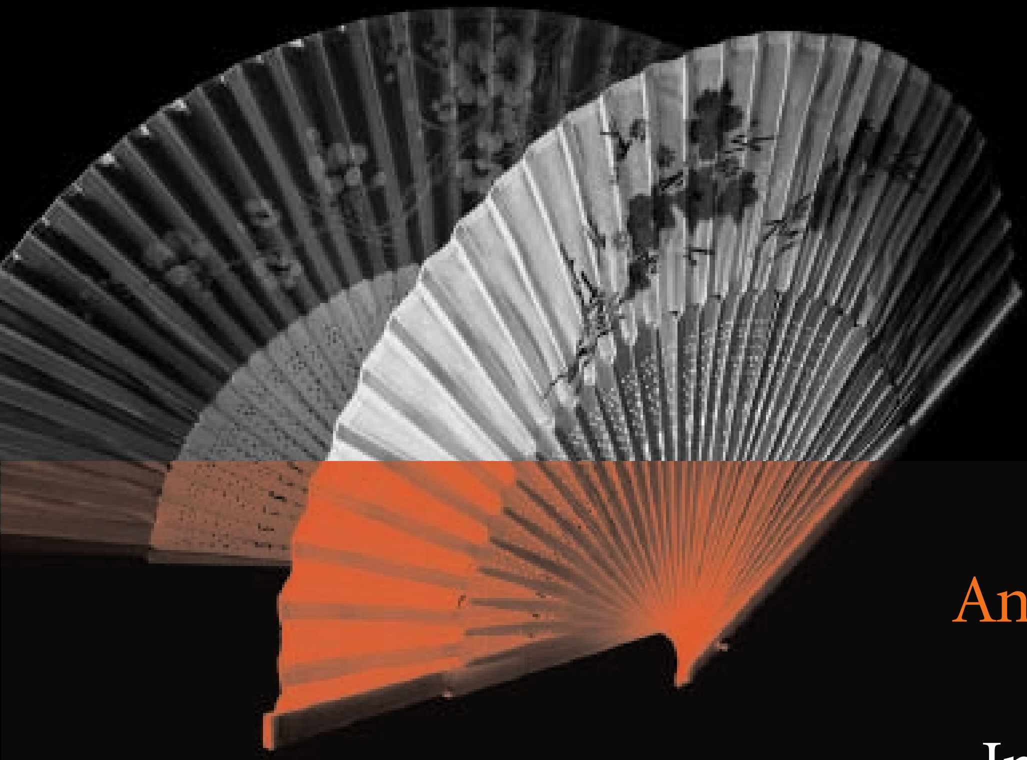


Annual Report 08

JPMorgan Asian Investment Trust plc

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

JPMorgan
Asset Management

Features

Contents

Objective

Capital growth, primarily from investing in equities quoted on the stockmarkets of Asia, excluding Japan.

Investment Policy

- To have a diversified portfolio of Asian stocks.
- To have a portfolio comprising 50 to 80 investments.
- To use borrowings from time to time to gear the portfolio within a range of 90%-120% invested.

Benchmark

MSCI AC Asia ex Japan Index with net dividends reinvested in sterling terms.

Capital Structure

The Company has an authorised share capital of 720,000,000 ordinary shares of 25p each, of which 160,007,154 were in issue at the year end.

Continuation Vote

In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2011 and every third year thereafter.

Management Company

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

Financial Results

Total Returns (capital plus income)

-37.0%
Return to shareholders[1]
(2007: +58.8%)

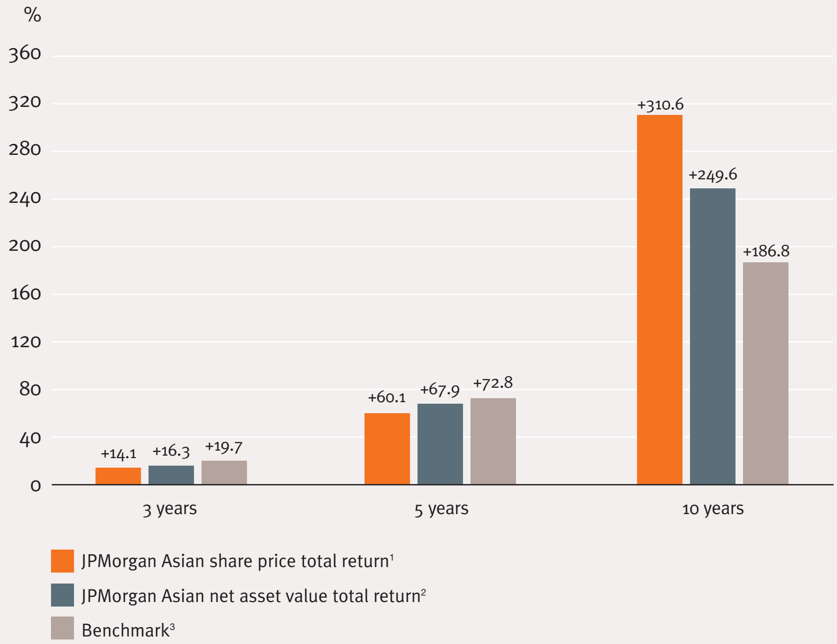
–35.5%
Return on net assets
(2007: +57.5%)

–30.1%
Benchmark return[2]
(2007: +47.4%)

1.70p
Dividends
(2007: 1.30p)

Long Term Performance

for periods ended 30th September 2008



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

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

[2]Source: Russell Mellon Caps. The Company's benchmark is the MSCI AC Asia ex Japan Index with net dividends reinvested in sterling terms.

Chairman's Statement

After the Company's excellent performance in 2007, in which it outperformed the benchmark by 10.1%, there is obviously some element of disappointment with this year's 5.4% underperformance. However, as I said in my last annual statement, we actively embraced a high conviction investment approach which would make it likely that we would see increased volatility and greater deviation in returns against the benchmark.

Performance

Against a backdrop of extreme volatility on the world's stock markets caused by global financial turmoil, the total return on net assets was -35.5%, compared with a return of -30.1% in our benchmark index. The Company's share price total return was slightly worse at -37.0%, reflecting a widening of the discount at the year end.

Revenue and Dividends

Revenue per share for the year amounted to 1.71p and the Directors are recommending a final dividend of 1.70p which, if approved by shareholders, will be payable on 13th February 2009 to shareholders on the register at the close of business on 9th January 2009.

Share Repurchases

Your Board has continued to monitor closely the level of discount at which the Company's shares trade to net asset value. Although no shares were bought back during the year, it is important that the Company retain the ability to be able to repurchase shares and, accordingly, a Resolution to renew this authority will be put to shareholders at the forthcoming Annual General Meeting.

Manager

The Board has carried out its formal review of the investment management, company secretarial and marketing services provided to the Company by JPMorgan Asset Management (UK) Limited ('JPMAM'). This review encompassed their performance record, management processes, investment style, resources and risk control mechanisms. After full consideration the Board concluded that the continued appointment of JPMAM for provision of these services on the terms agreed is in the interests of shareholders as a whole.

We are please to welcome Pauline Ng to the investment management team to replace Michael Koh, who has stepped down from the day to day management of the Company's portfolio. Pauline trained as a chartered accountant before embarking on a career in fund management and her background is reflected in her thorough company analytical approach, which complements Joshua Tay's extensive knowledge of Asian markets and stock selection skills.

Performance Fee

As the Company's NAV total return underperformed the benchmark, the entire amount of the performance fee deferred from 2007 has been written back in the Income Statement. Furthermore, a negative balance of £1.2m has to be covered by future out-performance before any further performance fee can be accrued or paid.

Subscription Share Issue

The Board recently announced that it was considering a bonus issue of subscription shares to shareholders. The Board believes that over the longer term investment in the Asian (ex-Japan) region will deliver strong capital growth and that subscription shares represent an attractive option for shareholders to subscribe in the future for further ordinary shares in the Company. Please refer to the Circular and Prospectus which accompanies the annual report for further details of this bonus issue and the General Meeting to be held after the Annual General Meeting on 4th February 2009.

The Companies Act 2006 and New Articles of Association

At the forthcoming Annual General Meeting, it will be proposed that the Company adopts new Articles of Association in order to comply with the provisions of the Companies Act 2006 that have already been brought into effect. The new Act is being implemented in stages and some changes require alterations to the Company's Articles this year, while others will require further amendments in 2009. More details on the proposed changes to the Articles are given in the Directors' Report on page 20 and in the Appendix to the Notice of Meeting on pages 52 to 54.

Annual General Meeting

This year's Annual General Meeting will be held at The Salters' Hall, 4 Fore Street, London EC2Y 5DE on Wednesday, 4th February 2009 at 12.00 noon. In addition to the formal proceedings, there will be a presentation by Joshua Tay, one of your investment managers, who will also be available to respond to questions on the Company's portfolio and investment strategy. Following the Meeting there will be an opportunity for shareholders to meet the Board and the investment manager over a buffet lunch and I look forward to seeing as many of you as possible.

Chairman's Statement continued

Outlook

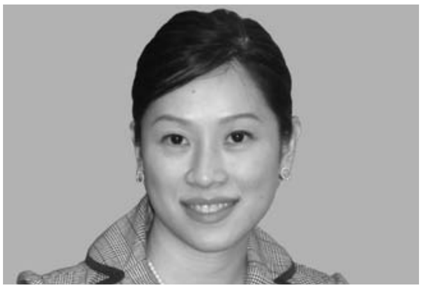
The very large and rapid falls seen in Asian stock markets appear to have slowed and we are perhaps seeing some signs of consolidation. However, it is too early to be entirely confident – economic conditions remain challenging globally, given the combination of tightening credit, financial system de-leveraging and slowing growth. Greater visibility in economic data and the level of corporate earnings is required before we can be sure that we are through the worst. The recent appalling terrorist incident in Bombay may affect confidence in India, at least in the short term. What is clear, however, is that governments across the world are demonstrating through their actions that they are determined to stimulate economic growth. In this regard, it was pleasing to see China unveil a major fiscal package designed to stimulate its domestic economy: this can only be good news for the rest of Asia. In these uncertain times your Board still remains confident in the long term prospects for Asia and fully supports the investment managers in their investment style and conviction approach, which should deliver out-performance over the longer term.

James M Long
Chairman

19th December 2008

Investment Managers' Report

Joshua Tay



Pauline Ng

Performance attribution for the year to 30th September 2008

Contributions to Total Returns		%
Benchmark total return		**–30.1**
Asset allocation	1.4	
Stock selection	–8.6	
Gearing/cash	1.7	
Currency	0.8	
Investment Manager contribution		**–4.7**
Portfolio total return		**–34.8**
Management fees/ other expenses	–0.8	
Performance fees	0.6	
Residual[1]	–0.5	
Other effects		**–0.7**
Net asset value total return		**–35.5**
Impact of decrease/(increase) in discount		–1.5
Share price total return		**–37.0**

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

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

[1]The Residual arises principally from timing differences in the treatment of income flows.

The Xamin attribution system accounts for income on a received (on the ex-dividend date) basis whereas Fundamental Data calculate the companies NAV total return using the actual dividends paid by the Company (on the ex-dividend date).

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

Market Review

A year ago, we spoke about the need to be prudent with respect to the asset bubble in China. We reiterated the need to invest in fundamentally sound companies so that we would not be "caught naked when the tide receded". We reduced our gearing to a net cash position and added index futures to hedge a portion of our investments. In short, we were cautious about a potential market correction.

While we were right to be cautious, we were wrong about the scale of the correction. Stock markets in Asia collapsed on the back of a global financial tsunami. The theory that Asian economies are now insulated from severe slowdowns in the United States ("decoupling") did not happen. Stronger balance sheets and higher economic growth in Asia did not provide the expected protection against the oncoming tide. It was global de-leveraging: from financial institutions, hedge funds, corporates and personal loans. US subprime mortgages might have started this crisis, but the pandemic disease spread widely across geographical borders and financial assets. At the peak of the crisis, many banks in the US and Europe had failed, which forced governments to step in and partially nationalise banking systems to prevent a systemic collapse.

Asia's economy was holding up relatively well until as late as the second quarter this year: China's GDP grew at more than 10% in the first half of the year. Likewise in India, corporate earnings were still seeing double digit returns as late as June. In fact, central Asian banks were more concerned by spiralling inflation, due to the continuing high commodity prices. Things reversed swiftly in July when China's retail sales started to show signs of slowing. The toy and electronics factories in Donguang in southern China started closing down one after another as it became apparent that there would be no Christmas orders from the US.

The economic downturn was not confined to exporters. As banks tightened credit, companies that relied on banks to provide working capital could not function normally. Ship owners could not find bank loans to fund new builds. Chinese steel companies could not import iron ore because the banks would not provide letters of credit. At one point, banks would not even lend to each other, causing a total seizure of credits globally. This was not resolved until governments stepped in to guarantee these inter-bank loans.

The deteriorating economic activity continued to weigh down on the already depressed sentiment in the financial world. In the third quarter alone, Asian stock markets fell 14%. Blue chip H-shares in China plummeted to levels not seen in recent memory, as bad news on the Chinese economy continued to hit investors. Selected Asian currencies were attacked during this period. The Korean Won fell 15% against the US Dollar as investors began to worry about the dollar debt of the banks.

Performance Review

Hence, while we were right about the need to turn cautious late in 2007, we were certainly not prepared for the global market collapse that hit us in 2008. Our portfolio performance suffered painful losses as a result and was down 35.5% over the year to 30th September 2008. It was also disappointing that relative performance was down 5.4% against the benchmark. This relative underperformance was largely the result of the higher beta stocks in the portfolio. Share prices of such stocks fell dramatically as investors reduced portfolio risk, and sold anything that was non-core and non-benchmark. Nine Dragons is a case in point: the stock fell 95% from

Investment Managers' Report continued

its peak because the company had high levels of debt and there were concerns about industry overcapacity. Olam suffered from a similar fate, as analysts suspected that the company's bankers would cut its credit lines even though this was not the case. Investors were happy to dismiss stocks on hearsay and rumours, irrespective of fundamentals or valuations.

A move towards "safety" stocks goes directly against our investment style. We look to buy stocks that deliver sustainable growth and returns to shareholders at a reasonable price. The principal parameters we use to measure risk are earnings volatility, business cycles, cashflow and solvency, management quality, and transparency (not necessary in order of importance). We place less emphasis on risks by virtue of geography, market capitalisations or benchmark weightings. Hence, our bottom-up stock picking approach has lead to severe underperformance versus the benchmark. Our investment philosophy and strategy (growth bias, non-benchmark, reasonable price, and high concentration bet) has not worked well in 2008, despite strong returns in 2007.

Outlook

Looking into 2009, we do expect the volatility seen in the last few months to abate. For the moment, the threat of a systemic collapse in the banking system has largely diminished. This will help stabilise interest rates and perhaps increase liquidity in the credit and bond markets. The easing of commodity prices has allowed central banks to be more aggressive on interest rate cuts. Meanwhile, we expect governments across the world to announce economic stimulus packages to boost economies.

While coordinated rate cuts and fiscal stimulus could bring stability in the financial markets, the global economy will definitely see a synchronised downturn in 2009. This is inevitable as the banking system continues to de-leverage. While growth rates in China and India are predicted to outpace the rest of the world, they will still be significantly lower than in 2007. That said, we believe Asian economies will weather this crisis much better than the rest of the world, due to their high cash savings at both corporate and government levels.

The key issue facing investors today is how long will this recession last. There is certainly no scientific answer to this question. Looking at current valuations, Asian investors are probably expecting a recession similar to the currency crisis of 1997-1998. While we remain confident that Asia today is very different from ten years ago, we do acknowledge that the world as a whole has changed dramatically from a year ago. Hence navigating through this turbulent and uncertain period demands a more conservative approach. The late Deng Xiaoping once described the development of China's economy as an old man crossing the river and feeling for stones as he went. There is no better analogy to describe where we are today. We have to take small steps along the way. But if we keep our bearings, composure and patience, we can be sure we will claw back the performance we have lost.

Joshua Tay
Pauline Ng
Investment Managers

19th December 2008

Summary of Results

	2008	2007	
Total Returns (capital plus income) for the year ended 30th September			
Return to shareholders[1]	–37.0%	+58.8%	
Return on net assets	–35.5%	+57.5%	
Benchmark return[2]	–30.1%	+47.4%	
Net Asset Value, Share Price and Discount at 30th September			% change
Shareholders funds (£'000)	241,612	374,406	–35.5
Net asset value per share	151.0p	234.0p	–35.5
Share price	132.0p	211.0p	–37.4
Discount of share price to net asset value	12.6%	9.8%	
Shares in issue	160,007,154	160,007,154	—
Revenue for the year ended 30th September			
Gross revenue return (£'000)	7,280	6,786	+7.3
Net revenue available to shareholders (£'000)	2,737	2,146	+27.5
Revenue per share	1.71p	1.33p	+28.6
Dividend per share	1.70p	1.30p	+30.8
Actual Gearing Factor at 30th September	93%	109%	
Total Expense Ratio	0.95%	0.77%	
Total Expense Ratio (including performance fee paid)	0.95%	1.54%	

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

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

[2]Source: Russell Mellon Caps. The Company's benchmark is the MSCI AC Asia ex Japan Index with net dividends reinvested in sterling terms.

Performance

JPMorgan Asian – Share price

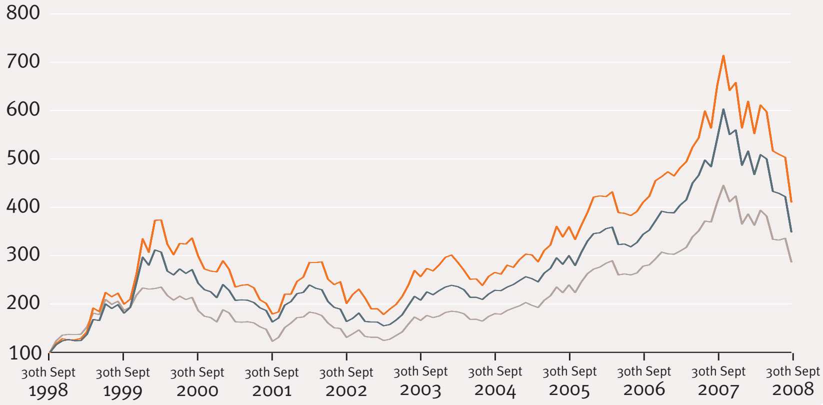
JPMorgan Asian – Net asset value per share

Benchmark

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

Ten Year Performance since Launch

Figures have been rebased to 100 at 30th September 1998



JPMorgan Asian – Share price

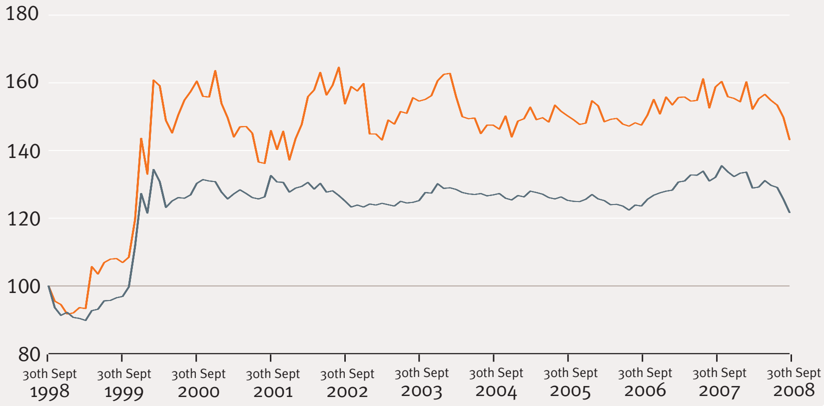
JPMorgan Asian – Net asset value per share

The Benchmark is represented by the grey horizontal line

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

Performance relative to Benchmark Index

Figures have been rebased to 100 at 30th September 1998



Financial Record since Launch

As at 30th September	1998	1999	2000	2001[1]	2002	2003	2004[2]	2005[2]	2006	2007	2008
Shareholders' funds (£'000)	76,892	135,106	183,230	121,077	120,618	152,147	167,848	220,908	242,280	374,406	241,612
Net asset value per share (p)	46.2	82.6	111.6	74.0	74.4	93.9	103.6	134.5	150.1	234.0	151.0
Share price (p)	34.8	68.3	101.6	61.0	68.5	86.8	88.8	119.0	134.0	211.0	132.0
Discount (%)	24.7	17.3	9.0	17.6	7.9	7.6	14.3	11.5	10.7	9.8	12.6
Actual gearing factor (%)	90	105	105	92	101	112	98	97	104	109	93
Year ended 30th September											
Revenue attributable to shareholders (£'000)	3,251	2,561	3,409	3,705	3,471	4,035	4,828	6,260	5,640	6,786	7,280
Earnings/(loss) per share (p)	0.85	0.53	(0.36)	0.37	0.51	1.10	1.00	1.74	1.27	1.33	1.71
Dividend per share (p)	0.70	0.50	Nil	Nil	0.50	1.05	1.05	1.75	1.25	1.30	1.70
Total expense ratio (%)	0.96	0.95	1.18	1.03	1.28	0.96	1.08	0.97	0.97	0.77	0.95
Total expense ratio including performance fee paid(%)	—	—	—	—	—	—	—	—	—	1.54	0.95
Rebased to 100 at 30th September 1998											
Share price total return[3]	100.0	199.6	298.9	179.2	201.2	256.6	265.3	359.8	410.5	651.7	410.6
Net asset value total return[4]	100.0	181.0	242.7	162.8	163.7	207.9	228.3	300.0	344.1	542.0	349.6
Benchmark – total return[5]	100.0	186.8	186.2	122.8	130.8	166.0	179.9	239.5	278.3	410.3	286.8

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

[1]Figures have been restated where relevant to comply with FRS 19 'Deferred Tax'.

[2]Figures have been restated to reflect changes in accounting policy regarding dividends payable. Such dividends are now included in the accounts in the year in which they are paid.

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

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

[5]Source: Russell Mellon Caps.

Ten Largest Investments

Company	Country	As at 30th September 2008 Valuation £'000	%[1]	As at 30th September 2007 Valuation £'000	%
China Mobile China Mobile provides cellular telecommunication services in the People's Republic of China.	Hong Kong & China	16,659	6.9	17,105	4.2
Reliance Industries Reliance is India's largest private sector enterprise, with businesses in the energy and materials sectors.	India	10,370	4.3	12,693	3.2
China Merchants Bank[2] China Merchants Bank is a commercial bank providing deposit taking, clearing and other related services.	Hong Kong & China	9,611	4.0	—	—
China Construction Bank China Construction Bank is a commercial bank listed in Hong Kong. The Bank's principal products and services include trade finance, commercial and mortgage loans, syndicated loans and project finance.	Hong Kong & China	9,104	3.8	13,233	3.3
Olam Olam is a leading global supply chain manager of agricultural products and food ingredients.	Singapore	9,080	3.7	9,137	2.3
Bank Rakyat Indonesia Bank Rakyat Indonesia specialises in small scale and microfinance lending.	Indonesia	7,321	3.0	8,086	2.0
United Tractors United Tractors is a distributor of construction machinery in Indonesia and is also involved in mining and mining contracting.	Indonesia	7,317	3.0	4,364	1.1
Keppel[2] Keppel is one of Singapore's leading and diversified conglomerates focusing on offshore & marine, property and infrastructure.	Singapore	6,743	2.8	—	—
Samsung Fire & Marine[2] Samsung Fire & Marine is Korea's largest non-life insurance company with products including fire, marine, casualty, automobile and retirement insurances.	South Korea	6,703	2.8	—	—
Samsung Electronics[2] Samsung Electronics is engaged in the provision of consumer electronics, communication products, semi conductor and home appliances.	South Korea	5,637	2.3	—	—
Total		88,545	36.6		

[1]Based on total assets less current liabilities of £241.7m.
[2]Not included in the ten largest investments at 30th September 2007.

As at 30th September 2007, the value of the ten largest investments amounted to £133.9m representing 33.4% of total assets less current liabilities.

Portfolio Analyses

Geographical Analysis

	30th September 2008			30th September 2007		
	Portfolio %	Benchmark %	Active Position %	Portfolio %	Benchmark %	Active Position %
Hong Kong and China	37.2	35.6	+1.6	37.3	35.9	+1.4
South Korea	17.7	20.7	−3.0	17.1	22.3	−5.2
Singapore	14.0	7.3	+6.7	10.2	6.9	+3.3
Indonesia	9.5	2.6	+6.9	9.4	2.2	+7.2
India	7.8	10.5	−2.7	12.9	9.9	+3.0
Taiwan	6.2	16.2	−10.0	10.4	16.5	−6.1
Malaysia	0.7	4.0	−3.3	4.1	3.4	−0.7
Thailand	—	2.2	−2.2	—	1.9	−1.9
Philippines	—	0.8	−0.8	—	0.7	−0.7
Pakistan	—	0.1	−0.1	—	0.3	−0.3
Net current assets/(liabilities)	6.9	—	+6.9	(1.4)	—	−1.4
	100.0	100.0		100.0	100.0	

Based on total assets less current liabilities of £241.7m (2007: £401.6m).

Sector Analysis

	30th September 2008			30th September 2007		
	Portfolio %	Benchmark %	Active Position %	Portfolio %	Benchmark %	Active Position %
Financials	25.1	30.6	−5.5	32.2	29.8	+2.4
Industrials	15.6	12.1	+3.5	12.2	13.8	−1.6
Consumer Staples	12.0	3.9	+8.1	10.6	3.4	+7.2
Telecommunication Services	12.0	9.9	+2.1	5.6	8.6	−3.0
Materials	9.2	6.7	+2.5	8.0	8.6	−0.6
Energy	6.8	9.2	+2.4	6.2	8.5	−2.3
Information Technology	6.5	16.4	−9.9	9.1	16.9	−7.8
Consumer Discretionary	5.9	6.1	−0.2	16.4	6.5	+9.9
Healthcare	—	0.4	−0.4	—	3.3	−3.3
Utilities	—	4.7	−4.7	1.1	0.6	+0.5
Net current assets/(liabilities)	6.9	—	+6.9	(1.4)	—	−1.4
	100.0	100.0		100.0	100.0	

Based on total assets less current liabilities of £241.7m (2007: £401.6m).

Investment Activity

during the year to 30th September 2008

	Value at 30th September 2007 £'000	%	Purchases £'000	Sales £'000	Change in value[1] £'000	Value at 30th September 2008 £'000	%
Hong Kong and China	149,979	36.8	151,625	134,045	(77,621)	89,938	40.0
South Korea	68,621	16.9	55,408	58,028	(23,169)	42,832	19.0
Singapore	40,942	10.1	49,210	35,294	(21,010)	33,848	15.0
Indonesia	37,548	9.2	15,593	35,384	5,165	22,922	10.2
India	51,815	12.7	20,854	46,574	(7,222)	18,873	8.4
Taiwan	41,573	10.2	28,342	41,486	(13,538)	14,891	6.6
Malaysia	16,659	4.1	4,815	17,887	(1,787)	1,800	0.8
Australia	—	—	22,573	22,356	(217)	—	—
Thailand	—	—	14,542	16,108	1,566	—	—
Total Portfolio[2]	407,137	100.0	362,962	407,162	(137,833)	225,104	100.0

[1]Total capital losses from investments for the year amounted to £137,354,000, comprising realised and revaluation losses of £137,833,000, realised gains on futures contracts of £500,000 and other capital charges of £21,000.

[2]The fall in value of the portfolio is partly due to the movement in gearing which has fallen from 109% at 30th September 2007 to 93% at 30th September 2008.

List of Investments

at 30th September 2008

Company	Valuation £'000
Hong Kong & China	
China Mobile	16,659
China Merchants Bank	9,611
China Construction Bank	9,104
Huabao International	5,116
Amvig	4,234
China Netcom	4,096
Kerry Properties	3,541
China Petroleum & Chemical	3,486
China Life Insurance	3,089
Yantai Changyu Pioneer Wine	3,000
Esprit	2,908
Pacific Basin Shipping	2,731
Nine Dragons Paper	2,677
Belle International	2,653
Soho China	2,625
CNOOC	2,395
China Hongxing Sports	2,048
China Cosco	1,980
China National Building Material	1,869
Guangzhou R&F Properties	1,657
Shimao Property	1,582
China Sky Chemical Fibre	1,511
Synear Food	1,366
	89,938
South Korea	
Samsung Fire & Marine	6,703
Samsung Electronics	5,637
Samsung Engineering	5,076
Samsung Heavy Industries	4,791
LG	4,671
LG Electronics	4,497
Digitech Systems	3,330
Shinsegae	3,248
Daelim Industrial	2,670
Kangwon Land	2,209
	42,832

Company	Valuation £'000
Singapore	
Olam	9,080
Keppel	6,743
SembCorp Industries	4,497
Capitaland	3,591
City Developments	3,449
Wilmar International	3,447
Golden Agri-Resources	3,041
	33,848
Indonesia	
Bank Rakyat Indonesia	7,321
United Tractors	7,317
Telekomunikasi	4,224
Indofoods Sukses Makmur	4,060
	22,922
India	
Reliance Industries[2]	10,370
JPMorgan Funds JF India Fund[1]	4,523
ICICI Bank[3]	3,980
	18,873
Taiwan	
Hon Hai Precision	5,469
Asia Cement	4,149
Chunghwa Telecom	3,942
AU Optronics	1,331
	14,891
Malaysia	
IOI	1,800
	1,800
Total Portfolio	**225,104**

[1]Managed by JPMAM.

[2]Includes GDRs

[3]Includes ADRs

Board of Directors

James Long TD (Chairman)†

Joined the Board in 1997 and appointed Chairman in 2003.

Director of Risk and Compliance for AstraZeneca Europe. Previous roles included Corporate Finance Director of Inchcape plc and Managing Director, Asia and Emerging Markets for the ESAB Group. Mr Long is a Director of British Assets Trust PLC.

Alun Evans CMG*†

Joined the Board in 2001 and appointed Senior Independent Director in 2008.

Currently International Affairs Adviser to Cathay Pacific Airways, a post he previously held with British Airways. Mr Evans's main career was with the Foreign and Commonwealth Office where he rose to senior management level with responsibility, latterly, for Far Eastern issues. He is also Deputy Chairman of the British-Iranian Chamber of Commerce.

Ronald Gould*†

Joined the Board in 2005.

Formerly Managing Director of BZW Investment Management, Vice-Chairman of BZW/Barclays Asset Management and President of BZW Investment Management Japan and Managing Director of Barclays Trust & Banking Japan. More recently Senior Executive Vice President and Managing Director at AXA Investment Managers and, subsequently, chief executive officer of, and now a consultant to, ABG Sundal Collier ASA. Mr Gould is also an adviser to the Financial Services Authority and a director of Miller Insurance Services Limited and Foreign & Colonial Investment Trust plc.

Andrew Sykes*†

Joined the Board in 2004 and appointed Audit Committee Chairman in 2008.

Chairman of Absolute Return Trust Limited and Invista Foundation Property Trust Limited, Deputy Chairman of Smith & Williamson Holdings Limited, Director of Record plc, a member of the Supervisory Board of the Schroder Exempt Property Unit Trust and Chairman of the Investment Committee of the Schroder Retirement Benefits Scheme. Until March 2004, Mr Sykes was a Director of Schroders plc, with responsibility for private banking and alternative investments.

* Member of Audit Committee.
† Member of the Nomination Committee.

Directors' Report

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

Business Review

Business of the Company

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

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

The Company is an investment company within the meaning of Section 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 in the Investment Managers' Report on pages 5 and 6.

Objective

The Company's objective is to achieve capital growth from investment in equities that provide exposure to the stockmarkets of Asia, excluding Japan, by consistent outperformance of the Company's benchmark index, the MSCI AC Asia ex Japan Index with net dividends reinvested in sterling terms, and a rising share price over the longer term by taking carefully controlled risks through an investment process that is clearly communicated to shareholders.

Investment Policies and Risk Management

In order to achieve its objective, the Company invests in a portfolio of Asian stocks with an emphasis on capital growth rather than income, with the likely result that the level of dividend will fluctuate.

Investment risks are managed by diversifying investment over a number of Asian companies. The number of investments in the portfolio will normally range between 50 and 80. The Board seeks to manage the Company's risk relative to its benchmark index by limiting the active portfolio exposures to the various countries and stocks covered by the benchmark index and, in some cases, to specific stocks. These active exposures may be varied at any time by the Board at its discretion. Currently the maximum permitted active exposure to each of the countries is 12% points above or below the benchmark index weighting except for Taiwan, South Korea, Hong Kong and China, where the maximum permitted active exposure is 15% points above or below the benchmark index weighting. The maximum permitted active exposure to each individual company is 8% of the Company's total assets, excluding collective vehicles and Samsung Electronics. The maximum permitted portfolio weighting of any investment in Samsung Electronics is 5% points above that company's weighting in the benchmark index. The maximum proportion of the Company's total assets that may be represented by the five largest holdings in the portfolio is 40%. Unlisted investments are permitted with prior approval of the Board. The Board also permits investment in Australian listed companies, subject to a limit of 10% of the Company's gross assets.

The Company does not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts). The Company does not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's actual gearing range (investments expressed as a percentage of shareholders' funds) may fluctuate between 90% and 120%.

Use of derivatives is permitted with prior approval of the Board and within agreed limits. Currency hedging transactions are permitted up to 40% of the portfolio but only back into sterling. In addition, sales of country specific index futures are permitted, limited to the aggregate value of stocks held in the relevant market.

Compliance with investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis. These limits and restrictions may be varied by the Board at any time at its discretion.

Performance

In the year to 30th September 2008, the Company produced a total return to shareholders of –37.0% and a total return on net assets of –35.5%. This compares with the return on the Company's benchmark index of –30.1%. As at 30th September 2008, the value of the Company's investment portfolio was £225.1m. The Investment Managers' Report on pages 5 and 6 includes a review of developments during the year.

Total Return, Revenue and Dividends

Gross total loss for the year amounted to £128.5m (2007: return of £145.8m) and net total loss after deducting interest, management expenses, performance fees and taxation amounted to £130.7m (2007: return of £136.6m). Distributable income for the year amounted to £2,737,000 (2007: £2,146,000).

Directors' Report continued

The Directors recommend a dividend of 1.70p per share (2007: 1.30p) payable on 13th February 2009 to shareholders on the register at the close of business on 9th January 2009. This distribution will absorb £2,720,000 (2007: £2,080,000). No other dividends were paid in respect of the year. The revenue reserve after this transfer will amount to £443,000 (2007: £426,000).

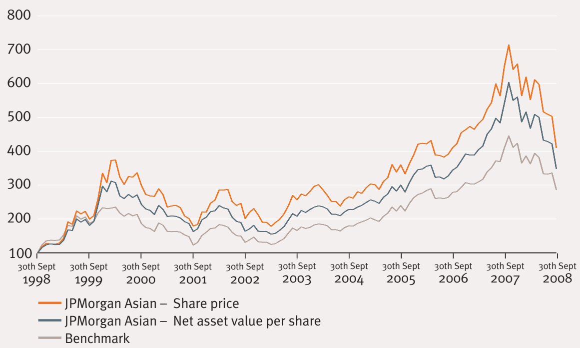
Key Performance Indicators ('KPIs')

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

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

Ten Year Performance since launch

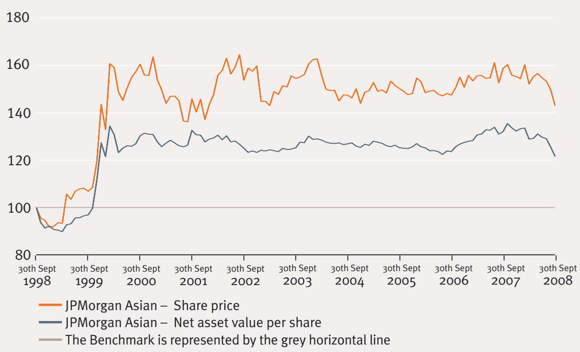
Figures have been rebased to 100 at 30th September 1998



Source: Standard & Poor's – www.funds-sp.com/Fundamental Data – www.funddata.com/ FTSE Group. (Total Return)

Performance relative to Benchmark Index

Figures have been rebased to 100 at 30th September 1998



Source: Standard & Poor's – www.funds-sp.com/Fundamental Data – www.funddata.com/ FTSE Group. (Total Return)

- **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 competitor funds.

- **Performance attribution**
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation, gearing and stock selection. Details of the attribution analysis for the year ended 30th September 2008 are given in the Investment Managers' Report on page 5.

- **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. In the year to 30th September 2008, the discount (with debt valued at par) ranged between 2.7% and 25.5%.

Discount Performance (weekly data)

Source: Datastream

- **Total expense ratio ('TER')**
The TER is an expression of the Company's management fees and all other operating expenses, excluding interest and performance fees, as a percentage of the average of the opening and closing net assets. The TER for the year ended 30th September 2008 was 0.95% (2007: 0.77%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Share Capital

The Company has not repurchased any shares for cancellation during the year or since the year end. A resolution to renew the authority to repurchase shares will be put to shareholders at the forthcoming Annual General Meeting.

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

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 seeks to manage these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Manager employ the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.
- Market: Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by the Manager. The Board monitors the implementation and results of the investment process with the Manager.
- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Acts 1985 and 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts 1985 or 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing, which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with the Companies Acts 1985 and 2006 and the UKLA Listing Rules.
- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 21 to 24.
- Operational: Disruption to, or failure of, the Manager'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 the Manager and its associates and the key elements designed to provide effective internal control are included with the Internal Control section of the Corporate Governance report on pages 23 and 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 41 to 46.

Future Developments

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 managers discuss the outlook in their report on pages 5 and 6.

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract which can be terminated on six months' notice in the event of the Board giving notice as a result of poor

Directors' Report continued

investment performance; the notice period is 12 months for all other circumstances, in both cases without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

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

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

Management Fee

With effect from 1st October 2006 JPMAM has been paid a fee based on the Company's market capitalisation. This fee uses the average of the Company's closing middle market share price for the last five business days of the relevant month, calculated monthly and paid quarterly at a rate of 0.75% per annum plus VAT, based on the average of the preceding three month end capitalisations. Investments in funds on which JPMAM charges a management fee are excluded from the calculation.

In addition to the management fee, the Company reimburses the costs of administering the Company's shareholders who hold their shares through the JPMorgan Share Plan, ISA and Personal Pension.

Performance Fee

From 1st October 2006, the Manager has been eligible to receive a performance fee equal to 15% of any outperformance of the Company's audited NAV total return over the MSCI AC Asia ex Japan Index return in sterling terms with net dividends reinvested (the 'Benchmark') plus an outperformance hurdle of 1.5 percentage points (the 'Hurdle').The performance fee has the following features:

- The Hurdle is applied in all circumstances regardless of whether outperformance or underperformance has occurred in any year.
- The performance fee is calculated on a cumulative basis. Any underperformance that has occurred in previous years has to be made up before any performance fee becomes payable.
- The performance fee is based on the audited NAV total return per share as calculated in accordance with the prevailing accounting policies. No adjustment would be made to exclude the effect of any share buybacks or share issuance.
- The amount of performance fee payable in any one year is capped at 0.75% of the average monthly total assets less current liabilities of the Company for that year. In order to reach this cap, the Company would have to outperform the Benchmark by 6.5 percentage points in any one year.
- Any performance fee earned in excess of the cap (0.75%) will be carried forward and will either be paid or be available to be offset against any future underperformance.
- The performance fee is calculated annually by reference to the average monthly total assets less current liabilities of the Company (with an estimate accrued monthly in the NAV) and paid within three months of the year end. Any earned but unpaid fees (due to the 0.75% cap restriction) are carried forward as a liability in the Company's accounts.
- The total fees paid under the revised management and performance fee arrangements will not exceed 5% of the Company's net asset value in any one year.

The results for the year to 30th September 2008 generated a negative performance fee for the year. This negative balance has been offset against last year's outperformance of £2.5m which was carried forward. No fee is payable in the current year and no amount has been included as a liability in the accounts. A negative amount of £1.2m is carried forward and must be offset against any future outperformance before any performance fee is earned.

Going Concern

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

Payment Policy

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

Directors

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

Ordinary shares	30th September 2008	1st October 2007
James Long	12,103	11,464
Alun Evans	16,000	13,000
Ronald Gould	2,745	2,745
Andrew Sykes	25,000	25,000

Since the year end, Mr Long's beneficial holding has increased by 247 Ordinary Shares.

Christopher Penn retired from the Board on 1st February 2008.

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

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

Disclosure of information to Auditors

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

(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 he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of S234 ZA of the Companies Act 1985.

Section 992 Companies Act 2006

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

Capital Structure

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

Voting Rights in the Company's shares

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

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
JPMorgan Chase & Co.[1]	20,140,455	12.59
City of London Investment Management Co. Ltd.	17,861,684	11.16
JPMorgan Chase Nominees	12,246,690	7.65
Sarasin & Partners LLP	8,168,100	5.10
Legal & General Investment Management Ltd.	7,803,099	4.88
BAE System Pension Funds Investment Management Ltd	5,462,500	3.41

[1]Non-beneficial.

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

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

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors to the Company and a resolutions to re-appoint them and authorise the Directors to determine their remuneration for the ensuing year, will be proposed at the AGM.

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:

Directors' Report continued

Authority to repurchase the Company's ordinary shares (resolution 8)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2008 AGM, will expire on 4th February 2009 unless renewed at the forthcoming AGM. 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') would enhance the NAV of the remaining shares. The Directors therefore recommend that shareholders vote in favour of the resolution.

The full text of the resolution is set out in the Notice of Meeting on page 50. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

Adoption of new Articles of Association (Resolution 9)

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

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

A copy of the current Articles of Association and the proposed new Articles of Association will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of JPMAM, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ from the date of this report up until the close of the AGM. Copies will also be available at The Salters' Hall, 4 Fore Street, London EC2Y 5DE, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting.

By order of the Board
Alison Vincent, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
19th December 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 26, 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 with the AIC Code throughout the year under review.

Role of the Board

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

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

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

Board Composition

The Board, chaired by James Long, consists of four non-executive Directors, all of whom are regarded by the Board as independent. The Chairman's independence was assessed upon his appointment and annually thereafter. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 14.

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. Alun Evans, the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

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

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 evaluation process described below, the Board confirms that Andrew Sykes, who retires by rotation at this year's Annual General Meeting, continues to be an effective Director and demonstrates commitment to the role, and the Board recommends his re-election. The Board also recommends the re-election of James Long who is seeking

Corporate Governance continued

re-election having served for a period of more than nine years. Before recommending the re-election of James Long the Nomination Committee conducted a thorough review of his performance as Chairman and were satisfied that he continues to demonstrate effective leadership of the Company.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 14. Directors who are not members of Committees may attend at the invitation of the Chairman.

During the year there were five Board meetings, plus a separate meeting devoted to strategy, two Audit Committee meetings, and one Nomination Committee meeting.

The table below details the number of Board and Committee meetings attended by each Director.

Director	Board Meetings attended	Audit Committee meetings attended	Strategy meetings attended	Nomination Committee meetings attended
Alun Evans	5	2	1	1
Ronald Gould	5	2	1	1
James Long	5	2	1	1
Andrew Sykes	5	2	1	1

Training and Appraisal

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

The Board conducts a formal evaluation of the Manager, of its own performance and that of its Committees and individual Directors. External consultants may be used from time to time. For the current year, questionnaires were completed by each Director. The responses were discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, and the Senior Independent Director leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its Committees.

Board Committees

Nomination Committee

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

The Nomination Committee also reviews the levels of remuneration of the Directors taking into account both boards of other trusts and corporate salaries to ensure that high quality people are attracted and retained.

Audit Committee

The Audit Committee, chaired by Andrew Sykes, meets at least twice each year. Throughout the year under review, the Committee consisted of three Directors. With effect from 19th November 2008, James Long was reinstated as a member of the Audit Committee, following a change to Corporate Governance best practice. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

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

Representatives of the Company's auditors attend the Audit 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.

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and will henceforth report formally to shareholders quarterly each 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 are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is usually given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the investment managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 48.

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

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

Internal Control

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material mis-statement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure that they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM which reports any material failings or weakensses. This arrangement is kept under annual review. 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 – Evaluation and appointment of a manager and custodian regulated by the Financial Services Authority ('FSA'), whose responsibilities are clearly defined in a written agreement.

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

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

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

- reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;

Corporate Governance continued

- reviews the report on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviews every six months an independent report on the internal controls and the operations of JPMAM.

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

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

Corporate Governance and Voting Policy

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

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

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

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

Corporate Social Responsibility

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

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

Directors' Remuneration Report

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

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 27.

Directors' Remuneration
(Audited Information)

Director's Name	2008 £	2007 £
Alun Evans	18,000	16,500
Ronald Gould	18,000	16,500
James Long	27,500	25,000
Christopher Penn	7,418	19,750
Andrew Sykes	20,667	16,500
Total	91,585	94,250

With effect from 1st April 2007, Directors' fees were paid at a fixed rate of £27,500 (previously £22,500) per annum for the Chairman, £22,000 (previously £17,500) per annum for the Chairman of the Audit Committee and £18,000 (previously £15,000) per annum for each other Director.

The total Directors' fees of £91,585 (2007: £94,250) comprised £81,918 (2007: £77,750) in respect of aggregate emoluments paid to Directors and £9,667 (2007: £16,500) paid to third parties for making available the services of one Director.

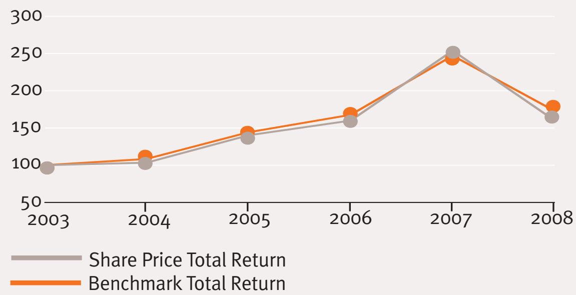
The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those 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 and industry research on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance related. The Articles stipulate that aggregate fees must not exceed £150,000. Any increase in this amount requires both Board and shareholder 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. The Directors do not have service contracts with the Company and are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out of pocket expenses incurred in connection with attending to the Company's business.

A graph showing the Company's share price total return compared to its benchmark, the MSCI AC Asia Ex Japan Index with dividends reinvested in sterling terms over the last five years is shown below.

Five year share price and benchmark total return to 30th September



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

By order of the Board
Alison Vincent, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
19th December 2008

Directors' Responsibilities in Respect of the Accounts

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they comply with these requirements.

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

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

Statement under the Disclosure & Transparency Rules 4.1.12

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

a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and return 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
James M Long
Chairman
19th December 2008

Independent Auditors' Report[1]

To the members of JPMorgan Asian Investment Trust plc

We have audited the accounts of JPMorgan Asian Investment Trust plc for the year ended 30th September 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein.We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

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

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose.We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman's Statement, the Investment Managers' Report, the Directors' Report, the Corporate Governance Statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30th September 2008 and of its net loss and cash flows for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
London 19th December 2008

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

Income Statement

for the year ended 30th September 2008

	Notes	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
(Losses)/gains from investments held at fair value through profit or loss	2	—	(137,354)	(137,354)	—	137,955	137,955
Net foreign currency gains		—	1,570	1,570	—	1,040	1,040
Income from investments	3	6,658	—	6,658	6,557	—	6,557
Other interest receivable and similar income	3	622	—	622	229	—	229
Gross return/(loss)		7,280	(135,784)	(128,504)	6,786	138,995	145,781
Management fee	4	(2,126)	—	(2,126)	(1,799)	—	(1,799)
Performance fee writeback/(charge)	4	—	2,501	2,501	—	(4,893)	(4,893)
Other administrative expenses	5	(732)	—	(732)	(560)	—	(560)
Net return/(loss) on ordinary activities before finance costs and taxation		4,422	(133,283)	(128,861)	4,427	134,102	138,529
Finance costs	7	(1,067)	—	(1,067)	(1,526)	—	(1,526)
Net return/(loss) on ordinary activities before taxation		3,355	(133,283)	(129,928)	2,901	134,102	137,003
Taxation	8	(618)	(168)	(786)	(755)	317	(438)
Net return/(loss) on ordinary activities after taxation		2,737	(133,451)	(130,714)	2,146	134,419	136,565
Return/(loss) per share	10	1.71p	(83.40)p	(81.69)p	1.33p	83.40p	84.73p

A final dividend of 1.70p per share (2007: 1.30p per share) is proposed in respect of the year ended 30th September 2008, costing £2,720,000 (2007: £2,080,000). More details can be found in note 9 on page 36.

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

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

The notes on pages 32 to 47 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30th September 2008

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30th September 2006	40,364	4,347	977	2,647	108,902	82,665	2,378	242,280
Repurchase and cancellation of shares	(362)	—	—	362	(2,421)	—	—	(2,421)
Net return from ordinary activities	—	—	—	—	—	134,419	2,146	136,565
Dividends appropriated in the year	—	—	—	—	—	—	(2,018)	(2,018)
At 30th September 2007	40,002	4,347	977	3,009	106,481	217,084	2,506	374,406
Net (loss)/return from ordinary activities	—	—	—	—	—	(133,451)	2,737	(130,714)
Dividends appropriated in the year	—	—	—	—	—	—	(2,080)	(2,080)
At 30th September 2008	40,002	4,347	977	3,009	106,481	83,633	3,163	241,612

The notes on pages 32 to 47 form an integral part of these accounts.

Balance Sheet

at 30th September 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments at fair value through profit or loss	11	225,104	407,137
Current assets	12		
Debtors		681	644
Cash at bank and in hand		17,702	20,283
		18,383	20,927
Creditors: amounts falling due within one year	13	(1,823)	(26,447)
Derivative financial instruments		—	(1)
Net current assets/(liabilities)		16,560	(5,521)
Total assets less current liabilities		241,664	401,616
Creditors: amounts falling due after more than one year			
Bank loans	14	—	(24,709)
Provisions for liabilities and charges			
Deferred tax	8	(52)	—
Performance fee	15	—	(2,501)
Total net assets		241,612	374,406
Capital and reserves			
Called up share capital	16	40,002	40,002
Share premium	17	4,347	4,347
Exercised warrant reserve	17	977	977
Capital redemption reserve	17	3,009	3,009
Other reserve	17	106,481	106,481
Capital reserve	17	83,633	217,084
Revenue reserve	17	3,163	2,506
Shareholders' funds		241,612	374,406
Net asset value per share	18	151.0p	234.0p

The accounts on pages 28 to 47 were approved and authorised for issue by the Directors on 19th December 2008 and are signed on their behalf by:

James M Long

Director

The accompanying notes on pages 32 to 47 form an integral part of these accounts.

Cash Flow Statement

for the year ended 30th September 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	19	1,802	3,474
Returns on investments and servicing of finance			
Interest paid		(1,118)	(1,500)
Taxation recovered		—	195
Capital expenditure and financial investment			
Purchases of investments		(369,117)	(333,863)
Sales of investments		406,820	325,133
Settlement of futures contracts		500	—
Other capital charges		(23)	(25)
Net cash inflow/(outflow) from capital expenditure and financial investment		38,180	(8,755)
Dividend paid		(2,080)	(2,018)
Net cash inflow/(outflow) before financing		36,784	(8,604)
Financing			
Repurchase of ordinary shares for cancellation		—	(2,421)
Bank loan (repayment)/drawn down		(42,725)	30,790
Net cash (outflow)/inflow from financing		(42,725)	28,369
(Decrease)/increase in cash for the year	20	(5,941)	19,765

The accompanying notes on pages 32 to 47 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th September 2008

1. Accounting Policies

(a) Basis of accounting

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

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

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in notes 22 and 23 on pages 41 to 47.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as held 'at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at 'fair value' which is bid market price for listed investments.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in capital within '(Losses)/gains from investments held at fair value through profit or loss'. Gains and Losses on the realisation of investments and realised exchange differences of a capital nature are accounted for in the realised capital reserve. Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the unrealised capital reserve. 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 in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Deposit interest receivable and stock lending income are taken to revenue on an accruals basis.

(d) Expenses

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

- performance fees are allocated 100% to capital;
- expenses incidental to the purchases and sales of investments are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly broker commission. In accordance with the SORP, disclosure of transaction costs is required and can be found in note 11.

(e) Finance costs

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

Finance costs are allocated wholly to revenue.

(f) Financial instruments

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

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

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

Short-term forward currency contracts are classified as derivative financial instruments and the net unrealised gains or losses included in debtors or creditors respectively.

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

(h) Taxation

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

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

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

(i) Dividends

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

(j) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 4 on page 34.

Notes to the Accounts continued

	2008 £'000	2007 £'000
2. (Losses)/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	46,388	52,628
Amounts recognised as revaluation gains in the previous year	(70,931)	(21,568)
Realised gains based on carrying value at previous balance sheet date	(24,543)	31,060
Net movement in revaluation gains/losses	(113,290)	106,920
Realised gains on futures contracts	500	—
Other capital charges	(21)	(25)
Total capital (losses)/gains from investments held at fair value through profit or loss	(137,354)	137,955

	2008 £'000	2007 £'000
3. Income		
Income from listed investments		
UK dividend income	—	53
Overseas dividends	6,492	6,426
Scrip dividends	166	78
	6,658	6,557
Other income		
Deposit interest	603	145
Stock lending fees	19	84
	622	229
Total income	7,280	6,786

	2008 £'000	2007 £'000
4. Management and performance fees		
Management fee	2,195	1,793
VAT thereon	—	6
Total	2,195	1,799
VAT recoverable[1]	(69)	—
	2,126	1,799
Performance fee (writeback)/charge	(2,501)	4,893

[1]Details of the VAT recoverable on management fees are given in note 6.

	2008 £'000	2007 £'000
5. Other administrative expenses		
Other management expenses	558	390
Savings product[1]	61	52
Directors' fees[2]	92	94
Auditors' remuneration for audit services[3]	21	21
Auditors' remuneration for all other services[3]	—	3
Total	732	560

[1]Paid to JPMAM for the marketing of 'wrapper' products.

[2]Full disclosure is given in the Directors' Remuneration Report on page 25.

[3]Includes £3,000 (2007: £3,000) irrecoverable VAT.

6 VAT recoverable

In November 2007, HM Revenue & Customs announced that it had withdrawn its appeal in the case, brought jointly by the AIC and JPMorgan Claverhouse Investment Trust plc, challenging the imposition of VAT on management fees paid by investment trust companies. The Company ceased paying VAT on management fees with effect from 1st October 2007 and is entitled to seek reimbursement of VAT paid in the past. The VAT stated as recoverable in note 4 represents VAT which is expected to be recovered from the Manager with sufficient certainty in respect of the period from 1st January 1990 to 30th September 2007. The amount will not be received by the Company from the Manager until HM Revenue & Customs refunds certain amounts to the Manager.

	2008 £'000	2007 £'000
7. Finance costs		
Interest on bank loans and overdrafts	1,067	1,526

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
8. Taxation						
(a) Analysis of tax charge in the year						
UK corporation tax at 29% (2007: 30%)	1,036	151	1,187	—	—	—
Double taxation relief	(846)	—	(846)	—	—	—
Overseas withholding tax	393	—	393	487	—	487
Tax attributable to performance fee writeback/charge to capital	(17)	17	—	317	(317)	—
Adjustment in respect of prior year corporation tax	—	—	—	(11)	—	(11)
Current tax charge for the year	566	168	734	793	(317)	476
Deferred tax	52	—	52	(38)	—	(38)
Total tax charge for the year	618	168	786	755	(317)	438
(b) Factors affecting current tax charge for the year						
Net return on ordinary activities before taxation	3,355	(133,283)	(129,928)	2,901	134,102	137,003
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 29% (2007: 30%)	973	(38,652)	(37,679)	870	40,231	41,101
Effects of:						
Non taxable capital returns	—	39,377	39,377	—	(41,699)	(41,699)
Non taxable UK dividends	—	—	—	(16)	—	(16)
Non taxable scrip dividends	(48)	—	(48)	(23)	—	(23)
Tax payable on disposal of an offshore fund	—	151	151	—	—	—
Income taxed in different periods	94	—	94	(96)	—	(96)
Tax relief on performance fee capitalised	725	(725)	—	(1,468)	1,468	—
Overseas withholding tax	393	—	393	487	—	487
Unrelieved expenses and charges	—	—	—	733	—	733
Prior year expenses and charges utilised	(708)	—	(708)	—	—	—
Double taxation relief	(846)	—	(846)	—	—	—
Tax attributable to performance fee writeback/charge to capital	(17)	17	—	317	(317)	—
Adjustment in respect of prior year corporation tax	—	—	—	(11)	—	(11)
Current tax charge for the year	566	168	734	793	(317)	476

Notes to the Accounts continued

8. Taxation continued

(c) Deferred taxation

The provision for deferred taxation has arisen from timing differences in respect of overseas dividends which have originated but not reversed by the balance sheet date. The movements on the deferred tax account are as follows:

	2008 £'000	2007 £'000
Opening balance	—	38
Charged/(credited) to revenue return	52	(38)
Closing balance	52	—

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 taxation on any capital gains or losses arising on the revaluation or disposal of investments.

As at 30th September 2007, the Company had an unrecognised deferred taxation asset of £1,029,000. This has all been utilised in the current year.

	2008 £'000	2007 £'000
9. Dividends		
(a) Dividend paid		
Final dividend: (2007: 1.30p and 2006: 1.25p)	2,080	2,018
2008 final dividend proposed of 1.70p (2007: 1.30p)	2,720	2,080

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

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

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

	2008 £'000	2007 £'000
Final dividend of 1.70p (2007: 1.30p)	2,720	2,080

The revenue available for distribution by way of dividend for the year is £2,737,000 (2007: £2,146,000).

10. Return per ordinary share

The revenue return per share is based on the earnings attributable to the ordinary shares of £2,737,000 (2007: £2,146,000) and on the weighted average number of shares in issue during the year of 160,007,154 (2007: 161,181,192).

The capital loss per ordinary share is based on the capital losses attributable to the ordinary shares of £133,451,000 (2007: gains of £134,419,000) and on the weighted average number of shares in issue during the year of 160,007,154 (2007: 161,181,192).

The total loss per ordinary share is based on the total loss attributable to the ordinary shares of £130,714,000 (2007: gains of £136,565,000) and on the weighted average number of shares in issue during the year of 160,007,154 (2007: 161,181,192).

	2008 £'000	2007 £'000
11. Investments		
Investments listed on a recognised investment exchange	225,104	407,137

	£'000	£'000
Opening book cost	284,147	215,104
Opening revaluation gains	122,990	37,638
Opening valuation	407,137	252,742
Movement in the year:		
Purchases at cost	362,962	341,548
Sales – proceeds	(407,162)	(325,133)
Sales – realised (losses)/gains on investments	(24,543)	31,060
Net movement in revaluation gains/losses	(113,290)	106,920
Total	225,104	407,137
Closing book cost	286,335	284,147
Closing revaluation (losses)/gains	(61,231)	122,990
Total	225,104	407,137

Transaction costs on purchases during the year amounted to £752,000 (2007: £722,000) and on sales during the year amounted to £1,067,000 (2007: £1,024,000). These costs mainly comprise broker commission.

During the year, prior year unrealised gains amounting to £70,931,000 have been transferred to realised gains as disclosed in note 17.

	2008 £'000	2007 £'000
12. Current assets:		
Debtors		
Securities sold for future settlement	342	–
Dividends and interest receivable	230	531
Other debtors	40	113
Recoverable VAT[1]	69	–
Total	681	644

[1]Full details are given in note 6 on page 35.

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

Cash at bank and in hand

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

Notes to the Accounts continued

	2008 £'000	2007 £'000
13. Creditors: amounts falling due within one year		
Securities purchased for future settlement	1,286	7,607
Bank loan	—	16,226
Other creditors and accruals	196	222
Tax payable	341	—
Performance fee	—	2,392
Total	1,823	26,447

The bank loan at 30th September 2007 represents US$33.1m drawn down on the Company's multi currency loan facility with Lloyds TSB plc. Further details are given in note 2(a)(ii) on page 44.
The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

	2008 £'000	2007 £'000
14. Creditors: amounts falling due after more than one year		
Bank loan	—	24,709

The bank loan at 30th September 2007 represents US$50.3m drawn down on the Company's multi currency loan facility with Lloyds TSB plc. Further details are given in note 22(a)(ii) on page 44.
The Directors consider that the carrying amount of creditors falling due after more than one year approximates to their fair value.

	2008 £'000	2007 £'000
15. Provisions for liabilities and charges		
Performance fee:		
Opening balance	2,501	—
Performance fee (writeback)/charge	(2,501)	4,893
Amount payable for the year	—	(2,392)
Closing balance	—	2,501

	2008 £'000	2007 £'000
16. Called up share capital		
Authorised:		
720,000,000 (2007: 720,000,000) ordinary shares of 25p each	180,000	180,000
Issued and fully paid:		
Ordinary shares of 25p each		
Opening balance of 160,007,154 (2007: 161,457,154) shares	40,002	40,364
Repurchase of nil (2007: 1,450,000) shares for cancellation	—	(362)
Closing balance[1]	40,002	40,002

[1]Represented by 160,007,154 (2007: 160,007,154) shares of 25p each .

	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
17. Reserves							
Opening balance	4,347	977	3,009	106,481	96,287	120,797	2,506
Realised exchange gains on cash and short term deposits	—	—	—	—	3,360	—	—
Unrealised loss on foreign currency hedge now realised	—	—	—	—	(1)	1	—
Realised losses on investments	—	—	—	—	(24,543)	—	—
Net movement in revaluation gains/losses	—	—	—	—	—	(113,290)	—
Transfer on disposal of investments	—	—	—	—	70,931	(70,931)	—
Realised exchange losses on foreign currency loans	—	—	—	—	(1,790)	—	—
Realised gain on futures contracts	—	—	—	—	500	—	—
Other capital charges	—	—	—	—	(21)	—	—
Performance fee writeback	—	—	—	—	—	2,501	—
Transfer of unrealised currency gains on foreign currency loans repaid in the year	—	—	—	—	309	(309)	—
Tax attributable to performance fee writeback to capital	—	—	—	—	(17)	—	—
Tax payable on disposal of an offshore fund	—	—	—	—	(151)	—	—
Dividend appropriated in the year	—	—	—	—	—	—	(2,080)
Net revenue for the year	—	—	—	—	—	—	2,737
Closing balance	4,347	977	3,009	106,481	144,864	(61,231)	3,163

The Company may only distribute accumulated 'realised' profits. The Institute of Chartered Accountants in England and Wales, has issued guidance (TECH 01/08), stating that profits arising out of the change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence under Company Law, distributable reserves should be reduced by net revaluation losses on listed investments amounting to £61,231,000 currently classified as Capital reserve – unrealised.

18. Net asset value per share

The net asset value per share is based on the net funds attributable to ordinary shareholders of £241,612,000 (2007: £374,406,000) and on the 160,007,154 (2007: 160,007,154) shares in issue at the year end.

	2008 £'000	2007 £'000
19. Reconciliation of total (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total (loss)/return on ordinary activities before finance costs and taxation	(128,861)	138,529
Less capital (loss)/return on ordinary activities before finance costs and taxation	133,283	(134,102)
Scrip dividends received as income	(166)	(78)
Decrease/(increase) in accrued income	301	(311)
Decrease/(increase) in other debtors	4	(27)
Increase/(decrease) in accrued expenses	26	(50)
Performance fee paid	(2,392)	—
Overseas taxation	(393)	(487)
Net cash inflow from operating activities	1,802	3,474

Notes to the Accounts continued

	At 30th September 2007 £'000	Cashflow £'000	Exchange movement £'000	At 30th September 2008 £'000
20. Analysis of changes in net debt				
Cash at bank and in hand	20,283	(5,941)	3,360	17,702
Bank loans	(40,935)	42,725	(1,790)	—
Net debt	(20,652)	36,784	1,570	17,702

21. Transactions with JPMorgan

Details of the management agreement are set out in the Directors' Report on page 18. The terms make allowance for the exclusion of management charges on investments held in funds managed by JPMorgan Asset Management ('JPMAM'). The fee payable to JPMAM for the year was £2,195,000 excluding VAT (2007: £1,793,000) of which £nil (2007: same) was outstanding at the year end.

There is no performance fee payable for the year ended 30th September 2008. In 2007 £2,392,000 was payable and the whole amount was outstanding at the year end, with a further £2,501,000 carried forward which has been utilised and offset against this year's underperformance.

Expenses amounting to £60,000 (2007: £52,000) were payable to JPMAM for the marketing of its savings products of which £nil (2007: £15,000) was outstanding at the year end.

Included in other management expenses in note 5 on page 34 are safe custody fees amounting to £273,000 (2007: £120,000) of which £67,000 (2007: £nil) was outstanding at the year end. These fees were paid to third party custodians by JPMAM on behalf of the Company.

During the year, JPMorgan Cazenove was paid £nil (2007: £5,000) in commission on share repurchases.

JPMAM carries out some of its dealing transactions through group subsidiaries. These transactions are carried out at arms' length. The commission payable to JPMorgan Securities for the year was £147,000 (2007: £93,000) of which £nil (2007: same) was outstanding at the year end. Handling charges, incurred on dealing transactions undertaken by overseas custodians during the year, amounting to £21,000 (2007: £25,000) were payable to JPMorgan Chase of which £7,000 (2007: £9,000) was outstanding at the year end.

The Company has received £19,000 (2007: £84,000) from stock lending transactions during the year. JPMAM commissions in respect of such transactions amounted to £5,000 (2007: £21,000).

The Company holds an investment in the JPMorgan Funds JF India Fund which is managed by JPMorgan Asset Management. At 30th September 2008 this was valued at £4.5m (2007: £25.5m) and represented 2.0% (2007: 6.3%) of the Company's investment portfolio. During the year the Company made purchases with a total value of £nil (2007: £3.2m) and sales with a total value of £21.4m (2007: £3.1m). The Company received £nil from this investment during the year (2007: £1.0m).

At the year end, a bank balance of £17,702,000 (2007: £11,560,000) was held with JPMorgan Chase. A net amount of interest of £63,000 (2007: £84,000) was receivable by the Company during the year from JPMorgan Chase.

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 15. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management.

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

The Company's financial instruments may comprise the following:
- investments in equity shares of overseas companies which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- index futures and currency transactions for hedging purposes;
- short term forward currency contracts for the purpose of settling short term liabilities; and
- multi currency loan facilities with Lloyds TSB and ING.

(a) Market risk

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

(i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and the currency in which it reports). As a result, movements in exchange rates may 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's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. This borrowing would be limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Notes to the Accounts continued

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

Foreign currency exposure

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

	2008						
	Hong Kong Dollars and China Renminbi £'000	Taiwan Dollars £'000	S. Korea Won £'000	Singapore Dollars £'000	India Rupees £'000	Other £'000	Total £'000
Investments at fair value through profit or loss that are monetary items	—	—	—	—	—	—	—
Debtors (due from brokers and accrued income)	119	84	—	—	—	342	545
Cash at bank	—	5,617	—	—	—	11,685	17,302
Creditors (due from brokers and accrued income)	(363)	(165)	—	(758)	—	—	(1,286)
Borrowings on the multi currency loan facility	—	—	—	—	—	—	—
Forward currency contracts	—	—	—	—	—	—	—
Foreign currency exposure on net monetary items	(244)	5,536	—	(758)	—	12,027	16,561
Investments at fair value through profit or loss that are equities	85,013	14,891	42,832	38,773	11,262	32,333	225,104
Total net foreign currency exposure	84,769	20,427	42,832	38,015	11,262	44,360	241,665

	2007						
	Hong Kong Dollars and China Renminbi £'000	Taiwan Dollars £'000	S. Korea Won £'000	Singapore Dollars £'000	India Rupees £'000	Other £'000	Total £'000
Investments at fair value through profit or loss that are monetary items	—	—	—	—	—	—	—
Debtors (due from brokers and accrued income)	352	82	—	—	—	97	531
Cash at bank	—	5,925	—	—	—	14,750	20,675
Creditors (due from brokers and accrued income)	(877)	—	(5,908)	—	—	(822)	(7,607)
Borrowings on the multi currency loan facility	—	—	—	—	—	(40,935)	(40,935)
Forward currency contracts	821	—	—	—	—	(822)	(1)
Foreign currency exposure on net monetary items	296	6,007	(5,908)	—	—	(27,732)	(27,337)
Investments at fair value through profit or loss that are equities	132,330	41,573	68,621	58,593	37,548	68,473	407,138
Total net foreign currency exposure	132,626	47,580	62,713	58,593	37,548	40,741	379,801

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

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

Foreign currency sensitivity

The following tables illustrate the sensitivity of profit after taxation for the year and equity with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's overseas income and monetary currency financial instruments held at each balance sheet date and assumes a 20% appreciation or depreciation in sterling against the currencies to which the Company is exposed, which is deemed a reasonable illustration based on the volatility of exchange rates during the year.

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

	2008 £'000	2007 £'000
Income statement revenue after taxation:		
Revenue return	1,298	1,285
Capital return/(loss)	3,312	(5,467)
Total return/(loss) after taxation for the year	4,610	(4,182)
Net assets	4,610	(4,182)

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

	2008 £'000	2007 £'000
Income statement revenue after taxation:		
Revenue return	(1,298)	(1,285)
Capital (loss)/return	(3,312)	5,467
Total (loss)/return after taxation for the year	(4,610)	4,182
Net assets	(4,610)	4,182

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

(ii) Interest rate risk

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

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's actual gearing range may fluctuate between 90% and 120%.

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

Notes to the Accounts continued

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

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below.

	2008 £'000	2007 £'000
Exposure to floating interest rates:		
Cash at bank	17,702	20,283
Creditors: amounts falling due within one year		
– borrowings on the short term loan facility	—	(16,226)
Creditors: amounts falling due after more than one year		
– borrowings on the long term loan facility	—	(24,709)
Total exposure	17,702	(20,652)

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

The Company has a £25 million multi currency revolving loan facility with Lloyds TSB which expires in May 2011. Under the terms of this agreement the Company may draw down up to £25 million at an interest rate of LIBOR as offered in the market for the relevant currency and loan period plus a margin of 0.45% plus the 'Mandatory Costs Rate', which is the cost of complying with certain regulatory requirements. The Company had not drawn on this facility at 30th September 2008. At 30th September 2007, the Company had drawn down US$50.3 million (£24.7 million) on this facility at an interest rate of 5.4% and US$33.1 million (£16.2 million) on a 364 day multi currency loan facility with Lloyds TSB at an interest rate of 5.2%. This facility expired during the year.

During the year, the Company arranged a £30 million 364 day multi currency loan facility with ING Bank. Under the terms of this agreement, the Company may draw down up to £30 million at an interest rate of LIBOR as offered in the market for the relevant currency and loan period plus a margin of 0.55% plus the 'Mandatory Costs Rate.' The Company had not drawn on this facility at 30th September 2008.

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

	2008 £'000	2007 £'000
Maximum interest rate exposure to floating rates – net loan balances	(27,557)	(39,325)
Minimum interest rate exposure to floating rates – net cash balances	17,702	800

Interest rate sensitivity

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

	2008		2007	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Income statement – return after taxation				
Revenue return increase/(decrease)	177	(177)	(207)	207
Capital return	—	—	—	—
Total increase/(decrease) in return after taxation for the year	177	(177)	(207)	207
Net assets increase/(decrease)	177	(177)	(207)	207

In the opinion of the Directors, the above sensitivity analysis may not be representative, as the level of exposure to floating interest rates may fluctuate between net loan balances and net cash balances as shown above. The highest amount drawn down on the loan facilities during the year amounted to £40.9m (2007: £40.9m) and the interest rate on these drawings fluctuated between 2.9% and 5.8%.

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

(iii) Other price risk

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

Management of other price risk

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

Other price risk exposure

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

	2008 £'000	2007 £'000
Equity investments at fair value through profit or loss	225,104	407,137

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 10 and 11 This shows that the portfolio comprises investments quoted on Asian stockmarkets. Accordingly there is a concentration of exposure to that region. However it should be noted that an investment may not necessarily be wholly exposed to the economic conditions in its country of domicile.

Other price risk sensitivity

The following table illustrates the sensitivity of net assets to an increase or decrease of 20% in the fair value of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2008		2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement: revenue after taxation				
Revenue return – (decrease)/increase	(338)	338	(611)	611
Capital return – increase/(decrease)	45,021	(45,021)	81,427	(81,427)
Total return after taxation and net assets - increase/(decrease)	44,683	(44,683)	80,816	(80,816)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in settling financial liabilities as they fall due.

Management of the risk

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

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a) (ii) to this note on page 44.

Notes to the Accounts continued

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

Liquidity risk exposure

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

	2008			2007		
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year						
Purchases of investments for future settlement	1,286	—	1,286	7,607	—	7,607
Bank loan	—	—	—	16,226	—	16,226
Other creditors	537	—	537	222	—	222
Performance fee payable	—	—	—	—	2,392	2,392
Derivative financial instrument	—	—	—	1	—	1
Creditors : amounts falling due after more than one year						
Bank loan	—	—	—	—	24,709	24,709
Performance fee provision	—	—	—	—	2,501	2,501
	1,823	—	1,823	24,056	29,602	53,658

(c) Credit risk

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

Management of credit risk

This risk is not significant and is managed by:

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

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash at bank and in hand represent the maximum exposure to credit risk at the current and comparative year ends. Cash at bank and in hand comprises balances held at banks with an AA credit rating or higher (2007: same).

The aggregate value of securities on loan at 30th September 2008 amounted to £2,591,000. The highest value of securities on loan during the year ended 30th September 2008 amounted to £4,606,000. Collateral with a fair value equivalent to 105% of the outstanding value of securities on loan is obtained by JPMorgan Chase as agent to the Company. Collateral acceptable under the Stock Lending Agreement may comprise: cash, British Government Stock, sterling Issues by foreign governments, sterling Certificates of Deposit and other securities with a similarly high credit rating.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value.

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 capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range 90% to 120%. Gearing for this purpose is defined as investments expressed as a percentage of total net assets.

	2008 £'000	2007 £'000
Investments	225,104	407,137
Net assets	241,612	374,406
Gearing	93.2%	108.7%

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

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

24. Post balance sheet event

Subsequent to the year end there have been significant fluctuations in company share prices in stockmarkets around the world including the Asian region. As a result the Company's NAV has dropped by 9.2% from 151.0 pence per share at 30th September 2008 to 137.1 pence per share at 16th December 2008.

Information about the Company

Financial Calendar

Financial year end	30th September
Final results announced	December
Half year end	31st March
Half year results announced	May
Dividend on ordinary shares paid	February
Interim Management Statements announced	February and July
Annual General Meeting	February

History
The Company was launched in September 1997 as a rollover vehicle for shareholders in The Fleming Far Eastern Investment Trust plc. The Company adopted its present name following approval from shareholders at the Annual General Meeting in February 2006.

Life of the Company
Under the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2008 and every third year thereafter.

Company Numbers
Company's registration number: 3374850
London Stock Exchange number: 0132077
ISIN: GB0001320778
Bloomberg code: JPF LN

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

Website
www.jpmasian.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 the Pension Account.

aic
The Association of Investment Companies
A member of the AIC

Manager and Secretary
JPMorgan Asset Management (UK) Limited.

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

Please contact Alison Vincent for company secretarial and administrative matters.

Registrars
Equiniti
Reference 1357
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0871 384 2373

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1357.

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

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

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

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

Shareholder Analysis

at 30th September 2008

	Number of shares	% holding
Pension funds	36,137,731	22.6
Unit Trusts	32,392,187	20.2
Other Institutions	10,461,018	6.5
Insurance Companies	8,381,256	5.2
Charities	3,695,761	2.3
Investment Trusts[1]	5,834,472	2.7
Foreign Governments	3,920,194	2.5
UK Government	13,625	0.0
Total Institutional Holdings	100,836,244	63.0
Private Client Brokers	28,962,487	18.1
Retail investors holding shares directly or through nominee accounts[2]	16,314,037	10.2
Individuals in the Investment Trust Share Plan[3]	9,611,199	6.0
Individuals in the Investment Trust Pension Account[3]	1,771,137	1.1
Individuals in the Investment Trust Individual Savings Account[3]	2,512,050	1.6
Total Retail Holdings	59,170,910	37.0
Total Shares in Issue	160,007,154	100.0

Nominee accounts have been allocated to their appropriate category.
[1]Includes 4,529,213 shares held by JPMorgan Elect plc.
[2]Includes shares below 10,000 threshold.
[3]Savings products managed by JPMorgan.

Notice of Meeting

Notice is hereby given that the twelfth Annual General Meeting of JPMorgan Asian Investment Trust plc will be held at The Salters' Hall, 4 Fore Street, London EC2Y 5DE on Wednesday 4th February 2009 at 12.00 noon for the following purposes:

1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th September 2008.

2 To approve the Directors' Remuneration Report for the year ended 30th September 2008.

3 To declare a final dividend on the ordinary shares.

4 To re-elect Mr James Long as a Director.

5 To re-elect Mr Andrew Sykes as a Director.

6 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.

7 To authorise the Directors to determine the remuneration of the Auditors.

Special Business:
To consider the following resolutions:

Authority to repurchase the Company's shares – Special Resolution

8 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 ordinary shares of 25p each in the capital of the Company

PROVIDED ALWAYS THAT

(i) the maximum number of shares hereby authorised to be purchased shall be 23,985,072 or, if less, that number of shares which is equal to 14.99% of the Company's issued ordinary share capital as at the date of the passing of this resolution;

(ii) the minimum price which may be paid for an ordinary share shall be 25 pence;

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

(iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors) at the date following not more than seven days before the date of purchase;

(v) the authority hereby conferred shall expire on 3rd July 2010 unless the authority is renewed at the Company's Annual Genral Meeting in 2010 or at a general meeting prior to such time; and

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

Adoption of new Articles of Association

9 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 2009 Annual General Meeting.

By order of the Board
Alison Vincent, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
19th December 2008

Notes

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

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

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

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

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

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

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

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

8 A corporation, which is a shareholder,may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above. Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

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

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

11 As at 16th December 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 160,007,154 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 160,007,154.

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 9

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, as well as some minor technical or clarifying changes. The new Articles will also generally update the Articles of Association for current law, regulation and market practice.

1. Transfer of shares (Articles 32 and 33)

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 43)

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 43 reflects the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

3. Notice of general meetings (Articles 50 and 51)

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

Article 51 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. This ensures that such failure does not invalidate proceedings at the meeting in question.

4. Quorum (Article 52)

Article 52 now makes it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

5. Power to convert into stock

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

6. Attending and speaking at meetings (Article 58)

Article 58 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.

7. Polls (Article 64)

Article 64 clarifies that a poll may be demanded before a show of hands, as well as immediately after the result of a show of hands, and gives the directors the right to demand a poll as well as the Chairman of the meeting.

8. Votes of members, proxies and corporate representatives (Articles 71, 76 and 83)

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

9. Receipt of appointments of proxy and termination of proxy authority (Articles 80 and 81)

Article 80 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 80 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

10. Directors' appointments, interests and conflicts of interest (Articles 105 and 106)

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

Article 105 gives the directors authority to approve conflict situations including other directorships held by the company's directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

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

The proposed Article 106 also contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

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

11. Permitted interests and voting (Article 115)

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

12. Making and retention of minutes (Article 118)

Article 118 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

13. The seal (Articles 120 and 121)

Article 121 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors.

14. Notices and other communications (Articles 79, 135-144)

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 79 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 79 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 136(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 136(4) permits the Company not to send or supply any notice, document or information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Article 136(5) and 136(6) cater for situations where the provision of corporate information in electronic form or via a

Appendix continued

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 143 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 144 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

15. Power to indemnify directors (Article 148)

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 director's defence costs as they are incurred (although a director would be liable to repay his defence costs if his defence was to be unsuccessful); (iii) the company will not be permitted to indemnify directors against criminal fines, fines by regulators or the legal costs of successful criminal proceedings against directors; and (iv) a company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act. As a result of the above, the directors' indemnity provisions of the Articles of Association have been amended. Article 148 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 148 also permits the maintenance by the Company of liability insurance for directors and it specifically makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

Glossary of Terms

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

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

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

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

Actual Gearing Factor
Investments expressed as a percentage of shareholders' funds. This shows the effect of gearing on the NAV if the market value of the portfolio were to increase by 100%.

Total Expense Ratio
Management fees and all other operating expenses, excluding interest and performance fees paid, expressed as a percentage of the average of the opening and closing net assets.

Total Expense Ratio (including performance fee)
Management fees, all other operating expenses and performance fees paid, but excluding interest, expressed as a percentage of the average of the opening and closing net assets.

Discount/Premium
If the share price of an investment trust 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 trust to trade at a discount than a premium.

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

Performance Attribution Definitions:

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

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

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.

Notes

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

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

Your telephone call may be recorded for your security

www.jpmasian.co.uk