



Annual Report **09**
JPMorgan US Discovery
Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2009

Features

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Objective

Capital growth from investing in US small and micro cap companies.

Investment Philosophy

The portfolio is a product of the investment team's bottom-up investment approach and disciplined portfolio construction. The investment philosophy is simple and straightforward; to invest in companies that have a sustainable competitive advantage, run by competent management teams who have a track record of success and are good stewards of capital; and to focus on owning equity stakes in businesses that trade at a discount to their intrinsic value.

Benchmark

The Russell 2000 Index in sterling terms. This index is a smaller companies' index and is rebalanced annually to represent the bottom 10% by market capitalisation of all quoted companies in the US. Comparison of the Company's performance is made with this benchmark.

Capital Structure

The Company has an authorised share capital of 13,200,000 ordinary shares of 25p each, of which 5,482,110 were in issue at 31st December 2009.

Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2010 and every fifth year thereafter.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets and act as Company Secretary. The investment team is situated in New York. Glenn Gawronski assumed responsibility for the Company's portfolio in November 2008. He had been managing JPMAM's US active small cap core strategy since September 2004. He worked on JPMAM's micro cap investment team from 1999 to 2004. Mr Gawronski is supported by three experienced investment professionals dedicated to US micro and small cap strategies as well as the wider JPMAM investment management team.

Financial Results

Total Returns (capital plus income)

Return to shareholders:

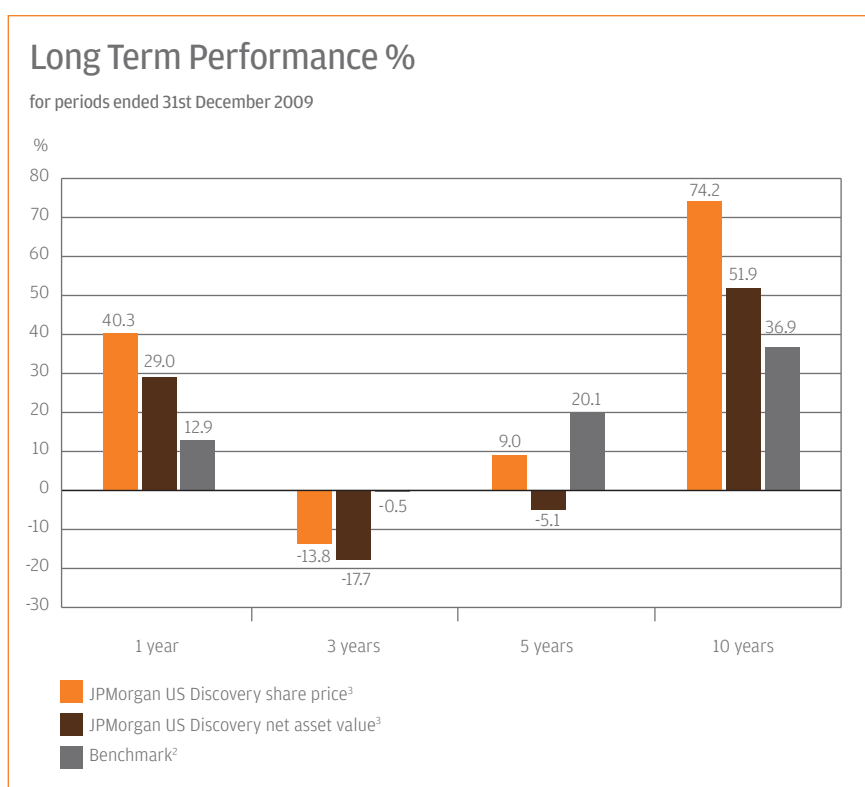
+40.3%

Return on net assets¹:

+29.0%

Benchmark return²:

+12.9%



A glossary of terms and definitions is provided on page 58.

¹ Source: J.P.Morgan. Based on the assumption that any shares held in Treasury have been reissued in accordance with the Board's policy on the reissuance of Treasury shares.

² Source: Russell. The Company's benchmark is the Russell 2000 Index in sterling terms.

³ Source: Morningstar.

Chairman's Statement



Performance

I am delighted to report that 2009 was an excellent year for the Company. As a result of strong stock selection, the Company's Net Asset Value ('NAV') rose by 29.0% compared to a rise of only 12.9% for the Russell 2000 index (in sterling terms), the Company's benchmark. The total return to shareholders was +40.3%. These results were achieved despite all the fears over the economy and corporate profits as well as after the negative effects of the weak US dollar (the value of the US dollar relative to sterling reduced the value of our assets by some 14% over the year).

US equities experienced a strong rebound in the latter half of 2009 with the Russell 2000 index, in US dollar terms, rising 27.2% in the year and the broader indices showing similar increases. Global markets benefited from the unprecedented actions of the central banks and governments in lowering interest rates and making credit easily available. The increase in equities does however mask a difficult year for fund managers and in the Investment Manager's Report, Glenn Gawronski describes the background that he and his team have had to contend with and how the portfolio was positioned to take advantage of the value that was created in the early part of 2009 as markets hit their lows.

Given the level of outperformance that has been achieved relative to our benchmark, it would be usual to ask whether too much risk had been introduced into the portfolio. Your Board, however, pays close attention to the construction of the portfolio, receiving detailed reporting and risk analysis, and can confirm that the levels of risk, at both the stock and sector level, have, in fact, been reduced since Glenn and his team took over in November 2008. Before joining JPMorgan Asset Management, Glenn worked as a credit analyst, which has proved to be an invaluable discipline in this environment when analysing companies and ensuring that managements are good stewards of capital. In addition, none of the portfolio's outperformance has been achieved through the use of structural gearing (please see comments on gearing below).

Discount Management

Your Board is pleased to report that we were able to maintain a relatively stable share price discount to NAV through most of the year by using our share buyback authority. At year end, the shares closed on a discount of 6.0% which compares well with the US Smaller Companies' sector average of 14.4%. Day to day management of the discount has been difficult as markets and currencies have been volatile and our shares have lacked liquidity. Your Board, however, remains committed to targeting a discount of around 9% over the long term, which compares with the 12 month average investment trust discount of 8.7%.

For the past several years, your Board has been authorised at the AGM to repurchase the Company's shares for cancellation or alternatively hold them in Treasury for re-issue at a limited discount to NAV to enhance the liquidity of the Company's shares. Your Board continues to seek the authority to repurchase shares for cancellation so that we can continue to support a stable discount. We will not, however, be seeking the authority to reissue shares from Treasury. During the three years that we have had this power we have never exercised it and we no longer see the benefits of using it for existing shareholders.

During the year the Company repurchased 91,800 shares for cancellation, representing 1.6% of the shares in issue at the beginning of the year, and bought 307,457 shares into Treasury. All of the 457,457 shares held in Treasury were cancelled in December following the Board decision on Treasury shares.

Currency Hedging

Our underlying assets are denominated in US dollars and through the fact we report our valuations in sterling for calculating the NAV we are exposed to currency fluctuations. The Board has the authority to reduce or eliminate the exposure to fluctuating currencies through the use of currency hedging. We review our policy on this matter regularly; to date we have not carried out any hedging and have no plans to do so in the immediate future.

Gearing

At the end of January 2009 our gearing facility expired and in common with a number of investment trusts and many small companies, the Company was unable to find a bank prepared to commit to a loan facility. Fortunately this coincided with a period when your Board and the investment team did not want to be geared given the uncertainties that prevailed in the market. As we are committed to using gearing in the medium/long term, we have recently signed an agreement with ING giving us a revolving credit facility of US\$8million which we will use as and when opportunities arise.

Board of Directors

The Directors carried out their annual evaluation of the Board, its Committees, the Directors and the Chairman in January. This was considered to be an efficient way to evaluate their continuing effectiveness.

Having served as a Director for more than nine years, in accordance with best practice, Alan Kemp will stand for annual re-election at this year's AGM. The Board does not believe that length of service in itself should disqualify a Director from seeking re-election nor does it believe it compromises his independence. In proposing Alan's re-election it has taken into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. Alan is a very experienced investment professional who continues to make a strong contribution to the Board as well as chairing the Audit Committee and the Board recommends to shareholders that he should be re-elected.

In my absence, the Nomination Committee reviewed my own performance and confirmed its recommendation that I continue as Chairman. I shall therefore stand for re-election at the forthcoming AGM.

Manager

At the end of the year the Management Engagement Committee carried out a formal detailed review of the Manager. This covered the investment management, company secretarial, administrative and marketing services provided to the Company by JPMorgan Asset Management (UK) Limited ('JPMAM') and included their investment performance record, fee structure, management processes, investment style, resources and risk control mechanisms. After full consideration, the Board concluded that the continued appointment of the Manager on the terms agreed for provision of those services is in the interests of shareholders as a whole.

Continuation Vote

Included in the agenda for this year's AGM is a resolution to continue the Company's existence as an investment trust for a further five years. There is no doubt that equity markets have been disappointing over the past 5 years and your Company has

Chairman's Statement continued

produced some poor results in that period. However, with the changes that were made in late 2008, both to the investment team and the strategy, the returns to shareholders have been strong in 2009, and have, in part, restored some of the longer term track record of the Company. The US smaller companies sector over the long term has proved to be a more rewarding area for shareholders than the large cap sector, as it always offers exciting growth companies that are not dependent on the economy. Much has been made of the "lost decade" for equities, however if you invested £100 in the Russell 2000 Index ten years ago it would now be worth £137 whereas the same £100 invested in the large cap S&P 500 index would only be worth £91. Based on the Board's belief that Glenn and his investment team can continue to identify those opportunities, I would urge shareholders to vote in favour of this resolution.

Proposed Name Change

At the AGM your Board will recommend that the name of the Company is changed to: JPMorgan US Smaller Companies Investment Trust plc to reflect more accurately the Company's investment objective, which is to achieve long term capital growth through investing in the US smaller companies sector (companies that are in the bottom 10% of the US market by market capitalisation). It is felt that the word "Discovery" is confusing and implies that the Company would be investing in early stage companies and unquoted investments.

Annual General Meeting

This year's AGM will be held at The Library, JPMorgan, 60 Victoria Embankment, London EC4Y 0JP on Wednesday 21st April 2010 at 12.00 noon. The Investment Manager will give a presentation to shareholders, reviewing the past year and commenting on the outlook for the current year. The meeting will be followed by a buffet lunch, providing shareholders the opportunity to meet the Directors and the Investment Manager and ask any questions on the portfolio and performance.

If you have any detailed or technical questions, it would be helpful if you could raise them in advance of the meeting by writing to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes. Shareholders who hold their shares through CREST are reminded that they are able to lodge their proxy votes electronically.

Outlook

At the time of writing my statement in 2009, markets were hitting their low points, creating some genuine value, particularly in small cap. After the bounce from those low levels, for equity markets to continue to make progress in 2010, we need the support of recovering economic growth which, at the time of writing, still looks uncertain. Despite the uncertainties over the outlook for global economic recovery, US small cap stocks as an asset class appear reasonably valued and should provide scope for our manager's stock picking disciplines to generate good returns. Furthermore the sector continues to offer some exciting growth opportunities which are not dependent on economic recovery.

Davina Walter
Chairman

12th March 2010

Investment Manager's Report



Glenn Gawronski

Glenn Gawronski has been with J.P. Morgan for 11 years and worked for 5 years as a senior analyst on the US micro cap team until 2004 when he was promoted to be the portfolio manager for JPMorgan Asset Management's US small cap core active strategy. Glenn's investment philosophy was honed during his time as an analyst on the US micro cap team and is consistent with the investment process that had made the strategy successful in prior years.

Glenn is supported by a team of three investment professionals:

Don San Jose

Don San Jose has been with J.P. Morgan for 9 years, first as a research analyst and for the past 6 years as Glenn's partner on the US small cap core active strategy.

Justin Howell

Justin has been with J.P. Morgan since 2003. He aids in the management of the JPMorgan small cap active core strategy and was previously a research associate covering healthcare services, biotech and industrial cyclical companies.

Dan Percella

Dan had been with J.P. Morgan since 2008. He was previously a member of institutional investor-ranked equity research teams covering the transportation sector at other investment firms. Prior to equity research, Dan worked as an analyst at an economic consulting firm.

Market Review

Looking back on 2009, we saw several distinct periods of market activity for US equities. During the period from January to early March, US equity markets retested lows, as economic data provided few causes for optimism. There was sobering news in terms of US unemployment, manufacturing activity, continued pressure on housing prices and uncertainty relating to the sustainability of the entire financial system. Investors responded by reducing their appetite for risk and markets ultimately reached new cyclical lows on 9th March.

The significant market rally from the March lows through September was driven by unprecedented worldwide government stimuli, effectively zero percent short term interest rates, and a deceleration in the pace of economic deterioration. With the possibility of a systematic failure of the financial system off the table, investors considered the equity markets oversold and once again began to embrace risk with economically sensitive businesses, highly leveraged companies and low quality stocks leading the rally.

Since the end of September, US equity markets have extended the rebound from the March lows, albeit at a less breakneck pace. Several trends emerged in the final quarter of the year that were different from the meteoric rally earlier in the year. The market became more discerning in recognising winners and losers and company specific news became more important. Higher quality stocks, as measured by return on invested capital, have outperformed lower quality stocks, and larger stocks have outperformed smaller stocks.

Investment Performance

For the year ending 31st December 2009, the total return on net assets was +29.0%, a strong performance relative to the benchmark, the Russell 2000 index, which rose 12.9%, both in sterling terms. The Company's outperformance was driven by superior stock selection and not by gearing the portfolio or taking large sector bets.

Portfolio Positioning

Since taking responsibility for the portfolio in late 2008, it has been reshaped, while remaining true to our bottom-up fundamental analysis. The number of stocks in the portfolio has been expanded from 65 in November 2008 to 87 at the end of December 2009, reducing the portfolio's concentration, while upgrading it from a standpoint of quality. Our sector overweight positions in the Consumer Discretionary, Technology and Auto & Transportation sectors have been materially reduced. On the other hand, the portfolio remains underweight in the Producer Durables and Materials & Processing sectors. We have found some opportunities in the Energy sector and are now roughly neutral in that sector. Finally, the portfolio's significant underweight positions in the Financial Services and Utility sectors have been reduced.

Investment Manager's Report continued

Performance attribution for the year ended 31st December 2009

Contributions to total returns

Benchmark total return **+12.9%**

Asset allocation	+3.4%
Stock selection	+15.4%
Gearing/cash	-1.2%

Investment Manager contribution **+17.6%**

Portfolio total return **+30.5%**

Management fees/ other expenses	-1.9%
Treasury share cancellation	+0.7%
Share buybacks	+0.3%
Performance fee	-0.6%

Other effects **-1.5%**

Net asset value total return **+29.0%**

Share price total return **+40.3%**

Source: Xamin, JPMAM and Morningstar.
All figures are on a total return basis.

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

A glossary of terms and definitions is provided on page 58.

Since November 2008, our strategy has outperformed the Russell 2000 Index. The majority of the out-performance has resulted from stock selection, though sector weights have contributed positively as well. As we sold out of some holdings and added new positions, the portfolio has shifted away from companies that possessed severe enterprise risk due to impaired balance sheets and/or inconsistent cash flows. New investments have been made in companies that generate sustainable earnings and more consistent cash flows as a result of our investment process. This is illustrated by the change in the risk profile since November 2008 (as measured by Barra), as the portfolio has lower earnings variation, lower leverage, lower volatility and a higher earnings yield.

Significant Contributors to Portfolio Performance

Calamos, an asset manager with over \$23 billion in assets under management and a strong long-term track record in growth investing, contributed positively to overall results in the year with its shares returning approximately 59%. This strong performance reflected the robust rebound in the equity markets.

Switch and Data Facilities ('SDXC') provides network neutral interconnection and collocation services to internet dependent businesses, including telecommunication carriers, internet service providers and online content providers. During the year, SDXC rose 140% as its primary competitor, Equinix, announced a plan to acquire it for approximately \$700m in a deal that would unite the two data center facility operators and achieve cost synergies and scale. As a result of the stock price appreciation, we sold out of this position during the year.

SuccessFactors provides on-demand performance and employee software solutions to help organisations optimise their performance. During 2009, it returned 189%, driven by solid financial results, including continued revenue growth and the company's first full year of positive operating cash flows. Also driving performance was increased investor optimism about a recovery in the overall enterprise software spending environment in general, which bodes well for SFSF given its leading position in human capital management and performance management software.

Market Outlook

Since the March 2009 lows, we have witnessed a spectacular rally in equities. However, we think the market has become more discriminating in its evaluation of macroeconomic news, ballooning government balance sheets and company specific data points. At the margin, investors appear more measured in their approach to risk and we anticipate more muted stock market gains relative to last year's heady performance.

As the economy continues to heal and with stock valuations relatively reasonable, stock selection will be more important than ever. With the Russell 2000 index close to 30% below July 2007 highs and the ten year treasury yield hovering around 3.7% versus the earnings yield on the Russell 2000 in excess of 5%, investors may continue to increase their risk appetite despite the potential for a slow, uneven recovery. We plan to remain disciplined with regards to our investment strategy: identify companies with a sustainable competitive advantage, durable business models, solid management teams and buy those companies at a discount to their intrinsic value. Our sector weights will continue to reflect our bottom-up investment analysis and disciplined approach to portfolio construction.

Glenn Gawronski
Investment Manager

12th March 2010

Summary of Results

	2009	2008	
Total Returns (capital plus income) for the year ended 31st December			
Return to shareholders	+40.3%	-33.5%	
Return on net assets ¹	+29.0%	-32.1%	
Benchmark return ²	+12.9%	-8.6%	
Net Asset Value, Share Price and Discount at 31st December			% change
Net asset value per share	755.2p	586.2p	+28.8
Net asset value per share assuming reissuance of Treasury shares	755.2p	585.5p	+29.0
Share price	710.0p	506.0p	+40.3
Discount of share price to net asset value assuming reissuance of Treasury shares	6.0%	13.6%	
Shareholders' funds (£'000)	41,399	34,475	+20.1
Revenue for the year ended 31st December			
Net (loss)/return attributable to shareholders (£'000)	(35)	166	
(Loss)/return per share	(0.62)p	2.53p	
Shares in issue ³	5,482,110	5,881,367	
Actual Gearing Factor	98.7%	93.2%	
Total Expense Ratio	1.9%	1.5%	

A glossary of terms and definitions is provided on page 58.

¹ Source: J.P. Morgan. Based on net asset values calculated on the assumption that any shares held in Treasury have been reissued in accordance with the Board's policy on the reissuance of Treasury shares.

² Source: Russell. The Company's benchmark is the Russell 2000 Index in sterling terms.

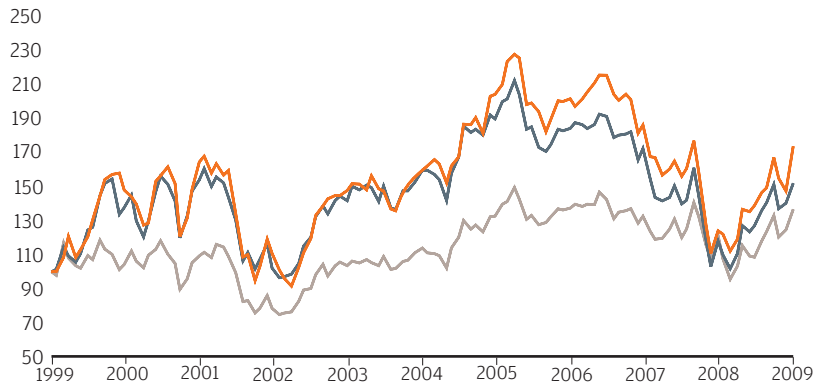
³ Shares in issue at 31st December 2008 exclude 150,000 shares held in Treasury.

Performance

— JPMorgan US Discovery - Share price
— JPMorgan US Discovery - Net asset value
— Benchmark
 Source: Morningstar/Russell.

Ten Year Performance

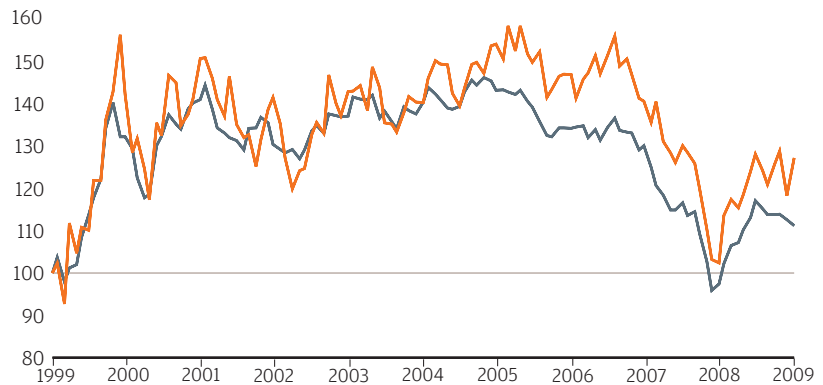
Figures have been rebased to 100 at 31st December 1999



— JPMorgan US Discovery - Share price
— JPMorgan US Discovery - Net asset value
 The benchmark is represented by the grey horizontal line.
 Source: Morningstar/Russell.

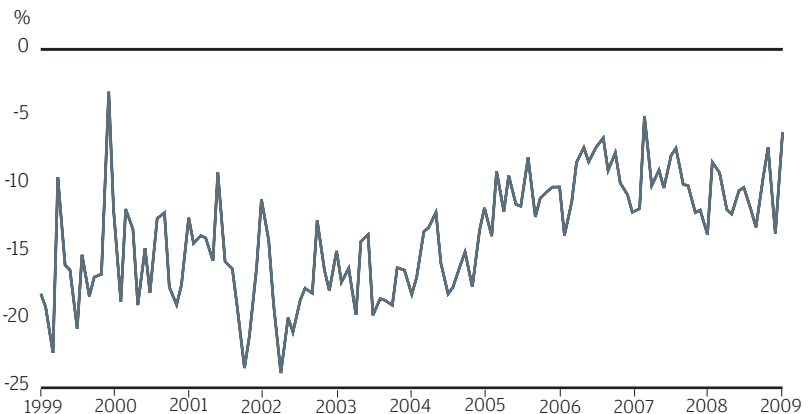
Performance relative to Benchmark

Figures have been rebased to 100 at 31st December 1999



— JPMorgan US Discovery - discount
 Source: Datastream (using monthly data).

Discount Performance



Ten Year Financial Record

At 31st December	1999	2000	2001	2002	2003¹	2004¹	2005	2006	2007	2008	2009
Shareholders' funds (£'000)	59,179	80,787	90,403	59,879	78,826	81,454	96,028	93,192	67,911	34,475	41,399
Net asset value per share (p)	497.3	685.8	767.5	508.3	706.0	795.5	945.2	917.3	865.1	586.2	755.2
Share price (p)	407.5	604.5	672.0	452.0	603.0	651.5	834.5	824.0	761.0	506.0	710.0
Shares in issue ²	11,899,480	11,779,480	11,779,480	11,779,480	11,164,480	10,239,480	10,159,480	10,159,480	7,850,480	5,881,367	5,482,110
Year ended 31st December											
Gross revenue (£'000)	448	815	334	270	250	318	385	300	285	297	322
(Loss)/return per share (p)	(5.45)	(4.71)	(12.01)	(10.89)	(1.33)	(1.35)	(0.97)	(1.49)	(1.72)	2.53	(0.62)
Dividends per share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Discount (%) ³	18.1	11.9	12.4	11.1	14.6	18.1	11.7	10.2	11.3	13.6	6.0
Actual gearing (%)	108.0	112.0	104.2	106.0	108.3	101.2	104.8	112.5	103.2	93.2	98.7
Total expense ratio (%)	1.1	1.9	2.3	1.9	2.7	2.4	2.6	2.0	1.4	1.5	1.9
US dollar/sterling exchange rate	1.61	1.50	1.46	1.61	1.79	1.92	1.73	1.96	1.99	1.44	1.61

Annual Returns from 31st December 1999

	2000	2001	2002	2003¹	2004¹	2005	2006	2007	2008	2009
Share price - total return ⁴	48.3	11.2	(32.7)	33.4	8.0	28.1	(1.3)	(7.6)	(33.5)	40.3
Net asset value per share - total return ^{3,4}	37.9	11.9	(33.8)	38.9	12.7	19.1	(3.0)	(6.4)	(32.1)	29.0
Benchmark - total return ⁵	4.3	4.9	(28.3)	32.1	10.0	16.6	3.5	(3.5)	(8.6)	12.9

A glossary of terms and definitions is provided on page 58.

¹ With effect from 1st January 2004, 90% of management fees and finance costs have been charged to capital. Figures prior to 2003 have not been restated.

² Excludes shares held in Treasury.

³ Calculated on the assumption that any shares held in Treasury have been reissued in accordance with the Board's policy on the reissuance of Treasury shares.

⁴ Source: Morningstar.

⁵ Source: Russell.

Ten Largest Investments¹

Company ²	Sector	At 31st December 2009		At 31st December 2008	
		Valuation £'000	Portfolio % ³	Valuation £'000	Portfolio %
Proassurance	Financial Services	1,024	2.5	908	2.6
Proassurance is a risk management and claims defence company with a licence to write business across the United States. The company provides medical professional liability insurance to policyholders throughout the United States.					
Firstservice Corp⁴	Consumer Discretionary	925	2.2	478	1.4
Firstservice Corp provides specialised property and business services to corporate, government, and residential customers throughout North America. These services include community association management, security, lawn care, franchising, business outsourcing, and specialised trade material fulfillment.					
Papa Johns International⁴	Consumer Discretionary	840	2.0	721	2.1
Papa Johns International operates and franchises pizza delivery and carry-out restaurants under the Papa John's trademark. The company operates restaurants in the United States and international markets.					
Deltek⁴	Technology	796	1.9	277	0.8
Deltek develops and markets computer software. The company produces enterprise management software for companies that derive their revenue from completing projects for their customers.					
Calamos Asset Management	Financial Services	750	1.8	837	2.4
Calamos Asset Management provides investment advisory services to institutions and individuals primarily in the United States. The company applies an investment process centred on risk management across investment strategies within the equity, balanced, convertible, high yield, and alternative asset classes. Calamos offers mutual fund and separate account products.					
Herman Miller⁵	Industrials	735	1.8	-	-
Herman Miller researches, designs, manufactures, and distributes interior office furnishings, furniture systems, products, and services. The company markets its products to companies, organisations, and individuals.					
Dice⁴	Technology	695	1.7	484	1.4
Dice is a provider that specialises in career sites and career fairs for high growth vertical sectors. The company provides services to help recruiters, consultants and businesses hire and train highly qualified professionals.					
Jarden⁵	Consumer Discretionary	683	1.6	-	-
Jarden provides a broad range of consumer products. The company's product segments include Outdoor Solutions, Consumer Solutions and Branded Consumables. Jarden sells branded products through a variety of distribution channels, including club, department store, drug, grocery, mass merchant, sporting goods and speciality retailers, as well as direct to consumers.					
PSS World Medical⁵	Healthcare	668	1.6	-	-
PSS World Medical markets and distributes medical supplies and equipment to office based physicians and long term care providers. The company operates throughout the United States.					
MWI Veterinary Supply⁴	Healthcare	660	1.6	531	1.5
MWI Veterinary Supply distributes animal health products to veterinarians across the United States. The company distributes products sourced from various vendors to veterinary practices from several strategically located distribution centres. MWI sells products such as pharmaceuticals, vaccines, parasiticides, diagnostics, and veterinary pet food.					
Total		7,776	18.7		

¹ Excludes the holding in the JPMorgan US Dollar Liquidity Fund.

² All companies shown are listed in the USA.

³ Based on total assets less current liabilities of £41.5m (2008: £34.5m).

⁴ Not Included in the ten largest investments at 31st December 2008.

⁵ Not held in the portfolio at 31st December 2008.

At 31st December 2008, the value of the ten largest investments amounted to £8.5m representing 24.6% of total assets less current liabilities.

Investment Activity

	Value at 31st December 2008 £'000	Purchases £'000	Sales £'000	Net changes in value £'000	Value at 31st December 2009 £'000
Total Portfolio (all USA)¹	32,121	29,242	29,333	9,978	42,008

¹ Includes Investment in JPMorgan US Dollar Liquidity Fund.

Sector Analysis

	31st December 2009			31st December 2008		
	Portfolio ¹ %	Benchmark %	Active Position* %	Portfolio ¹ %	Benchmark %	Active Position* %
Financial Services	20.4	20.2	(0.2)	15.5	23.4	(7.9)
Consumer Discretionary	19.2	13.8	5.4	16.4	11.0	5.4
Technology	16.5	18.2	(1.7)	27.0	15.7	11.3
Industrials	13.8	16.3	(2.5)	14.8	17.3	(2.5)
Healthcare	13.5	14.2	(0.7)	17.9	15.3	2.6
Oils and Other Energy	4.5	4.7	(0.2)	2.8	4.1	(1.3)
Telecommunication Services	4.1	1.0	3.1	1.5	1.2	0.3
Consumer Staples	3.5	3.5	–	2.5	3.9	(1.4)
Utilities	2.6	3.3	(0.7)	–	4.4	(4.4)
Materials & Processing	1.9	4.8	(2.9)	1.6	3.7	(2.1)
	100.0	100.0		100.0	100.0	

¹ Based on investments at fair value of £40.9m (2008: £32.1m).

*A glossary of terms and definitions is provided on page 58.

List of Investments

at 31st December 2009

Company	Valuation £'000	Company	Valuation £'000
Financial Services		Technology	
ProAssurance	1,024	Deltek	796
Calamos Asset Management	750	Dice	695
optionsXpress	649	SuccessFactors	599
First Financial	646	Concur Technologies	587
Mid-America Apartment Communities	574	Liquidity Services	482
E-Health	574	NetSuite	461
Eagle	488	Blackboard	461
KBW	437	MICROS Systems	452
HFF	432	Monotype Imaging	443
JMP	422	DemandTec	387
American Physicians Capital	419	Aspen Technology	375
RLI	414	Advent Software	367
Evercore Partners	391	Neutral Tandem	275
Iberiabank	343	Vocus	260
Westfield Financial	296	SolarWinds	87
GLG Partners	264	Total Technology	6,727
Western Alliance Bancorp	196		
Total Financial Services	8,319	Industrials	
Consumer Discretionary		Herman Miller	735
FirstService Corp ¹	925	CoStar	633
Papa John's International	840	Altra	583
Jarden	683	Comfort Systems	559
Brink's	582	Forward Air	539
Monarch Casino & Resort	569	Cornell Companies	402
Shuffle Master	517	NCI	395
PetMed Express	505	Interline Brands	389
Spark Networks	478	Team Industrial Services	341
Pool	440	RBC Bearings	329
Travelzoo	432	Tidewater	258
Einstein Noah Restaurant	407	Marten Transport	242
KAR Auction Services	401	Knight Transportation	218
MDC Partners	388	Total Industrials	5,623
NutriSystem	313	Healthcare	
Archipelago Learning	215	PSS World Medical	668
Morningstar	160	MWI Veterinary Supply	660
Total Consumer Discretionary	7,855	PharMerica	659
		Catalyst Health Solutions	617
		Myriad Genetics	598
		Natus Medical	583
		American Physicians	430
		Psychiatric Solutions	380
		Omnicell	327
		Cumberland Pharmaceuticals	317
		Neogen	237
		Myriad Pharmaceuticals	24
		Total Healthcare	5,500

Company	Valuation £'000	Company	Valuation £'000
Oils and Other Energy		Liquidity Funds	
Exterran	594	JPMorgan US Dollar Liquidity Fund	1,148
Approach Resources	534	Total Liquidity Funds	1,148
St Mary Land & Exploration	479	Utilities	
Resolute Energy	252	Northwestern	545
Total Oils and Other Energy	1,859	Northwest Natural Gas	519
Telecommunication Services		Total Utilities	1,064
nTelos	610	Materials & Processing	
Soundbite Communications	543	Silgan	556
Cbeyond	529	ZEP	228
Total Telecommunication Services	1,682	Total Materials & Processing	784
Consumer Staples		Total Portfolio²	42,008
J & J Snack Foods	625	¹ Includes preference shares.	
Winn-Dixie Stores	419	² Comprises the following:	
Dole Food	403		£'000
Total Consumer Staples	1,447	Equity shares	40,433
		Liquidity fund	1,148
		Preference shares	427
		Total Portfolio	42,008

Board of Directors



Davina Walter*†‡§

A Director since 2002

She has been employed in the investment business in the City of London since 1974, having spent over 11 years involved in US equity research at Cazenove & Co. and more than 16 years as an investment manager of US equity portfolios. Most recently she was a Managing Director at Deutsche Asset Management Limited and has been involved in investment trusts since 1985. She was a Director of Henderson Strata Investment Trust plc and is currently employed as an Investment Consultant.



Mark Ansell*†‡§

A Director since 2005

He is Chief Executive of the Flow Group Limited, which manufactures specialist flow control equipment for the global energy industry. He has wide experience of negotiating and completing acquisitions and disposals and improving performance in engineering businesses, including in the USA.



Christopher Galley*†‡§

A Director since 2004

He is a board level investment professional with over 30 years experience of managing US equity portfolios, including several years working in New York. He has worked for a variety of major international investment companies, most recently as senior portfolio manager and Head of the North American Desk at Henderson Global Investors from 1991 to 2002 where he was actively involved in running investment trusts.



Alan Kemp*†‡§

(Chairman of the Audit Committee)

A Director since 1995

He has been involved in investment management since 1970 and with investment trusts since 1972. During his career as Deputy Manager of the Edinburgh Investment Trust plc he was responsible for the management of its US portfolio for a number of years. He was subsequently Deputy Chief Executive of Dunedin Fund Managers Limited and is a Director of Aberdeen Asian Smaller Companies Investment Trust plc.

* Member of the Audit Committee.

† Member of the Nomination Committee.

‡ Considered independent by the Board.

§ Member of the Management Engagement Committee.

Directors' Report

The Directors present their report for the year ended 31st December 2009.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income & Corporation Taxes Act 1988 for the year ended 31st December 2008. 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 & Corporation Taxes Act 1988 each year.

Approval for the year ended 31st December 2008 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 to 4 and in the Investment Manager's Report on pages 5 and 6.

Objective

The Company's objective is to achieve capital growth from investing in US small and micro-cap companies.

Investment Policies and Risk Management

In order to achieve its objective, the Company invests in a diversified portfolio and employs a manager with a strong focus on research and company visits in order to identify the most attractive stocks in the US small and micro-cap universe.

The Board has sought to manage the Company's risk by imposing various investment restrictions and guidelines. These restrictions and guidelines may be varied at any time by the Board at its discretion.

Investment Restrictions and Guidelines

- No individual investment in the portfolio will be greater than 15% of the Company's assets.
- The Company will invest no more than 5% of the Company's gross assets in JPMorgan liquidity funds.

- The Company will invest no more than 5% of the Company's gross assets at the time of investment in unquoted investments.
- The Company will not normally invest in derivative instruments, although it can undertake derivative actions to hedge against risk exposure of existing holdings in the portfolio subject to Board approval.
- The Company will utilise liquidity and borrowings to remain invested within the range 95% - 115% (+/-2.5%).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts).
- The Company will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

Performance

In the year to 31st December 2009, the Company's return to shareholders was +40.3% and the return on net assets was +29.0%. This compares with the Company's benchmark which rose by 12.9%. As at 31st December 2009, the value of the Company's investment portfolio was £42.0m. The Investment Manager's Report on pages 5 and 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 return for the year amounted to £10,054,000 (2008: £20,512,000 loss). Net total return after a performance fee provision and deducting the management fee, administrative expenses, finance costs and taxation, amounted to £9,165,000 (2008: £20,672,000 loss). The loss after tax in the Revenue column of the Income Statement amounted to £35,000 (2008: £166,000 return). No dividend has been declared in respect of the financial year or is intended to be declared (2008: nil).

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:-

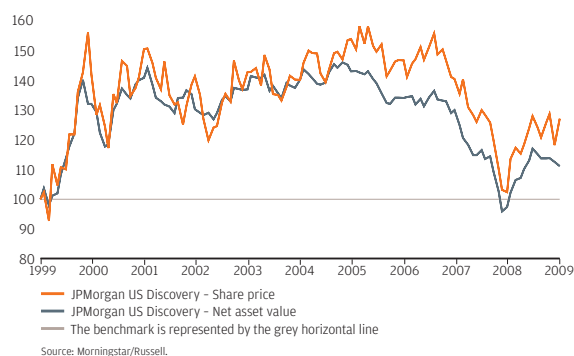
- **Performance against benchmark:**

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

Directors' Report continued

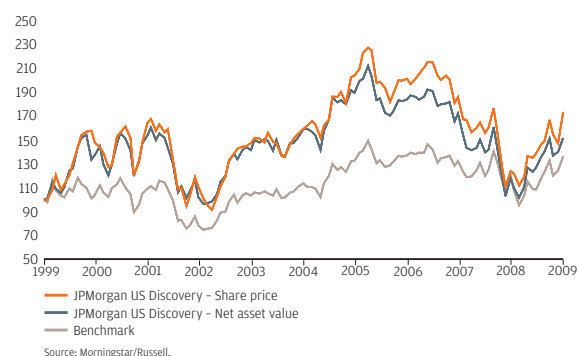
Performance relative to Benchmark

Figures have been rebased to 100 at 31st December 1999



Ten Year Performance

Figures have been rebased to 100 at 31st December 1999



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

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

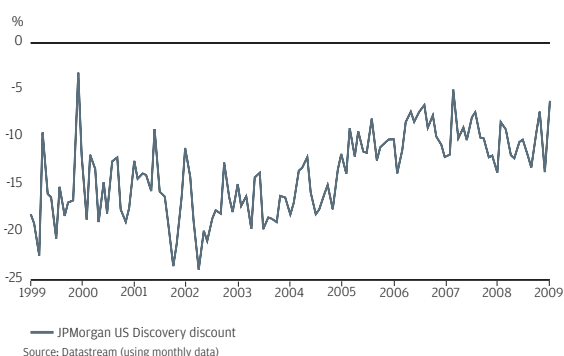
- **Performance attribution**

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark, i.e. to understand the impact on the Company's relative performance of the various components such as sector selection and stock selection. Details of the attribution analysis for the year ended 31st December 2009 are given in the Investment Manager's Report on page 6.

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

The Board has a share repurchase and re-issue policy which seeks to address imbalances in supply of and demand for the Company's shares within the market. This aims to minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers in the sector. In the year to 31st December 2009, the shares traded between a discount of 6.1% and 13.7% and averaged 10.6% using monthly data.

Discount Performance



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

The TER represents management fees, performance fees payable and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of average of the opening and closing net assets. The TER for the year ended 31st December 2009 was 1.9% (2008: 1.5%). The Board reviews the TER of the Company regularly and on an annual basis compares its TER against other companies with similar investment objectives and policies.

Share Capital

The Company has authority to repurchase shares in the market for cancellation. The Company repurchased 91,800 (2008: 1,769,113) shares for cancellation during the year for a total consideration of £614,000. The Company bought 307,457 (2008: 200,000) shares into Treasury for a total consideration of £1,627,000 and 457,457 (2008: 591,000) shares held in Treasury were cancelled. The Company no longer holds any shares in Treasury.

The Company did not re-issue any shares from Treasury or issue any new shares during the year.

Principal Risks

With the assistance of the Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'), 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 excessive concentration of sector selection or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, which may result in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. 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 tactically, within a strategic range set by the Board. In addition to regular Board reviews of investment strategy, the Board holds a separate meeting devoted to strategy each year.
- **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 & Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Should the Company breach Section 842, it may 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 Act 2006 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, and its professional advisers to ensure compliance with the Companies Act 2006 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 21 to 25.
- **Operational:** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records may 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 within the Internal Control section of the Corporate Governance report on page 24.
- **Foreign currency:** The Company has exposure to foreign currency as part of the risk reward inherent in a company that invests overseas. The income and capital value of the the Company's investments can be affected by exchange rate movements as the majority of the Company's assets and income are denominated in currencies other than sterling which is the reporting currency.

The Company may be exposed to currency risk due to exchange rate movement in the period between investment trade date and the date of settlement. This exposure is short term and therefore the risk is not significant.

The Board has the authority to reduce or eliminate the exposure to fluctuating currencies through the use of currency hedging. It reviews its policy on this matter regularly; to date no hedging has been carried out and there are no plans to do so in the immediate future.

- **Financial:** The financial risks faced by the Company include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Further details are disclosed in note 21 to the accounts on pages 43 to 49.

Directors' Report continued

Performance Fee Payments

Year ended	31/12/05	31/12/06	31/12/07	31/12/08	31/12/09
	£	£	£	£	£
Performance Fee	660,539	(902,604)	(472,074)	(1,237,672)	1,006,706
Phased payments					
Payment relating to year ended 31st December 2003	311,224	–	–	–	–
Payments relating to year ended 31st December 2004	78,969	78,968	–	–	–
Adjustment re cap of assets relating to year ended 31st December 2004 ¹	1,719,750	–	–	–	–
Year ended 31st December 2005	220,180	220,180	220,179	–	–
Adjustment re cap of assets ¹	(1,286,418)	1,286,418	–	–	–
Year ended 31st December 2006	–	(902,604)	–	–	–
Adjustment re negative movement in net asset value per share ²	–	(682,962)	682,962	–	–
Year ended 31st December 2007	–	–	(472,074)	–	–
Adjustment re negative movement in net asset value per share ²	–	–	(431,067)	431,067	–
Year ended 31st December 2008	–	–	–	(431,067)	–
Year ended 31st December 2009	–	–	–	–	66,701
Total	1,043,705	–	–	–	66,701
Carried forward at the year end	1,805,745	903,141	431,067	(806,605)	133,400

¹ The total amount of any performance fee and management fee paid in any one year will be capped at 2% of the total net assets of the Company at the end of that year.

² No payment is made in any year unless the net asset value per share has risen during the year.

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 page 6.

Management

The Manager and Secretary is JPMorgan Asset Management (UK) Limited. JPMAM is employed under a contract terminable 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, marketing 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 on the terms agreed is in the best interests of

shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Investment Manager and the support that the Company receives from JPMAM. Such a review is carried out on an annual basis.

Management and Performance Fees

For the year ended 31st December 2009, the management fee was charged at 1% per annum of net assets, calculated and paid monthly, excluding investments in any funds on which JPMAM earns a management fee. In addition to the basic annual management fee, a performance fee is payable to JPMAM. This is calculated at 15% of the amount by which the change in the net asset value over the relevant period exceeds that of the change in the Russell 2000 Index (expressed in sterling terms) increased by a 2% hurdle. Payment of any amount earned under the performance fee in any relevant period will be spread equally over three years. No payment is made in any year unless the net asset value per share has risen during the year.

Any performance fee accrued but not paid will be reduced by the extent of any underperformance in subsequent years. Any adjustment in respect of underperformance will be deducted at the first opportunity from any amount payable in respect of previous years' outperformance. The total amount of any performance and management fee paid in any one year will be capped at 2.0% of the total net assets of the Company at the end of the relevant period.

The results for the year give rise to an entitlement of £1,007,000, which when offset against the negative balance brought forward of £807,000 gives a provision of £200,000. Of this amount £67,000 becomes immediately payable and the balance of £133,000 is carried forward to be paid or reduced by future underperformance.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 15), risk management policies (see pages 43 to 49), capital management policies and procedures (see page 49), the nature of the portfolio and expenditure projections, 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. The Directors have also considered the probability that the Company's shareholders will vote in favour of the continuation of the Company at the forthcoming AGM. For these reasons, they consider that there is reasonable evidence to 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 31st December 2009, the Company had no outstanding trade creditors (2008: 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 ordinary share capital, are given below:

	31st December 2009	1st January 2009
	Number of shares	Number of shares
M Ansell	4,452	4,452
CJ Galleymore	5,000	1,000
AS Kemp	6,000	4,500
DJ Walter	4,210	2,760

In accordance with the Company's Articles of Association, the Director retiring by rotation at the forthcoming Annual General Meeting will be Davina Walter, who being eligible, offers herself for re-election. Alan Kemp, having served as a Director for a period of more than nine years, also stands for re-election.

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 and 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:

- (a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware; and
- (b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information 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 418(2) of the Companies Act 2006.

Section 992 of the 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 15 to the Notice of AGM on page 53.

Directors' Report continued

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
Chase Nominees ^{1,2}	985,416	17.9
JPMorgan Chase & Co ¹	780,988	14.2
F&C Asset Management Limited	467,978	8.5
West Yorkshire Pension Fund	420,000	7.7
Prudential Group	290,000	5.3
Rensburg Sheppards Investment Management Limited	280,015	5.1
Rathbone Investment Management	240,436	3.3

¹Non-beneficial.

²Held on behalf of JPMAM Investment Account, ISA and SIPP 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 Act 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

Ernst & Young LLP have expressed their willingness to continue in office as auditors to the Company and resolutions proposing their re-appointment and authorising the Directors to determine their remuneration for the ensuing year will be put to shareholders 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 adviser authorised under the Financial Services and Markets Act 2000.

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

(i) Continuation of the Company (resolution 6)

Shareholders are requested to approve the continuation of the Company for a further five years. More details are given in the Chairman's Statement on pages 3 and 4.

(ii) Authority to repurchase the Company's shares (resolution 7)

At the Annual General Meeting held on 23rd April 2009, shareholders gave authority to the Company to purchase up to 14.99% of its then issued share capital. At that time shareholders were informed that this authority would expire on 22nd October 2010 and could be renewed by shareholders at any time at a General Meeting of the Company. The Board will seek shareholder approval to renew the authority at the forthcoming Annual General Meeting.

The full text of the resolution (to be proposed as a special resolution) to renew the share repurchase authority is set out as Resolution number 7 in the Notice of Meeting on page 51.

(iii) Authority to issue new shares/ disapplication of pre-emption rights (resolutions 8 and 9)

The Directors will seek authority at the Annual General Meeting to issue up to 546,361 new ordinary shares for cash up to an aggregate nominal amount of £136,590, such amount being equivalent to 10% of the present issued share capital. This authority will expire at the Annual General Meeting in 2011. The full text of Resolutions 8 and 9 is set out in the Notice of Meeting on pages 51 and 52.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value, they increase the assets underlying each share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(iv) Adoption of New Articles of Association (resolution 10)

The Company proposes to adopt new articles of association. These incorporate amendments to the current articles of association to reflect the changes in company law brought about by the Companies Act 2006 (the 'Act') which came into

effect on 1st October 2009 and changes made to the Act in August 2009 to implement the EU Shareholder Rights Directive in the UK, as well as some minor technical or clarifying changes. The principal changes in the new articles of association proposed to be adopted at the 2010 AGM relate to shareholder meetings and resolutions, the Company's constitution and share capital.

In August 2009, changes were made to the provisions in the Act on company meetings by The Companies (Shareholders' Rights) Regulations 2009 ('Shareholders' Rights Regulations') to implement the EU Shareholder Rights Directive in the UK. The new articles incorporate amendments in relation to meetings to ensure consistency with the Act (as amended by the Shareholders' Rights Regulations).

Under the Act all provisions of the Company's memorandum, but most significantly the objects clause, are deemed to form part of the Company's articles from 1st October 2009. It is possible for the objects clause to be removed or amended by amending the articles by special resolution. It is not necessary under the Act for a company to set out its objects. The Act provides that, unless the articles state otherwise, a company's objects will be unrestricted.

One of the other key provisions of the memorandum which is deemed to form part of the Company's articles from 1st October 2009 is the restriction created by the existing authorised share capital statement. The Act removes the requirement for a company to place limits on its authorised share capital.

By adopting the new articles which do not contain the objects clause or the authorised share capital statement, the Company will remove these provisions, which would otherwise be deemed to form part of the Company's articles under section 28 of the Act, from its articles. For a more detailed explanation of these and other amendments please refer to the Appendix to this document on pages 54 to 57.

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 The Library, JPMorgan, 60 Victoria Embankment, London EC4Y 0JP, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting.

(v) Change of Company Name (resolution 11)

The Board recommends that the Company's name be changed to 'JPMorgan US Smaller Companies Investment Trust plc'.

Details of this recommendation are given in the Chairman's Statement on page 4.

Recommendation (resolutions 6 to 11)

The Board considers that resolutions 6 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 recommended 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 19,662 shares representing approximately 0.36% of the existing issued ordinary share capital of the Company.

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 27, 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, insofar as they are relevant to the Company's business, 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, administrative services and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for 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.

Directors' Report continued

The Board meets on at least six occasions 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 applicable rules and regulations are complied with and that Board procedures are followed.

Board Composition

The Board consists of four non-executive Directors, chaired by Davina Walter, all of whom are regarded by the Board as independent of the Company's Manager. The Chairman's independence was assessed upon her appointment and annually thereafter.

The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 14.

The Board does not feel that it would be appropriate to adopt a policy whereby Directors serve for a limited period of time, given the specialist nature of the Company's investment universe. However, in order to provide a balance of skills, experience, length of service and ages, it is the Board's policy to introduce new Directors to provide an orderly succession over time.

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 Board has considered whether a senior independent director should be appointed and has concluded that, as the Board comprises entirely non-executive directors, this is unnecessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and 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. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that each Director must retire by rotation every three years.

Any Director who has served for a period of more than nine years will submit himself for annual re-election thereafter. 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 ongoing requirements of the Combined Code, including the need to refresh the Board and its committees.

The Board recommends the re-election of Davina Walter following a performance review conducted by the Nomination Committee which concluded that she continues to demonstrate effective leadership as Chairman.

Furthermore, the Board recommends the re-election of Alan Kemp, who is subject to annual re-election as he has served as a Director of the Company for a period in excess of nine years. Before recommending the re-election of Alan Kemp, the Nomination Committee also conducted a thorough review of his performance.

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.

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 14. Directors who are not members of committees may attend at the invitation of the Chairman.

The table below details the number of meetings attended by each Director. During the financial year there were six Board meetings, including a private meeting of the Directors to evaluate the Manager and a separate meeting devoted to strategy, two Audit Committee meetings, one Nomination Committee meeting and one Management Engagement Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meeting Attended	Management Engagement Committee Meeting Attended
M Ansell	6	2	1	1
CJ Galleymore	6	2	1	1
AS Kemp	6	2	1	1
DJ Walter	6	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 Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board has agreed procedures for the formal evaluation of the Manager, its own performance and of that of its committees and individual Directors. A written appraisal is produced by the Board and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, and the Chairman of the Audit Committee leads the evaluation of the Chairman's performance. The Board has established a Management Engagement Committee to evaluate the Manager. The Board as a whole evaluates its own performance and that of its committees.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Davina Walter, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills to carry out its fiduciary duties and to select and propose suitable candidates when necessary for appointment. A variety of sources are used to ensure that a wide range of candidates are considered.

The Committee undertakes an annual performance evaluation, as described above, to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee reviews and makes recommendations to the Board concerning the re-election by shareholders of any Director under the 'retirement by rotation' provisions in the Company's Articles of Association. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

On an annual basis each Director submits a list of potential conflicts of interest for approval. These are considered

carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved for a period of one year. During the year the potential conflicts of interest were received and considered by the Nomination Committee and a recommendation was made to the Board. The Board authorised the potential conflicts of each Director.

Management Engagement Committee

The Management Engagement Committee, chaired by Davina Walter, consists of all the Directors, and meets at least annually to review the performance of, and the contractual arrangements with, the Manager, JPMAM.

Audit Committee

The Audit Committee, chaired by Alan Kemp, comprises all of the Directors, and meets at least twice each year. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

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 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, the balance of audit and non-audit services and the independence and objectivity of the external auditors; in the opinion of the Directors the auditors are considered independent. Representatives of the Company's auditors attend the Committee meeting at which the draft Annual Report and Accounts is considered. The Directors' statement on the Company's system of internal control is set out overleaf.

Terms of Reference

The Nomination, Management Engagement and Audit Committees have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on the Company's website and on request at the Company's registered office and at the 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 four times a year by way of the Annual Report and Accounts, Half Year Report and two Interim Management Statements. This is supplemented by the

Directors' Report continued

daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and 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 with shareholders and answer questions. In addition, a presentation is given by the Investment Manager who reviews the Company's performance. During the year the Company's brokers 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 59.

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 59.

Details of the proxy voting position on each resolution will be published on the Company 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 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 mis-statement 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 they meet the Company's business objectives. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of JPMAM.

This arrangement is reviewed on an annual basis.

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 and reports to the Board.

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 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:

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

By the means of the procedures set out above, which accord with the Turnbull Guidance on internal controls, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st December 2009, 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.jpmorganassetmanagement.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, director independence and 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."

All votes cast against resolutions are reported to the Board.

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."

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
12th March 2010

Directors' Remuneration Report

The Board presents this report, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 28.

With effect from 1st January 2009, the fee paid to the Chairman was increased to £23,000 (previously £21,000) per annum. The other Directors' fees were last adjusted on 1st January 2007 and for the year under review they were paid at a fixed rate of £18,000 for the Audit Committee Chairman and £16,000 for the other Directors.

Directors' Remuneration

(Audited Information)	2009	2008
Director's Name	£	£
RW Lewis OBE ¹	-	7,000
DJ Walter ²	23,000	19,333
M Ansell	16,000	16,000
CJ Galleymore	16,000	16,000
AS Kemp	18,000	18,000
Total	73,000	76,333

¹Resigned as Chairman on 28th April 2008.

²Appointed Chairman on 28th April 2008.

The total Directors' fees of £73,000 (2008: £76,333) were all paid to Directors and £nil (2008: £nil) paid to third parties.

With effect from 1st January 2010 the fees were increased to a fixed rate of £25,000 per annum for the Chairman, £20,000 for the Audit Committee Chairman and £18,000 for the other Directors.

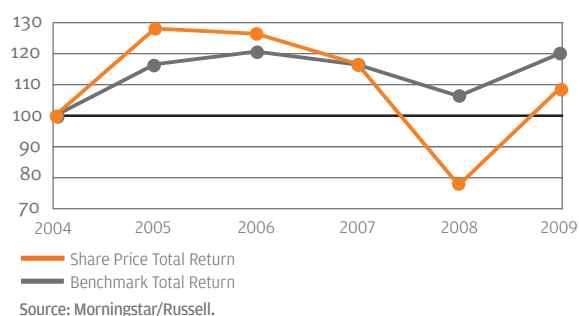
The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the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

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, and relevant third parties 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 Company's Articles currently stipulate that aggregate fees must not exceed £100,000 per annum. Directors' fees are reviewed regularly and any increase in the maximum aggregate amount requires both Board and shareholder approval. The Board will seek shareholder approval at the forthcoming Annual General Meeting to increase the maximum aggregate amount payable per annum to £150,000. This change will be incorporated in the amendments to the Company's Articles, and included under special resolution 10 to adopt new Articles of Association.

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 or hold options to acquire shares in the Company. Directors 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 to the Company's business.

A graph showing the Company's share price compared with its benchmark, the Russell 2000 Index in sterling terms, over the last five years is shown below.

Five year share price and benchmark total return to 31st December 2009



By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
12th March 2010

Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the annual report and the financial statements 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they comply with these requirements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.jpmsdiscovery.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM').

The maintenance and integrity of the website maintained by JPMAM 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 and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Statement under the Disclosure & Transparency Rules 4.1.12

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

- a) the financial statements, 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 they face.

For and on behalf of the Board
Davina Walter,
Chairman
12th March 2010

Independent Auditors' Report

Independent Auditors' Report to the members of JPMorgan US Discovery Investment Trust plc

We have audited the financial statements of JPMorgan US Discovery Investment Trust plc (the 'Company') for the year ended 31st December 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2009 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 19, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Caroline Gulliver (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

12th March 2010

Income Statement

for the year ended 31st December 2009

	Notes	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	9,970	9,970	–	(20,814)	(20,814)
Net foreign currency (losses)/gains		–	(238)	(238)	–	5	5
Income from investments	3	259	–	259	130	–	130
Other interest receivable and similar income	3	63	–	63	167	–	167
Gross return/(loss)		322	9,732	10,054	297	(20,809)	(20,512)
Management fee	4	(36)	(325)	(361)	(48)	(430)	(478)
Performance fee (charge)/writeback	4	–	(200)	(200)	–	431	431
VAT recoverable	4	–	–	–	228	13	241
Other administrative expenses	5	(279)	–	(279)	(287)	–	(287)
Net return/(loss) on ordinary activities before finance costs and taxation		7	9,207	9,214	190	(20,795)	(20,605)
Finance costs	6	(1)	(7)	(8)	(5)	(43)	(48)
Net return/(loss) on ordinary activities before taxation		6	9,200	9,206	185	(20,838)	(20,653)
Taxation	7	(41)	–	(41)	(19)	–	(19)
Net (loss)/return on ordinary activities after taxation		(35)	9,200	9,165	166	(20,838)	(20,672)
(Loss)/return per share	8	(0.62)p	161.82p	161.20p	2.53p	(317.85)p	(315.32)p

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 33 to 49 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st December 2009

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st December 2007	2,098	1,044	69,630	(4,861)	67,911
Repurchase and cancellation of the Company's own shares	(442)	442	(11,429)	–	(11,429)
Purchase of shares into Treasury	–	–	(1,335)	–	(1,335)
Cancellation of shares held in Treasury	(148)	148	–	–	–
Net (loss)/return on ordinary activities	–	–	(20,838)	166	(20,672)
At 31st December 2008	1,508	1,634	36,028	(4,695)	34,475
Repurchase and cancellation of the Company's own shares	(23)	23	(614)	–	(614)
Repurchase of shares into Treasury	–	–	(1,627)	–	(1,627)
Cancellation of shares held in Treasury	(114)	114	–	–	–
Net return/(loss) on ordinary activities	–	–	9,200	(35)	9,165
At 31st December 2009	1,371	1,771	42,987	(4,730)	41,399

The notes on pages 33 to 49 form an integral part of these accounts.

Balance Sheet

at 31st December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets	9		
Investments held at fair value through profit or loss		40,860	32,121
Investments in liquidity funds held at fair value through profit or loss		1,148	–
		42,008	32,121
Current assets	10		
Debtors		59	951
Cash and short term deposits		43	2,132
		102	3,083
Creditors: amounts falling due within one year	11	(578)	(729)
Net current (liabilities)/assets		(476)	2,354
Total assets less current liabilities		41,532	34,475
Provision for liabilities and charges	12	(133)	–
Total net assets		41,399	34,475
Capital and reserves			
Called up share capital	13	1,371	1,508
Capital redemption reserve	14	1,771	1,634
Capital reserves	14	42,987	36,028
Revenue reserve	14	(4,730)	(4,695)
Shareholders' funds		41,399	34,475
Net asset value per share	15	755.2p	586.2p

The accounts on pages 29 to 49 were approved and authorised for issue by the Directors on 12th March 2010 and are signed on their behalf by:

Davina Walter

Director

The notes on pages 33 to 49 form an integral part of these accounts.

The Company's registration number is 552775.

Cash Flow Statement

for the year ended 31st December 2009

	Notes	2009 £'000	2008 £'000
Net cash (outflow)/inflow from operating activities	16	(110)	195
Returns on investments and servicing of finance			
Interest paid		(8)	(49)
Net cash outflow from returns on investments and servicing of finance		(8)	(49)
Capital expenditure and financial investment			
Purchases of investments		(29,863)	(33,015)
Sales of investments		29,975	49,946
Other capital charges - handling fees		(8)	(7)
Net cash inflow from capital expenditure and financial investment		104	16,924
Net cash (outflow)/inflow before financing		(14)	17,070
Financing			
Repurchase of shares into Treasury		(1,627)	(1,335)
Repurchase and cancellation of the Company's own shares		(212)	(14,570)
Net cash outflow from financing activity		(1,839)	(15,905)
(Decrease)/increase in cash for the year	17	(1,853)	1,165

The notes on pages 33 to 49 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st December 2009

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the Association of Investment Companies (the 'AIC') in January 2009. All of the Company's operations are of a continuing nature.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their 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 'held 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 are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

Gains and losses on sales of investments including the related foreign exchange gains and losses of a capital nature and other capital receipts and payments, are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end, fees and unrealised foreign exchange gains and losses are dealt with in capital reserves within 'Holding gains and losses on investments'.

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.

Overseas dividends are included gross of any withholding tax.

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 the cash dividend is recognised in capital return.

Deposit interest receivable is taken to revenue on an accruals basis.

(d) Expenses

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

- performance fees are allocated 100% to capital.
- management fees are allocated 10% to revenue and 90% 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 and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission. Details of transaction costs are given in note 9 on page 38.

(e) Finance costs

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

Finance costs are allocated 10% to revenue and 90% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

1. Accounting Policies continued

(f) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Other receivables and payables 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.

The performance fee provision is not discounted.

Interest bearing bank loans and overdrafts are classified as loans and receivables and measured at amortised cost. They 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 classified as held for trading and measured at fair value with changes in fair value recognised in capital.

(g) Foreign currency

In accordance with FRS23: '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, has determined that sterling is the functional currency. 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 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.

(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 more likely than not 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 entirely offset by revenue expenses, then no tax relief is transferred to capital.

Notes to the Accounts continued

(i) 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 4 on page 36.

	2009 £'000	2008 £'000
2. Gains/(losses) on investments held at fair value through profit or loss		
Losses on sales of investments held at fair value through profit or loss based on historical cost	(2,426)	(18,294)
Amounts recognised in investment holding losses in the previous year in respect of investments sold during the year	6,797	1,927
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	4,371	(16,367)
Net movement in investment holding gains and losses	5,607	(4,440)
Other capital charges - handling fees	(8)	(7)
Total capital gains/(losses) on investments held at fair value through profit or loss	9,970	(20,814)

	2009 £'000	2008 £'000
3. Income		
Income from investments:		
Dividends	259	130
Other interest receivable and similar income:		
Deposit interest	63	111
Interest on VAT recovered	-	156
	63	167
Total income	322	297

	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
4. Management fee						
Management fee ¹	36	325	361	48	430	478
Performance fee charge/(writeback)	–	200	200	–	(431)	(431)
	36	525	561	48	(1)	47
VAT recoverable ²	–	–	–	(228)	(13)	(241)
	36	525	561	(180)	(14)	(194)

¹ Details of the management fee and performance fee are given in the Directors' Report on pages 18 and 19.

² No VAT has been charged on management fees or performance fees since November 2007 when HM Revenue and Customs announced acceptance that VAT was not chargeable on investment trust management fees. The Company has since recovered £241,000 in respect of VAT paid in the past plus interest thereon amounting to £156,000. Both of these amounts were included in the previous year's accounts.

	2009 £'000	2008 £'000
5. Other administrative expenses		
Other management expenses	147	153
Directors' fees ¹	73	76
Savings scheme expenses ²	36	36
Auditors' remuneration - for audit services	23	22
Total administrative expenses	279	287

¹ Full disclosure is given in the Directors' Remuneration Report on page 26.

² These fees were paid to JPMAM for the administration and marketing of savings products.

	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	1	7	8	5	43	48

Notes to the Accounts continued

	2009 £'000	2008 £'000
7. Taxation		
(a) Analysis of tax charge in the year		
Overseas withholding tax	41	19
Current tax charge for the year	41	19

(b) Factors affecting current tax charge for the year

	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	6	9,200	9,206	185	(20,838)	(20,653)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 28% (2008: 28.5%)	2	2,576	2,578	53	(5,939)	(5,886)
Effect of:						
Non taxable capital (gains)/losses	–	(2,725)	(2,725)	–	5,931	5,931
Tax attributable to expenses and finance costs charged to capital	(149)	149	–	(8)	8	–
Non taxable overseas dividends	(42)	–	(42)	–	–	–
Brought forward excess expenses utilised	–	–	–	(45)	–	(45)
Unrelieved expenses	189	–	189	–	–	–
Overseas withholding tax	41	–	41	19	–	19
Current tax charge for the year	41	–	41	19	–	19

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £3,828,000 (2008: £3,686,000). This has arisen because deductible expenses have exceeded taxable income. 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.

8. (Loss)/return per share

The revenue loss per share is based on the revenue loss attributable to the ordinary shares of £35,000 (2008: £166,000 return) and on the weighted average number of shares in issue during the year of 5,685,496 (2008: 6,555,908).

The capital return per share is based on the capital return attributable to the ordinary shares of £9,200,000 (2008: £20,838,000 loss) and on the weighted average number of shares in issue during the year of 5,685,496 (2008: 6,555,908).

The total return per share is based on the total return attributable to the ordinary shares of £9,165,000 (2008: £20,672,000 loss) and on the weighted average number of shares in issue during the year of 5,685,496 (2008: 6,555,908).

	2009 £'000
9. Investments	
Investments listed on a recognised stock exchange	40,860
Investment in liquidity fund	1,148
Total investments held at fair value	42,008
	£'000
Opening book cost	37,398
Opening investment holding losses	(5,277)
Opening valuation	32,121
Movement in the year:	
Purchases at cost	29,242
Sales proceeds	(29,333)
Gains on sales of investments based on the carrying value at the previous balance sheet date	4,371
Net movement in investment holding gains and losses	5,607
Closing valuation	42,008
Closing book cost	34,881
Closing investment holding gains	7,127
Closing valuation	42,008

During the year, prior year investment holding losses amounting to £6,797,000 have been transferred to gains on sales of investments as disclosed in note 14.

Transaction costs on purchases during the year amounted to £48,000 (2008: £122,000) and on sales during the year amounted to £88,000 (2008: £171,000). These costs comprise mainly brokerage commission.

	2009 £'000	2008 £'000
10. Current assets:		
Debtors		
Securities sold awaiting settlement	4	646
Dividends and interest receivable	20	4
Other debtors	35	301
	59	951

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

Notes to the Accounts continued

Cash and short term deposits

Cash and short term deposits comprise 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.

	2009 £'000	2008 £'000
11. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	6	627
Repurchase of the Company's own shares awaiting settlement	402	–
Performance fee payable	67	–
Derivative: forward foreign currency contract	2	–
Other creditors and accruals	101	102
	578	729

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

	2009 £'000	2008 £'000
12. Provision for liabilities and charges		
Performance fee:		
Provision brought forward at the beginning of the year	–	431
Performance fee charge/(writeback)	200	(431)
Amount realised in the year	(67)	–
Provision carried forward at the end of the year	133	–

Details of the performance fee are given in the Directors' Report on pages 18 and 19.

	2009 £'000	2008 £'000
13. Share capital		
AUTHORISED:		
13,200,000 (2008: 13,200,000) ordinary shares of 25p each	3,300	3,300
ALLOTTED AND FULLY PAID:		
Opening balance of 5,881,367 (2008: 7,850,480) shares, excluding shares held in Treasury	1,470	1,962
Repurchase of 91,800 (2008: 1,769,113) shares for cancellation	(23)	(442)
Repurchase of 307,457 (2008: 200,000) shares into Treasury	(76)	(50)
Sub total	1,371	1,470
Nil (2008: 150,000) shares held in Treasury	–	38
Closing balance of 5,482,110 shares (2008: 6,031,367 shares including 150,000 shares held in Treasury)	1,371	1,508

During the year the Company repurchased 91,800 shares, with a nominal value of £23,000, for cancellation, representing 1.6% of the shares outstanding at the beginning of the year. The total consideration paid for these shares was £614,000 and the reason for the purchases was to seek to manage the volatility of the share price discount to net asset value.

During the year 307,457 (2008: 200,000) shares were bought into Treasury for a total consideration of £1,627,000 and 457,457 (2008: 591,000) shares held in Treasury were cancelled.

	Capital reserves			Revenue reserve £'000
	Capital redemption reserve £'000	Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	
14. Reserves				
Opening balance	1,634	41,305	(5,277)	(4,695)
Repurchase of shares into Treasury	–	(1,627)	–	–
Cancellation of shares held in Treasury	114	–	–	–
Repurchase and cancellation of the Company's own shares	23	(614)	–	–
Gains on sales of investments based on the fair value at the previous balance sheet date	–	4,371	–	–
Foreign currency losses on cash and short term deposits	–	(236)	–	–
Unrealised losses on foreign currency contracts	–	–	(2)	–
Performance fee provision for the year	–	–	(200)	–
Performance fee payable	–	(67)	67	–
Net movement in investment holding gains and losses	–	–	5,607	–
Transfer on disposal of investments	–	(6,797)	6,797	–
Management fee and finance costs charged to capital	–	(332)	–	–
Other capital charges - handling fees	–	(8)	–	–
Retained loss for the year	–	–	–	(35)
Closing balance	1,771	35,995	6,992	(4,730)

Notes to the Accounts continued

15. Net asset value per share

	Net asset value per share		Net assets attributable	
	2009 pence	2008 pence	2009 £'000	2008 £'000
Ordinary shares	755.2	586.2	41,399	34,475

Net asset value per share is based on the net assets attributable to the ordinary shareholders of 41,399,000 (2008: £34,475,000) and on the 5,482,110 (2008: 5,881,367) shares in issue at the year end, excluding shares held in Treasury.

	2009 £'000	2008 £'000
16. Reconciliation of net return/(loss) on ordinary activities before finance costs and taxation to net cash (outflow)/inflow from operating activities		
Total return/(loss) on ordinary activities before finance costs and taxation	9,214	(20,605)
Add back capital (return)/loss before finance costs and taxation	(9,207)	20,795
(Increase)/decrease in accrued income	(16)	2
Decrease in other debtors	271	399
(Decrease)/increase in accrued expenses	(6)	40
VAT recovered included in capital	–	13
Expenses charged to capital	(325)	(430)
Overseas withholding tax	(41)	(19)
Net cash (outflow)/inflow from operating activities	(110)	195

	At 31st December 2008 £'000	Cashflow £'000	Exchange movement £'000	At 31st December 2009 £'000
17. Analysis of changes in net funds				
Cash and short term deposits	2,132	(1,853)	(236)	43

18. Capital commitments and contingent liabilities

At the balance sheet date there were no capital commitments or contingent liabilities (2008: none).

19. Transactions with J.P. Morgan

Details of the management and performance fee agreement are set out in the Directors' Report on pages 18 and 19. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £361,000 (2008: £478,000), none of which was outstanding at the year end (2008: £nil). A performance fee amounting to £67,000 (2008: £nil) is payable for the year, all of which is outstanding at the year end.

During the year, £36,000 (2008: £36,000) was payable to JPMAM for the administration and marketing of savings products, none of which was outstanding at the year end (2008: £nil).

Included in other management expenses in note 5 on page 36 are safe custody fees amounting to £330 (2008: £533) payable to JPMorgan Chase and £nil (2008: £nil) was outstanding at the year end.

Handling fees on dealing transactions amounting to £8,000 (2008: £6,000) were payable to JPMorgan Chase during the year of which £2,000 (2008: £2,000) was outstanding at the year end.

The Company holds an investment in the JPMorgan US Dollar Liquidity Fund which is managed by JPMAM. At 31st December 2009 this investment was valued at £1.1 million (2008: £nil) and represented 2.7% of the Company's investment portfolio. During the year the Company made purchases of this Investment amounting to £7.0 million (2008: £nil) and sales amounting to £5.9 million (2008: £nil). Income amounting to £2,000 (2008: £nil) was received from this investment during the year and was reinvested in the fund.

At the year end, a bank balance of £43,000 (2008: £2,132,000) was held with JPMorgan Chase. A net amount of interest of £2,000 (2008: £8,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2008: £nil) was outstanding at the year end.

20. Disclosures regarding financial instruments measured at fair value

The disclosures required by the amendment to FRS 29: 'Improving Disclosures about Financial Instruments' are given below. The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio and derivative financial instruments. The Company's liabilities are not held at fair value.

The investments and derivatives are categorised into a hierarchy consisting of the following three levels:

Level 1 - valued using quoted prices in active markets for identical assets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. Details of the valuation techniques used by the Company are given in note 1 on page 33.

The following table sets out the fair value measurements using the FRS 29 hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss at 31st December 2009				
Equity investments	40,433	–	–	40,433
Fixed interest investments	–	427	–	427
Liquidity funds	1,148	–	–	1,148
Derivative: forward foreign currency contract	–	2	–	2
Total	41,581	429	–	42,010

There have been no transfers between Levels 1 and 2 during the year.

Notes to the Accounts continued

21. 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 15. 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 may comprise:

- investments in the shares of US companies, 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
- bank loans and overdrafts, the purpose of which is to finance the Company's operations.

(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 price 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 and these 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 which is the Company's functional currency and the currency in which it reports. As a result, movements in exchange rates will affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least six 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 is limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31st December 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.

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

	2009 US\$ £'000	2008 US\$ £'000
Investments held at fair value through profit or loss that are monetary items	1,575	–
Debtors - securities sold awaiting settlement, dividends and interest receivable	24	650
Cash and short term deposits	11	1,615
Creditors - securities purchased awaiting settlement	(6)	(627)
Foreign currency exposure on net monetary items	1,604	1,638
Investments held at fair value through profit or loss that are equities	40,433	32,121
Total net foreign currency exposure	42,037	33,759

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

Foreign currency sensitivity

The following tables illustrate the sensitivity of return after taxation for the year and net assets 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 the income receivable in foreign currency, and assumes a 10% (2008: 10%) appreciation or depreciation of sterling against the US dollar which is deemed to be a reasonable illustration based on the volatility of exchange rates during the year.

If sterling had weakened this would have had the following effect:-

	2009 £'000	2008 £'000
Income statement - return after taxation:		
Revenue return	26	11
Capital return	160	164
Total return after taxation for the year	186	175
Net assets	186	175

Conversely, if sterling had strengthened this would have had the following effect:-

	2009 £'000	2008 £'000
Income statement - return after taxation:		
Revenue return	(26)	(11)
Capital return	(160)	(164)
Total return after taxation for the year	(186)	(175)
Net assets	(186)	(175)

In the opinion of the Directors, the above sensitivity analysis with respect to monetary financial assets and liabilities is broadly representative of the whole year. The sensitivity with regard to the Company's investments and foreign currency is subsumed into other price risk sensitivity on page 47.

Notes to the Accounts continued

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

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the fair value of fixed interest rate investments 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's investment in securities carrying a fixed rate of interest is not significant. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. The Board's policy is to limit gearing within the range 95% to 115% (+/-2.5%). However, the Company had no loan facility in place at 31st December 2009.

Derivatives are not used to hedge against the exposure to interest rate risk.

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.

	2009 Within one year £'000	2008 Within one year £'000
Exposure to floating interest rates:		
Cash and short term deposits	43	2,132
JPMorgan US Dollar Liquidity Fund	1,148	–
Total exposure	1,191	2,132

Interest receivable and finance costs are at the following rates:

- interest receivable on cash balances is at a margin below LIBOR.
- The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day US\$ London Interbank Bid Rate.
- The Company's US\$10 million credit facility with The Royal Bank of Scotland expired in January 2009 and has not been renewed. The facility was utilised during the prior year but was undrawn at 31st December 2008.

The exposure to floating interest rates during the year fluctuated as follows:

	2009 £'000	2008 £'000
Maximum credit interest rate exposure to floating rates - net cash and liquidity fund balances	2,047	2,132
Minimum credit/maximum debit interest rate exposure to floating rates- net cash and liquidity fund/(loan) balances	486	(2,383)

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

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2008: 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 a reasonable illustration 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.

	2009		2008	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Income statement - return after taxation:				
Revenue return	12	(12)	21	(21)
Total return after taxation for the year and net assets	12	(12)	21	(21)

In the opinion of the Directors, the above sensitivity may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and borrowings.

(iii) Other price risk

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

Management of other price risk

The Board meets on at least seven 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 total exposure to other changes in market prices at 31st December comprises its holdings in equity investments as follows:

	2009 £'000	2008 £'000
Equity investments held at fair value through profit or loss	40,433	32,121

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

Concentration of exposure to other price risk

A list of the Company's investments is given on pages 12 and 13. This shows that all of the investments are in the US. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Notes to the Accounts continued

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

Other price risk sensitivity

The following table illustrates the sensitivity of the return after tax and net assets to an increase or decrease of 10% (2008: 10%) in the fair value of equity investments. This level of change is considered to be a reasonable illustration 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.

	2009		2008	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	10% Increase in fair value £'000	10% Decrease in fair value £'000
Income statement - return after taxation				
Revenue return	(4)	4	(3)	3
Capital return	4,007	(4,007)	3,183	(3,183)
Total return after taxation for the year	4,003	(4,003)	3,180	(3,180)
Net assets	4,003	(4,003)	3,180	(3,180)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 and working capital and to gear the Company as appropriate.

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

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:-

	2009			2008	
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	Total £'000
Provisions for liabilities and charges:					
Performance fee	–	133	133	–	–
Creditors: amounts falling due within one year:					
Securities purchased awaiting settlement	6	–	6	627	627
Repurchase of the Company's own shares awaiting settlement	402	–	402	–	–
Performance fee payable	67	–	67	–	–
Derivative: forward foreign currency contract	2	–	2	–	–
Other creditors and accruals	101	–	101	102	102
	578	133	711	729	729

(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

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager regularly monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum rating of A1/P1 from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

The Company's assets are clearly ring-fenced in client designated accounts. Therefore, in the event that JPMorgan Chase were to cease trading, these assets would be protected.

Notes to the Accounts continued

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

Credit risk exposure

Compared to balance sheet the maximum exposure to credit risk at the year end was as follows:

	2009		2008	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets - investments at fair value through profit or loss	42,008	1,148	32,121	-
Current assets				
Debtors - amount due from brokers, dividends and interest receivable	59	59	951	951
Cash and short term deposits	43	43	2,132	2,132
	42,110	1,280	35,204	3,083

The fixed asset exposure to credit risk comprises the Company's investment in the JPMorgan US Dollar Liquidity Fund. This fund has been given an AAA credit rating by Standard & Poor's. The fund's investments comprise mainly certificates of deposit, commercial paper and floating rate notes with a weighted average maturity of 45 days.

Cash and short term deposits comprises balances held at banks with an AA credit rating or higher (2008: same).

(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.

22. Capital management policies and procedures

Composition of the Company's capital

	2009 £'000	2008 £'000
Equity share capital	1,371	1,508
Reserves	40,028	32,967
Total capital	41,399	34,475

The Company's capital management objectives are 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 115% (+/- 2.5%). Gearing for this purpose is defined as investments, excluding holdings in liquidity funds, expressed as a percentage of total net assets.

	2009 £'000	2008 £'000
Investments	40,860	32,121
Total net assets	41,399	34,475
Gearing	98.7%	93.2%

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

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

Shareholder Analysis

as at 31st December 2009

Beneficial Owner Types	Number of shares	% holding
Pension funds	876,625	16.0
Insurance companies	625,000	11.4
Unit Trusts	623,195	11.4
JPMorgan Elect plc	349,687	6.4
Other	140,225	2.6
Total Institutions	2,614,732	47.8
Individual Investors ¹	1,782,584	32.5
Individuals in the Investment Trust Investment Account ²	768,991	14.0
Individuals in the Investment Trust ISA ²	303,975	5.5
Individuals in the Investment Trust Pension ²	11,828	0.2
Total Individuals	2,867,378	52.2
Total shares in issue	5,482,110	100.00

Nominee accounts have been allocated to their appropriate category.

¹Includes shares below 10,000 threshold.

²Savings product managed by JPMAM.

Source: Thomson Financial.

Notice of Annual General Meeting

Notice is hereby given that the seventeenth Annual General Meeting of JPMorgan US Discovery Investment Trust plc will be held at The Library, JPMorgan, 60 Victoria Embankment, London EC4Y 0JP on Wednesday 21st April 2010 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 31st December 2009.
- 2 To approve the Directors' Remuneration Report for the year ended 31st December 2009.
- 3 To re-elect Davina Walter as a Director of the Company.
- 4 To re-elect Alan Kemp as a Director of the Company.
- 5 To re-appoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business:

To consider the following resolutions:

Continuation – Ordinary Resolution

- 6 THAT the Company continue in existence as an investment trust for a further five year period.

Authority to repurchase the Company's shares – Special Resolution

- 7 THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares on such terms and in such manner as the Directors may from time to time determine

PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 818,995 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 25p;
- (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

ordinary 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 ordinary share is contracted to be 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 net asset value per ordinary share (as determined by the Directors);
- (v) the authority shall expire on 20th October 2011 unless the Authority is renewed at the Company's Annual General Meeting in 2011 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 ordinary shares pursuant to any such contract notwithstanding such expiry.

Authority to allot new ordinary 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 and in accordance with Section 551 of the Act to exercise all the powers for the Company to allot shares in the Company and to grant rights to subscribe for, or convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £136,590, representing approximately 10% of the Company's issued ordinary share capital as at the date of the passing of this Resolution, provided that this authority shall expire at the Annual General Meeting of the Company to be held in 2011, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements 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 Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 8 as if Section 561(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 £136,590, representing approximately 10% of the issued 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 upon the expiry of the general authority conferred by Resolution 8 above, save that the Company may before such expiry make offers or agreements 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 pursuant of such offers or agreements as if the power conferred hereby had not expired.

Adoption of new Articles of Association – Special Resolution

10 THAT (i) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are treated as provisions of the Company's Articles of Association; and (ii) the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

Change of Company Name

11 THAT subject to the consent of the Registrar of Companies, the name of the Company be changed to JPMorgan US Smaller Companies Investment Trust plc.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
12th March 2010

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. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments 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 received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. 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. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

Notice of Annual General Meeting continued

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. 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.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmdiscovery.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are 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. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As at 11th March 2010 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 5,463,610 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 5,463,610.

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 10

The Companies Act 2006 (the '2006 Act'), which replaced the Companies Act 1985 (the '1985 Act') has been implemented in stages but was fully in force from 1st October 2009. In addition, the Shareholders' Rights Regulations which amended certain provisions of the 2006 Act relating to meetings of the Company came into force in August 2009. Under Resolution 10, the Company is adopting new Articles of Association (the 'Articles') which will reflect the changes in company law brought about by the Shareholders' Rights Regulations and by the provisions of the 2006 Act which came into effect on or before 1st October 2009. The Articles also include some other modernising and clarifying amendments, including, where appropriate, adopting the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the 'model form articles'), which are replacing the Table A articles under the 1985 Act on which many of the Company's current articles are based. Set out below is a summary of the principal changes.

1. The Company's objects

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. Under Section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum are treated as part of the articles with effect from 1st October 2009 but the Company can remove these provisions by special resolution. Unless the articles provide otherwise, the Company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1st October 2009. Resolution 10 confirms the removal of these provisions and adopts the new Articles.

2. Limited liability (Article 3)

Under the 2006 Act, the memorandum of association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1st October 2009. As noted in paragraph 1 above, Resolution 10 confirms the removal, from the Company's articles of association, of the provisions of the Company's

memorandum of association which are treated as forming part of the Company's articles of association by virtue of Section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the new Articles.

3. Authorised share capital and unissued shares

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the memorandum of association no longer contains a statement of the Company's authorised share capital. For existing companies, this statement is deemed to be a provision of the Company's articles of association setting out the maximum amount of shares that may be allotted by the Company. The adoption of the new Articles by the Company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares.

References to authorised share capital and to unissued shares have therefore been removed from the new Articles.

4. Redeemable shares (Article 5)

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The Directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The new Articles contain such authorisation.

5. Share certificates (Article 12)

The new Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles.

6. Transfer of shares (Articles 30 and 31)

The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the new Articles as there is no ability under the 2006 Act to close the register.

7. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 40)

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions but shareholder authority is still

Appendix continued

required. Amendments have been made to the new Articles to reflect these changes.

8. Participation in meetings at different places and by electronic means (Article 51)

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The new Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is being held. The amendments allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.

9. Adjournments (Article 53)

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least ten days' notice must be given to reconvene the meeting. The new Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement.

10. Removal of chairman's casting vote

Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the new Articles.

11. Voting rights (Article 62)

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands unless he has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by more than one member to vote for the resolution and by more than one member to vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The new Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

12. Voting record date (Article 63)

The new Articles include a new provision which was not previously in the Company's articles of association, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

13. Validity of votes (Article 67)

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The new Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

14. Termination of proxy authority (Article 73)

Article 73 provides that the termination of a proxy's authority should be in writing as this is required by the Shareholders' Rights Regulations.

15. Corporate representatives (Article 75)

The new Articles provide that the Company can require a corporate representative to produce a certified copy of the resolution appointing him before permitting him to exercise his powers.

16. Retirement of directors by rotation (Articles 81 and 82)

The new Articles have been redrafted in order to make this provision clearer and to ensure (as far as possible) a regular number of retiring directors each year, with the number to retire being the number nearest to one-third of the board, excluding those directors who are retiring and seeking re-election for other reasons. Article 81 continues to comply with Combined Code provision A.7.1 which recommends that all directors should be subject to re-election at intervals of no more than three years. New Article 82 requires any non-executive director who has held office for nine years or more

to put himself up for re-election at each annual general meeting. This is in line with Combined Code provision A.7.2.

17. Alternate directors (Articles 88, 90 and 92)

Article 88 now clarifies that an alternate director is entitled to be paid expenses (but not directors' fees). Article 90 is a new provision which effectively applies the provisions of Article 86, regarding removal of directors, to alternate directors. Article 92(c) makes it clear that an alternate is subject to the same restrictions as the director who appointed him.

18. Borrowing powers (Article 94)

A number of presentational and descriptive amendments have been made to the borrowing powers provision:

- (i) Article 94 (1)(a) - a reference has been added to amounts "credited as paid up" on share capital to clarify that these should be included as well as amounts actually paid up.
- (ii) Article 94 (1)(b) - this has been amended to refer to total of "any credit balance on the distributable and undistributable reserves of the Group", to clarify that all reserves of the Group will be relevant for the calculation and to reflect the language used by those preparing the accounts. The reference to "including share premium account, capital redemption reserve and credit balance on the profit and loss account reserve" has therefore been deleted.
- (iii) Article 94 (1) - the last paragraph has been amended to allow the Company also to adjust for variations in its capital redemption reserve since the balance sheet date as the directors may reasonably consider to be appropriate.
- (iv) Articles 94 (1)(a) and 94 (3)(e) - additional wording has been included to clarify how any preference shares that might be issued should be treated for the purposes of the borrowing powers. Under IFRS and UK GAAP preference shares are now treated as a debt on a company's balance sheet, rather than equity. The additional wording included in Articles 94 (1)(a) and 94 (3)(e) reflects this accounting treatment. The effect of this wording is to exclude the amount of any preference share capital from the calculation of the Company's share capital and reserves and to include such amount in the calculation of the Company's borrowings.

19. Delegation to persons or committees (Article 95)

Article 95 follows the new, simplified approach to delegation adopted in the model form articles, allowing the directors to delegate as they decide appropriate.

20. Directors' remuneration (Article 96)

The Company's existing Articles provide for an aggregate annual limit on directors' fees of £100,000. Article 96 replaces this limit with a new aggregate annual limit on directors' fees of £150,000, or such large amount as the Company may decide by ordinary resolution.

21. Directors' appointments, interests and conflicts of interest (Article 100)

Article 100, which is the provision for dealing with conflicts in our current articles, 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 provided that he has disclosed his interest in accordance with the articles and the provisions of the Acts, has been amended so that it 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 falls within the situations covered by Article 100.

22. Procedures regarding board meetings & resolution in writing (Articles 102 & 105)

The provisions of Article 102 have been amended to make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of directors, Article 105 has been amended so that, rather than referring to a resolution in writing by all directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the directors entitled to receive notice of the meeting and who would have been entitled to vote (and whose vote would have been counted) on a resolution at a meeting.

23. Quorum (Article 106)

The proposed amendment to Article 106, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

Appendix continued

24. Permitted interests and voting (Article 107)

Article 107 has been amended to allow a director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include.

25. Notice when post not available (Article 127)

Article 127 is the article covering service of notice in the event of a postal strike. It has been amended to allow the Company in such circumstances to serve notices only on those members who receive notices via electronic means, provided that, as before, the Company also puts an advertisement in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again within seven days of the meeting.

26. The seal (Articles 136 and 137)

Article 136 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by one authorised person in the presence of a witness, rather than by either a director and the secretary or two directors.

27. Change of name (Article 139)

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the new Articles enable the Directors to pass a resolution to change the Company's name.

Glossary of Terms

Return to Shareholders

Return to the investor, on a mid-market price to mid-market price basis.

Return on Net Assets

Return on net asset value ('NAV') per share, on a bid value to bid value basis.

Benchmark Return

Total return on the benchmark 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 benchmark.

Net Asset Value Per Share Assuming Reissuance of Treasury shares

The resulting 'diluted' NAV per share assuming all shares held in Treasury have been reissued in accordance with the Board's policy on the reissuance of Treasury shares. It was the Board's policy not to reissue Treasury shares when the market price was less than 95% of the NAV per share. Hence the diluted NAV per share assumes all shares held in Treasury have been reissued at a price equal to 95% of the NAV per share.

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 were to increase by 100%.

Total Expense Ratio (TER)

Management fees, performance fees payable and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the opening and closing net assets.

Active Position

The active position shows the difference between the Company's holding of an individual stock or sector compared with that stock or sector's weighting in the Company's benchmark index. A positive number indicates an active decision by the Manager to own more of (i.e. be overweight) a particular stock or sector versus the benchmark and a negative number indicates a decision to hold less of (i.e. be underweight) a particular stock versus the benchmark.

Share Price Discount/Premium to Net Asset Value

If the share price of an investment company is lower than the NAV per share, the Company's shares are 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's shares to trade at a discount than at 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 excluded from the benchmark.

Gearing/Cash

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Currency Effect

Measures the effect of currency exposure differences between the Company's portfolio and its benchmark.

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.

Treasury Share Cancellation

Measures the effect of the NAV enhancement created by cancellation of the Company's shares held in Treasury.

Share Buybacks

Measures the effect of the NAV enhancement created by repurchase and cancellation of the Company's shares at a discount to their NAV.

Performance Fee

Measures the effect of a performance fee charge or writeback.

Residual

Arises when there is a divergence between total return as calculated by Morningstar and total return from the Manager's attribution systems. This is the result of different methodologies and timing differences.

Information about the Company

Financial Calendar

Financial year end	31st December
Half year results announced	July/August
Full year results announced	February/March
Interim Management Statements	April and October
Annual General Meeting	April

History

JPMorgan US Discovery Investment Trust plc was incorporated in 1955 as Atomic Securities Trust Limited. It was dormant until 1962 when it changed its name to Fledgeling Investments Limited and began operations as an unquoted investment company.

The trust was wholly owned by a number of JPMorgan investment trusts and invested in listed and unlisted companies in the UK and US which for reasons of small size, illiquidity or risk, were unsuitable for direct investment. In 1982, with assets of £9.2 million, it obtained a listing on the London Stock Exchange and gained investment trust status. At that time it changed its name to The Fleming Fledgeling Investment Trust plc and gradually broadened its investment scope into Europe and the Asian markets. In April 1998, the Company changed its name to The Fleming US Discovery Investment Trust plc and then again to JPMorgan Fleming US Discovery Investment Trust plc in May 2002. The Company adopted its present name in April 2006.

Continuation Vote

At the Annual General Meeting of the Company held in April 2005 a resolution of the shareholders approved the continuation of the Company until the Annual General Meeting to be held in 2010.

Company Numbers

Company registration number: 552775
London Stock Exchange Code: JPU LN
ISIN: GBO003417101
Bloomberg: JPU LN
Reuters: JPU.L

Market Information

The shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and The Herald and on the JPMorgan internet site at www.jpmsusdiscovery.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmsusdiscovery.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at www.jpmsusdiscovery.co.uk

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

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

For company secretarial and administrative matters please contact Jonathan Latter.

Registrars

Equiniti
Reference 1084
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2326

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1084.

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Auditors

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

Brokers

Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London EC2R 7AS

Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

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2009

JPMorgan US Discovery Investment Trust plc

PLEASE ADJUST SPINE
WIDTH IF NECESSARY

