



Annual Report **08**

JPMorgan Emerging Markets  
Investment Trust plc

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

# Features

## Contents

### About the Company

- 1 Financial Results
- 2 Chairman's Statement

### Investment Review

- 4 Investment Manager's Report
- 7 Summary of Results
- 8 Performance
- 9 Ten Year Financial Record
- 10 Ten Largest Equity Investments
- 11 Portfolio Analyses
- 12 Investment Activity
- 13 List of Investments

### Directors' Report

- 15 Board of Directors
- 16 Directors' Report
- 22 Corporate Governance

### Accounts

- 26 Directors' Remuneration Report
- 27 Directors' Responsibilities in Respect of the Accounts
- 28 Independent Auditors' Report
- 29 Income Statement
- 30 Reconciliation of Movements in Shareholders' Funds
- 31 Balance Sheet
- 32 Cash Flow Statement
- 33 Notes to the Accounts

### Shareholder Information

- 48 Information about the Company
- 49 Shareholder Analysis
- 50 Notice of Meeting
- 53 Appendix
- 56 Glossary of Terms

## Objective

Capital growth from emerging markets worldwide.

## Investment Policies

- To invest in a diversified portfolio, concentrating on countries and shares with the most attractive prospects. To have no more than 50% of the Company's assets invested in any one region.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Further details on investment policies and risk management are given in the Directors' Report on page 16.

## Benchmark

The MSCI Emerging Markets Free Index in sterling terms.

## Company Structure

The Company has an authorised share capital of 296,000,000 ordinary shares of 25p each of which 110,303,742 were in issue at the year end.

## Continuation Vote

At the Extraordinary General Meeting held on 31st March 2006, a Special Resolution of the shareholders approved the continuation of the Company until the Annual General Meeting in 2008 and at three yearly intervals thereafter.

## Management Company

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

# Financial Results

Total Returns (capital plus income)

**+4.7%**

Return to shareholders<sup>1</sup>  
(2007: +39.9%)

**+2.5%**

Return on net assets<sup>2</sup>  
(2007: +41.4%)

**+5.5%**

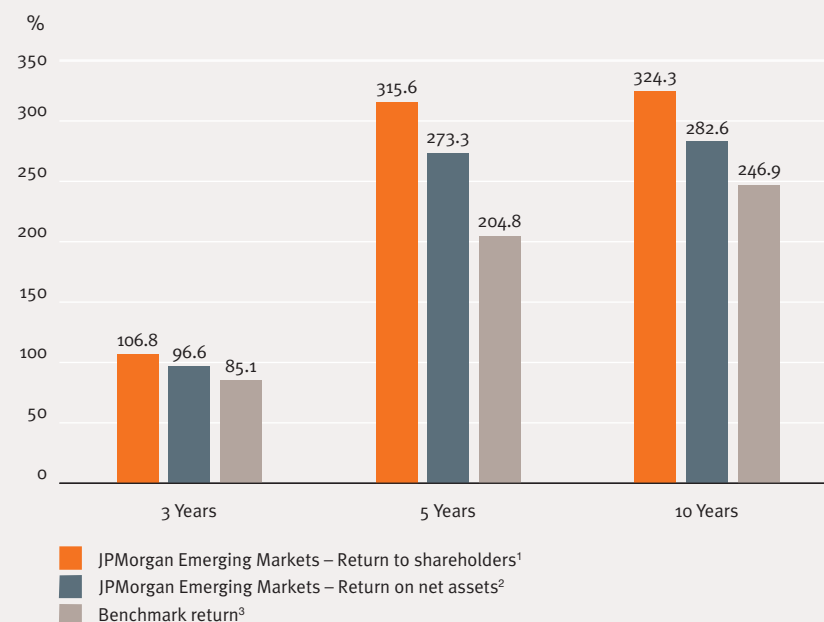
Benchmark return<sup>3</sup>  
(2007: +33.7%)

**2.0p**

Dividend  
(2007: 2.0p)

## Long Term Performance

for periods ended 30th June 2008



A glossary of terms and definitions is provided on page 56.

<sup>1</sup>Source: Standard & Poor's – [www.funds.morningstar.com](http://www.funds.morningstar.com)

<sup>2</sup>Source: Fundamental Data – [www.funddata.com](http://www.funddata.com)

<sup>3</sup>Source: Datastream. The Company's benchmark is the MSCI Emerging Markets Free Index in sterling terms.

## Chairman's Statement



It is pleasing to report a positive return over the year as against a fall in most of the main financial markets. However, for the first time in five years we have underperformed our benchmark index. The net asset value ('NAV') total return for the year to 30th June was +2.5% as against a total return of +5.5% for our benchmark index, the MSCI Emerging Markets Free Index in sterling terms. The share price increased over the year from 416.5p to 433.5p, producing a total return to shareholders of +4.7%.

Our performance over the year was clearly affected by the high volatility and uncertainty in markets generally. The Manager's approach, with the support of the Board, has been to take a long term view and at the same time try to take advantage of any short term weakness to adjust the portfolio. Our medium and long term performance remains excellent, and over a five year period the NAV total return has been +273% as against our benchmark of +205%. Moreover, the Company is also the best performer over this period within a peer group of ten open and closed end funds that the Board monitors for performance comparison.

As a Board we continue to monitor carefully the discount of our share price to NAV and it is pleasing to report that it narrowed from 9.6% to 7.8% over the reporting period. The discount remained in line with our peers and at no time did the Board feel it was necessary to buy back shares. Our discount policy remains as stated last year, that in a stable market and with the Company performing well against its benchmark, we would buy back shares if the discount is materially out of line with our peers and over 10%. The Board regularly reviews this policy. As last year we will be putting forward resolutions at the AGM to buy back shares for cancellation or to put into Treasury for reissue only at a premium to the then NAV.

In 2007 the European Court of Justice ruled that VAT should not be levied on the management and performance fees of investment trust companies. Consequently, with effect from 1st October 2007, VAT is no longer payable on these fees. The Company also has the right to reclaim VAT it has paid on these fees in most years since its launch in 1991. Following discussions with JPMorgan Asset Management, the Board has concluded that the recovery of £1.1m of this VAT is sufficiently certain that it can be recognised in the Company's accounts for the year to 30th June 2008. However, the timing of its receipt remains uncertain. More information on this matter is given in Note 6 to the accounts on page 36.

The Company's policy continues to be to maximise capital growth. Nevertheless, we are proposing to maintain the level of the final dividend at 2.00p per share (2007: 2.00p). Subject to shareholders' approval at the AGM, this will be paid on 13th November 2008 to shareholders on the register at the close of business on 24th October 2008.

You will see from the Directors' Report that the Board fully complies with the Financial Reporting Council Combined Code and the AIC Code of Corporate Governance. We pay particular attention to monitoring the performance of the Manager and ensuring that we have the strategies in place to see that the Manager continues to deliver out-performance in the medium and long term. At the end of the year we carried out a formal review of the Manager, the Board as a whole and, separately the Board evaluated my role as Chairman. I am pleased to report that no concerns were raised in these appraisals and the Board believes the Manager is continuing to do an excellent job and that their reappointment is in the best interests of shareholders as a whole.

As I mentioned in last year's report Val Powell and I will be retiring from the Board during 2009 and I will be giving up my Chairman's role at the AGM in 2009. The Nomination Committee, with the help of external advisors, has therefore been searching for two new Directors to join the Board and we have been fortunate in securing the services of Nigel Kenny and Percy Mistry. Nigel joined us on 1st September 2008 and Percy will join the Board on 1st January 2009. Both bring with them enormous knowledge of developing economies. Nigel Kenny is a founding partner of Sabre Capital, an emerging markets private equity company. He has considerable experience in emerging markets having held a number of senior positions in Standard Chartered Bank including Group Head of Strategy, Operations and Group Finance Director. Prior to that he spent a number of years with Chase Manhattan Bank. He is a Chartered Accountant and has a PhD in theoretical physics. Percy Mistry, an Indian national living in the UK, has broad emerging markets experience having worked in senior positions with The World Bank and having been Chief Executive of businesses in India and Hong Kong. He is Chairman and founder of Oxford International Group, which provides advice to governments and international companies and institutions operating in developing countries, and is particularly active in India.

To attract and retain Directors of the calibre required it is important that the fees paid are appropriate. Fees were last reviewed in July 2006 and, after taking advice, the Remuneration Committee decided that it was necessary to raise the Directors' fees to £20,000 per annum and those of the Chairman of the Audit Committee and Chairman of the Company to £25,000 and £30,000 respectively as from July 2008.

Last year I wrote about a market correction taking place and increasing levels of uncertainty. Whilst this certainly has proved accurate, by comparison with today's situation last year seems like calm waters. At the time of writing this year's report we are witnessing on almost a daily basis the failure of financial companies that are at the very heart of the world market economy. The changes now happening are of seismic proportions and it is likely that it will take years for us to fully understand the impact of what is now taking place.

There are clearly big implications for our Company. However, emerging markets in general are better run and better capitalised than they were 5-10 years ago and I believe will prove more robust in handling this crisis. Moreover, whilst in no way are global markets decoupled, many of the fundamentals for continued growth in emerging economies remain in place.

That said, it will not be an easy ride and, more than ever, there will be clear winners and losers. As a company we have a number of strengths. As an investment trust we can, and do, take the long-term view and are not forced sellers in market conditions such as these. We have a global emerging markets mandate and have the flexibility to switch the focus of our investments and better manage risk. In JPMorgan we have a manager with a strong base that is not threatened by the current turmoil. Finally, the team managing our Company has shown itself to be one of the best in the business. The years ahead, and particularly this year, will not be easy but your Board remains confident that the Company will deliver long term capital growth for its shareholders and we have no hesitation in recommending its continuation for a further three years.

**Roy Reynolds**  
Chairman

26th September 2008

## Investment Manager's Report



### What has happened?

Two simple facts should inform our discussion of this last year. The first fact is that returns from emerging market equities have been notably lower than during the preceding four years; in the year to 30th June 2008, the benchmark index against which we measure ourselves appreciated by 5.5% in sterling terms, though this unremarkable headline number tells far too ordinary a story for the year that passed. The second fact is that, for the first time since 2003, we failed to exceed the index return with your Company's portfolio; net asset value per share rose by only 2.5%.

We concluded last year's report with the expectation of less spectacular returns from emerging markets this time and so it turned out. But we did not anticipate how eventful a period we would see. Such busy conditions are hard to summarise. This was a year of extremes in market behaviour; volatility rose sharply, markets reached frothy, even bubble-like excesses and in some places plumbed real depths as well; some stocks doubled in a few months; others lost two thirds of their value just as quickly; some even managed both in the course of twelve months.

It began in the USA in the summer of 2007 with what became known as the credit crunch; but this label, which neatly pins responsibility on the financial sector, obscures the fact that this is a cycle, just like any other. The initial reaction of the US Federal Reserve was to try to stimulate the economy by cutting interest rates, allowing the dollar to depreciate and thus exporting the problem. For governments who thought that US monetary policy was an adequate framework for managing a developing economy, this presented an immediate challenge: either change your methods or accept that you are in fact not managing anything much. The more the US tried to stimulate its economy, the more risks of overheating arose in emerging economies. This was most visible in inflation, which rose more or less everywhere, but reached notable levels in China, India and in particular Russia and those parts of the Middle East which operate a currency peg to the US dollar. The other consequence was a stockmarket boom, especially in China and later India, which carried valuations to irrational levels. It gathered speed when the Federal Reserve embarked on an easing strategy in August 2007 and lasted until the end of November before collapsing. Chinese domestic shares rose 50% between June and September 2007, but then fell 50% in the next nine months. The rise and fall of the Indian market was almost as marked. Parallel to this, and related to it, was a bull market in commodities of all kinds, most visibly oil, which of course exacerbated the inflationary difficulties for governments and their citizens. In countries which are major producers, like Russia and the Gulf states, a windfall of spectacular proportions arrived, further fuelling inflation. In others where governments subsidise prices, public sector finances became strained. The world seemed full of imbalances.

### What did we do?

This was not an easy year; we made some poor decisions. We made others which looked wrong but turned out well later and we spent a lot of time working on areas which have not yet come to fruition, but where we think big opportunities may arise. We changed almost a third of the portfolio, somewhat more than in the preceding year and roughly twice the level we were running at three years ago. Shareholders should not expect our rate of turnover to be constant, because opportunities do not arrive on a regular schedule; you can wait for a while without seeing one, only to find that, like the mythical London bus, several turn up at the same time. It seems probable, as we write, that this current year will see turnover continue at higher levels than in some recent years.

### Performance attribution for the year ended 30th June 2008

Contributions to Total Return		%
Benchmark Total Return		<b>+5.5</b>
Stock Selection	-6.7	
Asset Allocation	+4.3	
Currency	+0.0	
Gearing/Cash	+0.5	
Investment Manager Contribution		<b>-1.9</b>
Portfolio Total Return		<b>+3.6</b>
Management Fees/ Other Expenses	-1.3	
Performance Fees	+0.2	
Residual*	0.0	
Other Effects		<b>-1.1</b>
Net Asset Value Return		<b>+2.5</b>
Impact of Decrease/ (Increase) in Discount	+2.2	
Share Price Total Return		<b>+4.7</b>

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

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

\* 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 calculates the Company's 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 56.

Details of the changes we made to your portfolio can be found on page 12 of this report. The most significant among them were a notable reduction in investments in Brazil and Korea and an increase in China (including Hong Kong), India and the United Arab Emirates; this geographic summary should not obscure the fact that, as always, our decisions were driven first and foremost by views about individual stocks. Our thinking was based on the belief that above average growth would become an especially important factor in future returns. The strong results from emerging markets since 2002 have seen valuations rise, many currencies strengthen and profits rise at an above trend rate, helped by various cyclical influences, especially rising prices (commodities) and rising utilisation (operating leverage). We cannot expect valuations or currencies to rise forever any more than we can expect cyclical factors to become permanent. And so we looked for companies where we thought good profit growth could still be expected. Two particular conditions would be required: robust economic growth, giving a high base growth rate for companies, and competitive advantage, implying that significant market share gains could be achieved by individual companies. China and India were top of our list as places to look, though valuations were a deterrent for long periods.

Performance attribution data in the adjacent table show the result of our efforts through this last year with merciless directness. We did well by being in the right countries, adding +4.3% through these asset allocation effects. We had relatively little exposure to Taiwan and Korea and benefited particularly from the degree of investment in Brazil and Egypt. But we more than cancelled this out with poor stock selection; overall, the stocks held in the portfolio performed worse than their respective market indices. More than half of this underperformance came in Asia, especially in China and Hong Kong. Brazil, Korea and South Africa were rare bright spots, but scant consolation. What did we get wrong? To some extent the failures of this year were the successes of the previous one. With such a dramatic reversal in markets towards the end of 2007, many of the solid, unexciting businesses whose share prices had lagged badly during the upswing began to outperform strongly as markets fell. But the reverse was also true; those creatures of the bull market that relied on external funding to grow rapidly were left badly exposed and their share prices performed very poorly. Virtually all of the mistakes we made during the last year can be viewed in this context and come down to being swayed to some extent by market cycles. We simply did not sell enough when stocks had performed very well and we were premature in increasing our exposure to markets like China; an error that is explained in part, though in no way excused, by the fact that we had been looking in this direction for a long time. We should have been more patient.

### What happens next?

Sometimes reports seem to go out-of date before they have finished being written; this one may suffer that fate. Since the end of June, commodity prices have reversed sharply and the dollar has been rising. At the same time, a number of emerging countries are struggling to contain inflation. This is not a promising combination of circumstances for equities in emerging markets; share prices have been falling. Those global imbalances are being painfully worked out, despite the efforts of many central banks to resist. The immediate outlook is for more of the same. But we try to look further ahead and therefore hope and expect that significant opportunities to make money will arise. We should still be able to find themes and trends that we can believe with conviction, irrespective of current conditions: private sector operators will take share from government-owned companies with inferior productivity; retail industries will continue to consolidate; financial services will in the long term outgrow GDP; electricity use will not. Cycles cannot become trends;

## Investment Manager's Report continued

excess profitability will be arbitrated away by inflation and competition; productivity and efficiency will be rewarded. We meet hundreds of companies every year because the most enduring advantage, and that which takes longest to revert to the mean, is human skill; in our meetings we are seeking to understand the nature and economic characteristics of businesses and the ability and ambitions of those who run and own them, so that we can form a view about their value. As markets decline, they offer us the chance to buy businesses we like at prices that we like.

So the current gloom in markets should not obscure the longer term trends in developing economies, any more than this most dismal of English summers should cancel hopes of future sunshine. As emerging economies develop further, their capital markets will expand and attractive investments will be found. The approach we use has not changed and in fact the overall shape of our thinking about the future is very similar to that which we laid out in this report a year ago. China and India, still growing and still offering great scope for productivity gains and industrial consolidation, are likely to continue to be important investment destinations for us in the years ahead, irrespective of this year's fluctuations. Nor do we intend to change our investment approach.

On that subject, I would like to conclude with an observation not about your Company's investments, but about your Company as a vehicle for investing in emerging markets. We have always sought to take a long term approach as investors, for two very simple reasons. First, it reduces the running costs of the portfolio; since all transactions incur costs, fewer transactions mean less cost. Second, we believe that the greatest inefficiencies in markets can be found by those prepared to exploit them over longer periods of time; in particular, the effect of compounding profit growth at above average rates becomes more and more powerful the longer it continues. We hope that the results achieved over the last five and ten years by your Company provide some vindication of this approach, but one should not underestimate the extent to which it is facilitated by the Company's structure as a closed-end investment trust. We have long argued that the ability to exchange the need of immediate short-term liquidity for higher eventual returns (very much in our interests as investors and therefore also in the interests of shareholders) is something that we should exploit. We have sought to do this.

As we look forward into next year and beyond, we still see great long-term opportunity in emerging markets; we hope that you as shareholders will want us to continue to invest your money there in the same way, concentrating on that longer term. It is therefore our hope that you will again approve the continuation of the Company in its current form, which has proved well-suited to investing in the developing world.

**Austin Forey**  
Investment Manager

26th September 2008

## Summary of Results

	2008	2007	
<b>Total Returns</b> for the year ended 30th June			
Return to shareholders <sup>1</sup>	+4.7%	+ 39.9%	
Return on net assets <sup>2</sup>	+2.5%	+ 41.4%	
Benchmark return <sup>3</sup>	+5.5%	+ 33.7%	
<b>Net Asset Value, Share Price and Discount</b> at 30th June			
			% change
Shareholders' funds (£'000)	518,430	507,958	+2.1
Net asset value per share	470.0p	460.5p	+2.1
Share price	433.5p	416.5p	+4.1
Discount of share price to net asset value	7.8%	9.6%	
Shares in issue	110,303,742	110,303,742	
<b>Revenue</b> for the year ended 30th June			
Gross revenue return (£'000)	9,456	8,055	+17.4
Net revenue attributable to shareholders (£'000)	2,858	2,157	+32.5
Revenue per share	2.59p	1.96p	+32.1
Dividend per share	2.00p	2.00p	—
<b>Actual Gearing Factor</b> at 30th June <sup>4</sup>			
	95.3%	100.8%	
<b>Total Expense Ratio ('TER')<sup>5</sup></b>			
	1.25%	1.24%	

A glossary of terms and definitions is provided on page 56.

<sup>1</sup>Source: Standard & Poor's – www.funds.morningstar.com

<sup>2</sup>Source: Fundamental Data – www.funddata.com

<sup>3</sup>Source: Datastream.

<sup>4</sup>Actual gearing represents investments, excluding holdings in liquidity funds, expressed as a percentage of total net assets.

<sup>5</sup>Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. Further details are given in the glossary of terms and definitions on page 56.

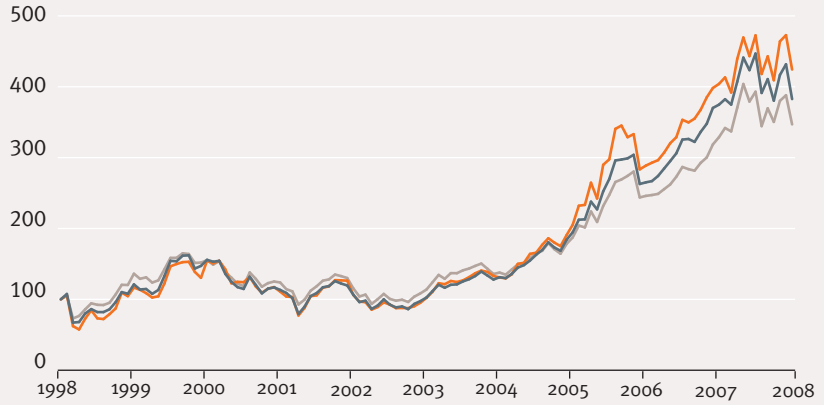
# Performance

- JPMorgan Emerging Markets – Share price
- JPMorgan Emerging Markets – Net asset value
- Benchmark

Source: Standard & Poor's – [www.funds.morningstar.com/](http://www.funds.morningstar.com/)  
 Fundamental Data – [www.funddata.com/](http://www.funddata.com/)  
 Datastream.

## Ten Year Performance

Figures have been rebased to 100 at 30th June 1998

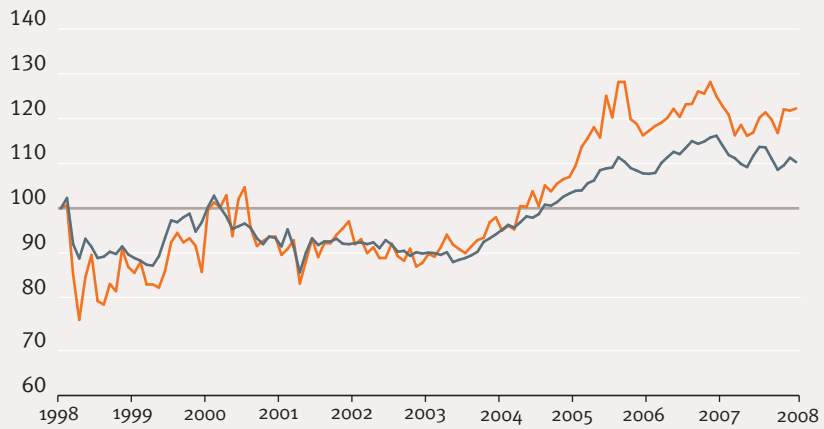


- JPMorgan Emerging Markets – Share price
- JPMorgan Emerging Markets – Net asset value
- Benchmark

Source: Standard & Poor's – [www.funds.morningstar.com/](http://www.funds.morningstar.com/)  
 Fundamental Data – [www.funddata.com/](http://www.funddata.com/)  
 Datastream.

## Performance Relative to Benchmark

Figures have been rebased to 100 at 30th June 1998



## Ten Year Financial Record

<b>As at 30th June</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005<sup>1</sup></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Shareholders' funds (£m)	125.5	144.1	179.0	129.8	120.4	115.9	148.4	222.2	360.9	508.0	518.4
Net asset value per share (p)	125.3	151.8	195.2	142.0	133.5	128.5	164.5	246.3	327.2	460.5	470.0
Share price (p)	105.3	122.8	162.8	116.8	111.8	107.5	137.8	216.0	299.0	416.5	433.5
Discount (%)	16.0	19.1	16.6	17.7	16.3	16.3	16.2	12.3	8.6	9.6	7.8
Actual gearing factor %	114.5	103.1	109.8	110.4	107.4	99.7	95.8	95.0	99.8	100.8	95.3
<b>Year ended 30th June</b>											
Gross revenue attributable to shareholders (£'000)	4,371	3,511	3,157	2,232	3,010	3,013	4,474	5,435	8,488	8,055	9,456
(Loss)/return per share (p)	(0.41)	(0.48)	(1.14)	(2.17)	(0.22)	0.69	2.47	2.87	4.30	1.96	2.59
Dividend per share (p)	—	—	—	—	—	—	—	2.45	3.65	2.00	2.00
Total expense ratio ('TER') % <sup>2</sup>	2.01	1.63	1.68	1.73	1.68	1.57	1.40	1.31	1.28	1.24	1.25
<b>Rebased to 100 at 30th June 1998</b>											
Share price total return <sup>3</sup>	100.0	116.6	154.6	110.9	106.2	102.1	130.9	205.2	288.7	405.3	424.3
Net asset value total return <sup>4</sup>	100.0	121.1	155.8	113.3	106.5	102.5	131.3	194.6	265.1	373.3	382.6
Benchmark <sup>5</sup>	100.0	136.2	155.3	123.8	115.5	113.8	137.8	187.4	246.0	328.8	346.9

A glossary of terms and definitions is provided on page 56.

<sup>1</sup>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 approved by shareholders. Years prior to 2005 have not been restated.

<sup>2</sup>Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. Further details are given in the glossary of terms and definitions on page 56.

<sup>3</sup>Source: Standard & Poor's – [www.funds.morningstar.com](http://www.funds.morningstar.com)

<sup>4</sup>Source: Fundamental Data – [www.funddata.com](http://www.funddata.com)

<sup>5</sup>Source: Datastream.

## Ten Largest Equity Investments

Company	Country	As at 30th June 2008		As at 30th June 2007	
		Valuation £'000	% <sup>1</sup>	Valuation £'000	%
<b>Petroleo Brasileiro</b> The national oil company of Brazil and a specialist in particular in deep-water exploration.	Brazil	50,886	9.8	27,184	5.4
<b>Vale</b> Vale produces and sells minerals and is the world's leader in the iron ore and pellets market. It also owns and operates railroads and maritime terminals.	Brazil	32,733	6.3	18,988	3.7
<b>America Movil</b> America Movil provides wireless communication services in all regions of Mexico. The company also participates in telecommunications joint ventures in multiple South American countries as well as in the United States.	Mexico	17,451	3.4	25,549	5.0
<b>Sasol<sup>2</sup></b> Sasol is a global energy company, producing synthetic fuels and chemicals from low-grade coal and converting natural gas to environmentally friendly fuels and chemicals.	South Africa	16,667	3.2	—	—
<b>MTN<sup>2</sup></b> The MTN Group is a leading provider of communication services, offering cellular network access and business solutions.	South Africa	11,798	2.3	11,121	2.2
<b>Impala Platinum<sup>2</sup></b> Impala Platinum Holdings is in the business of mining, refining and marketing of platinum group metals.	South Africa	11,624	2.2	9,114	1.8
<b>Housing Development Finance</b> India's leading mortgage lender, now diversifying into other financial services including insurance and asset management.	India	11,412	2.2	18,248	3.6
<b>Banco Itau</b> Banco Itau attracts deposits and offers retail, commercial, corporate and private banking services. The bank offers consumer loans, financial management, insurance, pension plans, treasury services, mortgage loans, lease financing, securities brokerage and foreign exchange services.	Brazil	10,723	2.1	13,108	2.6
<b>Sberbank Rossii</b> Sberbank is the undisputed leader of the Russian banking industry, accounting for over a quarter of national banking assets.	Russia	10,095	1.9	12,296	2.4
<b>Bharti Airtel<sup>2</sup></b> India's largest telecom business operator, providing telephone services and internet access.	India	9,784	1.9	—	—
<b>Total</b>		183,173	35.3		

<sup>1</sup> Based on total assets less current liabilities of £518.4m (2007: £508.8m).

<sup>2</sup> Not held in the portfolio at 30th June 2007.

As at 30th June 2007, the value of the ten largest investments amounted to £176.5m representing 34.7% of total assets less current liabilities.

# Portfolio Analyses

## Geographic Analysis

	30th June 2008		30th June 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Latin America	34.4	25.5	27.9	20.0
Europe/Middle East/Africa	27.8	25.9	31.1	26.3
East Asia	21.7	37.6	30.3	41.4
South Asia	11.4	11.0	11.3	12.3
Total equities	95.3	100.0	100.6	100.0
Liquidity fund	4.6	—	—	—
Net current assets/(liabilities)	0.1	—	(0.6)	—
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £518.4m (2007: £508.8m).

## Sector Analysis

	30th June 2008		30th June 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials	21.4	20.2	21.1	21.5
Materials	16.7	16.9	12.1	14.2
Energy	14.4	20.7	6.7	15.4
Consumer Staples	10.6	4.3	14.6	5.1
Consumer Discretionary	10.0	4.5	11.8	5.9
Telecommunication Services	10.0	10.9	14.7	10.5
Information Technology	5.2	10.4	9.3	12.9
Industrials	4.3	7.5	3.8	9.1
Healthcare	2.7	1.6	6.5	1.8
Utilities	—	3.0	—	3.6
Total equities	95.3	100.0	100.6	100.0
Liquidity fund	4.6	—	—	—
Net current assets/(liabilities)	0.1	—	(0.6)	—
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £518.4m (2007: £508.8m).

# Investment Activity

during the year ended 30th June 2008

	Value at 30th June 2007		Purchases £'000	Sales £'000	Changes in value £'000	Value at 30th June 2008	
	£'000	% of portfolio				£'000	% of portfolio
Brazil	88,836	17.4	3,838	29,637	52,811	115,848	22.4
China and Hong Kong	41,293	8.1	46,932	5,225	(20,563)	62,437	12.1
South Africa	57,130	11.2	16,054	10,676	(3,111)	59,397	11.5
India	46,768	9.1	24,064	15,685	(8,547)	46,600	9.0
Mexico	52,899	10.3	5,667	9,776	(2,919)	45,871	8.9
Russia	39,387	7.7	24,644	29,153	8,821	43,699	8.4
South Korea	71,845	14.0	—	37,316	436	34,965	6.7
Taiwan	24,509	4.8	99	937	(4,222)	19,449	3.8
United Arab Emirates	—	—	15,197	—	(3,782)	11,415	2.2
Argentina	7,251	1.4	5,485	2,745	(275)	9,716	1.9
Egypt	16,825	3.3	—	13,014	5,791	9,602	1.8
Israel	12,932	2.5	—	5,806	1,462	8,588	1.7
Indonesia	10,766	2.1	8,766	1,008	(10,093)	8,431	1.6
Austria	7,536	1.5	570	161	(1,467)	6,478	1.2
Malaysia	3,642	0.7	—	66	161	3,737	0.7
Chile	3,153	0.6	—	67	(390)	2,696	0.5
Hungary	10,304	2.0	—	6,178	(1,731)	2,395	0.5
Turkey	14,289	2.8	2,432	12,869	(1,842)	2,010	0.4
Romania	2,413	0.5	—	66	(1,684)	663	0.1
Pakistan	123	—	—	—	(19)	104	—
Czech Republic	13	—	—	—	(5)	8	—
<b>Total Equity Investment</b>	<b>511,914</b>	<b>100.0</b>	<b>153,748</b>	<b>180,385</b>	<b>8,832</b>	<b>494,109</b>	<b>95.4</b>
Liquidity Funds	—	—	36,037	11,950	(294)	23,793	4.6
<b>Total Portfolio</b>	<b>511,914</b>	<b>100.0</b>	<b>189,785</b>	<b>192,335</b>	<b>8,538</b>	<b>517,902</b>	<b>100.0</b>

# List of Investments

at 30th June 2008

Company	Valuation £'000	Company	Valuation £'000
<b>Brazil</b>		<b>India</b>	
Petroleo Brasileiro <sup>1</sup>	50,886	Housing Development Finance	11,412
Vale <sup>1</sup>	32,733	Bharti Airtel	9,784
Banco Itau	10,723	Reliance Capital	4,900
MMX Mineracao e Metalicos	9,453	Infosys Technologies	4,550
Weg	6,235	Infosys Technologies <sup>1</sup>	4,430
GP Investments <sup>1</sup>	3,011	Pantaloon Retail India	3,678
Cia de Bebidas das Americas <sup>1</sup>	2,807	ACC	2,801
	<b>115,848</b>	Zee Entertainment Enterprises	2,168
<b>China and Hong Kong</b>		Ambuja Cements <sup>1</sup>	1,363
China Merchants Bank	8,140	Indiabulls Real Estate <sup>1</sup>	900
Esprit Holdings	6,391	Indiabulls Real Estate	614
Anhui Conch Cement	6,199		<b>46,600</b>
Gome Electrical Appliances	4,632	<b>Mexico</b>	
FU JI Food & Catering Services	4,004	America Movil <sup>1</sup>	17,451
Agile Property	3,486	Grupo Financiero Banorte	8,330
Li & Fung	3,289	Cemex Sab-Sponsor <sup>1</sup>	5,175
Franshion Properties	3,247	Fomento Economico Mexicano <sup>1</sup>	4,923
Chaoda Modern Agriculture	3,146	Walmart De Mexico	4,202
China National Materials	3,091	Controladora Comercial Mexicana	3,691
Shimao Property	3,081	Grupo FAMSA	2,099
Xinyi Glass	3,057		<b>45,871</b>
Shui On Construction & Materials	2,964	<b>Russia</b>	
China National Building Material	2,438	Sberbank Rossii	10,095
Integrated Distribution Services	1,998	Mechel <sup>1</sup>	8,495
Convenience Retail Asia	1,725	Magnit	6,189
Tsingtao Brewery	1,549	Vimpel Communications <sup>1</sup>	4,711
	<b>62,437</b>	DIXY	4,577
<b>South Africa</b>		Severstal Auto	3,770
Sasol	16,667	Pharmacy Chain 36.6	3,687
MTN	11,798	RTM OAO	1,285
Impala Platinum	11,624	Open Investments	890
African Bank Investments	7,686		<b>43,699</b>
RMB Holdings	3,771	<b>South Korea</b>	
Massmart	3,244	KT&G <sup>1</sup>	8,940
Steinhoff International	2,477	Posco	6,378
Network Healthcare	2,130	Shinsegae	5,847
	<b>59,397</b>	Hyundai Motor	5,058
		Hyundai Mobis	4,262
		Hanmi Pharmaceutical	2,273
		Shinsegae Food System	2,207
			<b>34,965</b>

## List of Investments continued

Company	Valuation £'000	Company	Valuation £'000
<b>Taiwan</b>		<b>Turkey</b>	
Hon Hai Precision	9,357	East Pharma <sup>1</sup>	1,327
Taiwan Semiconductor Manufacturing <sup>1</sup>	8,404	Boyner Buyuk Magazacilik	683
President Chain Store	1,688		<b>2,010</b>
	<b>19,449</b>	<b>Romania</b>	
<b>United Arab Emirates</b>		A&D Pharma <sup>1</sup>	663
Emaar Properties	8,400		<b>663</b>
DP World	3,015	<b>Pakistan</b>	
	<b>11,415</b>	BRR International Modaraba	104
<b>Argentina</b>			<b>104</b>
Tenaris <sup>1</sup>	6,817	<b>Czech Republic</b>	
Banco Macro <sup>1</sup>	1,588	Czech & Slovak Investment Corporation <sup>2</sup>	8
Banco Patagonia <sup>1</sup>	1,311		<b>8</b>
	<b>9,716</b>	<b>Total equity investments</b>	
<b>Egypt</b>			<b>494,109</b>
Orascom Telecom	4,830	<b>Liquidity Fund</b>	
Orascom Construction Industries	4,772	JPMorgan US Dollar Liquidity Fund <sup>2</sup>	23,793
	<b>9,602</b>		<b>23,793</b>
<b>Israel</b>		<b>Total Portfolio</b>	
Teva Pharmaceutical Industries <sup>1</sup>	5,332		<b>517,902</b>
Israel Discount Bank	3,256		
	<b>8,588</b>		
<b>Indonesia</b>			
Telekom Indonesia <sup>1</sup>	3,061		
Bank Rakyat Indonesia	2,831		
Unilever Indonesia	2,539		
	<b>8,431</b>		
<b>Austria</b>			
Raiffeisen International Bank	6,478		
	<b>6,478</b>		
<b>Malaysia</b>			
British American Tobacco Malaysia	3,737		
	<b>3,737</b>		
<b>Chile</b>			
Banco Santander-Chile <sup>1</sup>	2,696		
	<b>2,696</b>		
<b>Hungary</b>			
OTP Bank <sup>1</sup>	2,395		
	<b>2,395</b>		

<sup>1</sup>Comprises ADRs/GDRs/ADSs/GDSs/BDRs.<sup>2</sup>Managed by JPMorgan Asset Management.

## Board of Directors



**Roy Reynolds, CMG \*§†‡**  
**(Chairman of the Board and of the Nomination Committee and Remuneration Committee)**

A Director since December 1999.

Formerly a Director of LASMO plc, the Chief Executive of the Commonwealth Development Corporation and Managing Director of Shell UK Oil.



**David Gamble \*§†‡**

A Director since April 2006.

Formerly Chief Executive of British Airways Pension Investment Management and Director of F&C Emerging Markets Investment Trust plc. Mr Gamble is currently a Director and trustee of IBM (UK) Pension Trust and External Investment Adviser to the BBC Pension Trust Limited, Chairman of the management committee of Hermes Property Unit Trust, a Director of New Star Asset Management Group plc, and a Director of four other investment trusts and a number of other companies.



**Anatole Kaletsky \*§†‡**

A Director since September 2003.

Editor at Large at The Times of London and also Co-Chairman of Gavekal Research, a Hong Kong based investment boutique which provides economic analysis and asset management services to financial institutions around the world.



**Valentine Powell \*§†‡**

A Director since April 2006.

Formerly a senior partner of Pinchin Denny & Co., Chairman of F&C Emerging Markets Investment Trust plc, a Director of Morgan Grenfell Securities, Chief Executive of the Association of Lloyd's Members and of the Lloyd's Corporate Capital Association. Mr Powell is currently a Director of The Rank Foundation and Chairman of the Foundation for Christian Communication Limited.



**Alan Saunders \*§†‡**  
**(Senior Independent Director and Chairman of the Audit Committee)**

A Director since May 2002.

An Independent Investment Consultant with Allenbridge Group plc. Mr Saunders was formerly Chief Economist at Royal Dutch Shell and also held senior investment roles in both Lazards and the Private Banking Division of UBS A.G. He is currently independent investment adviser to Dorset County Council Pension Scheme and an independent trustee of two private sector pension schemes as well as acting as a Non-Executive Director of ING Real Estate (UK).

\* Member of the Audit Committee

§ Member of the Nomination Committee

† Member of the Remuneration Committee

‡ Considered by the Board to be independent

# Directors' Report

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

## Business Review

### Business of the Company

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

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

The Company is an investment company within the meaning of Section 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 and 3, and in the Investment Manager's Report on pages 4 to 6.

### Objective

The Company's objective is to achieve capital growth from emerging markets worldwide.

### Investment Policies and Risk Management

In order to achieve the investment objective and to seek to manage risk, the Company invests in a well diversified spread of countries, industries and companies. The Company invests primarily in quoted securities in emerging stock markets but, where necessary or appropriate in the absence of suitable quoted securities, it may invest in unquoted securities. It may invest in other collective investment schemes, but usually only where legal restrictions prevent direct investment by foreigners or prudent diversification can best be achieved in this way. The Company conducts its affairs so as to achieve and maintain approved investment trust status in the UK.

The Company is managed to produce capital growth and not to produce any particular level of dividend and it will only pay dividends to the extent that it has profits available for that purpose.

The Board's policy is to employ gearing when the Manager believes it is appropriate to do so. The Board regularly reviews this policy. Should the Manager decide to employ gearing, the Company will remain invested in the range of 90-120% under normal market conditions.

The Board has set no minimum or maximum limits on the number of investments in the portfolio but it is a relatively

concentrated portfolio consisting typically of between 60 and 90 investments. The assets are managed by an investment manager based in London who is supported by a 50 strong emerging markets equity team.

It should be noted that emerging market companies (and investments in their shares) are subject to certain risks and special considerations which are not typically associated with more developed markets and economies.

### Investment Restrictions and Guidelines

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

- As an investment trust, the Company cannot invest more than 15% of its assets in any one investment, at the time of acquisition. The Company will not invest more than 10% of its total assets in any one individual stock (excluding investment trusts) at the time of acquisition.
- No more than 50% of the Company's assets may be invested in any one region.
- No more than an aggregate of 25% of the Company's assets (before deducting borrowings) may be invested in (i) securities not listed on any recognised investment exchange; and (ii) holdings in which the Company's interest amounts to 20% or more of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than an investment trust which has been approved by HM Revenue & Customs or which would qualify for such approval but for the fact that it is not listed).
- In accordance with the Listing Rules of the UK Listing Authority, the Company will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval.

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

### Performance

In the year to 30th June 2008, the Company produced a total return to shareholders of +4.7% and a total return on net assets of +2.5%. This compares with the return on the Company's benchmark index of +5.5%. As at 30th June 2008, the value of the Company's investment portfolio (including liquidity fund holdings) was £517.9m. The Investment Manager's Report on pages 4 to 6 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

**Total Return, Revenue and Dividends**

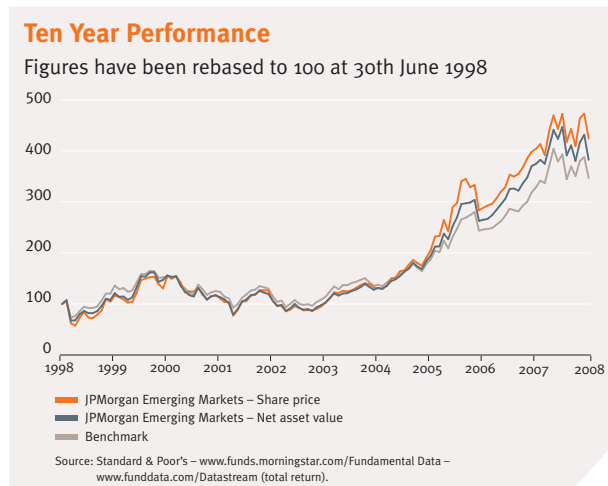
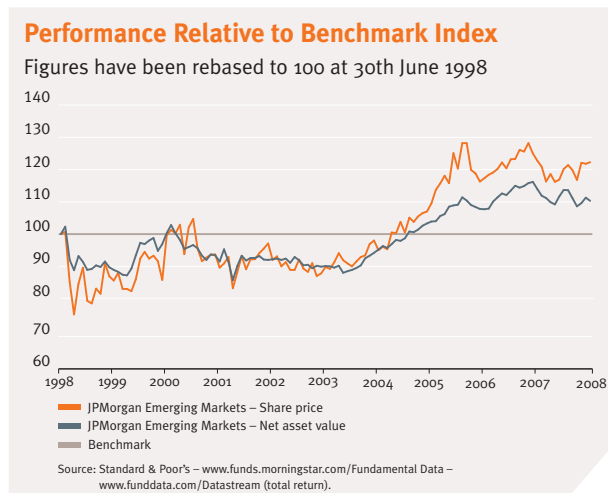
Gross total return for the year amounted to £17.4m (2007: £158.8m) and net total return after deducting interest, administration expenses and taxation amounted to £12.7m (2007: £148.7m). Distributable income for the year amounted to £2,858,000 (2007: £2,157,000).

The Directors recommend a final dividend of 2.0p per share payable on 13th November 2008 to holders on the register at the close of business on 24th October 2008. This distribution will amount to £2,206,000. The revenue reserve after transfer of the final dividend will amount to £1,131,000.

**Key Performance Indicators ('KPIs')**

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

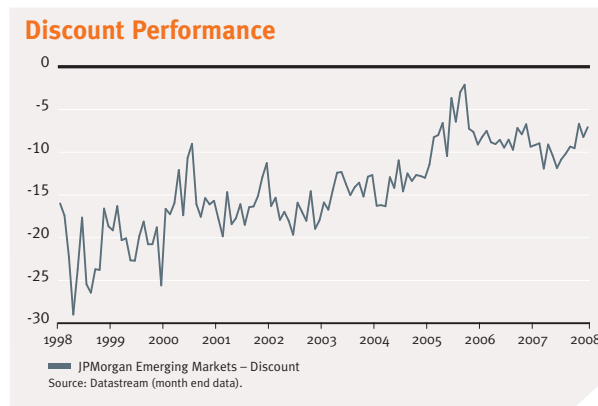
- **Performance against the benchmark index**  
This is the most important KPI by which performance is judged.



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

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

- **Discount to net asset value ('NAV')**  
The Board has a share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This helps to reduce the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers in the sector. In the year to 30th June 2008, the shares traded between a discount of 4.8% and 14.2%.



- **Total expense ratio ('TER')**  
The TER is an expression of the Company's management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 30th June 2008 was 1.25% (2007: 1.24%, as restated). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

**Share Capital**

The Company did not issue or repurchase any shares for cancellation during the year. However, Special Resolutions to renew the authority to issue and repurchase shares will be put to shareholders for approval at the Annual General Meeting.

## Directors' Report continued

The Company does not currently hold any shares in Treasury and does not have authority to reissue shares from Treasury at a discount to NAV. More details are given on pages 20 and 21 and the full text of the resolutions is set out on pages 50 and 51.

### Principal Risks

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

- **Investment Underperformance:** An inappropriate investment strategy with regard to, for example asset allocation, the level of gearing or the degree of portfolio risk, could lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments and through a set of investment restrictions and guidelines which are monitored and reported on by the Manager. JPMorgan Asset Management (UK) Limited ('JPMAM') provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Manager, who attends all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Board holds a separate meeting devoted to strategy each year.
- **Political and Economic:** Administrative risks, such as the imposition of restrictions on the free movement of capital.
- **Loss of Investment Team or Investment Manager:** A sudden departure of the investment manager or several members of the investment management team could result in a short-term deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach, as well as special efforts to retain key personnel.
- **Discount:** A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders. The Board regularly discusses discount policy and has set parameters for the Manager and the Company's broker to follow.
- **Change of Corporate Control of the Manager:** The Board holds regular meetings with senior representatives of JPMAM in order to obtain assurance that the Manager continues to demonstrate a high degree of commitment to its investment trusts business through the provision of significant resources.
- **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 JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Acts and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with the Companies Acts and the UKLA Listing Rules.
- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 22 to 25.
- **Operational:** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 24.
- **Financial:** The financial risks faced by the Company are disclosed in note 22 on pages 42 to 46.

### Future Developments

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

### Management of the Company

The Manager and Secretary, JPMorgan Asset Management (UK) Limited ('JPMAM') is employed under a contract which is subject to twelve months' notice of termination

unless notice is given as a result of poor investment performance, in which case the contract can be terminated on six months' notice. 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 Investment Manager, noting consistent outperformance of the benchmark over the long term, and the support that the Company receives from JPMAM.

### Management and Performance Fees

The management fee is charged at the rate of 1.0% per annum of the Company's total assets less current liabilities. The fee is calculated and paid monthly in arrears. Investments on which JPMAM earns a fee are excluded from the calculation and therefore attract no fee.

In addition the Manager receives a performance fee equivalent to 10% of any outperformance of the Company's net asset value ('NAV') per share (on a total return basis) over the Company's benchmark index, the MSCI Emerging Markets Free Index in sterling terms (on a total return basis) over the Company's financial year. The performance fee is calculated at the end of the Company's financial year and charged to its capital account in the annual financial statements. However, an estimate is accrued on a monthly basis and reflected in the Company's published NAV per share.

The amount of performance fee earned and paid to the Manager each year is subject to the following conditions:

- Any performance fee earned in a given year is divided into two categories; that which can be offset ('offsetable') by underperformance in future years; and that which cannot ('non-offsetable').
- The 'non-offsetable' fee that can be earned in any one year is capped at 0.75% of the Company's average monthly total assets less current liabilities for the year. In a year when the Company produces a negative NAV total return per share, the 'non-offsetable' fees earned in that year are accrued but not paid. In a year when the Company produces a positive NAV total return per share, the Company will pay to the Manager all 'non-offsetable' fees earned in that year and those accrued from previous years, subject to the restriction below.
- The maximum fee that can be paid to JPMAM in any one year is capped at 0.75% of the Company's average monthly total assets less current liabilities for the year.
- The 'offsetable' fee is uncapped and equal to any fees earned in excess of the 0.75% cap. Until paid (i.e. in a year when the NAV total return per share is zero or positive), these fees are capable of being absorbed by any underperformance in a subsequent year.
- The performance fee calculation restarts at the end of a period when outperformance of the benchmark has been achieved and a performance fee earned.

The results for the year ended 30th June 2008 gave rise to a negative performance fee of £1,774,000. Fees brought forward from previous years (due to the 0.75% cap restriction) amounting to £749,000 have been offset against this and written back. The cumulative performance fee is negative £1,025,000. This negative balance will be carried forward and offset by future outperformance.

### 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 those terms. As at 30th June 2008, the Company had no outstanding trade creditors (2007: none).

### Directors

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

Directors	30th June 2008	1st July 2007
David Gamble	3,781	3,781
Anatole Kaletsky	4,203	4,203
Valentine Powell	11,344	11,344
Roy Reynolds	17,000	15,000
Alan Saunders	5,000	5,000

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

Nigel Kenny was appointed a Director with effect from 1st September 2008.

## Directors' Report continued

In accordance with the Articles of Association, the Directors retiring by rotation at the Annual General Meeting will be David Gamble and Roy Reynolds. Both Directors, being eligible, offer themselves for re-election. Nigel Kenny, having joined the Board on 1st September 2008, will also seek re-election at the Annual General Meeting.

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 (as defined) and to establish that the Company's auditors are aware of that information.

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

### Section 992 Companies Act 2006

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

#### Capital Structure

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

#### Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 11 to the Notice of AGM on page 52.

#### 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	%
Lazard Asset Management LLC	13,333,350	12.1
Sarasin Chiswell	10,314,473	9.4
Puddle Dock Nominees Limited <sup>1</sup>	8,569,069	7.8
City of London Investment Management Company Limited	8,181,632	7.4
Royal Skandia	6,089,708	5.5
Devon County Council	5,110,000	4.6
Legal & General Investment Management Limited	4,533,336	4.1
National Grid UK Pension Scheme	4,333,777	3.9

<sup>1</sup>Held on behalf of JPMAM Share Plan and ISA participants.

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

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

### Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be put to shareholders at the Annual General Meeting.

### Annual General Meeting

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

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

#### (i) Continuation vote (resolution 8)

The Directors recommend that the Company continues in existence as an investment trust for a further three year period.

#### (ii) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 9 and 10)

The Directors will seek renewal of the authority at the Annual General Meeting to issue up to 5,515,187 new ordinary shares for cash up to an aggregate nominal amount of £1,378,796 such amount being equivalent to 5% of the present issued share capital. The full text of the resolutions is set out in the Notice of Meeting on page 50.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value (the 'NAV'), they increase the NAV per share and spread the Company's administrative expenses, other than the management fee

which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

**(iii) Authority to repurchase the Company's shares for cancellation (resolution 11)**

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2007 Annual General Meeting, will expire on 7th May 2009 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

The full text of the resolution is set out in the Notice of Meeting on pages 50 and 51. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share as and when market conditions are appropriate.

**(iv) Adoption of new Articles of Association (resolution 12)**

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 AGM.

The principal changes brought about by the new Articles of Association proposed to be adopted at the forthcoming AGM relate to electronic communication with shareholders, shareholder meetings and resolutions, directors' indemnities, transfers of shares and directors' conflicts of interest. For a more detailed explanation of these and other amendments please refer to the Appendix on pages 53 to 55.

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 AGM, for 15 minutes prior to, and during, the meeting.

**Recommendation**

The Board considers that resolutions 1 to 12 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The

Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 41,328 shares representing approximately 0.04% of the voting rights of the Company.

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

# Corporate Governance

## Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 27, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the Combined Code, insofar as they are relevant to the Company's business, and of 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 been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

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

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

## Board Composition

The Board, chaired by Roy Reynolds, consists of between five and seven non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman. The Directors have a breadth of

investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 15.

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

Anatole Kaletsky is founding partner and Chief Economist of Gavekal Research, whose clients include JPMorgan's Treasury Division. The Board does not believe this connection influences Mr Kaletsky's independence as a Director of this Company.

## 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 re-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 thereafter.

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

As a result of the Board's evaluation process described on the following page, it confirms that David Gamble and Roy Reynolds, who retire by rotation at this year's Annual General Meeting, continue to be effective Directors and the Board recommends their re-election.

## Meetings and Committees

The Board delegates certain responsibilities and functions to committees. All Directors are members of the committees, with the exception of the Chairman who attends the Audit Committee by invitation.

The table below details the number of Board and Committee meetings attended by each Director. During the year, there were five Board meetings, plus a meeting of the Directors to evaluate the Manager and a separate meeting devoted to strategy, two Audit Committee meetings, a Nomination Committee meeting and a Remuneration Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Remuneration Committee Meetings Attended	Nomination Committee Meetings Attended
David Gamble	5	2	1	1
Anatole Kaletsky	4	1	1	1
Valentine Powell	5	2	1	1
Roy Reynolds	5	1*	1	1
Alan Saunders	5	2	1	1

\*Ceased to be a member of the Audit Committee on 12th September 2007, Mr. Reynolds now attends by invitation.

### Training and Appraisal

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

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

### Board Committees

#### Nomination Committee

The Nomination Committee, chaired by Roy Reynolds, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. A variety of sources, including the use of external search consultants, may be used to ensure that a wide range of candidates are considered. Search consultants were used in the recruitment of Nigel Kenny and Percy Mistry.

The Committee undertakes an annual performance evaluation to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board.

#### Remuneration Committee

The Remuneration Committee, chaired by Roy Reynolds, consists of all of the Directors and meets annually to review the levels of remuneration of the Chairman, the Chairman of the Audit Committee and other Directors, taking into account both boards of other investment trusts and corporate salaries generally to ensure that high quality people are attracted and retained.

#### Audit Committee

The Audit Committee, chaired by Alan Saunders and whose membership is set out on page 15, meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfill the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience.

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. 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.

#### Terms of Reference

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

#### Relations with Shareholders

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

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the

## Corporate Governance continued

Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Manager who reviews the Company's performance. The Company's brokers, the Investment Manager 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 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 misstatement or loss.

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

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

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

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

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

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

During the course of its review of the system of internal control, the Board has not identified or 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 text below 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](http://www.jpmorganassetmanagement.co.uk/institutional) and within the "Commentary & Analysis" tab you will find a section on Corporate Governance.

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

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

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

JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote.

### Corporate Social Responsibility

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

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

## Directors' Remuneration Report

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

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

### Directors' Remuneration<sup>1</sup>

Director's Name	2008 £	2007 £
Roy Reynolds (Chairman)	27,500	27,500
David Gamble	18,000	18,000
Anatole Kaletsky	18,000	18,000
Roy Peters <sup>2</sup>	—	5,500
Valentine Powell	18,000	18,000
Alan Saunders	22,000	21,744

<sup>1</sup>Audited information.

<sup>2</sup>Retired on 30th September 2006.

The total Directors' fees of £103,500 (2007: £108,744) comprise £103,500 (2007: £108,744) in respect of aggregate emoluments paid to Directors and £nil (2007: £nil) paid to third parties for making available the services of Directors.

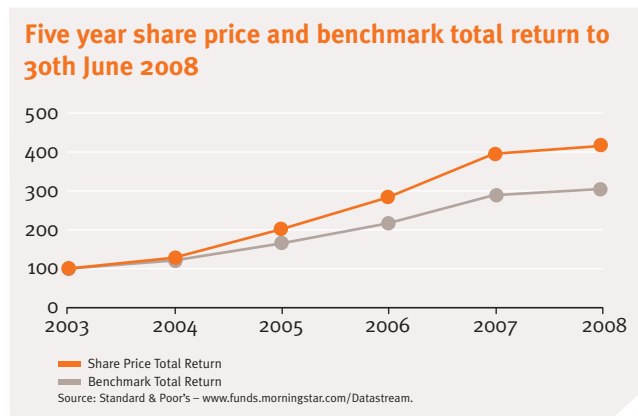
The Board's policy is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher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

The Remuneration Committee reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Secretary, JPMAM, 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 and the Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment. The Articles stipulate that aggregate fees must not exceed £175,000 per annum. Any increase in this amount requires both Board and shareholder approval.

With effect from 1st July 2008, Directors' fees were increased to the following levels: Chairman £30,000; Audit Committee Chairman £25,000; and other Directors £20,000.

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

A graph showing the Company's share price total return compared with the return on its benchmark index, the MSCI Emerging Markets Free Index (in sterling terms), over the last five years is shown below:



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

## Directors' Responsibilities in Respect of the Accounts

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the 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.jpmemergingmarkets.co.uk](http://www.jpmemergingmarkets.co.uk) website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions

### Statement under the Disclosure & Transparency Rules 4.1.12

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

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

For and on behalf of the Board  
 Roy Reynolds,  
 Chairman  
 26th September 2008

# Independent Auditors' Report<sup>1</sup>

## To the members of JPMorgan Emerging Markets Investment Trust plc

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

## Respective Responsibilities of Directors and 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 Manager's Report that is cross-referenced from the Business Review section of the Directors' Report.

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

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

form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Financial Results, the Chairman's Statement, the Investment Manager's Report and the other elements of the Investment Review, the Directors' Report, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

## Basis of audit opinion

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

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

## Opinion

In our opinion:

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

## PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors

London

26th September 2008

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

# Income Statement

for the year ended 30th June 2008

	Notes	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
Gains from investments held at fair value through profit or loss	2	—	8,491	8,491	—	151,401	151,401
Net foreign currency losses		—	(516)	(516)	—	(650)	(650)
Income from investments	3	9,356	—	9,356	8,010	—	8,010
Other interest receivable and similar income	3	100	—	100	45	—	45
<b>Gross return</b>		<b>9,456</b>	<b>7,975</b>	<b>17,431</b>	<b>8,055</b>	<b>150,751</b>	<b>158,806</b>
Management fee	4	(5,394)	—	(5,394)	(4,500)	—	(4,500)
Performance fee writeback/(charge)	4	—	1,020	1,020	—	(4,176)	(4,176)
Other administrative expenses	5	(1,016)	—	(1,016)	(885)	—	(885)
VAT recoverable	6	811	292	1,103	—	—	—
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>3,857</b>	<b>9,287</b>	<b>13,144</b>	<b>2,670</b>	<b>146,575</b>	<b>149,245</b>
Finance costs	7	(129)	—	(129)	(55)	—	(55)
<b>Net return on ordinary activities before taxation</b>		<b>3,728</b>	<b>9,287</b>	<b>13,015</b>	<b>2,615</b>	<b>146,575</b>	<b>149,190</b>
Taxation	8	(870)	533	(337)	(458)	—	(458)
<b>Net return on ordinary activities after taxation</b>		<b>2,858</b>	<b>9,820</b>	<b>12,678</b>	<b>2,157</b>	<b>146,575</b>	<b>148,732</b>
<b>Return per share</b>	10	<b>2.59p</b>	<b>8.90p</b>	<b>11.49p</b>	<b>1.96p</b>	<b>132.88p</b>	<b>134.84p</b>

**Dividends proposed in respect of the financial year ended 30th June 2008 total 2.0p per share (2007: 2.0p per share) costing £2,206,000 (2007: £2,206,000). More details can be found in note 9(a) on page 37.**

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

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

The notes on pages 33 to 47 form an integral part of these accounts.

## Reconciliation of Movements in Shareholders' Funds

for the year ended 30th June 2008

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 30th June 2006</b>	27,575	71,052	1,665	69,939	188,467	2,183	360,881
Net return from ordinary activities	—	—	—	—	146,575	2,157	148,732
Dividends appropriated in the year	—	—	—	—	—	(1,655)	(1,655)
<b>At 30th June 2007</b>	27,575	71,052	1,665	69,939	335,042	2,685	507,958
Net return from ordinary activities	—	—	—	—	9,820	2,858	12,678
Dividends appropriated in the year	—	—	—	—	—	(2,206)	(2,206)
<b>At 30th June 2008</b>	27,575	71,052	1,665	69,939	344,862	3,337	518,430

The notes on pages 33 to 47 form an integral part of these accounts.

# Balance Sheet

at 30th June 2008

	Notes	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss		494,109	511,914
Investments in liquidity funds at fair value through profit or loss		23,793	—
<b>Total investments</b>	11	517,902	511,914
<b>Current assets</b>			
Debtors	12	2,392	808
Cash and short term deposits		7	925
Derivative financial instrument: forward currency contract at fair value through profit or loss		2	—
		2,401	1,733
<b>Creditors: amounts falling due within one year</b>	13	(1,873)	(4,889)
<b>Net current assets/(liabilities)</b>		528	(3,156)
<b>Total assets less current liabilities</b>		518,430	508,758
<b>Creditors: amounts falling due after more than one year</b>			
<b>Provisions for liabilities and charges</b>	14	—	(800)
<b>Total net assets</b>		518,430	507,958
<b>Capital and reserves</b>			
Called up share capital	15	27,575	27,575
Share premium	16	71,052	71,052
Capital redemption reserve	16	1,665	1,665
Other reserve	16	69,939	69,939
Capital reserves	16	344,862	335,042
Revenue reserve	16	3,337	2,685
<b>Shareholders' funds</b>		518,430	507,958
<b>Net asset value per share</b>	17	470.0p	460.5p

The accounts on pages 29 to 47 were approved and authorised for issue by the Directors on 26th September 2008 and are signed on their behalf by:  
Alan Saunders  
Director

The notes on pages 33 to 47 form an integral part of these accounts.

# Cash Flow Statement

for the year ended 30th June 2008

	Notes	2008 £'000	2007 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	18	(1,351)	206
<b>Returns on investments and servicing of finance</b>			
Interest paid		(129)	(55)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(129)	(55)
<b>Taxation</b>			
Taxation recovered		3	—
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(189,032)	(93,139)
Sales of investments		192,335	93,683
Other capital charges		(20)	(18)
<b>Net cash inflow from capital expenditure and financial investment</b>		3,283	526
Dividends paid		(2,206)	(1,655)
<b>Net cash outflow before financing</b>		(400)	(978)
<b>Decrease in cash in the year</b>	19	(400)	(978)

The notes on pages 33 to 47 form an integral part of these accounts.

# Notes to the Accounts

for the year ended 30th June 2008

## 1. Accounting policies

### (a) Basis of accounting

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

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

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in notes 22 and 23 on pages 42 to 47.

### (b) Valuation of investments

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

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

### (c) Income

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

UK dividends are accounted for net of any tax credits. Overseas dividends are shown gross of withholding tax.

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

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

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

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

### (d) Expenses

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

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

## Notes to the Accounts continued

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

Interest bearing bank loans 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 gain or loss is included in debtors or creditors respectively. This represents a change in accounting policy from the prior year where the amount receivable under these contracts and the amount payable was included separately in debtors and creditors respectively. The prior year accounts have been restated, however, this adjustment has no effect on the net assets of the Company.

### (g) Foreign currency

In accordance with 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, have determined the functional currency to be sterling. Sterling is also the currency in which the accounts are presented.

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

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

### (h) Taxation

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

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

### (i) Dividends

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

### (j) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 6 on page 36.

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
<b>2. Gains from investments held at fair value through profit or loss</b>		
Gains from investments held at fair value through profit or loss based on historical cost	96,429	28,408
Amounts recognised as revaluation gains in the previous year	(84,911)	(23,270)
Realised gains based on carrying value at previous balance sheet date	11,518	5,138
Net movement in revaluation gains	(2,980)	146,285
Other capital charges	(47)	(22)
Total capital gains from investments held at fair value through profit or loss	8,491	151,401
	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
<b>3. Income</b>		
Income from investments		
Dividends from investments listed in the UK	23	121
Dividends from investments listed overseas	9,139	7,646
Income from liquidity fund	95	—
Scrip dividends	99	243
	9,356	8,010
Other income		
Deposit interest	54	38
Stock lending fees	46	7
	100	45
Total income	9,456	8,055
	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
<b>4. Management fee and performance fee</b>		
Management fee	5,505	4,215
VAT thereon (written back)/charged	(111)	285
	5,394	4,500
Performance fee (written back)/charged	(749)	3,826
VAT (write back)/charge on prior year's performance fee	(220)	350
Write back of VAT provision	(51)	—
	(1,020)	4,176

Details of the management and performance fees are given in the Directors' Report on page 19.

## Notes to the Accounts continued

	2008 £'000	2007 £'000
<b>5. Other administrative expenses</b>		
Other management expenses	777	620
Directors' fees <sup>1</sup>	104	109
Savings products <sup>2</sup>	110	131
Auditors' remuneration – for audit services <sup>3</sup>	25	25
	1,016	885

<sup>1</sup>Full disclosure is given in the Directors' Remuneration Report on page 26.

<sup>2</sup>Paid to JPMAM for the marketing of 'wrapper' products.

<sup>3</sup>Includes £300 (2007: £1,000) irrecoverable VAT.

### 6. VAT recoverable

In November 2007, HM Revenue & Customs announced that it had withdrawn its appeal in the case, brought jointly by the AIC and JPMorgan Claverhouse Investment Trust plc, challenging the imposition of VAT on management fees paid by investment trust companies. The Company ceased paying VAT on management fees with effect from 1st October 2007 and is entitled to seek reimbursement of VAT paid in the past. The VAT stated as recoverable represents VAT which is expected to be recovered from the Manager with sufficient certainty in respect of most years from the Company's launch in 1991 to 30th September 2007. The Board is satisfied with the legal advice that it has received on this matter. The amounts will not be actually received by the Company from the Manager until HM Revenue & Customs refunds certain amounts to the Manager. The VAT expected to be recoverable has been allocated between income and capital in the proportions in which it was expensed to income and capital in each relevant period when it was paid by the Company.

	2008 £'000	2007 £'000
<b>7. Finance costs</b>		
Bank loans and overdrafts	129	55

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
<b>8. Taxation</b>						
<b>(a) Analysis of tax charge in the year</b>						
UK corporation tax at 29.5% (2007: 30%)	776	—	776	—	—	—
Double taxation relief	(776)	—	(776)	—	—	—
Overseas withholding tax	337	—	337	458	—	458
Tax attributable to expenses and finance costs charged to capital	533	(533)	—	—	—	—
Current tax charge for the year	870	(533)	337	458	—	458

**(b) Factors affecting current tax charge for the year**

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
Net return on ordinary activities before taxation	3,728	9,287	13,015	2,615	146,575	149,190
Net return on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 29.5% (2007: 30%)	1,099	2,740	3,839	784	43,973	44,757
Effects of:						
Non taxable capital returns	—	(2,353)	(2,353)	—	(45,225)	(45,225)
Non taxable UK dividends	(7)	—	(7)	(36)	—	(36)
Non taxable scrip dividends	(29)	—	(29)	(73)	—	(73)
Income taxed in different periods	(127)	—	(127)	45	—	45
Tax relief on capitalised expenses	387	(387)	—	(1,252)	1,252	—
Overseas withholding tax	337	—	337	458	—	458
Double taxation relief	(776)	—	(776)	—	—	—
Brought forward excess expenses utilised	(547)	—	(547)	—	—	—
Unrelieved expenses	—	—	—	532	—	532
Tax attributable to expenses charged to capital	533	(533)	—	—	—	—
Current tax charge for the year	870	(533)	337	458	—	458

The Company has an unrecognised deferred tax asset of £1,681,000 based on a prospective corporation tax rate of 28% (2007: £2,882,000 based on a corporation tax rate of 30%). This has arisen because deductible expenses have exceeded taxable income. This asset may be utilised in future years where there is an excess of taxable income over deductible expenses. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

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

**9. Dividends**

	2008 £'000	2007 £'000
<b>(a) Dividends paid</b>		
2007 Final dividend of 2.0p (2006: 1.5p)	2,206	1,655
Total dividends paid in the year	2,206	1,655
<b>Dividends proposed</b>		
Final dividend payable of 2.0p (2007: 2.0p)	2,206	2,206
Total dividends proposed	2,206	2,206

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

## Notes to the Accounts continued

### (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 proposed of 2.0p (2007: 2.0p)	2,206	2,206
Total dividend for Section 842 purposes	2,206	2,206

The revenue available for distribution by way of dividend for the year is £2,858,000 (2007: £2,157,000).

### 10. Return per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £2,858,000 (2007: £2,157,000) and on the weighted average number of shares in issue during the year of 110,303,742 (2007: 110,303,742).

The capital return per share is based on the capital gains attributable to the ordinary shares of £9,820,000 (2007: £146,575,000) and on the weighted average number of shares in issue during the year of 110,303,742 (2007: 110,303,742).

The total return per share is based on the total return attributable to the ordinary shares of £12,678,000 (2007: £148,732,000) and on the weighted average number of shares in issue during the year of 110,303,742 (2007: 110,303,742).

	2008 £'000	2007 £'000
Investments listed on a recognised investment exchange	517,902	511,913
Unlisted investments	—	1
	517,902	511,914

### 11. Investments

	2008		
	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	240,304	—	240,304
Opening revaluation gains	271,609	1	271,610
Opening valuation	511,913	1	511,914
Movements in the year:			
Purchases at cost	189,785	—	189,785
Sales – proceeds	(192,335)	—	(192,335)
Sales – realised gains/(losses) on sales	11,519	(1)	11,518
Net change in revaluation gains	(2,980)	—	(2,980)
	517,902	—	517,902
Closing book cost	334,183	—	334,183
Closing revaluation gains	183,719	—	183,719
	517,902	—	517,902

Transaction costs on purchases during the year amounted to £436,000 (2007: £200,000) and on sales during the year amounted to £428,000 (2007: £219,000). These costs comprise brokerage commission.

During the year £84,911,000 of prior year revaluation gains have been transferred to realised reserve as disclosed in note 16.

	2008 £'000	2007 £'000
<b>12. Current assets</b>		
<b>Debtors</b>		
Dividends and interest receivable	1,228	704
Other debtors	61	104
VAT recoverable <sup>1</sup>	1,103	—
	2,392	808

<sup>1</sup>Further details are given in note 6 on page 36.

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

#### Cash and short term deposits

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

	2008 £'000	2007 £'000
<b>13. Creditors: amounts falling due within one year:</b>		
Securities purchased for future settlement	1,377	723
Performance fee payable	—	3,258
VAT payable on accrued performance fee	—	220
Other creditors and accruals	496	688
	1,873	4,889

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

	2008 £'000	2007 £'000
<b>14. Provision for liabilities and charges</b>		
<b>Performance fee payable<sup>1</sup></b>		
Opening balance	749	181
Performance fee (writeback)/charge for the year	(749)	3,826
Amount realised during the year	—	(3,258)
Closing Balance	—	749

<sup>1</sup>Further details on the performance fee can be found in the the Directors' Report on page 19.

	2008 £'000	2007 £'000
<b>Irrecoverable VAT on performance fee payable</b>		
Opening balance	51	5
(Writeback)/charge for the year	(51)	266
Amount realised during the year	—	(220)
Closing Balance	—	51

## Notes to the Accounts continued

	2008 £'000	2007 £'000
<b>15. Called up share capital</b>		
Authorised share capital:		
296,000,000 ordinary shares of 25p each	74,000	74,000
Issued and fully paid share capital:		
Ordinary shares of 25p each		
110,303,742 shares (2007: same)	27,575	27,575

	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
<b>16. Reserves</b>						
Opening balance	71,052	1,665	69,939	64,232	270,810	2,685
Currency loss on cash and short-term deposits held during the year	—	—	—	(518)	—	—
Unrealised gains on foreign currency contracts	—	—	—	—	2	—
Realised gains on investments	—	—	—	11,518	—	—
Net change in revaluation gains	—	—	—	—	(2,980)	—
Transfer on disposal of investments	—	—	—	84,911	(84,911)	—
Performance fee writeback	—	—	—	—	749	—
Writeback of VAT on prior years' performance fee	—	—	—	220	—	—
Writeback of VAT provision	—	—	—	—	51	—
VAT recoverable	—	—	—	292	—	—
Other capital charges	—	—	—	(47)	—	—
Tax relief on expenses charged to capital	—	—	—	533	—	—
Dividends appropriated in the year	—	—	—	—	—	(2,206)
Retained revenue for the year	—	—	—	—	—	2,858
Closing balance	71,052	1,665	69,939	161,141	183,721	3,337

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 a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence revaluation gains less losses amounting to £183,719,000 currently included within the Capital reserve – unrealised may be regarded as distributable under company law.

### 17. Net asset value per share

Net asset value per share is based on funds attributable to shareholders of £518,430,000 (2007: £507,958,000) and on 110,303,742 (2007: same) shares in issue at the year end.

	2008 £'000	2007 £'000
<b>18. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash (outflow)/inflow from operating activities</b>		
Total return on ordinary activities before finance costs and taxation	13,144	149,245
Capital return before finance costs and taxation	(9,287)	(146,575)
Scrip dividends received as income	(99)	(243)
(Increase)/decrease in accrued income	(524)	155
VAT recoverable	(811)	—
Decrease in other debtors	43	58
(Decrease)/increase in accrued expenses	(222)	502
Tax on unfranked investment income	(337)	(458)
Performance fee paid	(3,258)	(2,330)
VAT on performance fee paid	—	(148)
Net cash (outflow)/inflow from operating activities	(1,351)	206

	At 30th June 2007 £'000	Cash flow £'000	Exchange movements £'000	At 30th June 2008 £'000
<b>19. Analysis of changes in net funds</b>				
Cash at bank and in hand	925	(400)	(518)	7

## 20. Contingent liabilities and capital commitments

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

## 21. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on pages 18 and 19. The terms make allowance for the exclusion of management charges on investments held in funds on which JPMorgan Asset Management ('JPMAM') earns a management fee. The fee payable to JPMAM for the year was £5,505,000 (2007: £4,215,000) of which £nil (2007: £493,000) was outstanding at the year end.

No performance fee is payable for the year (2007: £3,258,000) and £nil (2007: £3,258,000) was outstanding at the year end. An amount of £nil (2007: £749,000) is carried forward and will either be paid or absorbed by underperformance in subsequent years.

Expenses amounting to £110,000 (2007: £131,000) were payable to JPMAM for the marketing of its savings products of which £nil (2007: £nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 36 are safe custody fees payable to the JPMorgan Group amounting to £495,000 (2007: £389,000) of which £360,000 (2007: £100,000) was outstanding at the year end.

JPMAM carries out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £nil (2007: £34,000) of which £nil (2007: £51,000) was outstanding at the year end.

Handling charges incurred on dealing transactions amounting to £47,000 (2007: £22,000) were payable to the JPMorgan Group of which £34,000 (2007: £7,000) was outstanding at the year end.

The Company holds an investment in a fund managed by JPMAM. At 30th June 2008 this investment was valued at £8,000 (2007: £13,000). No purchases or sales of this investment were made during the year and no income was receivable (2007: £nil).

## Notes to the Accounts continued

During the year, the Company made purchases and sales of units in the JPMorgan US Dollar Liquidity Fund, which is managed by JPMAM. At the year end, the Company's investment in this fund amounted to £23,793,000 and represented 4.6% of the Company's investment portfolio. Income amounting to £95,000 was receivable from this investment for the year.

The Company has received £46,000 (2007: £7,000) from stock lending transactions during the year. JPMAM commissions in respect of such transactions amounted to £12,000 (2007: £2,000).

At the year end, a bank balance of £7,000 (2007: £51,000) was held with JPMorgan Chase. A net amount of interest of £30,000 (2007: £38,000) was receivable by the Company from JPMorgan Chase for the year.

### 22. Financial instruments' exposure to risk and risk management policies

As an investment trust company, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on page 16. 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 co-operation with the Board and the Manager, co-ordinates 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 and a US Dollar liquidity fund which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- short term forward currency contracts for the purpose of settling short term liabilities.

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

##### (i) Currency risk

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 five 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. 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. It is currently not the Company's policy to hedge against foreign currency risk.

##### *Foreign currency exposure*

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

	2008						Total £'000
	US Dollars £'000	South Korean Won £'000	South African Rands £'000	Indian Rupees £'000	Taiwan Dollars £'000	Other £'000	
Investments at fair value through profit or loss that are monetary items	23,793	—	—	—	—	—	23,793
Net current (liabilities)/assets	(1,231)	—	(155)	—	50	1,238	(98)
Foreign currency exposure on net monetary items	22,562	—	(155)	—	50	1,238	23,695
Investments at fair value through profit or loss that are equities	206,388	26,025	59,397	39,907	11,045	151,258	494,020
Total net foreign currency exposure	228,950	26,025	59,242	39,907	11,095	152,496	517,715

The above year end amounts are not representative of the exposure to foreign currency risk during the year. Investments at fair value through profit or loss that are monetary items comprises the holding in the JPMorgan US Dollar Liquidity Fund which has fluctuated between £nil and £23,793,000 during the year.

	2007						Total £'000
	US Dollars £'000	South Korean Won £'000	South African Rands £'000	Indian Rupees £'000	Taiwan Dollars £'000	Other £'000	
Investments at fair value through profit or loss that are monetary items	—	—	—	—	—	—	—
Net current (liabilities)/assets	(405)	13	—	—	954	281	843
Foreign currency exposure on net monetary items	(405)	13	—	—	954	281	843
Investments at fair value through profit or loss that are equities	175,243	62,144	53,206	46,329	15,819	159,172	511,913
Total net foreign currency exposure	174,838	62,157	53,206	46,329	16,773	159,453	512,756

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

#### Foreign currency sensitivity

The following tables illustrate the sensitivity of profit after taxation for the year and equity with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% appreciation or depreciation in sterling against the US Dollar, South Korean Won, South African Rand, Indian Rupee, New Taiwan Dollar and other currencies to which the Company is exposed, which is deemed reasonable based on the volatility of exchange rates during the year.

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

	2008 £'000	2007 £'000
Income statement return after taxation		
Revenue return	934	788
Capital return	2,370	84
Total return after taxation for the year	3,304	872
Net assets	3,304	872

## Notes to the Accounts continued

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

	2008 £'000	2007 £'000
Income statement return after taxation		
Revenue return	(934)	(788)
Capital return	(2,370)	(84)
Total return after taxation for the year	(3,304)	(872)
Net assets	(3,304)	(872)

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole of the current year. Investments at fair value through profit or loss that are monetary items comprises the holding in the JPMorgan US Dollar Liquidity Fund which has fluctuated between £nil and £23,793,000 during the year. However the analysis is broadly representative of the whole of the comparative year.

### (ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and investments in liquidity funds.

#### *Management of interest rate risk*

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

#### *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 and short term deposits	7	925
JPMorgan US Dollar Liquidity Fund	23,793	—
Total exposure	23,800	925

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

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

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

	2008 £'000	2007 £'000
Maximum interest rate exposure to floating rates		
– net overdraft balances	(5,134)	(1,530)
Minimum interest rate exposure to floating rates		
– net cash and liquidity fund balances	26,372	7,183

#### *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)	238	(238)	9	(9)
Capital return	—	—	—	—
Total increase/(decrease) in return after taxation for the year	238	(238)	9	(9)
Net assets increase/(decrease)	238	(238)	9	(9)

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole year as the level of exposure has fluctuated between net overdraft balances and net cash and liquidity fund balances as shown above.

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

#### Other price risk exposure

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

	2008 £'000	2007 £'000
Equity investments at fair value through profit or loss	494,019	511,914

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 13 and 14. This shows that the investments' value is in a broad spread of countries with no concentration of exposure to any one country. It should also be noted that an investment's country of domicile does not necessarily equate to the economic conditions in that country.

#### Other price risk sensitivity

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

	2008		2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement – return after taxation				
Revenue return – (decrease)/increase	(642)	642	(512)	512
Capital return – increase/(decrease)	49,402	(49,402)	51,191	(51,191)
Total return after taxation and net assets – increase/(decrease)	48,760	(48,760)	50,679	(50,679)

## Notes to the Accounts continued

### (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.

#### **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	1,377	—	1,377	723	—	723
Performance fee payable	—	—	—	3,478	—	3,478
Other creditors	496	—	496	688	—	688
Creditors: amounts falling due after more than one year						
Provision for performance fee payable	—	—	—	—	749	749
	1,873	—	1,873	4,889	749	5,638

### (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 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 and short term deposits represent the maximum exposure to credit risk at the current and comparative year ends.

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

The aggregate value of securities on loan at 30th June 2008 amounted to £512,000. The highest value of securities on loan during the year ended 30th June 2008 amounted to £9,391,000. 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 shareholders.

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 need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium;
- the need for issues of new shares, including issues from Treasury; and
- the ability to employ gearing when the Manager believes it to be appropriate.

# Information about the Company

## Financial Calendar

Financial year end	30th June
Final results announced	September
Half year end	December
Half year results announced	February
Interim Management Statements announced	May and November
Dividend on ordinary shares paid	November
Annual General Meeting	October/November

## History

The Company was launched in July 1991 with assets of £60 million. In March 1993 the Company raised a further £50 million by an issue of conversion shares. On 13th April 2006, an additional £76 million was raised by an issue of shares following the reconstruction of F&C Emerging Markets Investment Trust plc. The Company adopted its current name in November 2005.

## Company Numbers

Company registration number: 2618994  
 London Stock Exchange number: 0341895  
 ISIN: GB0003418950  
 Bloomberg code: JMG LN

## Market Information

The Company lists its shares on and publishes its estimated net asset value ('NAV') via 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 website at [www.jpmemergingmarkets.co.uk](http://www.jpmemergingmarkets.co.uk), where the share price is updated every fifteen minutes during trading hours.

## Website

[www.jpmemergingmarkets.co.uk](http://www.jpmemergingmarkets.co.uk)

## Share Transactions

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

## Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

## Company's Registered Office

Finsbury Dials  
 20 Finsbury Street  
 London EC2Y 9AQ  
 Telephone number: 0207 742 6000

Please contact Jonathan Latter for company secretarial and administrative matters, at the Company's registered office.

## Registrars

Equiniti  
 Reference 1081  
 Aspect House  
 Spencer Road  
 Lancing  
 West Sussex BN99 6DA  
 Telephone number: 0871 384 2320

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1081.

Registered shareholders can obtain further details on individual holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

## Savings Product 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

Winterflood Securities  
 The Atrium Building  
 Cannon Bridge  
 25 Dowgate Hill  
 London EC4R 2GA  
 Telephone number: 020 310 0000

**aic**

The Association of  
 Investment Companies

A member of the AIC

# Shareholder Analysis

at 30th June 2008

	Number of shares	% Holding
Unit Trusts	23,979,621	21.8
Pension Funds	18,001,922	16.3
Investment Trusts <sup>1</sup>	12,111,037	11.0
Insurance Companies	11,441,143	10.4
Other Institutions	7,298,117	6.6
Charities	1,909,389	1.7
<b>Total Institutions</b>	<b>74,741,229</b>	<b>67.8</b>
Private Client Brokers	14,037,798	12.7
Retail Investors <sup>2</sup>	11,732,833	10.6
Individuals in the Investment Trust Shareplan	6,867,125	6.2
Individuals in the Investment Trust Individual Savings Account	1,976,012	1.8
Individuals in the Investment Trust Pension Account	948,745	0.9
<b>Total Retail Holdings</b>	<b>35,562,513</b>	<b>32.2</b>
<b>Total Shares in Issue</b>	<b>110,303,742</b>	<b>100.0</b>

Nominee accounts have been allocated to their appropriate category.

<sup>1</sup>Includes 1,150,000 shares held by JPMorgan Elect plc.

<sup>2</sup>Includes shareholders below 10,000 threshold.

<sup>3</sup>Savings product managed by JPMorgan.

Source: Thomson Financial

# Notice of Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of JPMorgan Emerging Markets Investment Trust plc will be held at the Salters' Hall, 4 Fore Street, London EC2Y 5DE on 6th November 2008 at 3.00 p.m. for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2008.
- 2 To approve the Directors' Remuneration Report for the year ended 30th June 2008.
- 3 To approve a final dividend of 2.00p per share.
- 4 To re-elect Nigel Kenny as a Director of the Company.
- 5 To re-elect David Gamble as a Director of the Company.
- 6 To re-elect Roy Reynolds as a Director of the Company.
- 7 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

## Special Business

To consider the following resolutions:

### Continuation vote – Ordinary Resolution

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

### Authority to allot new shares – Ordinary Resolution

- 9 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to Section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £1,378,796, representing approximately 5% of the Company's issued ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

### Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

- 10 THAT subject to the passing of Resolution 9 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,378,796, representing approximately 5% of the issued ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

### Authority to repurchase the Company's shares – Special Resolution

- 11 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 25 pence each in the capital of the Company.

#### PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 16,534,530 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 will 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 ordinary share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 5th May 2010 unless the authority is renewed at the Company's Annual General Meeting in 2009 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

**Adoption of new Articles of Association – Special Resolution**

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

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

## Notice of Meeting continued

### 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](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.  
  
Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
- 9 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.
- 10 No Director has any contract of service with the Company.
- 11 As at 25th September 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 110,303,742 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 110,303,742.

### 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 12

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

### 1. Transfer of shares (Articles 31 and 32)

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

### 2. Disclosure of interests (Article 41)

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

### 3. Notice of general meetings (Articles 48 and 49)

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

The amendment to Article 49 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 50)

Article 50 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. Attending and speaking at meetings (Article 56)

Article 56 of the new Articles provides that the Chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

### 6. Polls (Article 62)

Article 62 clarifies that a poll may be demanded before a show of hands, as well as immediately after the result of a show of hands, and to give the directors the right to demand a poll as well as the Chairman of the meeting.

### 7. Votes of members, proxies and corporate representatives (Articles 69, 74 and 81)

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

### 8. Receipt of appointments of proxy and termination of proxy authority (Articles 78 and 79)

Article 78 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 78 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

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

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

## Appendix continued

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

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

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

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

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

### 10. Permitted interests and voting (Article 113)

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

### 11. Making and retention of minutes (Article 116)

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

### 12 The seal (Articles 118 and 119)

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

### 13. Notices and other communications (Articles 77, 133-142)

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 134 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 77 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 134(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 134(4) permits the Company not to send or supply any notice, document or information to a

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

Articles 134(5) and (6) cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 141 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 142 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

#### **14. Power to indemnify directors (Article 147)**

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

As a result of the above, the directors' indemnity provisions of the Articles of Association have been amended. Article 147 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 147 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 ('the NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested in the NAV of the Company at time the shares were quoted ex-dividend.

## Benchmark Return

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

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

## Actual Gearing Factor

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

## Total Expense Ratio (TER)

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

## Discount/Premium

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

### Gearing/Cash

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

### Currency

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

### Management Fees/Other Expenses

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

### Performance Fees

The outperformance of the Company against the benchmark leads to an increase in performance fees accrued. The increase in this accrual has a negative impact on relative performance.

### Residual

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

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