Amin.

aic

The Association of
 Investment Companies A member of the AIC

Registrars

Equiniti
 Reference 1103,
 Aspect House
 Spencer Road
 Lancing
 West Sussex BN99 6DA
 Telephone number: 0871 384 2330

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1103. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

New Zealand Registrar

Computershare Investor Services Limited
 Private Bag 92119
 Auckland 1020
 Level 2, 159 Hurstmere Road
 Takapuna
 North Shore City
 New Zealand.
 Telephone number: 09 522 0022

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar.

Auditors

PricewaterhouseCoopers LLP
 Hay's Galleria
 1 Hay's Lane
 London SE1 2RD

Brokers

Winterflood Securities
 The Atrium Building
 Cannon Bridge
 25 Dowgate Hill
 London EC4R 2GA.

Savings Products Administrators

For queries on the JPMorgan ISA, Share Plan or Pension Account, see contact details on the back cover of this report.

Shareholder Analysis

at 30th June 2008

	Number of shares	% holding
Pension Funds	1,116,647	4.1
Unit Trusts	2,223,789	8.2
Investment Trusts	856,752	3.2
Other Institutions	373,349	1.4
Insurance Companies	853,587	3.2
UK Government	207,083	0.8
Charities	246,040	0.9
Total Institutions	5,877,247	21.8
Private Client Brokers	8,468,495	31.4
Retail Investors holding shares directly or through nominee accounts ¹	8,813,877	32.7
Individuals in the Investment Trust Share Plan ²	2,495,523	9.3
Individuals in the Investment Trust Individual Savings Account ²	397,707	1.5
Individuals in the Investment Trust Pension Account ²	888,099	3.3
Total Retail Holdings	21,063,701	78.2
Total Shares in Issue	26,940,948	100.0

Nominee accounts have been allocated to their appropriate category.

¹Includes holdings below threshold of 10,000 shares.

²Savings product managed by JPMorgan.

Source: Thomson Financial.

Notice of Meeting

Notice is hereby given that the one hundred and twenty-first Annual General Meeting of JPMorgan Overseas Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Tuesday 4th November 2008 at 12.00 noon for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2008.
- 2 To approve the Directors' Remuneration Report for the year ended 30th June 2008.
- 3 To approve a final dividend of 11.5p per ordinary share.
- 4 To re-elect Mr Richard Barfield as a Director of the Company.
- 5 To re-elect Mr Simon Davies as a Director of the Company.
- 6 To re-elect Mr George Paul as a Director of the Company.
- 7 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business:

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

- 8 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to Section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £1,333,847, representing approximately 5% of the Company's issued ordinary share capital as at the date of the passing of this resolution and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of new ordinary shares – Special Resolution

- 9 THAT subject to the passing of Resolution 8 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 8 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £333,461, representing approximately 5% of the total ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase shares – Special Resolution

- 10 THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued shares of 10 pence each in the capital of the Company

PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 3,998,874 or if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for an ordinary share shall be 25 pence;
- (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to (a) 105% of the average of the middle market quotations for an share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased, or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing NAV per share (as determined by the Directors);

- (v) the authority hereby conferred shall expire on 4th May 2010 unless the authority is renewed at the Company's Annual General Meeting in 2009 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Adoption of new Articles of Association – Special Resolution

- 11 THAT the Articles of Association, contained in the document produced to the meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the 2008 Annual General Meeting.

By order of the Board

Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
26th September 2008

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

- 1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
- 3 A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
- 4 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
- 5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
- 6 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
- 7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.
- 8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
- 9 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.
- 10 No Director has any contract of service with the Company.
- 11 As at 25th September 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 26,676,948 ordinary shares, carrying one vote for every four shares held. Therefore the total voting rights in the Company are 6,669,237.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Appendix

Explanatory Notes to Resolution 11

The Companies Act 2006 (the '2006 Act'), which is replacing the Companies Act 1985 (the '1985 Act') is being implemented in stages and will be fully in force by 1st October 2009. Under resolution 11, the Company is proposing to adopt new Articles of Association (the 'new Articles') which will reflect the changes in company law brought about by the 2006 Act which are already in force or which are to come into effect on 1st October 2008, as well as some minor technical or clarifying changes. The new Articles will also generally update the Articles of Association for current law regulation and market practice.

1. Transfer of shares (Articles 31 and 32)

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements.

2. Disclosure of interests (Article 40)

The provisions relating to the disclosure of interests in shares contained in the 1985 Act, including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section 212, were brought into force simultaneously. Article 40 reflects the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

3. Notice of general meetings (Articles 47 and 48)

The provisions in the new Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act. In particular, a general meeting (other than the annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Article 48 deals with situations where, because of a postal strike or similar situation beyond the control of the Company, a notice of meeting is not received by a shareholder. The amendment will ensure that such failure does not invalidate proceedings at the meeting in question.

4. Quorum (Article 49)

Article 49 makes it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

5. Power to convert into stock

Provisions within the articles of association concerning the conversion of shares into stock have been deleted as such conversion is no longer possible under the Companies Act 2006.

6. Attending and speaking at meetings (Article 55)

Article 55 of the new Articles provides that the Chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

7. Polls (Article 61)

Article 61 clarifies that a poll may be demanded before a show of hands, as well as immediately after the result of a show of hands, and to give the directors the right to demand a poll as well as the Chairman of the meeting.

8. Votes of members, proxies and corporate representatives (Articles 68, 73 and 80)

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The new Articles reflect these new proxy rights. The 2006 Act also provides for multiple corporate representatives to be appointed and the Articles therefore refer to the right to appoint multiple corporate representatives.

9. Receipt of appointments of proxy and termination of proxy authority (Articles 77 and 78)

Article 77 provides that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 77 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

10. Directors' appointments, interests and conflicts of interest (Articles 103 and 104)

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1st October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, if the

articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

Article 103, which is the provision for dealing with conflicts, allowing directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the company is interested. It confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

Article 104 gives the directors authority to approve conflict situations including other directorships held by the company's directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed Article 104 also contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

11. Permitted interests and voting (Article 113)

The provisions which previously deemed certain interests of a director's connected persons to be the interests of the director himself for the purposes of this article have been deleted. There is no requirement in the 2006 Act to include such a provision and the 2006 Act contains a much wider definition of 'connected person' of a director. The director and the Company must still take a view each time a matter is being considered as to whether the interests of the director's connected persons mean that the director should be treated as interested for the purposes of this article.

12. Making and retention of minutes (Article 116)

Article 116 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

13 The seal (Articles 118 and 119)

Article 118 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors.

14. Notices and other communications (Articles 76, 132-141)

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 133 will provide the Company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the Company will also be able to send any other document or information to members using this variety of methods.

Article 76 allows proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting.

The Company may ask each member for his or her consent to receive communications from the Company via its website. If the member does not respond to the request for consent within 28 days, the Company may take that as consent by the member to receive communications in this way. If the Company sends or supplies any notice, document or information to members by making it available on the Company's website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website, either by post or by email (if the member has specifically agreed to receive communications in electronic form), that the notice, document or information has been placed on the website. A member who has consented or is deemed to have consented to receive communications via the website can request a hard copy of any document at any time. Members can also revoke their consent to receive electronic communications at any time by giving notice in writing to the Company.

Appendix continued

In relation to joint holders of shares, Article 133(3) provides that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. Article 133(4) permits the Company not to send or supply any notice, document or information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Articles 133(5) and 133(6) cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 140 deals with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company.

Article 141 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

15. Power to indemnify directors (Article 144)

The law governing the giving by a company of indemnities to directors of that company or an associated company was amended in 2005 and further amended by the 2006 Act. In particular, a company may now, inter alia, do the following: (i) in the case of liabilities arising from actions brought by third parties (other than regulatory authorities or criminal prosecutors), both the costs (of the director and of the third party) and any damages may be paid by the company even if the judgement goes against the director; (ii) in the case of liabilities arising from actions brought by the company or an associated company, the company will not be able to indemnify a director against damages awarded to the company itself but may pay the directors' defence costs as they are incurred (although a director would be liable to repay his defence costs if his defence was to be unsuccessful); (iii) the company will not be permitted to indemnify directors against criminal fines, fines by regulators or the legal costs of successful criminal proceedings against directors; and (iv) a company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

As a result of the above, the directors' indemnity provisions of the Articles of Association have been amended. Article 144 has now been drafted as a permissive provision that gives the Company a broad power to indemnify a director, subject to the provisions of the 2006 Act. Article 144 also permits the maintenance by the Company of liability insurance for directors and it specifically makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

Glossary of Terms

Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested in the NAV of the Company at time the shares were quoted ex-dividend.

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or "track" this index and consequently, there may be some divergence between the Company's performance and that of the stated index.

Actual Gearing Factor

Investments, excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds. This shows the effect of gearing on the NAV if the market value of the portfolio was to increase by 100%.

Total Expense Ratio ('TER')

Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. In prior years the TER was: Management fees and all other operating expenses (including tax relief where applicable but excluding interest) expressed as a percentage of the average month end net assets over the year. The reason for the change is to bring the method into line with industry practice and to make the calculation more transparent, as all the numbers now used in the calculation are extracted from the audited accounts.

Discount/Premium

If the share price of an investment company is lower than the NAV per share, the trust is said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company to trade at a discount than a premium.

Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Asset Allocation

Measures the impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

Stock Selection

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities outside the benchmark.

Currency

Measures the impact of investing in different currencies on the performance which is measured in sterling terms.

Management fees/other expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Performance fees

Measures the effect of the accrual of a charge on a write-back of the performance fee.

Share buybacks

Measures the impact of the NAV enhancement created by repurchases of the Company's shares at a discount to their NAV.

Notes

JPMorgan Helpline

Freephone 0800 20 40 20 or 0207 742 9999
9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline

Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 5.00 pm Monday to Friday

Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

www.jpmoveoverseas.co.uk