Annual Report 07

JPMorgan American Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2007

JPMorgan Asset Management

Features

Contents

Objective
To achieve capital growth from North American investments by out-performance of the Company's benchmark.

Investment Policy
- To invest in quoted companies including, when appropriate, exposure to small and micro capitalisation sectors.
- To emphasise capital growth rather than income.
- To use gearing when appropriate to increase potential returns to shareholders.
- To hedge the currency risk only in respect of the geared portion of the portfolio.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Further details of the Company's investment policy and risk management are given in the Directors' Report on page 17.

Benchmark
The S&P 500 Index expressed in Sterling total return terms.

Capital Structure
The Company has an authorised share capital of 90,904,952 ordinary shares of 25p each, of which 42,725,949 were in issue at the year end.

The Company has a £50 million debenture at a fixed rate of 6.875%, repayable in June 2018.

Management Company
The Company employs JPMorgan Asset Management ('JPMAM') to manage its assets. The US equity management team consists of 70 investment professionals and manages around $100 billion for its clients worldwide.

AIC
The Company is a member of the Association of Investment Companies.

Financial Results

Total Returns (capital plus income)

+3.5%
Total return to shareholders[1]
(2006: +4.6%)

+6.0%
Total return on net assets[2]
(2006: +2.2%)

+3.4%
Benchmark total return[1,3]
(2006: +1.2%)

11.00p
Dividend
(2006: 11.00p)

Long Term Performance

for periods ended 31st December 2007

A glossary of terms and definitions is provided on page 51.

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

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

[3]The Company's benchmark is the S&P 500 Index (in sterling total return terms).

Investment Manager

The Company's objective is to provide shareholders with capital growth from a broad portfolio of North American investments. Your Board has once again thoroughly reviewed the capabilities of the Investment Manager in order to assess whether JPMorgan Asset Management remains the most appropriate manager of the Company's assets. In addition to scheduled Board Meetings, your Directors have undertaken additional strategy and investment meetings with the named investment managers, conducted comparisons with the peer group both in the UK and the US with regard to performance, fee rates and the costs of management and spent time reviewing the investment management operation whilst in New York for a Board Meeting. We have concluded that the ongoing appointment of the existing Investment Manager is in the best interests of shareholders.

Management of the Discount

The Company's discount widened by 2.1 percentage points over the course of the year, finishing at 8.4%. During the year the discount traded between 6.3% and 10.7%. The Company repurchased a total of 553,500 ordinary shares (1.3% of the shares in issue) at an average discount of 9.5%. The total cost of this repurchase was £3.8 million and this activity enhanced the net asset value by 0.9p per share. The level of repurchases has remained relatively low as demand for the Company's shares in the secondary market has remained stable. A resolution to renew the authority to allow the Company to repurchase up to 14.99% of the share capital will be submitted to the Annual General Meeting.

The Board

Your Board has put in place procedures to ensure that the Company complies fully with the revised Combined Code and the AIC Code on Corporate Governance. Full details are given in the Corporate Governance section of this report on pages 22 to 25.

In accordance with the Company's Articles of Association, Sarah Bates and George Greener will retire at this year's Annual General Meeting. Sarah Bates, who was appointed in July 2005, has proved to be a knowledgeable and well informed contributor and will seek re-election from shareholders. Details of Sarah's background and experience can be found on page 16 and the Board recommends her re-election. Due to the pressure of his other commitments, George Greener has indicated, sadly, his intention to stand down as a Director of the Company and he will therefore not be seeking re-election. The Board would like to record its gratitude to George for the insight and guidance he has provided over his eight year tenure as a Director.

VAT on Management Fees

In 2004, JPMorgan Claverhouse Investment Trust and the AIC made a joint application for the payment of investment trust management fees to be exempt from VAT. In November 2007 the case was found in their favour and, therefore, VAT is no longer being charged on management fees and the Company may be able to seek reimbursement of some of the VAT paid in the past. In the Company's case, this will not represent a material amount as the Company, in the past, has recovered the vast majority of the VAT it has been charged on its management fee. In the absence of a definitive agreement with the Manager or specific guidance from HM Revenue and Customs as to how any reclaims will be effected, it is not yet possible to quantify the amount or timing of any recovery.

Chairman's Statement continued

Companies Act 2006 and new Articles of Association

It is proposed that the Company adopts new Articles of Association in order to comply with the provisions of the Companies Act 2006 that have been brought into effect already and those that will be effective from 1st October 2008. The new Act is being introduced in stages and is expected to be fully enacted by 1st October 2009. More details on the proposed changes to the Articles are given in the Directors' Report on page 21 and in the Appendix to the Notice of Meeting on pages 54 to 56. One of the principal changes will allow the Company to use electronic communications to send half year and annual reports to shareholders, although shareholders will have the right to opt to continue to receive hard copies if they wish and will continue to receive hard copy forms of proxy. The Board is also considering whether to take advantage of new regulations which allow companies not to post the half year report to shareholders, but instead direct shareholders to the Company's website. Both of these measures would reduce the Company's administrative expenses, but the Board would welcome shareholder feedback on these possible changes.

Annual General Meeting

Your Directors and I very much look forward to welcoming shareholders to the Annual General Meeting, which will be held at Trinity House, Tower Hill, London EC3N 4DH on Thursday 8th May 2008 at 2.30 p.m. Garrett Fish, our lead investment manager, will make a presentation to shareholders, reviewing the year and commenting on the outlook for the current year. It would be helpful if shareholders could submit in writing, or via the Company's website, any detailed or technical questions that they wish to raise at the Annual General Meeting to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ.

Outlook

The slowdown in the US economy foreseen in last year's report has proven more far reaching than anticipated. Financial markets in the US and elsewhere are volatile and investors face a great deal of uncertainty. We remain confident in the Manager's ability to judge the situation accordingly.

Hamish Buchan
Chairman 14th March 2008

Investment Manager's Report

Garrett Fish

"We are pleased with our results in a year when many active managers found it difficult to beat the benchmark."

Market Review

The US equity markets began the first half of 2007 on a solid footing as investors remained optimistic that the broad economy could maintain sustainable levels of growth despite the seventeen consecutive interest rate increases undertaken by the Federal Reserve ('the Fed') over recent years. However, heavier than expected reported losses from major financial institutions (resulting from the severe weakness of the US housing market, exposure to sub-prime mortgages and related derivative instruments), and higher energy and commodity prices, all contributed to fears of a looming recession. These fears brought levels of market volatility not seen since the bear market of the early 2000s.

Markets became increasingly volatile in early June, as optimism for US growth prospects pushed bond yields sharply higher and the 10 Year Treasury yield approached 5.25%. However, in early July, sub-prime contagion began its domination of the headlines following Bear Stearns' announcement of heavy losses on structured credit hedge funds. This was one of the initial indicators of the problems ahead, and led to fears over credit quality in the mortgage, leveraged and sub-investment grade loan markets, which persisted for the remainder of the year.

Stocks fell as liquidity conditions, both in the secondary credit and inter-bank lending markets, began to deteriorate. In order to stem further disruptions, central banks from around the globe began to inject liquidity into the credit markets. Expectations were now raised that the Fed would take decisive action to avert a full blown credit crisis. The Fed delivered and lowered the Fed funds rate by a larger than expected 0.50%, allowing equity markets to rally early in the fourth quarter.

However, overall, the fourth quarter was the weakest of what was a precarious year for US equities. Market participants were clearly disappointed when the Fed cut both the Fed Funds and Discount Rate by only 0.25% at its mid-December meeting. Expectations had been quite high that the Fed would take even stronger measures in their efforts to rekindle inter-bank lending activity. It was at this point that policy makers recognized the need to take action, but December's announcement of a US government plan to slow the pace of rising property foreclosures had little impact on investor sentiment.

Large cap stocks outperformed small caps in 2007. The S&P 500 Index returned 5.1%, in dollar total return terms, while the Russell 2000 fell 1.6%. Another interesting point of note for 2007 was the dispersion of performance between value and growth investing. Growth indices across the capitalisation ranges outperformed value indices, which, being more heavily weighted to financials, contributed to value stocks posting declines for the year. The largest differential in total returns occurred within small caps. Small cap growth stocks, measured by the Russell 2000 Growth Index, returned 7.1% in dollar terms whilst small cap value stocks, measured by the Russell 2000 Value Index, fell 9.8%, a differential of 16.9 percentage points.

Overall Asset Allocation

The investment management team is led by Garrett Fish and is responsible for managing the allocation between the two investment portfolios together with the levels of cash and gearing within the limits set by the Board. In recent years the team has worked closely with the Board of Directors to develop modeling tools to assist in both allocation and gearing decisions. In 2007 the gearing level ranged between 97% and 104% of shareholders' funds, with the level at the year end being 97%. At regular intervals, this is adjusted within the gearing guidelines reflecting our outlook on both risk and return for equities and bonds. We reduced gearing

Investment Manager's Report continued

Performance attribution for the year to 31st December 2007

Contributions to Total Return		Year to 31st December 2007 %		Year to 31st December 2006 %
Net asset value total return (in Sterling terms)		**6.0**		2.2
Benchmark total return (in Sterling terms)		**3.4**		1.2
Excess return (in Sterling terms)		**2.6**		1.0
Analysis of relative return				
Large Cap Portfolio		**3.2**		3.1
Allocation effect	–0.3		–0.2	
Selection effect	3.5		3.3	
Small Cap Portfolio[1]		**–0.2**		–0.1
Allocation effect	–0.2		–0.1	
Selection effect	0.0		0.0	
Gearing/Cash/Debenture hedge		**–0.1**		–1.1
Fees/Expenses		**–0.7**		–0.7
Buybacks/Issuances		**0.1**		0.0
Residual		**0.3**		–0.2
Relative Return		**2.6**		1.0

Source: Wilshire/JPMAM/Fundamental Data/S&P.
All figures are on a total return basis.

[1]Small Cap portfolio includes investments in the Microcap Fund and unquoted investments.

The table provides a breakdown, relative to the benchmark, of the contributions to total returns.

A glossary of terms and definitions is provided on page 51.

significantly during the early part of the year and for the first time in many years had a small net cash position for much of the second half of the year.

The weighting in the smaller companies portfolio ranged between 5.7% and 8.7% of the Company's total assets less current liabilities and at the end of the year was 5.7%. This overall investment approach enhanced the potential returns to shareholders and our attribution data shows that in 2007 it was the larger companies portfolio that gave the greatest contribution towards the outperformance of the benchmark index. The large cap outperformance was driven more by stock selection than by sector allocation.

Detailed reports on the larger and smaller companies portfolios are shown below.

Large Companies Portfolio

Our investment methodology continues to focus on investing in high quality, reasonably valued companies. This style leads us to invest in companies that exhibit good growth characteristics with growing earnings, strong cash flows and reasonable valuations.

The large companies portfolio provided positive returns during the year and outperformed the S&P 500 Index. We are pleased with our results in a year when many active managers found it difficult to beat the benchmark. We remain confident that our portfolio of robust large companies offers an attractive investment proposition given current attractive valuations. We also believe we can continue to exploit other opportunities in the large cap sector.

Our overweights in information technology (+2.0%) and healthcare (+4.0%) and our underweight in financials (–2.0%) have significantly contributed throughout the year, backed by outstanding performance by companies such as MasterCard, McDonald's and Medco Health Solutions.

Sector weightings of Large Cap Portfolio versus S&P 500 as at 31st December 2007

Sector	Large Company Portfolio %	S&P 500 %	Overweight/ Underweight %
Financials	18.6	20.6	–2.0
Information Technology	17.7	15.7	+2.0
Healthcare	16.0	12.0	+4.0
Consumer Discretionary	10.6	10.0	+0.6
Industrials	10.5	11.2	–0.7
Energy	10.4	10.8	–0.4
Consumer Staples	10.0	9.5	+0.5
Telecomm Services	4.0	3.6	+0.4
Utilities	2.2	3.5	–1.3
Materials	0.0	3.1	–3.1

Source: Wilshire

Our overweight position in MasterCard was our major success in 2007 as the company reported quarterly earnings that significantly surpassed Wall Street estimates, with the stock price more than doubling during the year. Its strong performance reflected higher gross Dollar and transaction volumes as consumers continue to shift towards using credit and debit cards to purchase goods. Shares of McDonald's and Yum Brands (owner of the KFC and Pizza Hut restaurant brands) also contributed to performance as both companies shifted their focus to revamped menu offerings and the return of capital through share repurchases and dividends. Previously, both companies had focused on expanding their store numbers as their first priority, over investment returns on their existing stores. Medco Health Solutions is a pharmacy benefits manager that is profiting from the increased focus by corporations on health care costs and the move to more generic drugs, as several blockbuster drugs come off-patent. Medco benefits from the move to generics as they are more profitable to their business than branded drugs.

Conversely, our underweight positions in energy and materials, as well as a nil exposure to Apple Computer and an overweight in E-Trade Financial detracted from our performance. Apple Computer detracted from relative performance as the company benefited from the hype around the release of the iPhone which combined with an increased battery life drove its share prices up 117% over the year. E-Trade Financial detracted from our performance as they moved away from their core business of online financial services in banking and trading and moved into, in a very untimely fashion, the mortgage arena and in order to grow this business, used lenient credit standards which seriously impaired their financial health.

The table below shows the largest positive and negative stock contributors in our portfolio performance.

Positive Contributors

Stock	Action	Price Performance %	Weighted Contribution %
MasterCard	D	103.1	1.63
McDonald's	I	49.6	1.52
Medco Health Solutions	I	82.6	0.48
Merck	B/I	30.2	0.33
Yum Brands	B/I	45.5	0.29

Negative Contributors

Stock	Action	Price Performance %	Weighted Contribution%
Apple Computer[1]		117.2	–0.68
E-Trade Financial	I/S	–65.6	–0.47
Wyeth	D/I	–18.5	–0.33
Citigroup	D	–26.1	–0.30
Motorola	D	–37.4	–0.28

I = Increased; D = Decreased; S = Sold; B = Buy

Source: Wilshire

Price Performance % is based on total return in US$

[1]Not held in the portfolio at year end.

A glossary of terms and definitions is provided on page 51.

Investment Manager's Report continued

Smaller Companies Portfolio

The smaller companies portfolio, which is managed by Eytan Shapiro and Tim Parton, has been hit by the general decline in equity markets since late 2007 and this is likely to continue for some time. Our current asset allocation model has positioned us at the lower end of the range of exposure to small companies, based on relative valuation and several other variables. Investors are currently seeking some solace in the perceived greater stability of earnings and the more diversified overseas exposure of larger companies. It is too early to call the end of the bear market in smaller companies, as forecast profits growth will probably still have to be adjusted downwards. However, valuations, in our opinion, are not overly stretched and balance sheets are in better shape in most sectors than usual at this point in the economic cycle. Historically, small cap growth has led the equity market out of bear markets, often with significant and explosive gains.

Outlook

It seems likely that the fallout from last summer's turn in the credit cycle has further to go. As analysts continue to slash S&P 500 Index earnings estimates out to the second quarter of 2008, expectations for growth in US corporate profits are quite gloomy. Whilst the bulk of the earnings weakness is expected in the financial sector, its large weighting in major US equity indices and the negative implications of diminishing capital for commercial lending activities means that the prospects for the sector are likely to impact the market as a whole.

Spillovers into the broad US economy are still in their early stages. Tighter access to financing and slower profit growth should result in more corporate restraint in the coming months. In the short term this means we could see higher unemployment, lower levels of business investment and slower consumer spending, particularly against the backdrop of ongoing weakness in the US housing market.

However, every cloud has a silver lining. Whilst corporate cost cutting may impact economic growth in the near term, we see it as a vital tool in reducing inflationary pressures and maintaining corporate profitability. As was the case in prior profit cycles, current earnings challenges are likely to be succeeded by an eventual rebound in profit growth, which ultimately could bode well for stock prices. The ongoing uncertainty that exists in the credit markets and the associated investor risk aversion has created buying opportunities. We have therefore introduced a modest level of gearing into the portfolio. We are adhering to the maxim of buy on fear and sell on greed, whilst being mindful not to go in too strongly too quickly. Furthermore, the asset allocation model that we have used over the last several years has now turned positive towards equities versus bonds.

We have already made purchases to rebalance our position in financials, even though there are not, as yet, any clear signals regarding the credit markets, and we will look to increase our exposure to consumer areas when conditions seem appropriate. We are currently overweight in aerospace/defense, software and healthcare areas.

Garrett Fish
Investment Manager 14th March 2008

Summary of Results

	2007	2006	
Total Returns (capital plus income) for the year ended 31st December			
Return to shareholders[1]	+3.5%	+4.6%	
Return on net assets[2]	+6.0%	+2.2%	
Benchmark return[1,3]	+3.4%	+1.2%	
Net Asset Value, Share Price, Discount and Market Data at 31st December			% change
Net asset value per share with debt at par value	752.4p	720.9p	+4.4
Net asset value per share with debt at fair value[4]	737.7p	708.8p	+4.1
Share price	665.5p	654.0p	+1.8
Discount of share price to net asset value with debt at fair value (after deducting the proposed final dividend)	8.4%	6.3%	
Shareholders' funds (£'000)	321,470	311,987	+3.0
Market cap. (£'000)	284,341	283,048	+0.5
S&P 500 Index in £ (capital only)[5]	737.65	724.68	+1.8
Exchange rate	£1=$1.9906	£1=$1.9589	–1.6
Revenue for the year ended 31st December			
Net revenue attributable to ordinary shareholders (£'000)	4,605	4,884	–5.7
Earnings per share	10.70p	11.28p	–5.1
Proposed dividend declared per share	11.00p	11.00p	—
Actual Gearing Factor	97.1%	104.3%	
Total Expense Ratio ('TER')[6]	0.69%	0.76%	
Management Fee[7]	0.50%	0.50%	

A glossary of terms and definitions is provided on page 51.

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

[2]Source: Fundamental Data Ltd – www.funddata.com.

[3]The Company's benchmark is the S&P 500 Index (in sterling total return terms).

[4]The fair value of the £50m debenture issued by the Company has been calculated by comparison with the market value of an instrument carrying a similar interest rate, risk rating and repayment date.

[5]Source: Datastream – capital only.

[6]The method of calculating the TER has been changed and the prior year restated. Further details are given in the glossary of terms and definitions on page 51.

[7]If applicable, a performance fee may be payable by the Company. Full details of the management and performance fees are given on page 20.

Performance

JPMorgan American – Share price total return

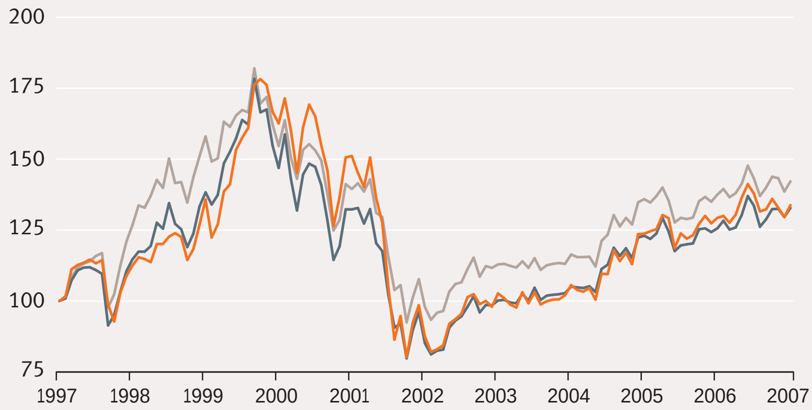
JPMorgan American – Net asset value per share total return

Benchmark

Source: Standard & Poor's – www.funds.morningstar.com/ Fundamental Data – www.funddata.com.

Ten Year Performance

Figures have been rebased to 100 at 31st December 1997



JPMorgan American – Share price total return

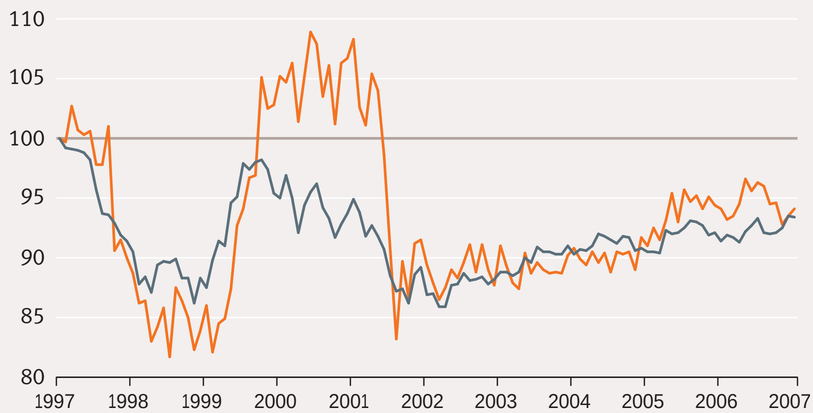
JPMorgan American – Net asset value per share total return

The benchmark is represented by the grey horizontal line

Source: Standard & Poor's – www.funds.morningstar.com/ Fundamental Data – www.funddata.com.

Performance Relative to Benchmark

Figures have been rebased to 100 at 31st December 1997



Ten Largest Investments

Company	Sub Sector	As at 31st December 2007 Valuation £'000	As at 31st December 2007 Valuation %[1]	As at 31st December 2006 Valuation £000	As at 31st December 2006 Valuation %
Exxon Mobil Exxon Mobil operates petroleum and petrochemical businesses on a worldwide basis. The company's operations include exploration and production of oil and gas, electric power generation and both coal and mineral operations. With substantial scale efficiencies and broadly diversified reserves and production capabilities, Exxon Mobil is leading the industry.	Energy Reserves	18,426	5.0	14,747	4.1
McDonald's McDonald's Corporation operates and franchises fast food restaurants worldwide.	Restaurants	11,799	3.2	8,874	2.5
Altria Altria Group's wholly owned subsidiaries, Philip Morris USA Inc. and Philip Morris International Inc. are engaged in the manufacture and sale of cigarettes and tobacco products.	Tobacco	10,543	2.8	11,953	3.3
Microsoft[2] Microsoft develops, manufactures, licenses and sells support software products. The company offers operating system software, server application software, business and consumer applications software, software development tools and internet software. Microsoft also develops the MSN network of internet products and services.	Computer Software	9,372	2.5	6,067	1.7
Lockheed Martin Lockheed Martin is a diversified enterprise that primarily researches, designs, develops, manufactures and integrates advanced technology products and services. The company's businesses span space, telecommunications, electronics, information and services, aeronautics, energy and systems integration. Lockheed Martin operates worldwide	Defence and Aerospace	8,291	2.2	7,122	2.0
Merck[3] Merck is a global pharmaceutical company that discovers, develops, manufactures, and markets a broad range of human and animal health products. Merck's products include a treatment for elevated cholesterol, a treatment for male pattern hair loss, a preventive treatment for osteoporosis, a treatment for hypertension, and a treatment for allergic rhinitis.	Drugs	8,003	2.2	—	—
MasterCard[2] MasterCard offers transaction processing and related services. The company offers transaction processing services for credit and debit cards, electronic cash, automated teller machines, and travellers' cheques.	Information Technology	7,578	2.0	5,762	1.6
IBM Provides customer solutions through the use of advanced information technology.	Computer Software	7,362	2.0	6,622	1.8
Hewlett-Packard[2] Hewlett-Packard provides imaging and printing systems, computing systems, and information technology services for business and home. The company's products include laser and inkjet printers, scanners, copiers and faxes, personal computers, workstations, storage solutions, and other computing and printing systems.	Computer Hardware	7,239	2.0	5,904	1.6
Oracle[2] Oracle supplies software for enterprise information management. The company offers databases and relational servers, application development and decision support tools, and enterprise business applications. Oracle's software runs on network computers, personal digital assistants, set-top devices, PCs, workstations, minicomputers, mainframes, and massively parallel computers.	Computer Software	6,657	1.8	5,055	1.4
Total		95,270	25.7		

[1]Based on total assets less current liabilities of £371.2m (2006: £361.7m).
[2]Not included in the ten largest investments at 31st December 2006.
[3]Not held in the portfolio at 31st December 2006.

At 31st December 2006 the value of the ten largest investments amounted to 24.7% of total assets less current liabilities.

Portfolio Analyses

Sector Analysis
at 31st December 2007

Sector	at 31st December 2007 Portfolio %	Benchmark %	at 31st December 2006 Portfolio %	Benchmark %
Technology	17.7	18.8	16.8	16.3
Financial	12.2	17.7	15.6	25.2
Energy	10.7	12.7	7.7	9.9
Healthcare	10.6	11.9	11.5	12.0
Consumer Non-Cyclicals	7.2	8.6	7.4	7.8
Consumer Services	6.7	4.4	2.5	5.6
Consumer Cyclicals	3.9	5.7	2.4	6.4
Utilities	2.1	3.4	2.1	3.4
Telecommunications	1.8	3.6	3.2	3.5
Industrials	1.6	6.0	1.8	3.0
Commercial Services	1.1	1.3	5.1	1.7
Transport	0.8	1.8	0.4	1.7
Basic Materials	—	4.1	—	3.5
Other/miscellaneous[1]	7.7	—	13.5	—
Net current assets[2]	15.9	—	10.0	—
Total	100.0	100.0	100.0	100.0

[1]This includes Small Companies assets of 5.1% and unquoted investments of 0.6%, the balance of 2.0% is from non-index equities.

[2]Includes investments in liquidity funds.

Based on total assets less current liabilities of £371.2m (2006: £361.7m).

Asset Analysis
at 31st December 2007

	2007 %	2006 %
Large Companies	78.4	81.3
Small Companies	5.1	7.4
Unquoted investments	0.6	1.3
Net current assets	15.9	10.0
Total	100.0	100.0

Based on total assets less current liabilities of £371.2m (2006: £361.7m).

Investment Activity

	Value at 31st December 2006 £'000	%	Purchases £'000	Sales £'000	Net change in valuation £'000	Value at 31st December 2007 £'000	%
Large Companies	294,085	84.5	69,618	87,132	14,624	291,195	87.1
Small Companies[1]	31,442	9.0	14,997	27,881	2,544	21,102	6.3
Liquidity Fund[2]	22,452	6.5	—	152	(374)	21,926	6.6
Total Portfolio	347,979	100.0	84,615	115,165	16,794	334,223	100.0

[1]This includes investments in micro-capitalisation and unquoted stocks.

[2]The dollar price per unit of this investment does not change. Changes in valuation are due to exchange rate movements.

List of Investments

at 31st December 2007

Company	Valuation £'000
Large Companies	
These are generally defined as companies which have a market capitalisation above US$3 billion.	
Exxon Mobil	18,426
McDonald's	11,799
Altria	10,543
Microsoft	9,372
Lockheed Martin	8,291
Merck	8,003
MasterCard	7,578
IBM	7,362
Hewlett Packard	7,239
Oracle	6,657
AT&T	6,165
Corning	6,088
Boeing	5,982
Wyeth	5,855
Procter & Gamble	5,509
Bank of America	5,504
Wellpoint	5,471
Metlife	5,379
Cisco Systems	5,370
Abbott Laboratories	5,231
Pfizer	5,117
US Bancorp	4,687
ConocoPhillips	4,677
Chevron	4,525
General Dynamics	4,346
Schering-Plough	4,240
Google	4,237
Citigroup	3,897
Safeway	3,882
Medco Health Solutions	3,773
Chubb	3,737
Verizon Communications	3,516
Comcast	3,453
Omnicom	3,365
Occidental Petroleum	3,261
News Corporation	3,172
Caterpillar	3,088
Duke Energy	3,018
Norfolk Southern	2,944
Edison International	2,904
United Technologies	2,893
Wells Fargo	2,855
Lincoln National	2,810
Baxter	2,636
Yum Brands	2,603
Hartford Financial Services	2,567
Valero Energy	2,553
Centurytel	2,540
CVS	2,497
SunTrust Banks	2,378

Company	Valuation £'000
Cardinal Health	2,310
United Health	2,257
Johnson & Johnson	2,228
Walt Disney	2,166
Home Depot	2,081
Firstenergy	1,980
Marathon Oil	1,972
Amerisource Bergen	1,938
Johnson Controls	1,937
Wachovia	1,934
Assurant	1,923
Coca-Cola	1,816
Kraft Foods	1,740
Kroger	1,734
Kimberly Clark	1,442
Morgan Stanley	1,391
PNC Financial Services	1,337
Motorola	1,194
Unum	990
Qualcomm	981
Embarq	621
Symantec	621
Affiliated Computer Services	607
	291,195
Small Companies	
These are generally defined as companies which, at the date of investment, have a market capitalisation of less than US$3 billion.	
JPM America Micro-Cap Fund	3,196
Ansys	298
General Cable	283
INVESTools	272
Penn Virginia	269
Icon	264
Gentiva Health Services	260
Nuance Communications	257
Chemed	254
Enzo Biochem	244
Tessera Technologies	232
Investment Technology	229
Healthways	223
Viaset	219
Pacific Sunwear of California	204
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National Financial Partners	192
Switch and Data Facilities	192
Syntel	192
Biomarin Pharmaceutical	192
Endeavour Acquisition	191
Oceaneering International	189
Century Aluminium	189

List of Investments continued

Company	Valuation £'000
Sonic	189
Omnicell	180
FTI Consulting	179
MSCI	179
Cbeyond Communications	178
Iconix Brand	176
J Crew	172
Cogent Communications	170
Magma Design Automation	167
LKQ	164
Neutral Tandem	162
Taleo	160
Sucampo Pharmaceuticals	158
Castlepoint	157
Sunopta	157
Exterran	155
United Natural Foods	154
Allscripts Healthcare Solutions	153
FTD	152
Geo	152
Adams Respiratory Therapeutics	151
Microsemi	151
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Cabot Oil & Gas	130
WMS Industries	123
Bucyrus International	122
Gaylord Entertainment	119
Meridian Bioscience	116
Myriad Genetics	116
Morningstar	113
Psychiatric Solutions	113
Anadigics	113
Thoratec	112
California Pizza Kitchen	111
World Fuel Services	110
Arthrocare	102
Art Technology	101

Company	Valuation £'000
Hornbeck Offshore Services	97
Powell Industries	96
Resource Capital	93
WSFS Financial	92
Sandridge Energy	92
Digital River	91
Marlin Business Services	91
Interface	87
UTI Worldwide	85
Smith & Wesson	85
W H Energy Services	83
Tech Target	82
Comstock Resources	82
Proassurance	80
Childrens Place Retail Store	79
Innospec	79
LoopNet	79
IPG Photonics	78
Quicksilver Technology	76
Neurometrix	74
Theravance	69
Bancorp Delaware	67
Medivation	67
Exellxis	66
Under Armour	65
Varian Semiconductor Equipment	62
Allegheny Technologies	61
Synaptics	60
ViroPharma	58
Keryx Biopharmaceuticals	51
Northstar Neuroscience	51
American Commercial Lines	51
Formfactor	24
	18,839
Unquoted Companies	
Kane Holdings[1]	1,061
Fleming US Discovery III	1,038
Portola Packaging	164
	2,263
Liquidity Fund	
JPMorgan US Dollar Liquidity	21,926
	21,926
Total investments	**334,223**
Net current assets	**36,942**
Total assets	**371,165**

Note: Total investments include 0.7% in unlisted investments, of which 0.1% are convertible and other non-equity securities.

[1]Includes or comprises convertible or other non-equity securities.

Ten Year Financial Record

As at 31st December	1997	1998	1999[1]	2000	2001	2002	2003	2004[2]	2005	2006	2007
Shareholders' funds (£m)	451.3	534.1	601.4	528.5	479.8	295.1	313.1	289.7	309.0	312.0	321.5
Net asset value per share (p)[3]	605.8	692.0	830.6	880.0	786.9	502.3	586.3	615.1	710.7	720.9	752.4
Share price (p)	545.0	610.5	734.0	876.0	808.0	465.0	540.0	548.0	633.0	654.0	665.5
Year ended 31st December											
Earnings per share (p)	4.13	4.46	6.01	5.48	5.30	4.75	6.41	8.20	7.78	11.28	10.70
Dividend per share (p)	2.68[4]	2.90	2.30	5.70	5.20	4.80	6.80	7.50	8.00	11.00	11.00
(Discount)/premium (%)[5]	(10.0)	(11.8)	(11.6)	(0.4)	2.7	(7.4)	(7.9)	(8.1)	(7.3)	(6.3)	(8.4)
Actual gearing (%)	102.5	103.4	103.7	107.0	106.9	118.6	110.8	112.5	108.8	104.3	97.1
Total expense ratio (TER) (%)[6]	0.67	0.54	0.60	0.62	0.62	0.69	0.73	0.72	0.72	0.76	0.69
Exchange rate (£1=US$)	1.6454	1.6638	1.6117	1.4938	1.4554	1.6099	1.7901	1.9199	1.7163	1.9589	1.9906
Rebased to 100 at 31st December 1997											
Net asset value per share – total return[7]	100.0	114.7	138.3	146.9	132.3	85.1	100.2	105.1	123.0	125.6	133.1
Share price – total return[8]	100.0	112.5	135.8	162.6	151.1	87.5	102.7	105.6	123.7	129.3	133.8
Benchmark – total return[9]	100.0	126.8	158.0	154.6	139.5	97.9	112.9	116.4	135.9	137.5	142.2

A glossary of terms and definitions is provided on page 51.

[1]Figures have been restated, where necessary, to reflect the change in allocation of management fees and finance costs between the revenue account and capital account. Years prior to 1999 have not been restated.

[2]The results for the year ended 31st December 2004 have been restated, where necessary, in accordance with Financial Reporting Standards 21, 25 and 26. Years prior to 2004 have not been restated.

[3]Assuming full conversion of convertible loan stock where applicable. The convertible loan stock expired in 1999.

[4]Dividends paid as a foreign income dividend of 2.42p and a franked dividend of 0.26p.

[5]For 2004 onwards the discount has been calculated using the NAV with debt at fair value and adjusted for the proposed final dividend.

[6]Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. Further details are given in the glossary of terms and definitions on page 51.

[7]Source: Fundamental Data – www.funddata.com.

[8]Source: Standard & Poor's – www.funds.morningstar.com.

[9]Source: Datastream

Board of Directors

Hamish N Buchan (Chairman of the Board and Nomination Committee)

A Director since November 2000 and appointed Chairman in April 2003.

Currently a Director of Aberforth Smaller Companies Trust plc, Personal Assets Trust plc, Standard Life European Private Equity Trust plc, The Scottish Investment Trust plc and Scottish Community Foundation. Mr Buchan has been involved in the investment trust sector for forty years, mainly as an investment trust analyst and is currently a Director and immediate past Chairman of the Association of Investment Companies.

Sarah Bates

A Director since July 2005.

A Director of St. James's Place plc, Invesco English and International Trust plc, MTI Partners Ltd., New India Investment Trust plc and Witan Pacific Investment Trust plc and a Deputy Chairman of the Association of Investment Companies. Ms Bates is also Chairman of the Stena Line (UK) Pension Scheme and of Rutley Russia Property Fund, and sits on the investment committees of Newnham College and the Cancer Research UK Pension fund and is advisor to Merseyside and East Riding Pension funds and the Royal College of Surgeons' Charitable Funds. She publishes a guide to investment jargon and was formerly CEO of Invesco's UK Institutional (including investment trusts) business.

Kate Bolsover

A Director since July 2005.

Retired as Director of Corporate Communications at Cazenove & Co in June 2005. Ms Bolsover was previously Managing Director of Signature Financial Group. Ms Bolsover is Deputy Chairman of Tomorrow's People Trust Limited.

James G Fox (Chairman of the Audit Committee)

A Director since July 2003.

A Director of iimia Investment Trust plc. Mr Fox has forty years experience of investment management and is a former Deputy Chairman of the Association of Investment Companies.

George P Greener CBE

A Director since December 1999.

Chairman of The London National Health Service and of Kellen Investments Limited. Mr Greener was formerly Senior Independent Director of Reckitt Benckiser plc and Chairman of The British Waterways Board, The Big Food Group plc, Swallow Hotels plc, Allied Dunbar Assurance plc, Eagle Star Holdings plc, Threadneedle Asset Management plc and a Director of BAT Industries plc and Hillsdown Holdings plc.

James P Williams

A Director since July 2003.

Mr Williams has been professionally involved in the investment management industry for over 35 years. He retired from Baring Asset Management in 2002, where he was Chief Investment Officer, and head of global investment strategy. He is a Director of Pan-Asia Special Opportunities Fund and of Prosperity Russia Domestic Fund.

All Directors are members of the Audit and Nomination Committees and are considered independent of the Manager.

Directors' Report

The Directors present their report for the year ended 31st December 2007.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31st December 2006. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 31st December 2006 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 266 of the Companies Act 1985. 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 the Investment Manager's Report on pages 5 to 8.

Objective

The Company's objective is to achieve capital growth from North American investments by out-performance of the Company's benchmark, the S&P 500 Index expressed in Sterling total return terms.

Investment Policy and Risk Management

In order to achieve its investment objectives and to seek to manage risk, the Company mainly invests in a diversified portfolio of quoted companies including, when appropriate, exposure to small and micro-capitalisation stocks. The Company currently has separate portfolios dedicated to large-capitalisation and small/micro-capitalisation exposure. The number of investments in the large-cap portfolio will normally range between 60-100 stocks representing between 80-100% of the Company's equity portfolio. The number of investments in the small/micro-cap portfolio will normally range between 100-120 stocks representing between 0-20% of the Company's equity portfolio.The Company may invest in pooled funds to achieve these aims.

As at the year end, the Company was invested in 73 large-capitalisation stocks and 116 small/micro capitalisation stocks, representing 93.2% and 6.8% of the Company's equity portfolio respectively.

Investment Limits and Restrictions (all at time of investment)

– The Company will not normally invest more than 8% of its gross assets in any one individual stock (31st December 2007: 5.0% largest individual stock).

– The Company will normally limit its 5 largest investments to 40% of its assets. (31st December 2007: 15.7%).

– The Company will not invest more than 10% of its gross assets in liquidity funds in normal market conditions (31st December 2007: 5.9%).

– The Company will use gearing when appropriate to increase potential returns to shareholders; the Company's policy is to use gearing for tactical purposes in a range of 95-120% in normal market conditions (31st December 2007: 97%).

– The Company only hedges its currency risk in respect of the geared portion of the portfolio.

– The Company will not invest more than 15% of its assets in other UK listed investment companies (31st December 2007: none).

Performance

In the year to 31st December 2007, the Company produced a total return to shareholders of +3.5% and a total return on net assets of +6.0%. This compares with the return on the Company's benchmark index, in Sterling terms, of +3.4%. As at 31st December 2007, the value of the Company's investment portfolio was £334.2 million. The Investment Manager's Report on pages 5 to 8 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 totalled £24.5 million (2006: £14.4 million) and net total return after deducting interest, administrative expenses and taxation, amounted to £18.0 million (2006: £7.7 million). Distributable income for the year totalled £4.6 million (2006: £4.9 million).

The Directors recommend a final dividend of 11.00p per share (2006: 11.00p), payable on 3rd May 2008 to shareholders on the register at the close of business on 10th April 2008. This distribution totals £4.7 million (2006: £4.8 million). After payment of the final dividend the revenue reserve will amount to £10.0 million (2006: £10.1 million).

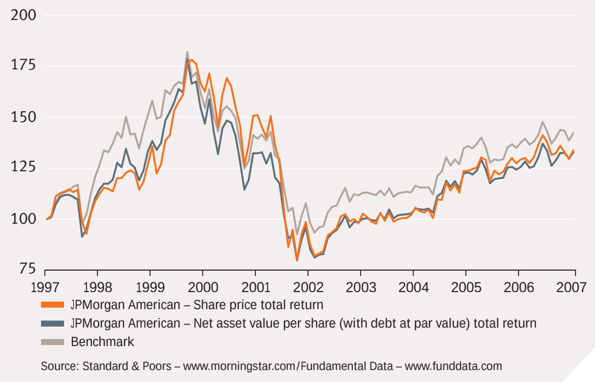
Directors' Report continued

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:

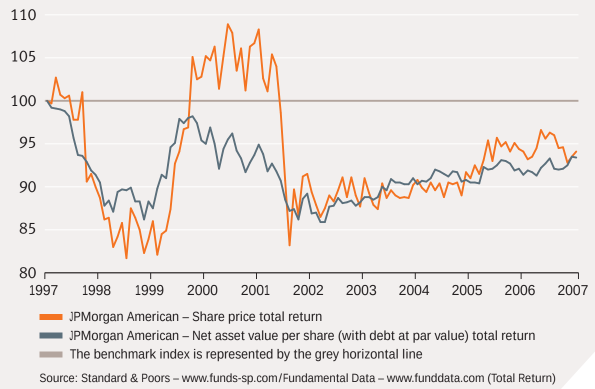
Ten Year Performance

Figures have been rebased to 100 as at 31st December 1997



Performance Relative to Benchmark Index

Figures have been rebased to 100 as at 31st December 1997



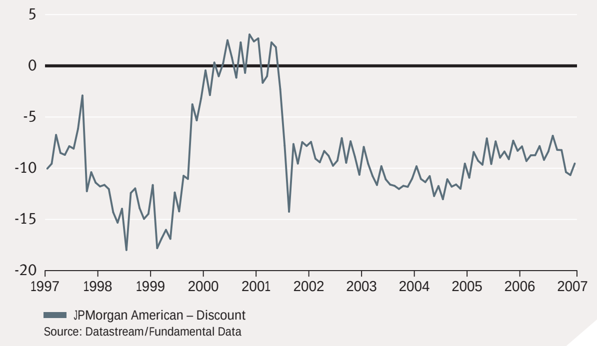
- **Performance against the benchmark index:**
  This is the most important KPI by which performance is judged.

- **Performance against the Company's peers**
  The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors performance relative to a broad range of appropriate competitor funds both in the UK and the US.

- **Performance Attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st December 2007 are given in the Investment Manager's Report on page 6.

- **Discount to net asset value ('NAV')**
  The Board has adopted a share repurchase policy that seeks to address imbalances in supply and demand of the Company's shares in the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade. The Board's intention is to use its share repurchase powers with the aim of establishing a reasonably stable long term level of discount (with debt at fair value). In the year to 31st December 2007, the shares traded between a discount of 6.3% and 10.7%.

Discount Performance



- **Total expense ratio ('TER')**
  The total expense ratio ('TER') is an expression of the Company's management fees and all other operating expenses, excluding interest, as a percentage of the average of the opening and closing net assets. The TER for the year ended 31st December 2007 was 0.69% (2006: 0.76% as restated). The Board reviews each year the Company's TER and its main component expenses with those of its peers.

Share Capital

The Company has authority to both purchase shares for cancellation and issue new shares in the market for cash.

During the year, the Company repurchased 553,500 (2006: 200,000) shares for cancellation, representing 1.3% of the issued share capital as at 1st January 2007. The shares were repurchased to help address the balance between supply and demand of the Company's shares and as they were purchased at a discount to the underlying net asset value ('NAV') they enhanced the NAV of the remaining shares by 0.1%.

The Company did not issue any shares during the year and has not issued or repurchased any shares since the year end.

A resolution to renew the authority to repurchase shares is due to be put to shareholders at the forthcoming Annual General Meeting. The full text of the resolution is set out in the Notice of Meeting on page 52.

Principal Risks

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

- Investment and Strategy: An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages this risk by diversification of investments through its investment restrictions and guidelines which are monitored and reported on regularly by the Managers. JPMorgan Asset Management ('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 Managers, who attend the majority of Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board.
- Market: Market risk arises from uncertainty about the future prices of the Company's investments. This market risk comprises three elements - currency risk, interest rate risk and other price risk. 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. However, the fortunes of the portfolio are significantly determined by market movements in US equities, the rate of exchange between US Dollars and Sterling pounds and interest rate changes.
- Accounting, Legal and Regulatory: The Company operates within a framework of legislation and regulation which determines its tax status and ability to continue in business as an investment trust. The Directors seek to comply with all relevant regulation and legislation both in the UK and the US and rely on the services of its Company Secretary and Manager to monitor compliance with all relevant requirements.
- 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 22 to 25.
- Operational: Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 24.
- Financial: The financial risks faced by the Company include market price risk, interest rate risk, foreign currency risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 43 to 47.

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 8.

Management

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

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

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interest of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Investment Manager, noting consistent outperformance of the benchmark over the last five years and the support that the Company receives from JPMAM.

Directors' Report continued

Management and Performance Fees

The basic management fee is calculated monthly and paid quarterly in arrears and is charged at a rate of 0.5% per annum of the Company's assets less current liabilities. Investments in funds on which JPMAM or any of its associated companies earn a management fee are excluded from the calculation and therefore attract no fee. In addition, a performance fee may be payable.

The performance fee is calculated at the rate of 10% of the difference between the net asset value capital return and the capital return of the S&P 500 Index, expressed in sterling terms. The performance fee due in respect of any single year is divided into equal parts payable over three years.

Any negative fee resulting from underperformance is deducted from any unpaid fees carried forward from prior years with any remaining amount of the negative fee carried forward to be absorbed in future years.

The performance fee payable in any one year will not exceed 0.25% of the fully diluted net asset value as at the previous 31st December, with any unpaid excess being carried forward until paid in full.

In the year ended 31st December 2007 the Company's net asset value capital return outperformed the capital return of the S&P 500 Index, expressed in sterling terms, by 2.6 percentage points on the above basis. This results in a positive performance fee calculation of £852,000, which when subtracted from the negative balance of £1,499,000 generated by underperformance more than five years ago, results in a negative fee of £647,000 to be carried forward, to be offset by any outperformance in future years.

Going Concern

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

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore it has no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Board's policy to abide by these terms. As at 31st December 2007, the Company had no outstanding trade creditors (2006: nil).

Directors

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

	31st December 2007	1st January 2007
Hamish Buchan	10,000	10,000
Sarah Bates	5,000	5,000
Kate Bolsover	1,113	1,088
James Fox	35,800	35,800
George Greener	1,814	1,792
James Williams	6,000	6,000

Other than as disclosed above, no changes in the above holdings have been recorded to the date of this report.

In accordance with the Articles of Association the Directors retiring by rotation at the Annual General Meeting will be Sarah Bates and George Greener. Sarah Bates, being eligible, offers herself for re-election by shareholders. George Greener will not be seeking re-election.

During the year an insurance policy has been maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

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) of which the Company's auditors are unaware; and

(b) each of the Directors has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Notifiable Share Interests

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

Shareholders	Number of voting rights	%
Rensburg Sheppards Investment Management Limited	5,095,649	11.9
JPMorgan Chase & Co[1]	2,152,326	5.0
Asset Value Investors Limited	2,066,281	4.8
Legal & General Group plc	1,775,590	4.2

[1] All shares held by JPMorgan Elect plc.

Independent Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditor to the Company and a resolution 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 advisor 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) Authority to repurchase the Company's shares (Resolution 6)

At the Annual General Meeting held on 3rd May 2007, 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 2nd November 2008 and could be renewed by shareholders at any time at a General Meeting of the Company. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying net asset value ('NAV') enhances the NAV of the remaining shares and helps to control the discount and its volatility. The full text of the resolution renewing the share repurchase authority is set out as resolution number 6 in the Notice of Meeting on page 52.

(ii) Adoption of New Articles of Association (Resolution 7)

The Company proposes to adopt the new Articles of Association. These incorporate amendments to the current Articles of Association to reflect the provisions of the Companies Act 2006 (the '2006 Act') which came, or will come, into effect in 2007 and 2008. As the 2006 Act will not be fully in force until October 2009, and so it is not yet possible to fully reflect the 2006 Act changes, it is anticipated that shareholders will be asked to approve further changes to the Articles of Association at the 2009 AGM.

The principal changes in the new Articles of Association proposed to be adopted at the forthcoming AGM relate to electronic communication with shareholders, shareholder meetings and resolutions, directors' indemnities, transfers of shares and directors' conflicts of interest. For a more detailed explanation of these and other amendments please refer to the Appendix on pages 54 to 56.

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

Recommendation

The Board considers that resolutions 6 and 7 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 59,727 shares representing approximately 0.1% of the existing issued share capital of the Company.

By order of the Board
Andrew Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
14th March 2008

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 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, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. This includes management of the Company's assets within the guidelines established by the Board from time to time and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved 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.

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

There is an agreed procedure for Directors to take independent professional advice in the furtherance of their duties 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 six non-executive Directors, chaired by Hamish Buchan, all of whom are considered to be independent of the Company's Manager. 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 16.

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 is comprised entirely of non-executive directors, this is unnecessary. However, the Chairman of the Audit Committee, James Fox, 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 maximum term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election, but when making a recommendation, the Board will take into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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

As a result of the Board's evaluation process described below, it confirms that Sarah Bates, who retires by rotation at this year's AGM, continues to be very effective as a Director and demonstrates commitment to her role, and thus the Board recommends her re-election. George Greener retires by rotation, but will not be seeking re-election at the AGM.

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 16. Directors who are not members of Committees may attend at the invitation of the Chairman.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were five Board meetings, including a private meeting of the Directors to evaluate the Manager. In addition, two Audit Committee meetings, and a meeting of the Nomination Committee were held.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Hamish Buchan	5	2	1
Sarah Bates	5	2	1
Kate Bolsover	5	2	1
James Fox	5	2	1
George Greener	5	2	1
James Williams	5	2	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 that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, whilst the other Directors evaluate the performance of the Chairman himself. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Hamish Buchan and comprising all of the Directors, 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, including the use of external search consultants, 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 also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The Audit Committee, chaired by James Fox and comprising all of the Directors, 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 interim and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement, examines the effectiveness of the Company's internal control systems and receives information from the Manager's compliance department. It also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, including the provision of non-audit services. Representatives of the Company's auditors attend the Committee meeting at which the draft annual report and accounts are considered. The Directors' statement on the Company's system of internal control is set out below.

Terms of Reference

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website and for inspection on request at the Company's registered office and at the AGM.

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, the Half Year Report and two Interim Management Statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders 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 one of the New York based members of the investment management team who reviews the Company's performance. During the year the investment management team, JPMAM and the Company's brokers hold regular discussions with larger shareholders.

Corporate Governance continued

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 49.

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 49.

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 to include 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 misstatement or loss.

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

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

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

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

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

The Board 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 a report, which is also independently reviewed, on the internal controls and the operations of its custodian, JPMorgan Chase Bank; and
- the Directors review every six months an independent report on the internal controls and the operations of JPMAM.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st December 2007, 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. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

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, remuneration, as well as social and environmental issues. 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."

JPMAM's voting policies have been discussed in some detail with the Manager in New York. 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."

Directors' Remuneration Report

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

The total Directors' fees were last increased at the Annual General Meeting held on 23rd April 2004, and for the year under review they were paid at the fixed rate of £30,000 for the Chairman, £23,000 for the Chairman of the Audit Committee and £20,000 for all other Directors:

Directors' Remuneration
(Audited Information)

Director's Name	2007 £	2006 £
Hamish Buchan (Chairman)	30,000	30,000
Sarah Bates	20,000	20,000
Kate Bolsover	20,000	20,000
James Fox (Chairman of the Audit Committee)	23,000	23,000
George Greener	20,000	20,000
James Williams	20,000	20,000
Total	133,000	133,000

The total Directors' fees of £133,000 (2006: £133,000) were all paid to Directors and nil paid to third parties. (2006: £nil) .

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.

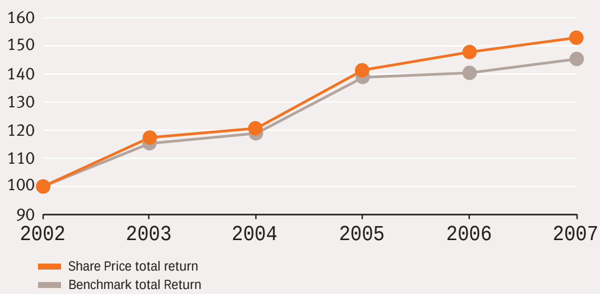
As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, 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. Having reviewed the fees during the course of the year, the Committee recommended no change. The Directors' fees are not performance-related. The Articles stipulate that aggregate fees must not exceed £175,000. Any increase in this amount requires both Board's and shareholders' approval.

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 the Company's business.

The Directors do not have service contracts with the Company. Details of the Board's policy on tenure are set out on page 22.

A graph showing the Company's share price total return compared with its benchmark index, the S&P 500 Index (in sterling terms), over the last five years is shown below:

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



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

By order of the Board
Andrew Norman, for and on behalf of JPMorgan Asset Management (UK) Limited,
Secretary

14th March 2008

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 financial statements 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The accounts are published on the www.jpmorganassetmanagement.co.uk website, which is maintained by the Company's Investment 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.

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
Hamish Buchan
Chairman
14th March 2008

Independent Auditors' Report

We have audited the financial statements of JPMorgan American Investment Trust plc for the year ended 31st December 2007 which comprise the primary financial statements such as the Income Statement, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2007 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

14th March 2008

Income Statement

for the year ended 31st December 2007

	Notes	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Gains from investments held at fair value through profit or loss	2	—	16,742	16,742	—	5,703	5,703
Net foreign currency (losses)/gains		—	(275)*	(275)	—	1,431*	1,431
Income from investments	3	7,098	—	7,098	6,235	—	6,235
Other interest receivable and similar income	3	968	—	968	1,065	—	1,065
Gross return		8,066	16,467	24,533	7,300	7,134	14,434
Management fee	4	(345)	(1,378)	(1,723)	(366)	(1,465)	(1,831)
Other administrative expenses	5	(450)	—	(450)	(516)	—	(516)
Net return on ordinary activities before finance costs and taxation		7,271	15,089	22,360	6,418	5,669	12,087
Finance costs	6	(692)	(2,768)	(3,460)	(713)	(2,851)	(3,564)
Net return on ordinary activities before taxation		6,579	12,321	18,900	5,705	2,818	8,523
Taxation	7	(1,974)	1,101	(873)	(821)	—	(821)
Net return on ordinary activities after taxation	9	4,605	13,422	18,027	4,884	2,818	7,702
Return per share	9	10.70p	31.18p	41.88p	11.28p	6.50p	17.78p

*Includes £311,000 loss (2006: £3,831,000 gain) on forward FX contract.

Dividends proposed in respect of the year ended 31st December 2007 total 11.0p per share (2006: 11.0p per share) costing £4,700,000 (2006: £4,761,000). More details can be found in note 8 on page 37.

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. 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 48 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st December 2007

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31st December 2005	10,870	18,906	7,963	256,320	14,966	309,025
Repurchase and cancellation of shares	(50)	—	50	(1,295)	—	(1,295)
Total return from ordinary activities	—	—	—	2,818	4,884	7,702
Transfer of accumulated tax relief on expenses charged to capital	—	—	—	1,538	(1,538)	—
Dividends appropriated in the year	—	—	—	—	(3,445)	(3,445)
At 31st December 2006	10,820	18,906	8,013	259,381	14,867	311,987
Repurchase and cancellation of shares	(138)	—	138	(3,783)	—	(3,783)
Total return from ordinary activities	—	—	—	13,422	4,605	18,027
Dividends appropriated in the year	—	—	—	—	(4,761)	(4,761)
At 31st December 2007	10,682	18,906	8,151	269,020	14,711	321,470

The notes on pages 33 to 48 form an integral part of these accounts.

Balance Sheet

at 31st December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments at fair value through profit or loss	10	334,223	347,979
Current assets	11		
Derivative instrument		11,863	12,174
Debtors		2,393	610
Cash and short term deposits		23,748	1,347
		38,004	14,131
Current liabilities			
Creditors: amounts falling due within one year	12	(1,062)	(457)
Net current assets		36,942	13,674
Total assets less current liabilities		371,165	361,653
Creditors: amounts falling due after more than one year	13	(49,695)	(49,666)
Total net assets		321,470	311,987
Capital and reserves			
Called up share capital	14	10,682	10,820
Share premium	15	18,906	18,906
Capital redemption reserve	15	8,151	8,013
Capital reserve	15	269,020	259,381
Revenue reserve	15	14,711	14,867
Shareholders' funds		321,470	311,987
Net asset value per share	16	752.4p	720.9p

The accounts on pages 29 to 48 were approved by the Directors and authorised for issue on 14th March 2008:

James Fox
Director

The notes on pages 33 to 48 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31st December 2007

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	17	5,008	4,074
Returns on investments and servicing of finance			
Interest paid		(3,452)	(3,533)
Capital expenditure and financial investment			
Purchases of investments		(84,586)	(149,756)
Sales of investments		113,299	143,868
Other capital charges		(26)	(8)
Net cash inflow/(outflow) from capital expenditure and financial investment		28,687	(5,896)
Dividends paid		(4,761)	(3,445)
Net cash inflow/(outflow) before financing		25,482	(8,800)
Financing			
Repurchase and cancellation of the Company's shares		(3,117)	(1,295)
Net cash outflow from financing		(3,117)	(1,295)
Increase/(decrease) in cash for the year	18	22,365	(10,095)

The notes on pages 33 to 48 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st December 2007

1. Accounting policies

(a) Basis of accounting

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

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. The disclosures required by this standard are given in notes 21 to 23.

(b) Valuation of investments

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

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

(c) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is taken to capital.

Overseas dividends are included gross of 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.

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

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

Stock lending income is taken to revenue on a receipts 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 20% to revenue and 80% 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 broker commission. In accordance with the SORP, disclosure of transaction costs is now required and can be found in note 10.

(e) Finance costs

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

Finance costs are allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

Notes to the Accounts continued

(f) Financial instruments

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

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

The debenture in issue, bank loans and overdrafts 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 instruments are valued at fair value in the balance sheet. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

(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 probable that taxable profits will be available against which those timing differences can be utilised.

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

(i) Dividends

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

	2007 £'000	2006 £'000
2. Gains from investments held at fair value through profit or loss		
Gains from investments held at fair value through profit or loss based on historical cost	9,226	7,873
Amounts recognised as unrealised in the previous year	(10,211)	(8,498)
Realised losses based on carrying value at previous balance sheet date	(985)	(625)
Net movement in unrealised gains	17,748	6,253
Gains on rescheduling of unlisted debt security	—	85
Other capital charges	(21)	(10)
Total capital gains from investments held at fair value through profit or loss	16,742	5,703

	2007 £'000	2006 £'000
3. Income		
Income from investments		
Dividends from listed overseas investments	5,823	5,473
Dividends from liquidity funds	1,151	563
Interest from unlisted overseas investments	124	199
	7,098	6,235
Other interest receivable and similar income		
Deposit interest	800	903
Stock lending fees	168	162
	968	1,065
Total income	8,066	7,300

	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
4. Management fee						
Management fee	350	1,400	1,750	345	1,382	1,727
VAT (written back)/payable thereon	(5)	(22)	(27)	21	83	104
	345	1,378	1,723	366	1,465	1,831

Details of the management fee are given in the Directors' Report on page 20.

	2007 £'000	2006 £'000
5. Other administrative expenses[1]		
Other management expenses	213	276
Directors' fees[2]	133	133
Savings product[3]	81	89
Auditors' remuneration – for audit services	18	18
Auditors' remuneration – for all other services	5	—
	450	516

[1] Expenses include the related irrecoverable VAT.
[2] Full disclosure is given in the Directors' Remuneration Report on page 26.
[3] These fees were paid to JPMAM for the marketing of 'wrapper' products.

Notes to the Accounts continued

	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
6. Finance costs						
Debenture stock	690	2,758	3,448	693	2,773	3,466
Bank loans and overdrafts	2	10	12	20	78	98
	692	2,768	3,460	713	2,851	3,564

	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
7. Taxation						
(a) Analysis of tax charge in the year						
UK corporation tax at 30% (2006: 30%)	877	—	877	821	—	821
Double taxation relief	(877)	—	(877)	(821)	—	(821)
Overseas withholding tax	873	—	873	821	—	821
Tax attributable to expenses and finance costs charged to capital	1,101	(1,101)	—	—	—	—
Current tax charge for the year	1,974	(1,101)	873	821	—	821

(b) Factors affecting current tax charge for the year

The tax charged to the revenue return for the year is equal to (2006: lower than) the standard rate of corporation tax in the UK of 30% (2006: 30%). A reconciliation of the revenue return before taxation multiplied by the standard rate of corporation tax, to the current tax charge for the year is as follows:

	2007 £'000	2006 £'000
Revenue return on ordinary activities before taxation	6,579	5,705
Revenue return on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2006: 30%)	1,974	1,712
Effects of:		
Income taxed in different periods	4	(34)
Relief for overseas taxation	(877)	(821)
Overseas withholding tax	873	(857)
Unrelieved expenses	—	821
Current tax charge for the year	1,974	821

The Company has an unrealised deferred tax asset of £5,979,000 (2006: £5,741,000) which has arisen because deductible expenses have exceeded taxable income. This asset may be utilised in future years where there is an excess of taxable income over deductible expenses. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

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

8. Dividends

	2007 £'000	2006 £'000
(a) Dividends paid and declared		
Unclaimed dividends refunded to the Company	—	(17)
2006 final dividend of 11.00p (2005: 8.00p)	4,761	3,462
	4,761	3,445
Final dividend payable of 11.00p (2006: 11.00p)	4,700	4,761

The final dividend has been declared in respect of the year ended 31st December 2007 and is subject to approval at the forthcoming Annual General Meeting. In accordance with the revised accounting policy of the Company, this dividend will be reflected in the accounts for the year ended 31st December 2008.

(b) Dividends for the purposes of section 842 of the Income and Corporation Taxes Act 1988

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

	2007 £'000	2006 £'000
Final dividend of 11.00p (2006: 11.00p)	4,700	4,761

The revenue available for distribution by way of dividend for the year is £4,605,000 (2006: £4,884,000).

9. Return per ordinary share

The revenue return per ordinary share of 10.70p (2006: 11.28p) is based on the earnings attributable to the ordinary shares of £4,605,000 (2006: £4,884,000) and on the weighted average number of shares in issue during the year of 43,043,333 (2006: 43,306,372).

The capital return per ordinary share of 31.18p (2006: 6.50p) is based on the capital gain attributable to the ordinary shares of £13,422,000 (2006: £2,818,000) and on the weighted average number of shares in issue during the year of 43,043,333 (2006: 43,306,372).

The total return per ordinary share of 41.88p (2006: 17.78p) is based on the total return attributable to the ordinary shares of £18,027,000 (2006: £7,702,000) and on the weighted average number of shares in issue during the year of 43,043,333 (2006: 43,306,372).

Notes to the Accounts continued

	2007 £'000	2006 £'000
10. Investments		
Investments listed or quoted on a recognised stock exchange	331,960	343,407
Unquoted investments	2,263	4,572
Total investments	334,223	347,979

	Listed overseas £'000	Unquoted £'000	Total £'000
Opening book cost	301,979	3,660	305,639
Opening unrealised gains	41,428	912	42,340
Opening valuation	343,407	4,572	347,979
Movements in the year:			
Adjustment to book cost of debt security	—	31	31
Purchases at cost	84,615	—	84,615
Sales – proceeds	(111,444)	(3,721)	(115,165)
Sales – realised (losses)/gains	(2,408)	1,423	(985)
Net movement in unrealised appreciation	17,790	(42)	17,748
Closing valuation	331,960	2,263	334,223
Closing book cost	282,313	2,001	284,314
Closing unrealised gains	49,647	262	49,909
Closing valuation	331,960	2,263	334,223

During the year, prior year unrealised gains amounting to £10,179,000 were transferred to realised gains as disclosed in note 15.

Transaction costs on purchases during the year amounted to £88,000 (2006: £103,000) and on sales during the year amounted to £108,000 (2006: £105,000). These costs comprise mainly broker commission.

At 31st December 2007, the Company held 10% or more of a class of the issued share capital of the following companies which are valued in the accounts at the Company's share of net assets:

	2007 %	2006 %
Fleming US Discovery Fund III	14.0	14.0
Kane Holdings	23.7	23.7

Unlisted investments include equity investments valued at £1,805,000 (2006: £2,540,000).

The Company does not exercise significant influence over the operating and financial policies of the above mentioned companies which are therefore not considered to be associated companies.

In addition to the above, at 31st December 2007 the Company had interests of 3% or more in the share capital of a further two (2006: three) investee companies. None of these investments represented more than 1% of the Company's portfolio of investments at the current or prior year ends and are therefore not considered to be material to these accounts. The total value of investments in which the Company had an interest of 3% or more at 31st December 2007 was £3,196,000 (2006: £4,149,000).

	2007 £'000	2006 £'000
11. Current assets		
Derivative instrument		
Forward foreign currency contract at fair value	11,863	12,174

The Company partially hedged the US$ portfolio against foreign exchange rate movements by purchasing £50 million against US$ for settlement on 5th October 2011. The counterparty for this transaction is The Royal Bank of Scotland.

	2007 £'000	2006 £'000
Debtors		
Securities sold for future settlement	1,942	76
Dividends and interest receivable	438	498
Other debtors	13	36
	2,393	610

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

Cash and short term deposits

Cash and short term deposits comprises bank balances and cash held by the Company, including short term 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.

	2007 £'000	2006 £'000
12. Creditors: amounts falling due within one year:		
Securities purchased for future settlement	44	15
Other creditors and accruals	352	442
Repurchases of the Company's shares for future settlement	666	—
	1,062	457

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

	2007 £'000	2006 £'000
13. Creditors: amounts falling due after more than one year:		
Falling due after more than five years		
£50,000,000 6.875% debenture stock June 2018	49,695	49,666

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

Notes to the Accounts continued

	2007 £'000	2006 £'000
14. Share capital		
Authorised:		
90,904,952 ordinary shares of 25p each	22,726	22,726
Allotted and fully paid:		
Opening balance of 43,279,449 shares (2006: 43,479,449)	10,820	10,870
Repurchase of 553,500 shares (2006: 200,000)	(138)	(50)
Closing balance of 42,725,949 shares (2006: 43,279,449)	10,682	10,820

During the year the Company repurchased 553,500 ordinary shares, with a nominal value £138,375, for cancellation, representing 1.28% of the shares outstanding at the beginning of the year. The total consideration paid was £3,783,000 and the reason for these purchases was to enhance the NAV of the remaining shares and help to control the discount and its volatility.

	Share premium £'000	Capital redemption reserve £'000	2007 Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
15. Reserves					
Opening balance	18,906	8,013	204,867	54,514	14,867
Realised losses on investments	—	—	(985)	—	—
Net movement in unrealised gains	—	—	—	17,748	—
Net currency gains on cash and short term deposits held during the year	—	—	36	—	—
Movement in unrealised gain on forward currency contract	—	—	—	(311)	—
Transfer on disposal of investments	—	—	10,179	(10,179)	—
Repurchase and cancellation of shares	—	138	(3,783)	—	—
Management fee and finance costs charged to capital	—	—	(4,146)	—	—
Other capital charges	—	—	(21)	—	—
Tax relief on expenses charged to capital	—	—	1,101	—	—
Dividends appropriated in the year	—	—	—	—	(4,761)
Retained revenue for the year	—	—	—	—	4,605
Closing balance	18,906	8,151	207,248	61,772	14,711

16. Net asset value per share

The net asset value per share of 752.4p (2006: 720.9p) is based on the net assets attributable to the ordinary shareholders of £321,470,000 (2006: £311,987,000) and on the 42,725,949 (2006: 43,279,449) shares in issue at the year end.

	2007 £'000	2006 £'000
17. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total return on ordinary activities before finance costs and taxation	22,360	12,087
Less capital return before finance costs and taxation	(15,089)	(5,669)
Decrease/(increase) in accrued income	60	(143)
Decrease in other debtors	23	67
(Decrease)/increase in accrued expenses	(64)	96
Expenses charged to capital	(1,378)	(1,465)
Discount on debt security allocated to income	(31)	(78)
Overseas withholding tax	(873)	(821)
Net cash inflow from operating activities	5,008	4,074

	At 31st December 2006 £'000	Cash flow £'000	Exchange movements £'000	Other movements £'000	At 31st December 2007 £'000
18. Analysis of changes in net debt					
Cash and short term deposits	1,347	22,365	36	—	23,748
Debentures falling due after more than five years	(49,666)	—	—	(29)	(49,695)
Net debt	(48,319)	22,365	36	(29)	(25,947)

19. Contingent assets/liabilities and capital commitments

In 2004, JPMorgan Claverhouse Investment Trust plc and the Association of Investment Companies lodged a joint application for the payment of investment trust management fees to be exempt from VAT. In June 2007, the European Court of Justice found in favour of the appellants and in November 2007, HM Revenue and Customs ('HMRC') announced their withdrawal from the case. This means that henceforth, VAT will no longer be charged on investment management fees and that the Company is entitled to seek reimbursement of VAT paid in the past. However, any potential recoverable amount will not be material as the Company has been able to recover most of the VAT paid because its investing operations have been largely outside the European Union.

At the balance sheet date there were no capital commitments or contingent liabilities.

20. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 19. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £1,750,000 excluding VAT (2006: £1,727,000), of which £62,000 was outstanding at the year end (2006: £62,000).

During the year £81,000 (2006: £89,000) was payable to JPMAM for the marketing of 'wrapper' products, of which £nil (2006: £nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 35 are safe custody fees amounting to £2,000 (2006: £5,000) payable to JPMorgan Chase Bank of which £1,000 (2006: £2,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £3,000 (2006: £10,000) were payable to JPMorgan Chase during the year of which £2,000 (2006: £6,000) was outstanding at the year end.

Notes to the Accounts continued

20. Transactions with the Manager – continued

The Company holds investments in funds managed by JPMAM. At 31st December 2007 these were valued at £26.2 million (2006: £29.9 million) and represented 7.8% (2006: 8.6%) of the Company's investment portfolio. During the year the Company made purchases of such investments with a total value of £nil (2006: £43.9 million) and sales with a total value of £2.9 million (2006: £24.7 million). Income receivable from these investments for the year amounted to £1,151,000 (2006: £563,000) of which £90,000 (2006: £107,000) was outstanding at the year end. The investments in funds managed by JPMAM included £21.9 million (2006: £22.5 million) in relation to the JPMorgan US Dollar Liquidity Fund. This Fund invests primarily in certificates of deposit and commercial paper.

The Company received £168,000 (2006: £162,000) from stock lending transactions during the year. JPMorgan Chase received commissions amounting to £42,000 (2006: £41,000) in respect of these transactions.

At the year end, a bank balance of £635,000 (2006: £252,000) was held with JPMorgan Chase. A net amount of interest of £45,000 (2006: £223,000) was received by the Company during the year from JPMorgan Chase.

21. Summary of financial assets and financial liabilities by category

The carrying amounts of the Company's financial assets and financial liabilities at the balance sheet date are as follows. The accounting policies on pages 33 and 34 explain how the various categories of financial instrument are measured.

Financial assets	2007 £'000	2006 £'000
Financial assets at fair value through profit or loss		
Fixed asset investments – designated as such upon initial recognition	334,223	347,979
Current assets at fair value through profit or loss		
Derivative investments – designated as such upon initial recognition	11,863	12,174
Loans and receivables		
Debtors (amounts due from brokers, income receivable and prepayments)	2,393	610
Cash and short term deposits	23,748	1,347
	26,141	1,957

Financial liabilities	2007 £'000	2006 £'000
Measured at amortised cost		
Creditors: amounts falling due within one year		
Due to brokers	44	15
Creditors: amounts falling due after more than one year		
Debenture stock	49,695	49,666
Accruals		
Other creditors and accruals	1,018	442
	50,757	50,123

22. 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 17. 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 classes of financial instruments are as follows:

- investments in US equity shares and a US$ liquidity fund, which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- a debenture issued by the Company, the purpose of which is to finance the Company's operations; and
- a forward foreign currency contract, the purpose of which is to manage the currency risk arising from the Company's investment activities.

(a) Market price 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) to this note, together with sensitivity analysis where appropriate. The Board reviews and agrees policies for managing these risks, which policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) *Currency risk*

The majority of the Company's assets and income are denominated in currencies other than Sterling (the Company's functional currency and the currency in which it reports). As a result, movements in 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 four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company assets, liabilities, income and expenses are exposed.

The Company has purchased Sterling against US$ for settlement on 5th October 2011, matching the principal amount but not the maturity date of its £50 million debenture. The counterparty to this transaction is The Royal Bank of Scotland. The Company only hedges its currency risk in respect of the geared portion of the portfolio.

Income denominated in foreign currencies is converted to Sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

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.

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies – continued

	2007 US $ £'000	2006 US $ £'000
Investments at fair value through profit or loss that are monetary items	21,926	22,452
Debtors (amounts due from brokers and income receivable)	2,373	610
Cash at bank	23,380	1,143
Creditors	(44)	—
Forward currency contracts	(38,137)	(37,826)
Foreign currency exposure on net monetary items	9,498	(13,621)
Investments at fair value through profit or loss that are equities	312,297	325,527
Total net foreign currency exposure	321,795	311,906

The above year end amounts are broadly representative of the exposure to currency risk during the current and comparative years.

Foreign currency sensitivity

The following tables illustrate the sensitivity of profit after taxation for the year and equity with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and takes account of forward currency contracts which offset the effect of changes in currency exchange. It assumes a 5% appreciation or depreciation of Sterling against US$ which is deemed reasonable based on the volatility of exchange rates during the year.

If Sterling had weakened against US$ this would have had the following effect:

	2007 £'000	2006 £'000
Income statement profit after taxation:		
Revenue return	355	312
Capital return	16,090	15,595
Total profit after taxation for the year	16,445	15,907
Equity	16,445	15,907

In the opinion of the Directors, the above sensitivity analyses are broadly representative of the whole of the current and comparative years.

If Sterling had strengthened against US$ this would have had the following effect:

	2007 £'000	2006 £'000
Income statement profit after taxation:		
Revenue return	(355)	(312)
Capital return	(16,090)	(15,595)
Total profit after taxation for the year	(16,445)	(15,907)
Equity	(16,445)	(15,907)

In the opinion of the Directors, the above sensitivity analyses are broadly representative of the whole of the current and comparative years.

22. Financial instruments' exposure to risk and risk management policies – continued

(ii) *Interest rate risk*

Interest rate movements may affect the fair value of the investments in fixed interest rate securities and the level of income receivable on cash deposits. The Company's investment in fixed interest rate securities is not material. The Company's exposure to floating interest rates, giving cash flow interest rate risk when the interest rate is due to be re-set, is as follows:

	2007 £'000	2006 £'000
Exposure to floating interest rates		
Cash at bank	23,748	1,347
JPMorgan US Dollar Liquidity Fund	21,926	22,452

Interest receivable on cash balances, or payable on overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2006: same).

The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day US Dollar London Interbank Bid Rate (2006: same).

The £50m debenture, which the Company has in issue, carries a fixed interest rate of 6.875% until the repayment date in June 2018.

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

Other price risk exposure

The Company's total exposure to other changes in market prices at 31st December comprises its holdings in equity investments as follows:

	2007 £'000	2006 £'000
Equity investments at fair value through profit or loss	312,297	325,527

The above data is broadly representative of the exposure to other price risk during the current and comparative years.

Concentration of exposure to other price risk

A list of the Company's investments is given on pages 13 and 14. This shows that all of the investments' value is in the USA. Accordingly, there is a concentration of exposure to that country. However, it should be noted that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% in equity investments. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities with all other variables held constant.

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies – continued

	2007 Increase in fair value £'000	2007 Decrease in fair value £'000	2006 Increase in fair value £'000	2006 Decrease in fair value £'000
Income statement – profit after taxation				
Revenue return – (decrease)/increase	(31)	31	(33)	33
Capital return – increase/(decrease)	31,105	(31,105)	32,422	(32,422)
Total profit after taxation – increase/(decrease)	31,074	(31,074)	32,389	(32,389)
Equity – increase/(decrease)	31,074	(31,074)	32,389	(32,389)

(b) Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital.

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:

	2007 Three months or less £'000	2007 More than one year £'000	2007 Total £'000	2006 Three months or less £'000	2006 More than one year £'000	2006 Total £'000
Creditors: amounts falling due after more than one year						
Debenture stock	—	50,000	50,000	—	50,000	50,000
Creditors: amounts falling due within one year						
Amounts due to brokers	44	—	44	15	—	15
Other creditors	1,018	—	1,018	442	—	442
	1,062	50,000	51,062	457	50,000	50,457

(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

The Company will only deal with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies. Limits have been set as to the maximum exposure to any one counterparty at any time.

22. Financial instruments' exposure to risk and risk management policies – continued

Credit risk exposure

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

	2007		2006	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets – investments at fair value through profit or loss	334,223	21,926	347,979	22,452
Current assets				
Financial assets at fair value through profit or loss – derivative	11,863	11,863	12,174	12,174
Debtors – amount due from brokers, dividends and interest receivable	2,393	2,393	610	610
Cash at bank	23,748	23,748	1,347	1,347
	372,227	59,930	362,110	36,583

The fixed asset exposure to credit risk comprises the Company's investment in the JPMorgan US dollar Liquidity Fund. This Fund has been given a 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.

The derivative instrument above represents a forward foreign currency contract at fair value. Further details of this contract are given in part (a)(i) to this note on page 43. The counterparty for this transaction is The Royal Bank of Scotland which has a long term credit rating of AA– given by Standard & Poor's.

Cash at bank comprises balances held with the following banks, together with their long term credit ratings given by Standard & Poor's.

	Credit rating	2007 Balance £'000	2006 Balance £'000
Bank			
JPMorgan Chase	AA	635	883
BNP Paribas	AA+	7,289	–
Calyon (a subsidiary of Crédit Agricole)	AA–	15,824	–
Société Générale	AA–	–	464
		23,748	1,347

The aggregate value of securities on loan at 31st December 2007 amounted to £11,590,0oo and the maximum value of stock on loan during the year amounted to £59,693,000. Collateral with a value equivalent to a minimum of 105% of the outstanding value of stocks on loan is obtained by JPMorgan Chase & Co. Limited as agent for the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds.

(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 cost in the balance sheet is a reasonable approximation of fair value except for the debenture stock which the Company has in issue. The fair value of this debenture stock has been calculated by comparison with the market value of an instrument carrying a similar interest rate, risk rating and repayment date, as follows:

	2007		2006	
	Accounts value £m	Fair value £m	Accounts value £m	Fair value £m
£50 million 6.875% debenture stock June 2018	49.7	56.0	49.7	54.9

Notes to the Accounts continued

23. Capital management policies and procedures

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The policy is that debt should be between 0% and 17% of total capital.

Composition of the Company's capital	2007 £'000	2006 £'000
Debt:		
£50 million 6.875% debenture stock June 2018	50,000	50,000
Equity:		
Equity share capital	10,682	10,820
Reserves	310,788	301,167
Total capital	371,470	361,987
Debt as a percentage of total capital	13.5%	13.8%

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, either for cancellation or to hold in treasury, which takes into account the share price discount or premium;
- the need for issues of new shares, including sale of shares from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

Information about the Company

Financial Calendar

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

History
The Company has its origins in the Alabama, New Orleans, Texas and Pacific Junction Railways Company Limited which was formed in 1881 to acquire interests in, and to undertake the completion of, three American railroads – the Vicksburg and Meridian, the Vicksburg, Shreveport and Pacific and the New Orleans and North Eastern. In 1917 the Company was reorganised, a proportion of the railroad interests were sold, and the investment powers were widened enabling its assets to be invested in several countries including the United Kingdom. To reflect the new objectives the name was changed to The Sterling Trust. The Company's investment policy reverted to North American securities in 1982 when the name was changed to The Fleming American Investment Trust plc. The name was changed to JPMorgan Fleming American Investment Trust plc in April 2002 and to its present form in 2006. JPMorgan has been the Company's manager and secretary since 1966.

Company Numbers
Company registration number: 15543
London Stock Exchange code: 08456505
ISIN: GB0008465055
Bloomberg code: JAM LN
Reuters code: JAM.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 on the JPMorgan internet site at www.jpmamerican.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website
www.jpmamerican.co.uk

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

Manager and Secretary
JPMorgan Asset Management (UK) Limited

Company's Registered Office
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone: 020 7742 6000

Please contact Andrew Norman for company secretarial and administrative matters at the Company's registered office.

Registrars
Equiniti
Reference 1077
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0871 384 2316

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1077. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Auditors
Deloitte & Touche LLP
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Brokers
Dresdner Kleinwort Investment Bank
30 Gresham Street
London EC4A 4TR

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

aic The Association of Investment Companies A member of the AIC

Shareholder Analysis

at 31st December 2007

	Number of shares	% Holding
Unit Trusts	5,861,992	13.7
Other Institutions	3,884,882	9.1
Investment Trusts[1]	2,177,115	5.1
Pension Funds	2,021,973	4.7
Charities	1,566,735	3.7
Insurance Companies	809,831	1.9
Total Institutions	16,322,528	38.2
Private Client Brokers	18,077,574	42.3
Retail Investors holding shares directly or through nominee accounts[2]	6,147,666	14.4
Individuals in the Investment Trust Share Plan[3]	1,442,230	3.4
Individuals in the Investment Trust Pension Account[3]	348,734	0.8
Individuals in the Investment Trust Individual Savings Account[3]	306,753	0.7
Individuals in the Investment Trust Personal Equity Plan[3]	80,464	0.2
Total Retail Holdings	26,403,421	61.8
Total Shares in Issue	42,725,949	100.0

Nominee accounts have been allocated to their appropriate category.

[1] Includes 2,152,326 shares held by JPMorgan Elect plc.
[2] Includes shares below 10,000 threshold.
[3] Savings product managed by JPMorgan.

Source: Thomson Financial

Glossary of Terms

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

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

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

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

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

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

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

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

Performance Attribution Definitions:

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

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

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.

Share Repurchases
Measures the effect on relative performance of decreasing the number of shares in issue.

Residual
Arises when there is a divergence between total return as calculated by Fundamental Data (includes dividends paid out by the Investment Trust) and total return from the attribution systems (includes dividend income received in on the stocks held by the Investment Trust). This is a result of methodologies and timing differences.

Weighted Contribution
Measures the effect of investing or not investing in a security relative to its position and performance within the benchmark.

Notice of Meeting

Notice is hereby given that the ninety-second Annual General Meeting of JPMorgan American Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH at 2.30 p.m. on Thursday 8th May 2008 for the following purposes:

1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st December 2007.

2 To approve the Directors' Remuneration Report for the year ended 31st December 2007.

3 To declare a final dividend on the ordinary shares of 11.00 pence per share.

4 To re-elect Sarah Bates as a Director of the Company.

5 To re-appoint Deloitte & Touche LLP as auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to repurchase the Company's shares – Special Resolution

6 THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued shares of 25p each in the capital of the Company ('ordinary shares').

PROVIDED ALWAYS THAT

(i) the maximum number of shares hereby authorised to be purchased shall be 6,404,619 or if less, that number of 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 a share shall be 25p;

(iii) the maximum price which may be paid for a share shall be an amount equal to the highest of (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of shares will be made in the market for cash or prices below the prevailing NAV per share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 7th November 2009 unless the authority is renewed at the Company's Annual General Meeting in 2009 or at any other general meeting prior to such time; and

(vi) the Company may make or contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Adoption of new Articles of Association – Special Resolution

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

By order of the Board
Andrew Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary

14th March 2008

Notes

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

1 A member entitled to attend and vote at the meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If the box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.

3 A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

4 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.

5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

6 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the meeting (the 'specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

7 Entry to the above Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the meeting (see instructions given on the proxy form).

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.

9 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.

10 No Director has any contract of service with the Company.

11 As at 13th March 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 42,725,949 shares, [carrying one vote each]. Therefore the total voting rights in the Company are 42,725,949.

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 7

The Companies Act 2006 (the '2006 Act'), which is replacing the Companies Act 1985 (the '1985 Act') is being implemented in stages and will be fully in force by 1st October 2009. Under resolution 9, the Company is proposing to adopt new Articles of Association (the 'new Articles') which will reflect the changes in company law brought about by the 2006 Act which are already in force or which are to come into effect on 1st October 2008, as well as some minor technical or clarifying changes.

1. Transfer of shares (Articles 31 and 32)

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

2. Disclosure of interests (Article 40)

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

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

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

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

4. Quorum (Article 49)

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

5. Attending and speaking at meetings (Article 55)

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

6. Polls (Article 61)

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

7. Votes of members, proxies and corporate representatives (Articles 68, 74 and 80)

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

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

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

9. Directors' appointments, interests and conflicts of interest (Articles 102 and 103)

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

Article 102, 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, has been amended so that it confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

New Article 103 gives the directors authority to approve conflict situations including other directorships held by the company's directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

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

The proposed new Article 103 also contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

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

10. Permitted interests and voting (Article 112)

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

11. Removal of age limit for directors

The provision requiring a director's age to be disclosed, in a notice of meeting at which that director is to be appointed or reappointed, if that director has attained the age of 70 years or more, has been removed from the new Articles to reflect the repeal of the previous provisions regarding directors over 70 from the 1985 Act.

12. Removal of directors' share qualification

The provision requiring a director to hold shares in the Company has been removed, for reason of being no longer in line with modern practice.

13. Notices and other communications (Articles 76, 131-140)

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 132 will provide the Company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the Company will also be able to send any other document or information to members using this variety of methods.

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

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

In relation to joint holders of shares, Article 132(3) provides that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. Article 132(4) permits the Company not to send or supply any notice, document or information to a

Appendix continued

member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Article 132(5) and (6) cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 139 deals with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company.

Article 140 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

14. Making and retention of minutes (Article 115)
Article 115 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

15. The seal (Articles 117 and 118)
Article 117 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors.

16. Power to indemnify directors (Article 143)
The law governing the giving by a company of indemnities to directors of that company or an associated company was amended in 2005 and further amended by the 2006 Act. In particular, a company may now, *inter alia*, do the following: (i) in the case of liabilities arising from actions brought by third parties (other than regulatory authorities or criminal prosecutors), both the costs (of the director and of the third party) and any damages may be paid by the company even if the judgement goes against the director; (ii) in the case of liabilities arising from actions brought by the company or an associated company, the company will not be able to indemnify a director against damages awarded to the company itself but may pay the directors' defence costs as they are incurred (although a director would be liable to repay his defence costs if his defence was to be unsuccessful); (iii) the company will not be permitted to indemnify directors against criminal fines, fines by regulators or the legal costs of successful criminal proceedings against directors; and (iv) a company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

As a result of the above, the directors' indemnity provisions of the Articles of Association have been amended. The new Article 143 has now been drafted as a permissive provision that gives the Company a broad power to indemnify a director, subject to the provisions of the 2006 Act. Article 143 also permits the maintenance by the Company of liability insurance for directors and it specifically makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

JPMorgan Helpline
Freephone 0800 40 30 30 or 0207 742 9999
9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline
Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 5.00 pm Monday to Friday
Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

www.jpmamerican.co.uk