JPMorgan Fleming

Asset Management

2618994

JPMorgan Fleming Emerging Markets Investment Trust plc

ANNUAL REPORT & ACCOUNTS • YEAR ENDED 30th JUNE 2003

Results.

-3.8%	Share price total return[1] (2002: –4.3%)
-3.8%	Net asset value total return[2] (2002: –6.0%)
-1.5%	Benchmark Index total return[3,4] (2002: –6.7%)

[1]Change in share price with net dividends (if any) reinvested. (Source: Standard & Poor's Micropal).
[2]Change in net asset value with net dividends (if any) reinvested. (Source: AITC/Fundamental Data).
[3]Change in value with net dividends (if any) reinvested. (Source: Standard & Poor's Micropal).
[4]The Company's benchmark is the MSCI Emerging Markets Free Index (in sterling terms). Comparison of the Company's performance is made with this benchmark. This benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe.

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Chairman's Statement

Roger Murray CHAIRMAN

As we all know this has been a difficult year for shareholders. In the period our shareholders have seen both our Net Asset Value ('NAV') and our share price fall by 3.8 percent overall. Our benchmark has declined in the same period by 1.5 percent. Last year we saw extreme volatility with a similar flat performance and this year we have seen a long period of a down market largely reversed in the latter months of the year.

Shareholders cannot be gratified with this overall decline but may perhaps take some comfort in the fact that in the comparable period the MSCI World index declined by 9.8 percent. This follows a continuing trend where emerging markets have outperformed traditional ones and investor appetite for our markets has grown. Since our year end, all this momentum has continued in our favour giving us a fair wind for the coming year, with our relative performance also improving versus the benchmark.

In managing our risk, the Board believes it is currently more appropriate to focus entirely on our portfolio risk rather than add to this with risks associated with managing debt. Accordingly, we decided to reduce the gearing we have carried for some years to zero at the year end. We remain fully invested, however.

The Board has agreed a new fee arrangement with the Manager which becomes effective from 1st July 2003. The existing 1.25% management fee will be replaced with a 1.00% management fee on total assets less current liabilities combined with a performance related fee element linked to outperformance versus the benchmark. Details of these fee arrangements can be found in the Directors' Report on page 19. Under the new arrangements, the Manager can earn a fee equal to 10% of the outperformance of the benchmark. However the Board has put in place certain conditions whereby this fee, whenever earned, will be paid to the Manager only in a year when there has been a positive absolute NAV return to shareholders.

We believe that the revised fee arrangements more closely align the interests of shareholders and the Manager in delivering and rewarding superior investment performance whilst recognising the sensitivity of shareholders to rewarding the Manager in falling markets. In this context, shareholders should note that the Manager is required to outperform the benchmark by more than 2.5% per annum, net of fees and other expenses, in order to earn a total fee equivalent to its previous management fee.

The size of market discount to NAV at which your Company has traded has followed a similar down and up pattern. We have seen once again strengthening markets doing wonders to our discount level but in the earlier declining market our liquidity was much reduced and the levels widened. However, the Board did not believe there was an appropriate occasion to use its buyback powers and thus during the year no shares were bought back. At the Annual General Meeting we shall nevertheless be requesting a renewal of the buyback mandate – which may well become a useful tool in the year ahead.

The Board has considered the various recommendations concerning corporate governance which have been debated over the last year in various forms. We believe that we already comply with the principles of corporate governance for investment trusts as outlined in the AITC's Code, and welcome the forthcoming revised Combined Code which will establish best practice for all public companies.

At the Annual General Meeting Mr Anatole Kaletsky will seek election by shareholders as a new member of the Board. Mr Kaletsky has had a distinguished career as a journalist and economist and has a significant amount of emerging market experience. He will be well known to shareholders for his columns in The Times newspaper. His perspectives will add considerable value to your Board and I welcome him wholeheartedly.

I have served 9 years on your Board and believe that the time has therefore come to step down. It has been a most stimulating, if not always rewarding time. I am delighted that Dr Roy Reynolds has agreed to take over as your Chairman and he is surely very well qualified to lead your Company forward. As already alluded to, we go into this next year with some momentum and with emerging markets looking set to continue to outperform. The investment outlook is improving, if still uncertain. All in all, an appropriate time to be leaving your Company in good hands.

Roger Murray
Chairman

22nd September 2003

"The investment outlook is improving, if still uncertain."

Investment Manager's Report

Austin Forey
INVESTMENT MANAGER

What has happened?

Your Company's fiscal year ended in June with emerging equity markets not too far from the level at which they began it twelve months earlier, and the same is true of your Company's portfolio, though its performance disappointingly lagged the benchmark. The figures which show the results for the year are set out on page 9 of this report, while the anatomy of our performance is explained in more detail in the box on page 4. We have found it, as will be clear from these figures, a tough year. Overall we did well by being in the right countries – the 'allocation effect' referred to in the table, but at the stock level our performance was less satisfactory, and we failed to keep pace with markets. Other effects on performance, from gearing, and from the costs incurred in managing the portfolio, are also explained.

This relatively subdued outcome in absolute terms, however, masks an eventful year. In the autumn of 2002 emerging markets were caught in the general downdraft which affected world equities, and they languished through the winter until the direction changed in March 2003. What caused these gyrations? In the first place, there was a fall in valuations among the world's leading equity markets, produced by fears about deflation and recession; these worries were compounded in the New Year by the looming crisis in Iraq. By the early Spring, though, the mood began to turn to one of optimism; investors were hoping that vigorous monetary easing in the USA and elsewhere would fuel a recovery in demand and even in capital investment, as the long hangover from the technology excesses of 1999-2000 finally dissipated. The swift resolution at least of the military engagement in Iraq contributed further to the change in the climate of opinion. Most notable in this turn in markets was a sharp rise in investors' hunger for returns and readiness to embrace more risk to achieve them; this meant that the largest price changes occurred in some of the riskier areas, whether it be financially precarious countries, or in industrial sectors with the greatest sensitivity to economic recovery.

In emerging markets this combination of circumstances produced the greatest gains in markets where economic fundamentals were improving and where valuations were low at the outset; Brazil, Russia, Indonesia were good examples of this dynamic. The same should have been true of Korea, but the speed and size of the country's rebound from the Asian crisis in the last few years has meant it has been among the first countries to see its domestic economic cycle turn down, though the stockmarket did rally sharply in the closing months of your Company's fiscal year.

Overall it is worth recalling that, in spite of their ups and downs, emerging markets have given better returns during the last few years than the world's major equity markets, though it may not feel that way. But having come through a series of crises in the last few years, and reached low valuations, it is not so surprising that they should have proved more resilient than other markets where the falls towards lower valuations started much later.

What did we do?

Our portfolio turnover remains low by most standards; in the last year we changed just under 25% of your Company's portfolio, meaning that we are retaining investments for approximately four years on average. This is consistent with previous years. The reasons for this approach are simple: turnover costs your Company money, in commissions, in custody charges, in the spread between bid and offer prices, and sometimes in the effect that it has on market prices, depressing prices when we are selling and pushing them up when we are buying. All of this is a known cost incurred in exchange for an uncertain gain. We try to minimize the costs by changing the portfolio

Performance attribution for the year to 30th June 2003

	1 Year %
Net asset value total return in sterling terms	–3.8
Benchmark total return in sterling terms	–1.5
Relative return	**–2.3**
Analysis of relative return	
Currency effect	–0.2
Allocation effect	2.6
Stock selection effect	–2.6
Gearing/cash effect	–0.6
Management fee and other expenses	–1.6
Other/Residual item	0.1
Total	**–2.3**

Source: *Frank Russell/JPMFAM/AITC/Fundamental Data.*

Definitions

Performance attribution: *Analyses how the Company achieved its recorded performance relative to its benchmark.*

Currency effect: *Measures the impact of currency exposure differences between the Company's portfolio and its benchmark. It also identifies the effect of holding forward currency contracts or currency futures.*

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

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

Management fee and other expenses: *The payment of fees and expenses reduces the level of total assets.*

Other/residual item: *Arises when there is a divergence between total return as calculated by the AITC/Fundamental Data, and total return as calculated by the attribution generating system. This is a result of methodology differences with respect to the treatment of income and cash flows, and timing differences.*

relatively little; and we try to maximise the gains by concentrating on stocks which have the potential to make a difference.

We should add a further dimension to this discussion of our approach, because one of our concerns this year has been to maintain enough risk, defined as difference from the benchmark, in your Company's portfolio. There are two reasons for this; first, all things being equal, the repayment of the Company's borrowings reduces risk in the portfolio. On top of this, however, in common with many active funds, we have found our risk levels dropping throughout the year as a function of changing market conditions. We argue strongly that having too little risk reduces our ability to generate a differentiated result, and that having too much money invested neutrally – that is, in line with the benchmark – considerably reduces the impact that our good ideas can have on performance. Our response has been to continue to concentrate the portfolio, and also to increase the effect of our strongest ideas by enlarging those positions at the expense of others, where prospective returns seem less appealing.

The table on page 14 sets out the overall effect of the changes we made, and also shows you where your Company made and lost money on its investments. After such a good year in Korea last time around, we have had a poor one this time, having held on too long to two previously successful large investments. On the other hand we generated significant gains in Russia, and also, especially when compared to the amount of money invested there, in Hungary, Egypt and Indonesia. Aside from Korea, the portfolio's losses almost all arose in Taiwan and in Mexico. And beside the entry into Russia, our changes were mainly concentrated on the addition of specific investments in Malaysia, Croatia and Chile, and significant sales in Hungary, Israel, Mexico and Hong Kong. Full details of your Company's investments by the year end can be found later in this report.

What happens next?

Is the world moving sharply into recovery mode? A few months ago we thought so, or at least saw share prices which gave some hint of that possible outcome, thus suggesting that any change of direction had to be a positive one. We could see valuations which looked attractive in absolute terms, even though they produced in us that frisson of doubt and fear that tends to accompany such opportunities. At the same time, the negative noise surrounding markets and stocks seemed to send precisely the opposite signal to that being given by valuations.

But by the end of June, when your Company's financial year ended, the situation was less clear-cut. Many markets and stocks had risen sharply, and seemed to anticipate further improvements in their outlook; riskier assets in particular had risen strongly in price. Put simply, the rise in markets was enough to temper somewhat our previous unambiguously positive stance. The further gains seen since the end of June – the emerging markets index rose another 18% in July and August – tempered it further and we have begun recently to shift the portfolio to a slightly more defensive stance, shutting out some of the clamour of markets and concentrating instead on owning good solid companies, and on paying low valuations for the stocks we own. Your Company's portfolio continues to exhibit valuations at a discount to the universe of stock from which we select, while at the same time showing higher underlying returns; this profile has changed very little in the last year.

Overall, emerging markets in aggregate continue to exhibit reasonable valuations, and in the event of a protracted global recovery they can continue to perform positively. At the moment such a recovery seems to be taking root, though we are also aware of some significant imbalances in the world economy which we monitor closely, believing that they cannot remain as they are forever. Whatever the vocabulary that is used to describe investment processes, however, and whatever the background climate, our ultimate interest lies in generating good returns without taking unacceptable risks. This leads us in particular to two places on the investment map. First, to those opportunities where growth seems most assured, either because an industry continues to grow robustly or because a company is competitive enough to grow its market share. Higher than average growth bought at average valuations should produce higher than average returns. Second, we look for low valuations; average growth bought at lower than average valuations should also turn out well. When described like this our approach sounds very formulaic, which it is not, but by concentrating on the places where markets do not appear to have priced the future efficiently, we hope to generate returns for shareholders in the future.

Austin Forey
Investment Manager
22nd September 2003

Report & Accounts.

Facts.

OBJECTIVE

Capital growth from emerging markets worldwide.

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.

BENCHMARK

The MSCI Emerging Markets Free Index in sterling terms.

CAPITAL STRUCTURE

The Company has an authorised share capital of 296,000,000 ordinary shares of 25p each, of which 90,194,218 were in issue at the year end.

MANAGEMENT COMPANY

The Company employs J.P. Morgan Fleming Asset Management (UK) Limited ('JPMFAM') to manage its assets.

Figures.

Summary of Results

	2003	2002	% CHANGE
TOTAL RETURNS for the year to 30th June			
Ordinary share price[1]	**–3.8%**	–4.3%	
Net asset value per ordinary share[2]	**–3.8%**	–6.0%	
MSCI Emerging Markets Free Index in sterling terms[3,4]	**–1.5%**	–6.7%	
ASSETS at 30th June			
Net asset value per share	**128.5p**	133.5p	–3.8
Share price	**107.5p**	111.8p	–3.8
Discount of share price to net asset value	**16.3%**	16.3%	
Total net assets (£'000)	**115,856**	120,380	–3.8
REVENUE for the year ended 30th June			
Gross revenue (£'000)	**3,013**	3,010	–
Net revenue after tax (£'000)	**627**	(203)	
Earnings/(loss) per share	**0.69p**	(0.22)p	
ACTUAL GEARING FACTOR at 30th June[5]	**99.7%**	107.4%	
TOTAL EXPENSE RATIO[6]	**1.23%**	1.20%	

[1] *Change in share price with net dividends (if any) reinvested. (Source: Standard & Poor's Micropal).*

[2] *Change in net asset value with net dividends (if any) reinvested. (Source: AITC/Fundamental Data).*

[3] *Change in value with net dividends (if any) reinvested. (Source: Standard & Poor's Micropal).*

[4] *The Company's benchmark is the MSCI Emerging Markets Free Index (in sterling terms). Comparison of the Company's performance is made with this benchmark. This benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe.*

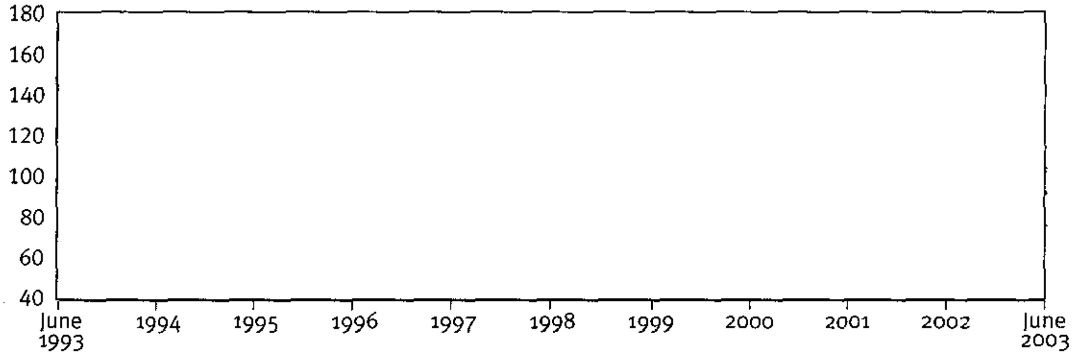
[5] *Actual gearing means investments expressed as a percentage of shareholders' funds.*

[6] *Management fees and all other operating expenses (including tax relief where allowable, but excluding interest payments) expressed as a percentage of average net assets over the year.*

Performance and Discount

Ten Year Performance

Figures have been rebased to 100 at 30th June 1993



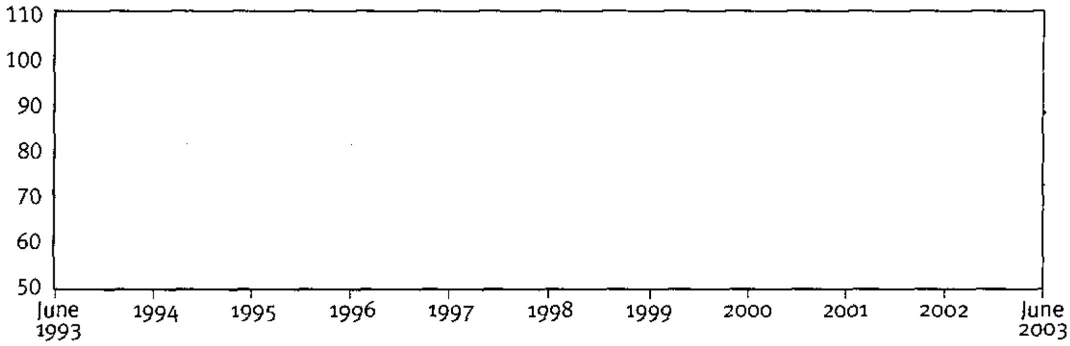
— JPMorgan Fleming Emerging Markets – Net asset value per share

— JPMorganFleming Emerging Markets – Share price

— MSCI Emerging Markets Free Index in sterling terms (capital return)

Source: Datastream Total Return

Performance Relative to Benchmark Index



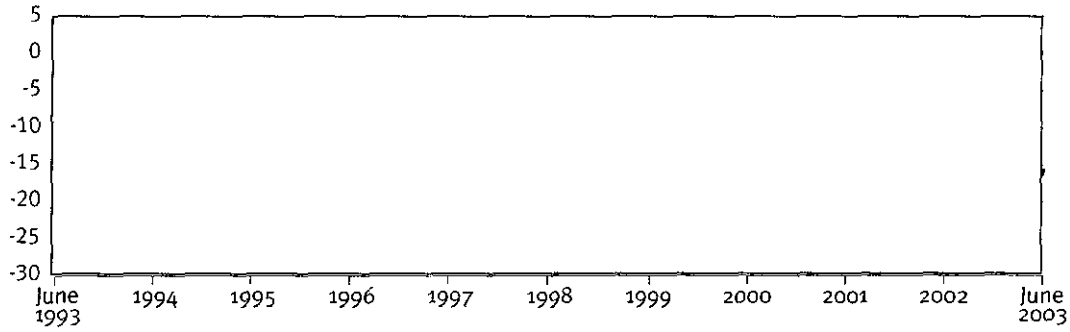
— JPMorgan Fleming Emerging Markets – Net asset value per share

— JPMorganFleming Emerging Markets – Share price

The benchmark index is represented by the bold horizontal line.

Source: Datastream Total Return

Discount



— JPMorgan Fleming Emerging Markets – Discount

Source: Datastream Total Return

Financial Record

As at 30th June	1993[1]	1994	1995	1996[2]	1997	1998	1999	2000	2001	2002	**2003**
Total assets less current liabilities (£'m)	133.0	168.3	154.3	162.6	202.9	125.5	144.2	194.8	146.9	120.4	**115.9**
Total ordinary shareholders' funds (£'m)	133.0	167.8	154.3	162.6	186.7	125.5	144.1	179.0	129.8	120.4	**115.9**
Share price (p)	140.5	160.5	142.5	136.0	143.5	105.3	122.8	162.8	116.8	111.8	**107.5**
Undiluted net asset value per share (p)	137.6	173.5	159.6	168.1	192.9	129.6	151.8	195.2	142.0	133.5	**128.5**
(Premium)/discount (%)	(2.1)	7.5	10.7	19.1	25.6	18.7	19.1	16.6	17.7	16.3	**16.3**
Actual gearing[4]	98	100	98	96	105	115	103	110	110	107	**100**
Total expense ratio (%)[4,5]	0.80	1.35	1.40	1.06	1.03	1.38	1.32	1.26	1.51	1.20	**1.23**

Year ended 30th June											
Gross revenue return (£'000)	1,814	2,560	2,647	4,039	4,480	4,371	3,511	3,157	2,232	3,010	**3,013**
Revenue return per ordinary share (p)	0.34	(0.58)	(0.32)	1.14	0.88	(0.41)	(0.48)	(1.14)	(2.17)	(0.22)	**0.69**
Dividend per ordinary share (p)	—	—	—	0.24	0.40	—	—	—	—	—	**—**

Rebased to 100 at 30th June 1993											
Net asset value per ordinary share	100.0	126.1	116.0	122.2	140.2	94.2	110.3	141.9	103.2	97.0	**93.4**
Net asset value per ordinary share – total return[3,4]	100.0	126.1	116.0	121.9	140.5	94.5	110.8	142.4	103.6	97.4	**93.7**
Ordinary share price	100.0	114.2	101.4	96.8	102.1	74.9	87.4	115.9	83.1	79.6	**76.5**
Ordinary share price – total return[3,4]	100.0	114.2	101.1	96.5	102.0	75.0	87.5	116.0	83.2	79.7	**76.7**
MSCI Emerging Markets Free Index (expressed in sterling terms) – total return[3,4]	100.0	132.7	128.7	143.0	150.6	91.5	124.7	142.1	113.5	106.1	**104.8**

[1]*During the year to 30th June 1993 £48.9m was raised by a conversion share issue.*

[2]*Figures have been restated, where necessary, to reflect the change in accounting policy whereby income from investments is accounted for on an ex-dividend basis.*

[3]*Source: Datastream.*

[4]*Definitions shown on page 9.*

[5]*Prior to 1996 the total expense ratio was not included in the report and accounts.*

Ten Largest Investments

at 30th June 2003

Company	Country	Description	Valuation £'000	%[1]
Samsung Electronics This Korean company is a leading producer of DRAM chips, telecommunications equipment, and consumer electronic products.	South Korea	Electronic and Electrical Equipment	**8,867**	**7.7**
Housing Development Finance India's leading mortgage lender, now diversifying into other financial services including insurance and asset management.	India	Speciality and Other Finance	**5,259**	**4.5**
Shinsegae South Korea's largest retailer, which has in recent years grown rapidly by developing a successful hypermarket business alongside its original department stores.	South Korea	General Retailers	**4,674**	**3.9**
Anglo American Anglo American has expanded from its roots in South Africa to become one of the world's leading producers of precious metals and other base materials in extractive industries.	South Africa	Mining	**4,141**	**3.6**
Kookmin Bank The largest commercial bank in Korea, formed from the merger of Kookmin and Housing & Commercial Bank. Kookmin is active in all areas from large corporate lending to retail and the credit card business.	South Korea	Banks	**3,942**	**3.4**
Petroleò Brasileiro The national oil company of Brazil, and a specialist in particular in deep-water exploration.	Brazil	Oil & Gas	**3,781**	**3.3**
Walmart de Mexico Mexico's leading retailer, originally owned in the portfolio under its former name Cifra.	Mexico	General Retailers	**3,429**	**3.0**
Yukos Yukos is one of Russia's leading oil companies and has set the standard in that country for reserve management and efficiency improvements over the last few years. Its proposed merger with Sibneft will make it one of the world's largest energy companies.	Russia	Oil & Gas	**3,348**	**2.9**
Hon Hai Precision Industry A world leader in the manufacture of connectors and other 'barebones' components for PCs and other electronic products.	Taiwan	Engineering and Machinery	**2,913**	**2.5**
Esprit Esprit is a Hong-Kong based fashion retail chain which is expanding its operations to a global scale; it now has operations in Asia, Europe and America.	Hong Kong	General Retailers	**2,783**	**2.4**
Total			**43,137**	**37.2**

[1]Based on total assets less current liabilities of £115.9m.

Portfolio and Shareholder Analyses

at 30th June 2003

Geographic Analysis

	2003 Portfolio %	2002 Portfolio %
East Asia	**41.8**	47.6
Europe/Middle East/Africa	**27.6**	24.3
Latin America	**20.7**	23.5
South Asia	**9.6**	12.0
Net current assets/(liabilities)	**0.3**	(7.4)

Based on total assets less current liabilities of £115.9m (2002: £120.4m).

Sector Analysis

	2003 Portfolio %	2003 Benchmark %	2002 Portfolio %	2002 Benchmark %
Financials	**20.0**	16.6	27.3	17.8
Consumer Discretionary	**14.9**	7.1	22.6	8.8
Information Technology	**12.9**	16.7	2.0	4.7
Consumer Staples	**10.8**	7.0	7.1	5.4
Materials	**10.5**	15.6	7.8	16.1
Telecommunication Services	**9.7**	12.5	8.0	12.0
Health Care	**7.6**	3.1	2.3	2.1
Industrials	**6.8**	6.1	28.2	21.2
Energy	**6.1**	11.2	1.7	8.4
Miscellaneous	**0.4**	—	0.4	—
Utilities	**—**	4.1	—	3.5
Net current assets/(liabilities)	**0.3**	—	(7.4)	—

Based on total assets less current liabilities of £115.9m (2002: £120.4m).

Shareholder Analysis

	Number of shares	% holding
Pension funds	26,550,789	29.44
Insurance companies	9,319,637	10.33
Investment trusts	4,477,844	4.96
Unit trusts	3,879,724	4.30
Other institutions	20,094,460	22.28
Total institutions	**64,322,454**	**71.31**
Individuals in the Investment Trust Share Plan[1]	6,085,572	6.75
Individuals in the Investment Trust Pension Account[1]	1,120,076	1.24
Individuals in the Investment Trust Personal Equity Plan[1]	17,907	0.02
Individuals in the Investment Trust Individual Savings Account[1]	546,763	0.61
Individuals investing through JPMorgan Fleming Managed Growth plc	2,300,000	2.55
Retail investors holding shares directly or through nominee accounts	15,801,446	17.52
Total individuals	**25,871,764**	**28.69**
Total shares in issue	**90,194,218**	**100.00**

Nominee accounts have been allocated to their appropriate category.

[1]*Savings products managed by JPMorgan Fleming as detailed on page 42.*

Investment Activity

during the year to 30th June 2003

	Value at 30th June 2002 £'000	%	Purchases £'000	Sales £'000	Change in value £'000	**Value at 30th June 2003 £'000**	**%**
South Korea	32,858	25.4	4,471	4,113	(6,393)	**26,823**	**23.2**
South Africa	12,273	9.5	4,289	3,602	554	**13,514**	**11.7**
Mexico	17,499	13.5	—	2,822	(1,441)	**13,236**	**11.5**
India	10,979	8.5	2,408	2,476	71	**10,982**	**9.5**
Russia	—	—	6,871	—	2,805	**9,676**	**8.4**
Taiwan	14,395	11.1	1,080	2,994	(3,103)	**9,378**	**8.1**
Brazil	9,600	7.4	3,671	3,556	(572)	**9,143**	**7.9**
China and Hong Kong	10,109	7.8	2,128	4,334	142	**8,045**	**7.0**
Israel	5,661	4.4	—	3,100	82	**2,643**	**2.3**
Hungary	6,799	5.3	—	4,912	735	**2,622**	**2.3**
Indonesia	3,225	2.5	—	1,519	690	**2,396**	**2.1**
Croatia	—	—	1,695	—	59	**1,754**	**1.5**
Malaysia	6	—	1,683	—	56	**1,745**	**1.5**
Chile	—	—	1,533	—	18	**1,551**	**1.3**
Poland	1,722	1.3	—	855	(13)	**854**	**0.7**
Turkey	704	0.5	—	307	183	**580**	**0.5**
Czech Republic	492	0.4	—	122	42	**412**	**0.3**
Pakistan	220	0.2	—	—	(25)	**195**	**0.2**
Egypt	1,640	1.3	—	2,479	839	**—**	**—**
Peru	1,165	0.9	—	1,037	(128)	**—**	**—**
Total Portfolio	129,347	100.0	29,829	38,228	(5,399)	**115,549**	**100.0**

List of Investments

at 30th June 2003

Company	Value £'000
South Korea	
Samsung Electronics[3]	8,867
Shinsegae	4,674
Kookmin Bank[3]	3,942
Posco	2,458
SK Telecom	2,416
Shinsegae Food System	1,154
Hanmi Pharmaceuticals	1,120
KT&G	1,096
Oriental Fire & Marine	1,096
Total South Korea	**26,823**
South Africa	
Anglo American	4,141
RMB Holdings	1,996
Steinhoff Intl	1,821
Impala Platimum	1,713
Sasol	1,633
Imperial	1,180
African Bank Investments	1,030
Total South Africa	**13,514**
Mexico	
Walmart De Mexico	3,429
Telefonos De Mexico[3]	2,527
Fomento Economico Mexicano[3]	2,334
Cemex	2,268
AMX[3]	1,375
Grupo Financiero Bancomer	1,303
Total Mexico	**13,236**

Company	Value £'000
India	
Housing Development Finance	5,259
ITC	1,344
Ranbaxy Laboratories[3]	1,252
Infosystems Technologies	1,022
Hero Honda	884
Hindustan Lever[1]	624
Bharti Tele-ventures	594
ICICI Bank	3
Total India	**10,982**
Russia	
Yukos[3]	3,348
Sberbank Rossii	2,324
VimpelCom	1,874
Mobile Telesystems[3]	1,276
Pharmacy Chain	854
Total Russia	**9,676**
Taiwan	
Hon Hai Precision	2,913
Taiwan Semiconductor	2,389
Asustek Computer	1,122
Delta Electronic	999
President Chain Store	980
China Trust	975
Total Taiwan	**9,378**
Brazil	
Petroleo Brasileiro[3]	3,781
Compania Vale Do Rio Doce[3]	2,163
Ambev[3]	1,602
Banco Itau	1,121
Pao De Acucar[3]	440
Unibanco[3]	36
Total Brazil	**9,143**

[1]Includes unquoted debenture.
[2]Managed by JP Morgan Fleming Asset Management.
[3]Includes or comprises of ADR/GDR/ADS.

List of Investments continued

at 30th June 2003

Company	Value £'000
China and Hong Kong	
Esprit	2,783
Li & Fung	2,060
Yue Yuen	1,997
China Mobile	1,205
Total China and Hong Kong	**8,045**
Israel	
Teva Pharmaceutical	2,643
Total Israel	**2,643**
Hungary	
OTP Bank[3]	1,435
Gedeon Richter[3]	1,187
Total Hungary	**2,622**
Indonesia	
Hanjaya Mandala Sampoerna	1,770
Unilever Indonesia	626
Total Indonesia	**2,396**
Croatia	
Pliva	1,754
Total Croatia	**1,754**

Company	Value £'000
Malaysia	
BAT Malaysia	1,745
Total Malaysia	**1,745**
Chile	
Banco Santander-Chile[3]	1,551
Total Chile	**1,551**
Poland	
Bank Pekao[3]	854
Total Poland	**854**
Turkey	
Migros Turk	580
Total Turkey	**580**
Czech Republic	
Czech & Slovak Investment Corporation[2]	412
Total Czech Republic	**412**
Pakistan	
BRR International Modaraba	195
Total Pakistan	**195**
Total Portfolio	**115,549**

The portfolio consists entirely of equity shares and includes 0.02% in unquoted investments.

[1]Includes unquoted debenture.
[2]Managed by JP Morgan Fleming Asset Management.
[3]Includes or comprises of ADR/GDR/ADS.

Faces.

Board of Directors

Roger Murray (Chairman)*
Aged 67
Appointed a Director in 1994
He is chairman of Fuerst Day Lawson Holdings Ltd and of Pacific Rim Palm Oil Ltd and was formerly President of Cargill Europe.

Patrick Gifford
Aged 58
Appointed a Director in 1991
He is chairman of 3i European Technology Trust plc and a director of JPMorgan Fleming Russian Securities plc and The Fleming Japanese Investment Trust plc. He was formerly a director of Robert Fleming Holdings and chairman of Fleming Investment Trust Management Limited.

Anatole Kaletsky*
Aged 51
Appointed a Director in 2003
He is principal economic commentator at The Times of London and he is also co-chairman of Gavekal Research, a Hong Kong based consultancy which provides advice to financial institutions around the world.

Roy Peters*
Aged 59
Appointed a Director in 1994 and is chairman of the audit committee.
He is chief executive of Aerion Fund Management Ltd *who manage the Lattice Group Pension Scheme, which owns a 10% stake in the Company.*
He is also a director of the John Lewis Partnership Pensions Trust Limited and a director of the Blue Circle Pension Investments Limited.

Roy Reynolds, CMG*
Aged 64
Appointed a Director in 1999
He was formerly a director of LASMO plc, the chief executive of the Commonwealth Development Corporation and managing director of Shell UK Oil.

Alan Saunders*
Aged 54
Appointed a Director in 2002
He is an independent investment consultant with Allenbridge Group plc.
He 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.

** Member of the Audit Committee*

Directors' Report

Business of the Company

The Company carries on business as an investment trust and was approved by the Inland Revenue as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th June 2002. 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 2002 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Company is not a close company for taxation purposes. The Company is an investment company within the meaning of Part VIII of the Companies Act 1985.

A review of the Company's activities and prospects is given in the Chairman's Statement on page 1 and in the Investment Manager's Report on pages 3 to 6.

Investments

The investments were valued at £115,549,000 at 30th June 2003 and a list of them is shown on pages 15 and 16.

Revenue and Dividends

Gross revenue for the year totalled £3,013,000 and after deducting interest, management expenses and taxation there was a surplus of £627,000. No dividend has been declared due to the revenue reserve remaining in deficit.

Going Concern

After making enquiries, 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 the preparation of the accounts.

Payment Policy

It is the Company's payment 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 our policy to abide by these terms. As at 30th June 2003, the Company had no outstanding trade creditors.

Directors

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

Ordinary shares	30th June 2003	30th June 2002
Patrick Gifford	51,061	51,061
Roger Murray	18,300	14,865
Roy Peters	11,000	5,000
Roy Reynolds	15,000	5,000
Alan Saunders	5,000	—

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

In accordance with the Articles of Association, the Directors retiring by rotation are Roy Peters, Patrick Gifford and Roger Murray. Roy Peters and Patrick Gifford, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Mr Anatole Kaletsky was appointed a Director of the Company on 5th September 2003. In accordance with the Articles of Association of the Company, Anatole Kaletsky, being eligible, offers himself for election at the Annual General Meeting.

Directors' Report continued

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

Acquisition of the Company's Own Shares

The Company did not purchase any shares for cancellation during the year. However, a special resolution to renew the authority to repurchase shares will be put to shareholders for approval at the Annual General Meeting as detailed on page 26.

Management

The Manager, J.P. Morgan Fleming Asset Management (UK) Limited ('JPMFAM') is a wholly-owned subsidiary of JPMorgan Chase Bank which through other subsidiaries also provides banking, dealing and custodian services to the Company.

Management and Performance Fee

JPMFAM is employed under a contract which is subject to one year's notice of termination.

Effective from 1 July 2003, the fixed management fee payable by the Company was reduced from 1.25% to 1.00% of total assets less current liabilities and a performance related fee element introduced. The Manager will receive a 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 will be calculated at the end of the Company's financial year and charged to its capital account in the annual financial statements. However, an estimate will be 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 total assets less current liabilities. 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.
- 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.

Funds managed or advised by JPMFAM or any of its associated companies, on which a fee is already charged by JPMFAM or any of its associated companies, are excluded from the calculation and therefore attract no direct management fee.

Directors' Report continued

Notifiable Share Interests

As at the date of this report the Company had been notified of the following interests in excess of 3% of its issued ordinary share capital:

Shareholders	Number of shares held	%
Lazard Freres & Co LLC	11,122,000	12.3
J.P. Morgan Chase & Co[1]	9,653,692	10.7
Lattice Group Pension Scheme	9,160,777	10.2
British Aerospace Pension Funds	4,924,505	5.5
Skandia Life	4,812,546	5.3
Legal & General	2,853,928	3.2

[1]*Held non-beneficially on behalf of various clients except for 19,907 shares which are held beneficially.*

Corporate Governance

To ensure the appropriate level of corporate governance, the Board has put in place arrangements which it believes are suitable for an investment trust and enable the Company to comply with the Principles of Good Governance and Code of Best Practice (the 'Combined Code'), as published by the Committee on Corporate Governance in June 1998. The Board considers that the Company has complied with the provisions contained within Section 1 of the Combined Code throughout the accounting period ended 30th June 2003 except that the Board does not believe that it is necessary to appoint a senior independent Director. The Board also considers that it has complied with the principles of the AITC Code of Corporate Governance. The Board has no directors who are employees of the Manager and therefore will not be affected by any changes to the AITC Code that may arise from the FSA's consultation exercise on changes to the Listing Rules. The following describes how the relevant principles of governance are applied to the Company.

The Board

The Board consists solely of non-executive Directors, the majority of whom are independent of the Company's Manager, including the Chairman. Accordingly, the Board does not believe that it is necessary to appoint a Senior Non-Executive Director. The Board does not consider that, under the terms of the AITC Code, Patrick Gifford is an independent Director.

Anatole Kaletsky is chairman of Gavekal Research, whose clients include JPMorgan Fleming in New York. The Board does not believe this connection influences Mr Kaletsky's independence as a director of this Company.

The Company has complied with the provisions of the Combined Code and the AITC Code in regard to the re-election of Directors every three years. The Board's policy on tenure is that after nine years of service, directors should submit themselves to annual re-election by shareholders.

A management agreement between the Company and JPMFAM sets out matters over which the Manager has authority. All other matters are reserved for the approval of the Board.

The Board meets on at least four occasions each year and between these meetings there is regular contact with the Manager who provides the Board with appropriate and timely management information. JPMFAM also provide company secretarial advice and services. The Board regularly reviews both the performance of and the contractual arrangements with, the Manager. The Directors also have access, where necessary, in the furtherance of their duties, to independent professional advice at the expense of the Company.

Directors' Report continued

Board Committees
The Board as a whole fulfils the function of the Nomination Committee which meets when necessary to select and propose suitable candidates for appointment to the Board. The Board appointed an independent firm of advisers to provide a shortlist of potential candidates, from which the independent directors selected the most appropriate candidate. The Board as a whole also fulfils the function of the Remuneration Committee, which reviews Directors' fees on a regular basis. The Remuneration Report is set out on page 24.

To ensure its independence from the Manager, the Audit Committee excludes from membership any Directors who are or were employed by JPMFAM, or any of its subsidiaries or associated companies.

The Audit Committee meets at least twice each year. The Committee 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 audit, its cost effectiveness and the independence and objectivity of the external auditors. The Directors' statement on the Company's system of internal control can be found below.

Relations with Shareholders
The Board regularly monitors the shareholder profile of the Company.

During the year the Company's brokers, the Investment Manager and JPMFAM hold regular discussions with institutional shareholders. The Directors are made fully aware of their views and responses are tailored as necessary. The Chairman and Directors make themselves available as and when required to address shareholder queries.

At the Company's Annual General Meeting, the Directors and representatives of the Manager are available in person to meet and answer shareholders' questions. In addition, a presentation is given by the Investment Manager, reviewing the Company's activities.

Accountability and Audit
The Directors' responsibilities in respect of the Accounts are set out on page 25 and the statement of the Auditors' responsibilities are given on pages 28 and 29.

Internal Control
The Combined Code requires the Directors at least annually to conduct a review of the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This extended the previous requirement which focused on internal financial control, and now 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 information used within the business, or published, is reliable. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable but not absolute assurance against fraud, material mis-statement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMFAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by

JPMFAM and its associates, including the operating controls established by them to ensure that they meet the Company's business objectives.

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, transaction analysis 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 – Regular and comprehensive reviews, conducted on behalf of the Board, of the Manager's system of internal control. 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 JPMFAM's Compliance department which regularly monitors compliance with FSA rules.

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

The Board keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

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

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 2003 and up to the date of this report.

Auditors

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1st January 2003, PricewaterhouseCoopers resigned on 27th February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Annual General Meeting

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

(a) Repurchase of the Company's Shares

At the Annual General Meeting held on 3rd October 2002, shareholders gave authority to the Board to enable repurchases of up to 14.99% of the then issued share capital. At that time shareholders were informed that this authority would expire on 31st May 2004 or the conclusion of the Company's

Directors' Report continued

Annual General Meeting in 2003. This being so, a special resolution will be proposed at the forthcoming Annual General Meeting that the Company be authorised to purchase in the market up to 13,520,113 shares (or, if less, the number of shares which is equal to 14.99 per cent of the Company's issued share capital as at the date of the passing of Resolution 7 set out in the Notice of Annual General Meeting), using its realised capital reserves. The actual cash required to repurchase shares will be met either from cash available or from selling investments in the portfolio.

The Directors consider that the renewing of the authority would be in the interest of shareholders as a whole as the repurchase of shares at a discount to the underlying net asset value ('NAV') would enhance the NAV of the remaining shares. The Directors therefore recommend that shareholders vote in favour of the resolution.

The full text of the resolution is set out as Resolution number 7 in the Notice of Meeting on page 26.

(b) Amendment to the Company's Articles of Association

After consideration of recent changes in corporate governance, including the AITC Code and the forthcoming revisions to the Combined Code, the Directors have agreed that any Director with more than nine years' service should be subject to annual re-election by shareholders. The Articles need to be amended to incorporate this policy, as well as the retirement by rotation every three years required by the Combined Code. The full text of the resolution is set out as Resolution number 8 in the Notice of Meeting on page 27.

By order of the Board
APW Jones, for and on behalf of
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
22nd September 2003

Directors' Remuneration Report

In the year to 30th June 2003, the Chairman was paid at the rate of £17,000 per annum and the other Directors at the rate of £13,000 per annum. Directors' fees were last increased in January 2002.

Audited Information
Directors' Remuneration

Director's Name	2003 £	2002 £
Roger Murray (Chairman)	17,000	16,000
Patrick Gifford	13,000	12,000
Roy Peters	13,000	12,000
Roy Reynolds	13,000	12,000
Alan Saunders	13,000	1,583

The total Directors' fees of £69,000 (2002: £53,583) comprise £56,000 (2002: £41,583) in respect of aggregate emoluments paid to Directors and £13,000 (2002: £12,000) paid to a third party for making available the services of one Director (2002: same).

The Board as a whole fulfils the function of the Remuneration Committee which reviews fees on a regular basis. Reviews are based on information from independent surveys and the investment trust industry generally. The Directors' fees are not performance-related.

In aggregate, fees must not exceed £100,000 per annum. Directors' fees are reviewed regularly and any increase in the maximum aggregate amount requires both Board and shareholder approval.

The Directors do not have service contracts with the Company. Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they are elected by shareholders. Thereafter, a Director's appointment will run for a three year term. A Director may then be invited by the Board to serve for a further three years. A Director's continuing *appointment is subject to re-election by* shareholders on retirement by rotation in accordance with the Company's Articles of Association.

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 on page 10 shows the Company's net asset value total return and share price total return compared with its benchmark index, the MSCI Emerging Markets Free Index (in sterling terms).

By order of the Board
APW Jones, for and on behalf of
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
22nd September 2003

Directors' Responsibilities in Respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the revenue for the year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 the above requirements. The Directors are responsible for ensuring that proper accounting records are kept 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.

Notice of Meeting

Notice is hereby given that the twelfth Annual General Meeting of JPMorgan Fleming Emerging Markets Investment Trust plc will be held at 10 Aldermanbury, London EC2V 7RF at 3.00 p.m. on Thursday 30th October 2003 for the following purposes:

1 To receive and adopt the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2003.

2 To receive the Directors' Remuneration Report for the year ended 30th June 2003.

3 To elect Mr Anatole Kaletsky a Director of the Company.

4 To re-elect Mr Roy Peters a Director of the Company.

5 To re-elect Mr Patrick Gifford a Director of the Company.

6 To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution:

THAT PricewaterhouseCoopers LLP be reappointed Auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

Special Business

To consider the following resolutions which will be proposed as Special Resolutions:

7 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 shares hereby authorised to be purchased shall be 13,520,113 or if less, that number of shares which is equal to 14.99 per cent of the Company's issued share capital as at the date of the passing of this Resolution;

(ii) the minimum price which may be paid for a share will be 25 pence;

(iii) the maximum price which may be paid for a share shall be an amount equal to 105 per cent of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased;

(iv) any purchase of shares will be made in the market for cash at prices below the prevailing estimated net asset value per share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 29th April 2005 or the conclusion of the Company's Annual General Meeting in 2004 unless the authority is renewed prior to such time; and

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

Notice of Meeting continued

8 THAT the Company's Articles of Association be amended to incorporate the following:

84. At each Annual General Meeting:

(a) any Director who was originally elected a Director at or before the Annual General Meeting held in the ninth calendar year before the current year shall retire by rotation; and

(b) any Director who was elected or last re-elected a Director at or before the Annual General Meeting held in the third calendar year before the current year shall retire by rotation; and

(c) such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation to at least one-third of the number of Directors in office at the date of the notice of the meeting.

85. Selection of Directors to retire by rotation

The Directors to retire by rotation shall include those Directors referred to in Article 84(a) and 84(b) and any Director who wishes to retire and not to offer himself for re-election. Any further Directors to retire shall be those of the other Directors who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

By order of the Board
APW Jones, for and on behalf of
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary

22nd September 2003

Notes

1 A shareholder entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and on a poll vote on his behalf. A proxy need not be a shareholder of the Company. The lodging of a form of proxy does not prevent a shareholder from attending and voting if he so wishes.

2 Proxy forms must be lodged not less than 48 hours before the time of the meeting at the office of the Registrar.

3 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), shareholders must be entered on the Company's register of members 48 hours before the time of 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 shareholders 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, shareholders must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

4 Admittance to the above Meeting will be restricted to shareholders. Guests will only be admitted by prior arrangement.

Independent Auditors' Report[1]

To the Members of JPMorgan Fleming Emerging Markets Investment Trust plc

We have audited the financial statements which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ('the auditable part').

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report and the corporate governance statement.

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

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report[1] continued

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs at 30th June 2003 and of its total return and cash flows for the year ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
London, 22nd September 2003

[1]The financial statements are published on the www.jpmorganfleming.com/its website, which is a website maintained by the Company's Manager, J. P. Morgan Fleming Asset Management (UK) Limited ('JPMFAM'). The maintenance and integrity of the website maintained by JPMFAM or any of its subsidiaries is, so far as it relates to the Company, the responsibility of JPMFAM. 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 financial statements may be published and accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements following presentation on a website. Visitors to any website containing the financial statements need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Statement of Total Return

for the year ended 30th June 2003

	Notes	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
Realised losses on investments	7, 12	**–**	**(5,140)**	**(5,140)**	–	(3,117)	(3,117)
Net change in unrealised appreciation/depreciation	7, 12	**–**	**(259)**	**(259)**	–	(5,893)	(5,893)
Currency losses on cash and short-term deposits held during the year	12	**–**	**(465)**	**(465)**	–	(438)	(438)
Realised gain on repayment of US Dollar loan	12	**–**	**729**	**729**	–	–	–
Unrealised currency gains on US Dollar loan		**–**	**–**	**–**	–	1,320	1,320
Other capital charges	12	**–**	**(16)**	**(16)**	–	(20)	(20)
Income from investments	1	**2,950**	**–**	**2,950**	2,915	–	2,915
Other income	1	**63**	**–**	**63**	95	–	95
Gross return		**3,013**	**(5,151)**	**(2,138)**	3,010	(8,148)	(5,138)
Management fee	2	**(1,423)**	**–**	**(1,423)**	(1,790)	–	(1,790)
Other administrative expenses	3	**(437)**	**–**	**(437)**	(315)	–	(315)
Interest payable	4	**(229)**	**–**	**(229)**	(849)	–	(849)
Net return before taxation		**924**	**(5,151)**	**(4,227)**	56	(8,148)	(8,092)
Taxation	5	**(297)**	**–**	**(297)**	(259)	30	(229)
Transfer to/(from) reserves		**627**	**(5,151)**	**(4,524)**	(203)	(8,118)	(8,321)
Return per ordinary share	6	**0.69p**	**(5.71)p**	**(5.02)p**	(0.22)p	(8.98)p	(9.20)p

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

The revenue column of this statement is the profit and loss account of the Company.

The notes on pages 33 to 40 form part of these accounts.

Balance Sheet

at 30th June 2003

	Notes	**2003** **£'000**	2002 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	7	**115,549**	129,347
Current assets			
Debtors	8	**474**	168
Cash and short-term deposits		**2,890**	6,757
		3,364	6,925
Current liabilities			
Creditors: amounts falling due within one year	9	**(3,057)**	(15,892)
Net current assets/(liabilities)		**307**	(8,967)
Total net assets		**115,856**	120,380
FINANCED BY			
Capital and reserves			
Called-up share capital	11	**22,548**	22,548
Capital redemption reserve	12	**1,665**	1,665
Other reserve	12	**69,939**	69,939
Capital reserve – realised	12	**5,166**	20,044
Capital reserve – unrealised	12	**19,095**	9,368
Revenue reserve	12	**(2,557)**	(3,184)
Total shareholders' funds (all equity)		**115,856**	120,380
Net asset value per share	13	**128.5p**	133.5p

The accounts on pages 30 to 40 were approved by the Directors on 22nd September 2003 and are signed on their behalf by:

Patrick Gifford
Director

Patrick Gifford

The notes on pages 33 to 40 form part of these accounts.

Cash Flow Statement

for the year ended 30th June 2003

	Note 15	**2003**	2002
		£'000	£'000
Operating activities			
Cash received from investments		**2,391**	2,460
Deposit interest received		**63**	95
Management fee paid		**(1,423)**	(1,790)
Directors' fees paid		**(69)**	(54)
Other cash payments		**(488)**	(232)
Net cash inflow from operating activities		**474**	479
Returns on investments and servicing of finance			
Interest paid		**(229)**	(849)
Net cash outflow from returns on investments and servicing of finance		**(229)**	(849)
Taxation			
Taxation recovered		**1**	77
Net tax recovered		**1**	77
Capital expenditure and financial investment			
Purchases of investments		**(29,681)**	(26,241)
Sales of investments		**38,105**	31,355
Other capital charges		**(23)**	(13)
Net cash inflow from capital expenditure and financial investment		**8,401**	5,101
Net cash inflow before financing		**8,647**	4,808
Financing			
Change in short-term loans		**2,967**	(73)
Repurchase of ordinary shares		**—**	(1,143)
Repayment of long-term loan		**(15,016)**	—
Net cash outflow from financing		**(12,049)**	(1,216)
(Decrease)/increase in cash in the year		**(3,402)**	3,592

The notes on pages 33 to 40 form part of these accounts.

Notes to the Accounts

for the year ended 30th June 2003

A SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES, ALL OF WHICH HAVE BEEN APPLIED CONSISTENTLY THROUGHOUT THE YEAR, IS SET OUT BELOW.

i. Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial statements of investment trust companies' ('SORP').

ii. Valuation of investments

Listed investments are valued at middle market prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Where premiums are payable by foreign investors, the market value, for the purpose of the accounts, includes the premium. Unlisted investments are valued by the Board. In making their valuations, the Board have taken into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors, with consideration given to the British Venture Capital Association guidelines.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve – realised and unrealised surpluses and deficits on the revaluation of investments are taken to the capital reserve – unrealised.

Period-end exchange rates are used to translate the value of investments which are denominated in foreign currency.

iii. Income

Dividends from equity shares are included in the revenue account on an ex-dividend basis.

Franked dividends are accounted for net of any tax credits and of any tax credit on overseas income. Overseas dividends are shown gross of withholding tax.

Where the Company has elected to receive its 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 foregone is recognised in capital reserves – unrealised.

Interest receivable on fixed interest stocks, deposit interest and interest payable is recognised in the revenue account on an accruals basis.

iv. Finance costs

Finance costs are accounted for on an accruals basis and in accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments'.

v. Expenses

All expenses are accounted for on an accruals basis. Expenses are charged wholly to the revenue account except as follows:

– expenses which are incidental to the acquisition of an investment are included within the cost of the investment;

– expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;

vi. Foreign currency

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve – realised or in the revenue account depending on whether the gain or loss is capital or revenue in nature.

vii. Taxation

Deferred tax is recorded in accordance with FRS19 'Deferred Tax'.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised to the extent that it is regarded as recoverable.

Notes to the Accounts continued

	2003 £'000	2002 £'000
1. Income		
Income from investments		
Franked investment income	**158**	173
Overseas dividends	**2,644**	2,247
Scrip dividends	**148**	495
	2,950	2,915
Other income		
Deposit interest	**63**	95
	63	95
Total income	**3,013**	3,010
Total income comprises:		
Dividends	**2,950**	2,915
Other income	**63**	95
	3,013	3,010
Analysis of income from investments:		
Listed overseas	**2,950**	2,915
	2,950	2,915

	2003 £'000	2002 £'000
2. Management fee		
Management fee[1]	**1,425**	1,732
Irrecoverable VAT thereon	**(2)**	58
	1,423	1,790

[1]The management fee is based on a formula, details of which are given under 'Management and Performance Fee' in the Report of the Directors' on page 19.

	2003 £'000	2002 £'000
3. Other administrative expenses		
Other management expenses	**350**	239
Directors' fees	**69**	54
Auditors' remuneration[1]	**18**	17
Irrecoverable VAT	**–**	5
	437	315

The figures for the year to 30th June 2002 contain the effect of an over-accrual of £90,000 in respect of safe custody fees made in the year to 30th June 2001.

The total Directors fees of £69,000 (2002: £54,000) comprise £56,000 (2002: £42,000) in respect of aggregate emoluments paid to Directors and £13,000 (2002: £12,000) paid to a third party for making available the services of one Director (2002 : same).

[1]In addition, the auditors were paid £3,470 in respect of services not directly connected with the audit (2002: £3,470). This forms part of Other management expenses.

Notes to the Accounts continued

	2003 £'000	2002 £'000
4. Interest payable		
On bank loans and overdraft repayable on demand	**2**	4
On bank loan repayable within 5 years, but not by instalments	**227**	845
	229	849

	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
5. Taxation						
Overseas taxation	**297**	**–**	**297**	278	–	278
Corporation tax at 30%	**166**	**–**	**166**	–	–	–
Relief relating to overseas taxation	**(166)**	**–**	**(166)**	–	–	–
Tax reclaim	**–**	**–**	**–**	(19)	–	(19)
Write back of CGT liability	**–**	**–**	**–**	–	(30)	(30)
	297	**–**	**297**	259	(30)	229

The actual tax charge reconciles to the tax charge on Revenue before tax based on the standard rate of corporation tax of 30% as follows:

	2003 %	2002 %
Standard rate of UK corporation tax	**30.00**	30.00
Non-taxable UK dividends	**(5.13)**	(91.91)
Non taxable scrip dividends	**(2.38)**	(190.99)
Income taxed in different periods	**(4.92)**	174.86
Expenses not utilised	**1.06**	78.04
Overseas tax written off in accounts	**13.54**	495.73
Tax reclaim	**–**	(35.48)
Effective rate of tax based on tax charge against revenue before tax	**32.17**	460.25

The Company has an unrecognised deferred tax asset of £1,871,711 (2002: £1,799,734). This has arisen from deductible expenses exceeding taxable income. As this situation exists year-on-year, there are no foreseeable circumstances in which this asset will be utilised.

	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
6. Return per ordinary share						
Attributable to ordinary shareholders	**627**	**(5,151)**	**(4,524)**	(203)	(8,118)	(8,321)
Return per ordinary share	**0.69p**	**(5.71)p**	**(5.02)p**	(0.22)p	(8.98)p	(9.20)p

The revenue return per ordinary share is based on the revenue on ordinary activities after taxation and on 90,194,218 (2002: 90,457,143) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The capital return per ordinary share is based on net capital returns and on 90,194,218 (2002: 90,457,143) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive shares, therefore the diluted earnings per share are the same as the basic.

	2003 £'000	2002 £'000
7. Investments		
Investments listed on a recognised investment exchange	115,549	129,296
Unlisted investments	–	51
	115,549	129,347

(a) Analysis of investments

	Listed overseas £'000	2003 Unlisted £'000	Total £'000
Opening book cost	118,737	85	118,822
Opening unrealised appreciation/(depreciation)	10,559	(34)	10,525
Opening valuation	129,296	51	129,347
Movements in the year:			
Purchases at cost	29,799	30	29,829
Sales – proceeds	(38,228)	–	(38,228)
– realised losses on sales	(5,140)	–	(5,140)
Net change in unrealised appreciation/depreciation	(198)	(61)	(259)
	115,529	20	115,549
Closing book cost	96,339	115	96,454
Closing unrealised appreciation/(depreciation)	19,190	(95)	19,095
	115,529	20	115,549

During the year £8,829,000 of prior year unrealised depreciation has been transferred from Capital reserve – unrealised as disclosed in note 12.

	2003 £'000	2002 £'000
8. Debtors		
Securities sold for future settlement	123	–
Foreign tax recoverable	21	22
Dividends and interest receivable	249	95
Other debtors	81	51
	474	168
9. Creditors		
Amounts falling due within one year:		
Short-term loans	2,967	15,745
Other creditors	90	140
Other capital charges	–	7
	3,057	15,892
10. Provision for liabilities and charges		
These are in respect of deferred taxation, and comprise:		
Timing differences related to revenue income and provision for capital gains tax	–	–
Movements:		
Opening balance	–	30
Write back	–	(30)
Closing balance	–	–

Notes to the Accounts continued

	2003 £'000	2002 £'000
11. Called-up share capital		
Issued and fully-paid share capital:		
Ordinary shares of 25p each		
At beginning of year (90,194,218 shares; 2002: 91,454,218)	**22,548**	22,863
Repurchase of nil shares (2002: 1,260,000 shares)	**–**	(315)
At end of year (90,194,218 shares; 2002: 90,194,218)	**22,548**	22,548
Authorised share capital:		
296,000,000 ordinary shares of 25p each	**74,000**	74,000

	Capital redemption reserve £'000	Other reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
12. Reserves					
Beginning of year	1,665	69,939	20,044	9,368	(3,184)
Currency losses on cash and short-term deposits held during the year	–	–	(465)	–	–
Realised losses on investments	–	–	(5,140)	–	–
Net change in unrealised appreciation	–	–	–	(259)	–
Transfer on disposal of investments	–	–	(8,829)	8,829	–
Unrealised currency loss on US Dollar loan now realised	–	–	(1,157)	1,157	–
Realised gain on repayment of US Dollar loan	–	–	729	–	–
Other capital charges	–	–	(16)	–	–
Retained revenue for the year	–	–	–	–	627
	1,665	69,939	5,166	19,095	(2,557)

13. Net asset value per share

The net asset value per share at the year end is as follows:

	Net asset value per share		Net assets attributable	
	2003 p	2002 p	2003 £'000	2002 £'000
Ordinary shares:	**128.5**	133.5	**115,856**	120,380

[1]Net asset value per ordinary share is based on net assets at the year end and on 90,194,218 (2002: 90,194,218) ordinary shares, being the number of ordinary shares in issue at the year end.

	2003 £'000	2002 £'000
14. Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	**120,380**	129,844
Total recognised losses for the year	**(4,524)**	(8,321)
Repurchase of ordinary shares	**–**	(1,143)
Closing shareholders' funds	**115,856**	120,380

Notes to the Accounts *continued*

	2003 £'000	2002 £'000
15. Cash flow statement		
Reconciliation of revenue to net cash outflow from operating activities		
Income before interest payable and taxation	**1,153**	905
Scrip dividends received as income	**(148)**	(495)
(Increase)/decrease in accrued income	**(154)**	313
(Increase)/decrease in other debtors	**(30)**	25
Decrease in other creditors	**(50)**	(1)
Tax on unfranked investment income	**(297)**	(268)
	474	479

	2003 £'000	2002 £'000
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash for the year	**(3,402)**	3,592
Cash outflow funds from change in debt	**12,049**	73
Change in net debt resulting from cash flows	**8,647**	3,665
Effect of changes in foreign exchange rates	**264**	882
Movement in net funds for the year	**8,911**	4,547
Net debt at beginning of the year	**(8,988)**	(13,535)
Closing net debt	**(77)**	(8,988)

	At 30th June 2002	Cash flow	Exchange movement	**At 30th June 2003**
Analysis of net debt				
Cash at bank and in hand	6,757	(3,402)	(465)	**2,890**
Debt due within one year	(15,745)	12,049	729	**(2,967)**
Closing balance	(8,988)	8,647	264	**(77)**

16. Transactions with JPMorgan Fleming

Details of the management contract are set out on page 19. The terms make allowance for the exclusion of management charges on investments held in funds managed by JPMorgan Fleming. There were no amounts due to JPMFAM at the year end (2002: nil). The management fee paid to JPMFAM for the year can be found on note 2, page 34. In addition, JPMFAM was paid £56,000 for the marketing and administration of 'wrapper' products as described on page 42 (2002: £54,000). Other management expenses, as shown in note 3 on page 34, include safe custody fees of £142,841 (2002: £47,000) of which £33,000 (2002: £93,000) was outstanding at the year end. These fees were paid to third party custodians by JPMorgan Chase & Co, on behalf of the Company. JPMFAM carries out some of its dealing transactions through other group subsidiaries. These transactions are carried out at arms' length. The commission paid in the year was £35,000 (2002: £16,000). The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

The Company paid £16,000 to JPMorgan Fleming in respect of handling charges incurred on dealing transactions undertaken by overseas sub-custodians (2002: £20,000).

The Company holds investments in funds managed by JPMFAM. At 30th June 2003 these were valued at £412,000 (2002: £492,000) and represented 0.3% of the Company's investment portfolio (2002: 0.4%). During the year the Company made no purchases or sales in such investments. No investment income was received from these funds (2002: nil).

Notes to the Accounts continued

17. Financial instruments

The Company's financial instruments comprise:

- Investments including equity shares, with international exposure. These are held in accordance with the Company's investment objective and policies;
- Short-term debtors, creditors and immaterial cash amounts arising directly from its operations and;
- Derivative transactions which the Company enters into, principally interest rate swaps, the purpose of which is to manage the interest rate risk arising from bank loans.

As an investment trust, the Company invests in securities for the long-term. Accordingly it is, and has been throughout the year under review, the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is market price risk which incorporates both foreign currency and interest rate risk. The Board's policies for managing these risks are summarised below. These policies have remained unchanged throughout the current and preceding year, with the exception that the Company no longer fixes the interest rate on the loan. From 1st January 2002 the Company reverted to a floating rate until the loan was repaid.

Market Price Risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Board meets at least four times a year to consider the asset allocation of the portfolio and as part of their reviews consider the risk associated with particular countries or industry sectors. The Manager has responsibility for monitoring the existing portfolio selected in accordance with the Company's investment objective and seeks to ensure that individual stocks also meet an acceptable risk reward profile.

Interest Rate Risk

The Company finances its operations through bank borrowings and retained profits. The Company borrows in the desired currencies at both fixed and floating rates of interest and then uses interest rate swaps to both generate the desired interest rate profile and to manage the exposure to interest rate fluctuations. During the year the Company repaid its US Dollar loan. Prior to this repayment the interest was at a floating rate.

Foreign Currency Risk

The income and capital value of the Company's investments can be significantly affected by exchange rate movements as the majority of the Company's assets and income are denominated in currencies other than sterling which is the Company's reporting currency.

The Board has identified three principal areas where foreign currency risk could impact the Company:

- Movements in rates affect the value of investments;
- Movements in rates affect short-term timing differences, and
- Movements in rates affect the income received.

The Company may be subject to short-term exposure to exchange rate movement, for instance where there is a difference between the date an investment purchase or sale is entered into and the date when settlement of the proceeds occurs.

Liquidity Risk

The Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of overdraft facilities.

The material accounting policies adopted in accounting for financial instruments are disclosed on page 33.

With the exception of the note on currency exposures, the Company has excluded short-term debtors and creditors from the following analysis.

Notes to the Accounts *continued*

17. Financial instruments continued

Currency Exposures

An analysis of the Company's net assets at 30th June 2003 is:

	S.Korea £m	S.Africa £m	Mexico £m	India £m	Russia £m	Other £m	Total £m
Investments	26.8	13.5	13.2	11.0	9.7	41.3	115.5
Net current assets	—	—	—	—	—	2.2	2.2
Financial instruments outstanding at year end	26.8	13.5	13.2	11.0	9.7	43.5	117.7

An analysis of the Company's net assets at 30th June 2002 is:

	S.Korea £m	Mexico £m	Taiwan £m	India £m	S.Africa £m	Other £m	Total £m
Investments	32.9	17.5	14.4	11.0	12.2	41.3	129.3
Long term loan	—	—	—	—	—	(15.7)	(15.7)
Net current assets	—	—	0.6	—	—	5.9	6.5
Financial instruments outstanding at year end	32.9	17.5	15.0	11.0	12.2	31.5	120.1

Interest Rate Risk Profile of Financial Assets and Financial Liabilities

Assets

The Company's financial assets consist entirely of equity shares.

Liabilities

The Company currently only has short-term loans. The interest on these are paid at a floating rate.

Fair Value of Financial Instruments

Financial assets and liabilities are included in the balance sheet at values which represent fair values except in respect of the item disclosed below. The Company's US Dollar 24 million loan was repaid during the year. For the year ended 30th June 2002, the fair value of the loan has been calculated by estimating the breakage costs of the loan.

	Accounts value		Fair value	
	2003 £m	2002 £m	2003 £m	2002 £m
Unsecured $24m loan	—	15.7	—	15.7

Information about the Company

FINANCIAL CALENDAR

Financial year end	30th June
Interim results announced	February
Final results announced	September
Annual General Meeting	October

History

Your 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.

Company Numbers

Company registration number: 2618994
London Stock Exchange code: 0341895

Market Information

The Company's ordinary shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, the Daily Telegraph, The Independent, The Guardian, the Yorkshire Post, The Herald and The Scotsman, BBC Ceefax and on the JPMorgan Fleming internet site at www.jpmorganfleming.com/its, where the share price is updated every fifteen minutes during trading hours.

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'), Personal Equity Plan ('PEP') and Pension Account.

Manager, Secretary and Company's Registered Office

J.P. Morgan Fleming Asset Management (UK) Limited, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ

Telephone number: 020 7742 6000,

Please contact Philip Jones for company secretarial and administrative matters.

Registrars

Lloyds TSB Registrars, Reference 1081,
The Causeway, Worthing, West Sussex, BN99 6DA

Telephone number: 0870 600 3984

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 their holdings on the internet by visiting www.shareview.co.uk.

Auditors

PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, London SE1 9SY

AI TC The Company is a member of The Association of Investment Trust Companies

Investing through JPMorgan Fleming

JPMorgan Fleming operate a range of savings products which enable investors to purchase shares in its range of investment trusts as follows:

Share Plan

The Investment Trust Share Plan is a low-cost savings plan allowing investments in any of the JPMorgan Fleming managed investment trusts. The minimum investment is £50 per month or a lump sum of £500. There is a 1% transaction charge *(plus 0.5% Government stamp duty) on all* purchases, with a minimum charge of £1 and a maximum charge of £50 for each transaction in each trust.

Individual Savings Account ('ISA')

All of the JPMorgan Fleming managed investment trusts are available through either a mini or maxi stocks and shares component ISA. Under current legislation, investments grow free of income and capital gains tax. The minimum investment is £100 per month per trust or a lump sum of £1,000 per trust, subject to the overall annual allowances.

Personal Equity Plan ('PEP')

Although no new subscriptions can be made to a PEP, existing plans from other managers can be transferred into the Investment Trust PEP. The annual management charge is a flat fee of £25 plus VAT per trust.

Pension Account

The Investment Trust Pension Account is simple, flexible and low cost. There is no annual account charge and only a 0.3% dealing charge on *purchases (0.5% Government stamp duty is also* payable, excluding the Cash Fund). There are just four investment choices: JPMorgan Fleming Managed Growth, JPMorgan Fleming Claverhouse, JPMorgan Fleming Overseas and the Cash Fund.

Under current regulations, tax relief is available on all contributions and investments grow free of capital gains tax. The minimum investment is £100 gross per month or £1,000 gross lump sum.

To find out more about JPMorgan Fleming Emerging Markets and how to invest, visit **www.jpmorganfleming.com/its**

The investment trust range managed by JPMorgan Fleming

JPMorgan Fleming American	Capital growth from North American investments
JPMorgan Fleming Asian	Capital growth from Asian investments, excluding Japan
JPMorgan Fleming Chinese	Capital growth from Greater China investments
JPMorgan Fleming Claverhouse	Capital and income growth from UK investments
JPMorgan Fleming Continental European	Capital growth from Continental European investments
JPMorgan Fleming Emerging Markets	Capital growth from emerging markets worldwide
JPMorgan Fleming European Fledgeling	Capital growth from smaller Continental European companies
JPMorgan Fleming Income & Capital	Income and capital growth from UK investments through a split-capital structure
JPMorgan Fleming Income & Growth	Income and capital growth from higher-yielding investments through a split-capital structure
JPMorgan Fleming Indian	Capital growth from Indian investments
Fleming Japanese	Capital growth from Japanese investments
JPMorgan Fleming Japanese Smaller Companies	Capital growth through investment in small and medium-sized Japanese companies
JPMorgan Fleming Managed Growth	Long-term capital growth from investing in the range of investment trusts managed by JPMorgan Fleming
JPMorgan Fleming Managed Income	Growth of income with potential of long-term capital growth from investing in JPMorgan Fleming managed funds and fixed income securities
Fleming Mercantile	Capital growth from a portfolio of medium and smaller UK companies
JPMorgan Fleming Mid Cap	Capital growth from medium-sized UK companies
JPMorgan Fleming Overseas	Capital growth from overseas markets
JPMorgan Fleming Russian Securities	Capital growth from Russian securities
JPMorgan Fleming Smaller Companies	Capital and income growth from UK smaller companies
JPMorgan Fleming US Discovery	Capital growth from US micro cap companies
JPMorgan Fleming Worldwide Income	High income with capital growth through a split-capital structure from a portfolio of equities and bonds with international exposure

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