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JPMorgan Fleming

Asset Management

Companies House

The Fleming Overseas Investment Trust plc

Capital growth from world markets

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Annual Report & Accounts • Year ended 30th June 2001

Objective

Capital growth from world markets.

Policies

To invest in a broad range of world equity markets.

To emphasise capital growth rather than income.

Benchmark

The MSCI World Index in sterling terms (from 1st April 2001).

The Fleming
Overseas
Investment Trust plc

Financial Highlights

Per ordinary share	**30th June 2001**	30th June 2000	% change
Net asset value	**645.2p**	725.8p	−11.1
Share price[1]	**572.0p**	622.5p	−8.1
Dividends	**4.20p**	3.60p	+16.7
Benchmark Total Return FT/S&P Actuaries World ex UK Index to 31/03/01 then MSCI World Index in sterling terms[2]			−13.5
Return on net assets[3]			−10.7

[1]*F.T.*
[2]*Micropal.*
[3]*AITC.*

Annual General Meeting

The Annual General Meeting of The Fleming Overseas Investment Trust plc will be held at 10 Aldermanbury, London EC2V 7RF at 12.00 noon on Tuesday 30th October 2001.

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Chairman's Statement

"The year under review was a poor one for world equity markets, and our benchmark produced a negative total return of 13.5%. Your Company's performance was somewhat better than that with a negative total return of –10.7%. The gains compared with our benchmark were split evenly between profits on buying back our shares at a discount and stock selection within the portfolio, which continues to be good."

John Evans

Performance

Over the last three years, your Company has outperformed its benchmark by about 14% after costs (including the performance fee), of which the core portfolio contributed about 4½% net. The balance arose from share buy backs and the exceptional gain on our holding in Robert Fleming Holdings in the previous financial year.

Against a background of relatively modest returns – world markets have returned around 8% per annum on the average of the last three years – the Manager has rightly used gearing sparingly in the equity markets. While periodic forays into the market have increased our use of gearing to higher levels (for example 9% in May this year), more often only about 5 or 6% of the gearing has been invested in equities. The balance has been retained in debt instruments and a holding in Ericott, which at 4.8% of our assets, is the largest single holding.

Ericott is a conservatively and skilfully operated merger arbitrage business, managed by JPMorgan Partners, which was visited by the Board in May. Since it has regularly produced an annual return of 11-12% in recent years, this holding has been of substantial help in defraying the interest cost of our borrowing and preventing us making a loss on it. These high returns have attracted new entrants into the market and not surprisingly we are expecting a much lower return from Ericott this year. However, against a background of weakening profits and uncertain short term economic prospects, the Manager is maintaining a cautious approach towards further investment in equity markets until prices are sufficiently attractive.

Repurchase of Shares

Last year, the Company bought back 17 million of its shares, about 18% of the number of shares in issue at the start of the year, giving an NAV enhancement before fees of 15 pence per share. Since April 1999 repurchases have totalled nearly 55 million shares (41% of the opening share capital). The sellers have of course been those institutions which no longer wish to hold the Company's shares and throughout the process our brokers, HSBC, have done a good job in keeping closely in touch with the leading shareholders, with the aim of producing a satisfactory outcome for shareholders as a whole. The Board's policy has been to purchase shares at a level which is reasonable for the sellers, relative to the longer term history of the discount, while generating a profit for remaining shareholders to compensate them for the reduced scale of the Company. In the meantime, the number of shares held by private shareholders, which had been declining steadily for the previous five years, has risen by 16% since March 1999 mainly as a result of purchases on behalf of private shareholders by Fleming Managed Growth. The consequence of this combination of institutional sales and private purchases has been to double the proportion of private shareholdings from 24% to 48% since 1999.

We believe that there is now a much better balance between potential buyers and sellers of our shares. Moreover our institutional base is much more stable than it was, with a number of institutional shareholders currently planning to remain long-term holders, provided, of course, performance is satisfactory.

At our year end, the discount of our share price to net asset value was 11.3%, which, as the graph below shows, is towards the lower end of its range in recent years. Our own repurchases have probably had some influence on that result, as have repurchases elsewhere in the industry, and possibly, too, the improving recognition of the virtues of investment trusts generally.

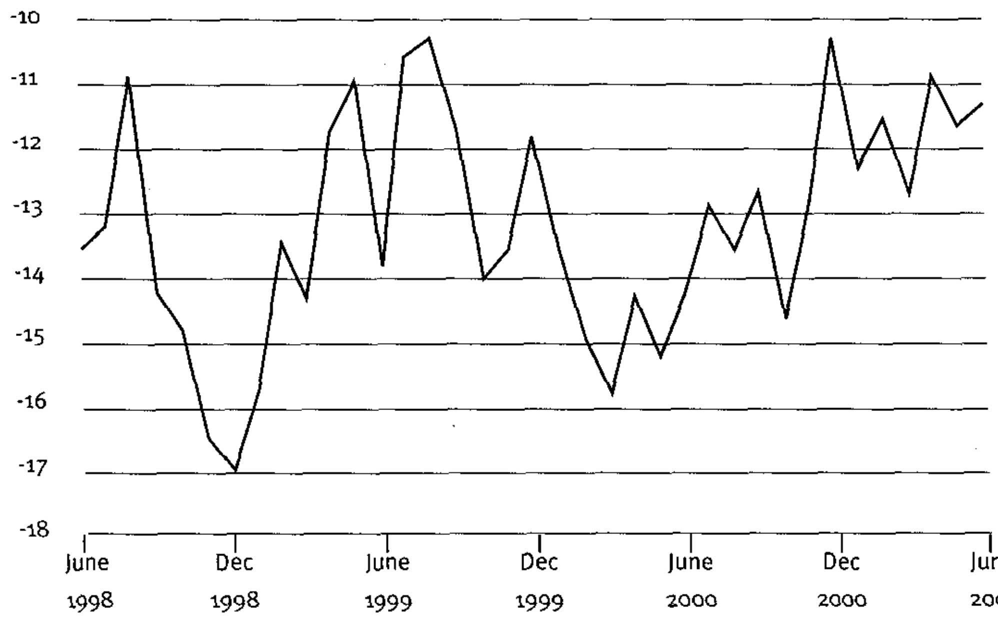
Now that the bulk of the desired selling of our shares by institutions has been accommodated, the focus of our repurchase programme is likely to shift to stabilising the discount at an acceptable level. The level of repurchases is likely to decline as, therefore, is the net asset improvement which they generate.

Earnings, Dividend and Change of Benchmark

Earnings per share last year rose to 5.03p, from which the Board is proposing a dividend of 4.20p against 3.60p the previous year. In the current year it is likely that the cut in Ericott's profitability referred to earlier will have an adverse effect on earnings. Part of the expected fall will, however, be recovered as a result of the change in benchmark announced in March 2001 following consultation with a number of our larger shareholders. Before the change the benchmark was confined to overseas equities, which yield about 0.8%; now it includes UK shares, which account for 10% of global equities and yield 2.5%. Overall our estimates for the current year's earnings show a decline which is likely to be reflected in a lower dividend.

The change in the benchmark index to broaden the investment universe will encourage the purchase of UK shares which are cheap by international standards, will also increase the scope for stock selection gains and we hope contribute towards a continuation of the good performance record built up by our Investment Manager over the last few years.

Company's discount June 1998 to June 2001



Chairman's Statement continued

The Board

Sam Stevenson retires at the AGM and I should like to pay tribute to the contribution he has made during the last five years, not least as Chairman of the Audit Committee. Having been Chairman of the Board for six years, I think it is about time that I too retired and will also be doing so at the AGM. A new Director will be appointed shortly and George Paul will take over as Chairman. I wish him and the remainder of the Board every success for the future.

Recent Events

This Statement and the Investment Managers' Report were prepared prior to the terrorist attacks in the USA on 11th September 2001. As I write, it is too early to assess the economic and political impact of these events.

The Investment Manager will address this issue at the Annual General Meeting on 30th October 2001.

John Evans
Chairman

12th September 2001

Company Performance

Summary of Results

	2001	2000	% change
Assets at 30th June			
Net asset value per ordinary share	**645.2p**	725.8p	−11.1
Ordinary share price	**572.0p**	622.5p	−8.1
Discount of ordinary share price to net asset value	**11.3%**	14.2%	
Ordinary shareholders' funds (£'000)	**501,746**	690,268	−27.3
Revenue for year to 30th June			
Revenue available for ordinary shareholders (£'000)	**4,490**	4,783	−6.1
Earnings per ordinary share	**5.03p**	4.50p	+11.8
Dividend per ordinary share	**4.20p**	3.60p	+16.7
Total Returns (capital plus income) for the year to 30th June			
Return on net assets[1,2]	**−10.7%**	+27.8%	
Return to ordinary shareholders[1,3]	**−7.6%**	+27.1%	
Linked benchmark: FT/S&P Actuaries World ex UK Index to 31/03/01 then MSCI World Index in sterling terms to 30/06/01	**−13.5%**	—	
FT/S&P Actuaries World ex UK Index in sterling[4]	**−12.8%**	+18.5%	
MSCI World Index in sterling terms[4]	**−14.2%**	+16.8%	
Total Expense Ratio[5]	**0.49%**	0.43%	

[1] *Calculated using an estimated dividend based on the previous year's actual dividend and assumes re-investment on a pro-rata basis at each month end during the year. Source: AITC.*

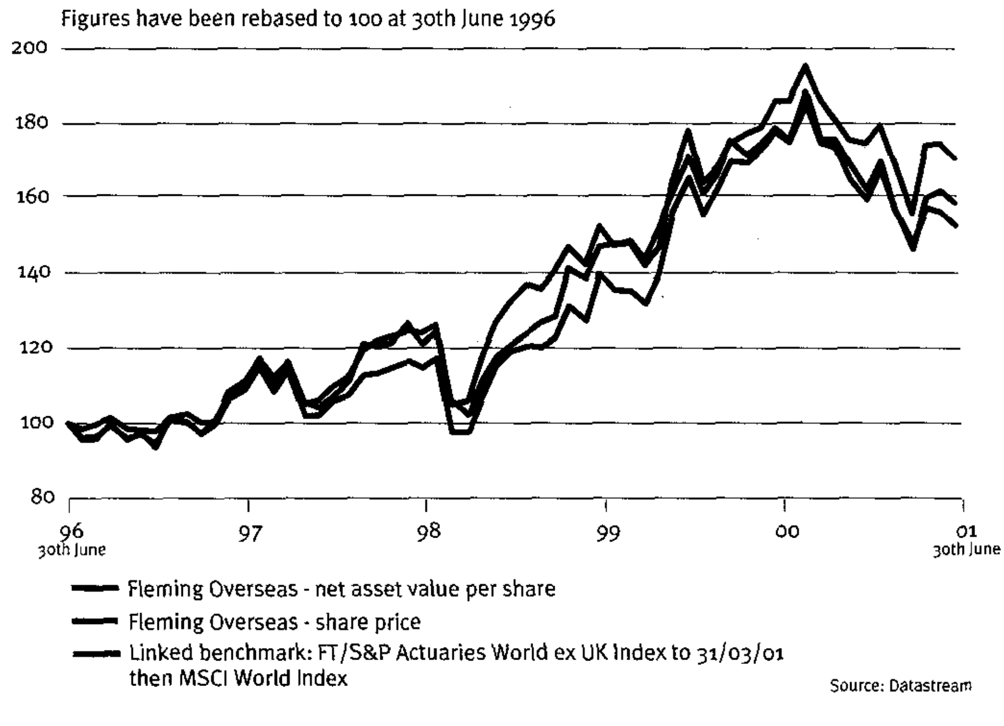
[2] *Change in net asset value per share with net dividends reinvested.*

[3] *Change in share price with net dividends reinvested.*

[4] *Source: Micropal.*

[5] *Management fees and all other operating expenses (and including tax relief, where allowable, but excluding performance fees and interest payments) expressed as a percentage of average net assets over the year. The Total Expense Ratio inclusive of the performance fee payable in the current year of £2.0m (2000: £2.8m) and relevant tax relief is 0.72% (2000: 0.72%).*

Five Year Performance



Source: Datastream

Investment Managers' Report

This report was written prior to the terrorist attacks in the USA on 11th September 2001.

Peter Harrison
became the Company's Investment Manager in April 1998 having joined Flemings in September 1996.

Peter Warnes
became the Company's Assistant Investment Manager in January 1999, having joined Flemings in November 1994.

After a prolonged period of strong returns, the performance of global stockmarkets has been disappointing during the last twelve months. During the year the Company's benchmark, the MSCI World Index (FT/S&P World Index prior to 1st April 2001) fell by 13.5%. Over the same period, the Company's return on net assets was –10.7% and the share price fell 8.1%.

Early on, clear signs of a slowdown in US economic activity began to emerge, as monetary tightening combined with higher fuel prices and the falling stockmarket began to impact the real economy. Investors' concerns shifted from higher interest rates to the impact of slower economic growth and tightening credit on corporate earnings and capital expenditure. With growing evidence of a margin squeeze, corporate earnings downgrades began in earnest, initially concentrated in the technology areas but soon spreading to most other sectors. Given the high valuations in some sectors there was little room for disappointment and consequently companies making negative announcements were harshly treated.

Not surprisingly there was a change in sector leadership in global stockmarkets: relatively defensive sectors such as healthcare, utilities and energy took up the mantle from the telecommunication, media and technology sectors, as investors began to re-assess growth assumptions for sectors trading at high valuations. Consequently, the large disparity in valuation between the market darlings of 1998-99 (TMT stocks) and the rest of the market, began to narrow.

Prompted by fears of recession, the US Federal Reserve surprised markets by reducing short term interest rates by 0.5% in early January. The subsequent rally in global stockmarkets soon petered out as it became clear that economic growth was slowing sharply and newsflow from the corporate sector was deteriorating rapidly. Since January, the battle between improving liquidity (more interest rate cuts) and fundamentals (corporate earnings downgrades), has led to volatile conditions in financial markets.

In spite of consumer's high debt levels, deteriorating employment prospects and the negative wealth effect, consumer spending in the US (though decelerating) has held up surprisingly well. In contrast, the corporate sector has haemorraged, with business investment now falling at its fastest rate since 1982. The impact on technology companies has been particularly severe, for example, Cisco has seen its rate of sales growth decline from 60% last year to a contraction of 30% this year. It has also become clear that the slowdown first seen in the US has spread to the rest of the world, with European growth expectations being revised down sharply and the Japanese economy deteriorating at an alarming rate.

The UK market was the best performing major stockmarket over the period, falling by 7.8%, benefiting from its lower weighting in technology and telecommunications. The US market also faired better than most, with the S&P500 Index falling 8.5% in sterling terms, though the technology heavy NASDAQ Index fell very sharply (-41.4%). There was a wide disparity in the performance of European markets. In a reversal of last year's fortunes, the telecom dominated Scandinavian markets, Finland and Sweden, performed poorly (both falling more than 40% in sterling terms). The Japanese market was the worst performing major market, falling by 32%, accentuated by the weakness of the yen.

Performance

During the year, the Company's performance was approximately 2.8% ahead of its benchmark (after deducting the performance fee). Outperformance largely came from stock selection, with the portfolio benefiting from positive stock selection in the US and Europe which offset negative selection in Japan. Asset allocation was marginally negative with the portfolio's overweight US position in the second half of the year not fully compensating for its earlier overweight exposure to Europe and Japan. In terms of sectors, the portfolio benefited from its underweight exposure to the technology and telecommunications and its overweight exposure to healthcare and energy.

Activity

During the year the Company's exposure to the energy sector was increased, given our view that the capital discipline exhibited by the sector and the positive earnings momentum was not fully appreciated by the market. Exposure to the major stocks in this sector was increased as well as less well known companies such as Phillips Petroleum and Anadarko Petroleum. In the broader resources sector a number of stocks were trading on attractive valuations, relative to the position in the commodity cycle, and purchases included Anglo American and Rio Tinto. The underweight exposure to the consumer sector was slightly reduced with selective purchases which included Albertsons and Kraft Foods.

Transactions were largely driven by stock or sector factors. However, the Company's change of benchmark did result in the purchase of several attractive UK equities, notably BG Group and Lattice Group.

Following the strong run in technology stocks in the Spring, often in the face of deteriorating fundamentals, several stocks were sold, including Sun Microsystems, Fujitsu and Kyocera. We also remained cautious on the telecommunications sector and disposed of several holdings including Nortel Networks and Ericsson during the year.

The Company remains biased towards quality growth companies which have a strong business model, which are earning improving returns and which are on reasonable valuations.

Investment Managers' Report continued

Outlook

The outlook for global stockmarkets remains difficult. We are currently experiencing the first synchronised global slowdown since the oil shock of the mid 1970s. The outlook for the US economy remains key. Recent economic data has been consistent with very sluggish, yet still positive growth (+0.7% in 2001Q2 – its slowest rate for eight years). Although interest rate and tax cuts have helped to reduce the extreme pessimism about US economic growth prevalent since late last year, we feel that the risks clearly remain on the downside. We do not expect business investment demand to rebound quickly, given the profits squeeze and capacity overhang. Hence the behaviour of the US consumer is critical. The key risk here is that the sharp increase in layoffs leads to net job losses, which would be likely to negatively impact spending behaviour. We do however take comfort in our belief that the US Federal Reserve has cut interest rates more quickly than any other previous occasion during Mr Greenspan's tenure and are convinced that he will do whatever is necessary to revive economic growth: a further deterioration in economic activity will to lead to more interest rate cuts. We still feel that inflation concerns are misplaced. With growth slowing, commodity prices under pressure and the absence of pricing power in almost all sectors, the recent rise in inflation is temporary and is not a major issue.

The US dollar has remained surprisingly strong, in fact it has risen by almost 40% (in trade-weighted terms) over the last six years. This is despite the mammoth current account deficit, currently running at almost $2bn per working day! Foreigners still seem willing to fund this deficit, believing that US assets will provide superior returns in the longer term. We believe that further appreciation of the dollar is unlikely from these levels.

We are now more comfortable with the relative valuation of equities than a year ago. However, earnings visibility remains poor with consensus earnings forecasts still too optimistic. We expect the earnings recovery will be far slower and more patchy than consensus. Pressure on profit margins remain an issue, and our company meetings also suggest that only very moderate turnover growth can be expected next year.

The tug of war between lower interest rates and negative newsflow from the corporate sector will continue for some time. There are several reasons why, on a strategic basis, we are becoming more optimistic about equities: US monetary policy has been eased aggressively, the yield curve has steepened significantly (all post war economic recoveries have been preceded by a positively sloped and steepening yield curve) and valuations have improved (although we cannot yet say equities are 'cheap'). However, tactically we acknowledge that there are still significant short term risks, the most obvious one being corporate earnings visibility.

The portfolio remains relatively defensively positioned, with exposure to areas with defensive earnings such as healthcare and insurance, whilst at the same time also holding selective cyclical businesses, where we feel that share prices have already discounted a

continued on page 10

Features of the Portfolio

▼ Total Fina Elf

Value (£'000): 8,878
% of portfolio: 1.5

Total Fina Elf produces, refines and markets oil and natural gas. The company was formed from the merger of Total, Fina and Elf Aquitaine.

▲ General Electric

Value (£'000): 12,637
% of portfolio: 2.1

General Electric is a diversified group with activities covering financial services, electrical distribution, aero engines and broadcasting.

◀ Bristol-Myers Squibb

Value (£'000): 5,717
% of portfolio: 1.0

Bristol-Myers Squibb is a leading manufacturer of proprietary medical products, pharmaceuticals and health and beauty aids.

◀ Canon

Value (£'000): 4,713
% of portfolio: 0.8

The group is one of the leading integrated optical, precision mechanical and electronic technologies manufacturers, producing cameras, business machines and advanced optical products.

Investment Managers' Report continued

very difficult economic environment. The portfolio remains underweight the consumer sector, given our scepticism about the sustainability of US demand and also because of the lack of attractively priced stocks.

We still feel it is too early to buy back many technology stocks. Having seen markets fall considerably, it is surprising that not more obviously 'cheap' companies have emerged. However, on balance, we believe that some sub-sectors, such as computer hardware and some component stocks have limited downside at this point. Although calling a definitive 'bottom' is only for the very brave, we will look for opportunities at the stock level to move towards a fuller position in the sector.

We have increased our exposure to US equities in the belief that lower interest rates, fiscal easing and the considerable build up in liquidity should leave US equities better placed to recover from the current global malaise and should thus be the first to recover from the current slowdown. A clear lesson from history is 'don't fight the Fed'. Having increased our exposure to Japan in the Spring, we have recently reduced exposure, in view of the sharper than expected slowdown in the underlying economy and the inability of corporate Japan to aggressively cut costs. Mr. Koizumi's appointment as Japanese Prime Minister has raised expectations of early supply-side reforms. The recent Upper House elections have given him the green light to begin the painful process of structural reform, but it remains to be seen how quickly and smoothly implementation will proceed, given the considerable opposition to reform, not least of all from within his own political party. Investment in European markets were reduced because of the lack of compelling company valuations. There is also the heightened risk of a policy error from the European Central Bank, which remains constrained by its inflation mandate.

In the event of a substantial setback in global stockmarkets, we will look to more fully utilise the Company's borrowing facility to increase exposure to equities.

Peter Harrison

Peter Warnes 12th September 2001

Ten Largest Investments

Company	Country	Sector	30th June 2001 Value £'000	% of total assets
Ericott[1] The fund invests in a large number of US companies during corporate actions seeking to arbitrage pricing anomalies. It aims to, and has achieved, outperformance of cash.	North America	Offshore fund	28,441	4.8
General Electric General Electric is the largest and most diversified industrial company in the world, developing, manufacturing and marketing a wide varity of products for the generation, transmission, distribution, control and utilisation of electricity. It has an outstanding long term earnings profile delivering sustained top-line growth, increased margins and strong cash generation.	North America	Diversified industrial	12,637	2.1
Microsoft Microsoft Corporation develops, manufactures, licenses, sells and supports software products. The company offers operating system software, server application software, business and consumer applications software, software development tools, and internet and intranet software. The company has the pre-eminent global operating system franchise which affords strong growth coupled with high margins.	North America	Software and Computer services	10,155	1.7
Citigroup Citigroup is the largest diversified financial services holding company in the world, and it provides a broad range of financial services to consumer and corporate customers around the globe. The company's services include investment banking, retail brokerage, corporate banking, insurance and cash management products and services. With such broadly diversified revenue streams, Citigroup offers earnings and profitability stability well above that of its peers throughout the economic cycle.	USA	Diversified financials	9,823	1.7
Total Fina Elf Total Fina Elf explores for, produces, refines, transports and markets oil and natural gas. The company operates in over 100 countries. The diversified nature of the business together with a strong balance sheet enable this company to be at the forefront of this industry in innovation and efficiency.	France	Intergrated Oil	8,878	1.5
AOL Time Warner AOL Time Warner is a global company delivering entertainment, news, and internet brands across converging media platforms. Its brands include Time Warner Cable, HBO, Turner, America Online, WB, CNN, New Line Cinema, and TimeInc. With such a powerful array of brands, this company is best placed to exploit the myriad of opportunities presented by media, in the broadest number of developed, and developing markets	North America	Media	8,692	1.5
Exxon Mobil Exxon Mobil operates petroleum and petrochemicals businesses on a worldwide basis. The company's operations include exploration and production of oil and gas, electric power generation, and coal and minerals operations. With substantial scale efficiencies and broadly-diversified reserves and production capabilities, Exxon Mobil are class-leading in the industry.	North America	Intergrated Oil	8,139	1.4
Merck & Company Merck is a leading research-driven pharmaceutical company that discovers, manufactures and markets a wide range of human and animal health care and speciality chemical products. Continued strong performance of new and existing products will drive strong top-line growth.	North America	Pharmaceuticals	7,634	1.3
Philip Morris Philip Morris is a leading consumer products company with four major segments; tobacco, food, Miller beer and financial services. The brands owned by Philip Morris are world leaders, contributing to solid long-term earnings growth.	North America	Tobacco	7,413	1.2
BNP BNP offers consumer, mortgage, commercial and industrial loans, foreign exchange services, discount securities brokerage services, lease financing, international trade financing, private banking services and life insurance, and advises on mergers and acquisitions, capital restructuring and privatisations. With a strong management and brand, and an excellent retail banking franchise, BNP offers an attractive business mix at a compelling valuation.	France	Retail & commercial	7,177	1.2
Total			108,989	18.4

[1]Unlisted.

Financial Record

As at 30th June	1991	1992	1993	1994	1995	1996	1997	1998	1999[1]	2000	**2001**
Ordinary shareholders' funds (£m)	318.3	285.3	407.3	444.5	460.4	543.1	592.0	623.0	645.4	690.3	**501.7**
Net asset value per ordinary share (p)	239.6	214.7	306.6	334.6	346.6	408.8	445.7	469.0	571.4	725.8	**645.2**
Ordinary share price (p)	198.5	171.0	253.0	284.0	296.5	335.0	373.0	405.5	492.5	622.5	**572.0**

Rebased to 100 at 30th June 1991											
Net asset value per ordinary share	100.0	89.6	128.0	139.6	144.7	170.6	186.0	195.7	238.5	302.9	**269.3**
Share price	100.0	86.1	127.5	143.1	149.4	168.8	187.9	204.3	248.1	313.6	**288.2**
Dividends per ordinary share (net)	100.0	100.0	105.0	106.3	115.0	115.0	115.0	75.0	61.3	90.0	**105.0**
FT/S&P Actuaries World Index ex UK/MSCI World Index in sterling	100.0	85.9	131.8	141.3	147.7	179.1	200.9	228.5	283.8	336.2	**290.7**
UK Retail Price Index	100.0	103.7	105.3	107.9	111.6	114.4	117.9	121.9	123.9	128.1	**130.6**

Year ended 30th June											
Gross revenue (£'000)	9,701	10,038	11,531	11,603	12,927	11,920	12,012	16,565	13,844	12,843	**12,746**
Earnings per ordinary share (p)	3.87	4.00	4.78	4.70	5.67	4.86	4.58	3.26	4.81	4.50	**5.03**
Dividends per ordinary share (net) (p)	4.00	4.00	4.20	4.25	4.60	4.60	4.60	3.00	2.45	3.60	**4.20**

[1]Figures have been restated, where necessary to reflect the change in accounting policies whereby income from investments is accounted for net of tax credits and management and finance costs are charged 50% to income and 50% to capital.

Investment Activity

during the year ended 30th June 2001

	Value at 30th June 2000		Purchases	Sales	Change in value	**Value at 30th June 2001**	
	£'000	*% of portfolio*	*£'000*	*£'000*	*£'000*	***£'000***	***% of portfolio***
North America	411,523	53.3	195,649	264,623	(489)	**342,060**	**58.8**
Continental Europe	143,913	18.6	44,761	56,941	(26,191)	**105,542**	**18.2**
Japan	98,125	12.7	26,496	33,880	(31,537)	**59,204**	**10.2**
United Kingdom	75,964	9.8	35,737	56,558	(6,418)	**48,725**	**8.4**
Other Pacific	28,221	3.7	25,670	28,801	(6,045)	**19,045**	**3.3**
Emerging Markets	14,657	1.9	2,292	2,509	(7,860)	**6,580**	**1.1**
Total Portfolio	772,403	100.0	330,605	443,312	(78,540)	**581,156**	**100.0**

Shareholder and Asset Analyses

Shareholder Analysis

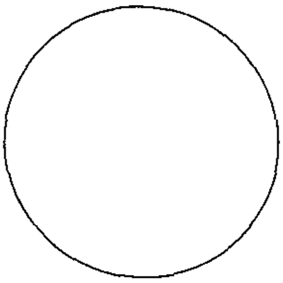
at 30th June 2001

	Number of shares	% holding
Insurance companies	17,424,610	22.4
Pension funds	9,775,746	12.6
Unit trusts	7,395,756	9.5
Other institutions	3,886,520	5.0
Investment trusts	2,145,246	2.7
Total institutions	**40,627,878**	**52.2**
Individuals in the Investment Trust Share Plan	3,827,670	4.9
Individuals investing through Fleming Managed Growth plc	3,365,194	4.4
Holders on the New Zealand Register	2,795,940	3.6
Individuals in the Investment Trust Pension Account	343,705	0.4
Individuals in the Investment Trust ISA	158,544	0.2
Individuals investing through Fleming Managed Income plc	115,788	0.2
Individuals in the Investment Trust Personal Equity Plan	110,053	0.1
Retail investors held through bank and broker nominee accounts	26,417,302	34.0
Total individuals	**37,134,196**	**47.8**
Total shares in issue	**77,762,074**	**100.0**

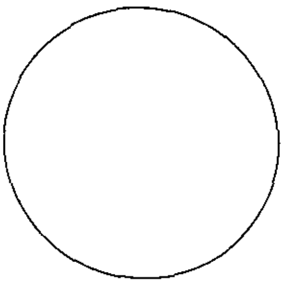
Nominee accounts have been allocated to their appropriate category.

Asset Analysis

at 30th June 2001



Geographic	2001 %	2000 %
■ North America	57.9	52.8
■ Continental Europe	17.8	18.5
■ Japan	10.0	12.6
■ United Kingdom	8.2	9.8
■ Other Pacific	3.2	3.6
■ Liquidity	1.8	0.8
■ Emerging Markets	1.1	1.9



Sector	2001 %	2000 %
■ Financials	19.7	23.1
■ General industrials	13.7	14.4
■ Non-cyclical consumer goods	11.4	10.6
■ US smaller companies	9.2	7.8
■ Resources	7.9	4.6
■ Cyclical services	7.2	7.7
■ Investment funds	7.0	3.1
■ Information technology	6.5	9.3
■ Non-cyclical services	6.1	9.0
■ Basic industries	5.3	3.7
■ Utilities	2.4	2.0
■ Liquidity	1.8	1.4
■ Fixed interest	1.3	2.6
■ Cyclical consumer goods	0.5	0.7

List of Investments

at 30th June 2001

Company	£'000
North America	
Ericott[1,5]	28,441
General Electric	12,637
Microsoft	10,155
Citigroup	9,823
AOL Time Warner	8,692
Exxon Mobil	8,139
Merck & Company	7,634
Philip Morris	7,413
Pharmacia	7,175
Fannie Mae	6,914
SBC Communications	6,646
Gannett	6,023
American General	5,966
Bristol Myers Squibb	5,717
Hartford Financial Services	5,702
Johnson & Johnson	5,634
Bank of New York	5,314
Wells Fargo	5,219
Tyco International	4,789
Sprint	4,709
IBM	4,634
Washington Mutual	4,568
Agere Systems	4,509
AES	4,478
Cigna	4,442
Cisco Systems	4,231
America Home Products	4,167
Illinois Tool Works	4,132
Circuit City Stores	3,964
General Motors	3,925
Consolidated Edison	3,859
Dover	3,710
Stilwell	3,675
EMC Corp	3,634
Anadarko Petroleum	3,502
Ingersoll-Rand	3,440
Parker Hannifin	3,401
Talisman Energy	3,359
Phillips Petroleum	3,301
Alcoa	3,260
Fleet Boston	3,225
United Technologies	3,200
May Department Stores	2,995
Tiffany	2,964
Target Corp	2,876
Anderson	2,873
Motorola	2,732
Mellon Financial	2,655
Georgia Pacific	2,642
Albertsons	2,571
Kraft Foods	2,555
Compaq Computer	2,495
GAP	2,260
Time Warner	2,093
Cominco	2,046
UAL	1,948
Sun Microsystems	1,701
Qualcomm	1,518
Xilinx	1,404
Leach international[1]	350
Total	**288,036**
US Smaller Companies[3]	**54,024**
Total North America	**342,060**

Company	£'000
Continental Europe	
Total Fina Elf *(France)*	8,878
BNP *(France)*	7,177
Nokia *(Finland)*	6,507
Aventis *(France)*	6,159
Altadis *(Spain)*	5,989
Axa-Uap *(France)*	5,871
Bayer *(Germany)*	5,524
Union Bank of Switzerland *(Switzerland)*	5,317
Unilever *(Holland)*	4,993
ENI *(Italy)*	4,480
Roche Holdings *(Switzerland)*	4,202
Saint-Gobain *(France)*	4,125
Nordic Baltic *(Sweden)*	4,124
Fortis *(Holland)*	4,058
Kon Philips *(Holland)*	3,706
ABN Amro Holdings *(Holland)*	3,514
Zurich Allied *(Switzerland)*	3,293
Heidelberg Zement *(Germany)*	3,168
Endesa *(Spain)*	2,727
Pechiney *(France)*	2,540
Alstom *(France)*	2,072
Imerys *(France)*	1,969
Cap Gemini *(France)*	1,584
Deutsche Post *(Germany)*	1,353
Sonera Corp *(Finland)*	1,098
Fleming European Fledgeling Investment Trust[4]	1,067
Equitalia *(Italy)*[1]	47
Total Continental Europe	**105,542**

[1]Unlisted
[2]Includes convertible or other non-equity securities
[3]Sub-portfolio consisting of a number of holdings
[4]Managed by JPMorgan Asset Management
[5]Managed by JPMorgan Partners

Company	£'000
Japan	
Canon	4,713
Nikko Securities	4,625
NTT DoCoMo	4,516
Fleming Japanese Smaller Companies Investment Trust[4]	4,296
Takeda Chemical	4,134
Rohm	3,746
Sony	3,651
Sumitomo Corp	3,205
Takefuji	3,139
Acom	2,950
Chugai Pharmaceutical	2,920
Nippon Telegraph & Telephone	2,768
Nintendo	2,381
Fuji TV Network	2,306
Kaneka	2,234
Secom	1,944
TDK	1,709
Family Mart	1,611
Kao	1,538
Nippon Uni	818
Total Japan	**59,204**

United Kingdom

Royal Bank of Scotland[2]	6,515
Barclays[2]	5,265
Vodafone Airtouch	5,055
Reckitt Benckiser	3,694
BG Group	3,363
BAE Systems	3,349
Alternative Investment Strategies	3,195
Lattice	3,175
GKN	3,069
Reuters	3,016
Anglo American	2,826
3i Investors[2]	2,198
BOC	2,080
Bank of Scotland[2]	1,910
Biotechnology Venture[1]	15
Total United Kingdom	**48,725**

Company	£'000
Other Pacific	
Rio Tinto *(Australia)*	2,813
Korea Telecom *(Korea)*	2,579
Samsung Electronics *(Korea)*	2,477
Cheung Kong Holdings *(Hong Kong)*	2,259
Henderson Land Development *(Hong Kong)*	2,158
Flextronics *(Singapore)*	2,096
Taiwan Semiconductor *(Taiwan)*	1,607
MIM Holdings *(Australia)*	1,306
Pohang Iron & Steel *(Korea)*	1,283
Solution 6 *(Australia)*	465
Thai Farmers Bank *(Thailand)*	2
Total Other Pacific	**19,045**

Emerging Markets

Fleming Emerging Markets Investment Trust[4]	3,051
Unibanco *(Brazil)*	2,465
Fleming Indian Investment Trust[4]	1,040
Fleming Chinese Investment Trust[2,4]	23
Telebras *(Brazil)*	1
Total Emerging Markets	**6,580**

Total Portfolio	**581,156**

The total portfolio includes 2.7% in convertible and other non-equity securities and 5.0% in unlisted investments.

[1]Unlisted
[2]Includes convertible or other non-equity securities
[3]Sub-portfolio consisting of a number of holdings
[4]Managed by JPMorgan Asset Management
[5]Managed by JPMorgan Partners

Board of Directors

John Evans*†
(Chairman)
Age 66
Appointed a Director and Chairman on 27th January 1995
He is also chairman of Dresdner RCM Endowment Fund and a Director of Quintain Estates and Development plc. He was formerly chief economist of Courtaulds plc and for thirteen years, investment manager of the Courtaulds Pension Fund. He remains a member of its investment committee. He is also a member of the AITC Executive Committee.

Sam Stevenson*†
(Chairman of the Audit Committee)
Age 68
Appointed on 3rd December 1996
He has been a director of a number of investment companies, including Kleinwort Benson European Privatisation Investment Trust Plc and Postern Fund Management Limited.

Raymond Mould*†
Age 60
Appointed on 1 January 1999
He is chairman of Pillar Property PLC and was previously a director of British Aerospace plc.

Geoffrey Howe
Age 52
Appointed on 1 November 1999
He is a director of Gateway Electronic Components Limited and he was formerly a director and group general counsel of Robert Fleming Holdings and managing partner of Clifford Chance.

George Paul*†
(Chairman of the Nomination Committee)
Age 61
Appointed on 7 January 1998
He is deputy chairman of CGNU plc and was formerly chairman of Norwich Union plc.

Simon Davies*
Age 42
Appointed on 29 November 1999
He is chief executive and chief investment officer of Zurich Scudder Investments Limited.

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

The Fleming Overseas Investment Trust plc

Directors' Report & Accounts • Year ended 30th June 2001

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 1999. Receipt of approval for the year ended 30th June 2000 has been delayed pending clarification as to how the Inland Revenue's practices in granting approval would be impacted by the introduction of the Corporate Tax Self Assessment regime. In the opinion of the directors the Company has subsequently conducted its affairs so that it should continue to qualify.

The Company is not a close company for taxation purpose.

A review of the Company's activities and prospects is given in the Chairman's statement on pages 2 to 4 and in the Investment Manager's report on pages 6 to 10.

Revenue and Dividends

Gross revenue for the year totalled £12,746,000 and revenue available for distribution to ordinary shareholders after deducting interest, management expenses and taxation amounted to £4,490,000.

Subject to the approval of shareholders at the Annual General Meeting, the Directors recommend a final dividend of 4.20 pence per ordinary share, such dividend to be paid on 27th November 2001 to holders on the register of members at the close of business on 2nd November 2001. No interim dividend was paid during the year. This distribution absorbs £3,266,000 resulting in a transfer to the revenue reserve of £1,224,000. The revenue reserve after this transfer amounts to £11,273,000.

Investments

The Company's investments were valued at £581,156,000 as at 30th June 2001. The accounting policies on page 27 show the basis on which this valuation was made. A list of the Company's investments is given on pages 14 and 15.

Going Concern

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

Payment Policy

It is the Company's policy to settle terms before business is agreed, to ensure that suppliers are aware of them and to pay bills in accordance with those terms. As at 30th June 2001, the Company had no outstanding trade creditors.

Directors

The Directors of the Company at the end of the year together with their beneficial holdings of ordinary shares were:

	30th June 2001	1st July 2000
Simon Davies	500	500
John Evans	2,545[1]	2,545[1]
Geoffrey Howe	500	500
Raymond Mould	5,000	5,000
George Paul	5,000	5,000
Sam Stevenson	5,158	5,128

[1]*Includes 500 shares non-beneficial.*

No further changes in the above holdings have been recorded to the date of this report. No Director has an interest in the Company's debenture stock.

The Directors retiring by rotation are Mr John Evans and Mr Sam Stevenson who will not be offering themselves for re-election at the Annual General Meeting, and Mr Raymond Mould who, being eligible, will be offering himself for re-election.

Management

As a result of an internal re-organisation within Flemings, the management agreement was transferred from Fleming Investment Trust Management Limited ('FITM') to Fleming Investment Management Limited ('FIM') on 31st May 2000. With effect from 1st June 2000 FITM resigned as Company Secretary and FIM was appointed in its stead. With effect from 5th September 2000 the name of FIM was changed to Chase Fleming Asset Management (UK) Limited ('CFAM'). Following the merger between Chase Manhattan and JP Morgan which became effective on 2nd January 2001, CFAM changed its name to J.P. Morgan Fleming Asset Management (UK) Limited ('JPMFAM'), with effect from 14th May 2001. JPMFAM is a wholly-owned subsidiary of JPMorgan Chase & Co. which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

Management and Performance Fee

The Manager and Secretary is employed under a contract terminable on one year's notice.

The management fee is calculated and paid monthly in arrears at a rate of 0.4% per annum of the Company's total assets less current liabilities with the exception of the US and Japanese smaller companies portfolio on which the rate is 1% per annum. Funds managed or advised by JPMFAM or any of its associated companies which are held in the Company's portfolio of assets, are excluded from the management fee calculation and therefore attract no direct fee.

A performance fee is payable if the total return attributable to shareholders (change in net asset value plus dividend) exceeds the total return of the Company's benchmark by more than 0.5% when the Manager will be paid 20% of any excess over the benchmark. Payment of any amount earned under the performance fee in any relevant period will be spread equally over four years. Performance will be measured on a cumulative basis. Any performance fee accrued but not paid can and will be reduced by the extent of any underperformance in subsequent years. Any adjustment in respect of underperformance will be deducted at the first opportunity from any amount accrued in respect of previous years' outperformance. The amount of any performance fee paid in any one year will be capped at 0.4 per cent of the published net assets of the Company at the end of the relevant period. Any excess will be carried forward until paid in full (or offset against subsequent underperformance). The results for the year give rise to a performance fee of £3,607,727. The cumulative performance fee is £12,216,260, of which £2,006,683 is payable in the current year. The balance of £10,209,577 will be paid in future years subject to the Manager continuing to outperform the benchmark index.

Notifiable Share Interests

At the date of this report the following had declared an interest in 3% or more of the Company's ordinary share capital:

Shareholders	Number of shares held	%
J.P. Morgan Chase & Co.[1]	12,137,369	16.17
Included within this are the following:		
JPMF Investment Trust Units Fund[2]	4,823,142	6.43
Fleming Managed Growth plc[2]	3,365,194	4.35

[1]*Non-beneficial.*

[2]*Held on behalf of Plan participants.*

Directors' Report continued

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution to re-appoint them and authorise the Directors to fix their remuneration for the ensuing year will be proposed at the Annual General Meeting.

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'), published by the Committee on Corporate Governance in June 1998. The Board consider that the Company has complied with the provisions contained within Section 1 of the Combined Code throughout the accounting period ended 30th June 2001 (except as detailed below) and the following describes how the relevant principles of governance are applied to the Company.

The Board

The Board consists solely of non-executive Directors, all but one of whom are independent of the Company's Manager. Accordingly, the Board does not believe that it is necessary to appoint a senior independent director.

The Company has complied with the provisions of the Combined Code in regard to the re-election of Directors every three years.

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 Directors also have access, where necessary, in the furtherance of their duties, to independent professional advice at the expense of the Company.

Board Committees

The Board has appointed a Nomination Committee which meets when necessary to select and propose suitable candidates for appointment to the Board. The Board as a whole fulfils the function of the Remuneration Committee and reviews Directors' fees on a regular basis.

An Audit Committee, which consists entirely of independent non-executive Directors, meets at least twice each year. The Committee reviews the terms of the management agreement and reviews 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 is set out below.

Directors' Remuneration

Directors' fees are set at a fixed rate of £30,000 for the Chairman, £20,000 for the Chairman of the Audit Committee and £17,500 for each other Director.

Going Concern

The Directors' statement on going concern can be found on page 18.

Relations with Shareholders

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 which reviews the Company's activities. During the year, the Corporate 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, which are normally channelled through the Company Secretary.

Internal Control

The Combined Code requires the Directors at least annually to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This has extended the previous requirement which focused on internal financial controls, 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 financial 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 misstatement or loss.

Since investment management, custody of assets and 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, analysis of transactions and performance comparisons.

Management Agreement – Appointment of a Manager regulated by IMRO and a custodian regulated by the SFA, whose responsibilities are clearly defined in a written agreement.

Management Systems – Inclusion in the Manager's system of internal control of organisation agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems, are monitored by JPMFAM 's Compliance Department which regularly monitors compliance with IMRO 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 Board reviews the report on the internal controls and the operations of its custodian, Chase Manhattan, which is independently reported on; and
- the Board reviews every six months a report on the internal controls and operations of JPMFAM which is independently reported on.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th June 2001.

Annual General Meeting

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

Repurchase of the Company's shares

At the Extraordinary General Meeting held on 11th April 2001, 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 10th October 2002 or the conclusion of the Company's Annual General Meeting in 2001. This being so, a resolution will be proposed at the forthcoming Annual General Meeting that the Company be authorised to purchase in the market up to 11,248,937 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 5 set out in the Notice of Annual General Meeting), using its

Directors' Report continued

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 decision as to whether the Company repurchases any shares will be at the absolute discretion of the Board and purchases will be made in the market and at prices below the prevailing net asset value per share. Under the rules of the London Stock Exchange, the maximum price which may be paid on a purchase by a company of its shares under a general authority is 105 per cent of the average of the middle market quotations of the shares for the five business days immediately before the day on which the purchase is made. The minimum price that the Company will pay for a share will be 25 pence (the nominal value of each share). The Company will utilise the authority to purchase shares on an ad hoc basis by either a single purchase or a series of purchases as and when market conditions are appropriate.

The authority to purchase shares will last until the earlier of 31st December 2002 or the conclusion of the Company's Annual General Meeting in 2002 or until 14.99 per cent of the issued share capital has been acquired. The authority may be renewed by shareholders at any time at a General Meeting.

By order of the Board
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
LE Field
12th September 2001

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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- 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.

Independent Auditors' Report

to the members of The Fleming Overseas Investment Trust plc

We have audited the financial statements on pages 24 to 35.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual 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 in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 or the Listing Rules 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 Chairman's Statement, the Investment Managers' Report and the Directors' Report including 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, 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 the 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. 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.

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 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 as at 30th June 2001 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

London, 12th September 2001

Statement of Total Return

for the year ended 30th June 2001

	Notes	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000
Realised gains on investments	8	–	3,519	3,519	–	49,263	49,263
Net change in unrealised appreciation	8	–	(82,059)	(82,059)	–	108,233	108,233
Currency (losses)/gains on cash and short-term deposits held during the year	14	–	(358)	(358)	–	1,367	1,367
Other capital (charges)/credits	14	–	(80)	(80)	–	3	3
Income from investments	1	11,714	–	11,714	12,052	–	12,052
Other income	1	1,032	–	1,032	791	–	791
Gross return		12,746	(78,978)	(66,232)	12,843	158,866	171,709
Management fee	2	(1,562)	(1,562)	(3,124)	(1,615)	(1,615)	(3,230)
Other administrative expenses	3	(629)	–	(629)	(887)	–	(887)
Performance fee	10, 12	–	(3,608)	(3,608)	–	(11,370)	(11,370)
Interest payable	4	(3,279)	(3,278)	(6,557)	(3,216)	(3,215)	(6,431)
Return on ordinary activities before taxation		7,276	(87,426)	(80,150)	7,125	142,666	149,791
Taxation	5	(2,786)	1,621	(1,165)	(2,342)	1,503	(839)
Total return attributable to ordinary shareholders		4,490	(85,805)	(81,315)	4,783	144,169	148,952
Dividend on ordinary shares	6	(3,266)	–	(3,266)	(3,399)	–	(3,399)
Transfer to/(from) reserves		1,224	(85,805)	(84,581)	1,384	144,169	145,553
Return per ordinary share	7	5.03p	(96.07)p	(91.04)p	4.50p	135.73p	140.23p

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

The notes on pages 27 to 35 form part of these accounts.

Balance Sheet

at 30th June 2001

	Notes	2001 £'000	2000 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	8	**581,156**	772,403
Current assets			
Debtors	9	**12,358**	5,334
Cash and short-term deposits		**6,559**	9,463
		18,917	14,797
Current liabilities			
Creditors: Amounts falling due within one year	10	**(8,207)**	(8,462)
Net current assets		**10,710**	6,335
Total assets less current liabilities		**591,866**	778,738
Creditors			
Amounts falling due after more than one year	11	**(79,910)**	(79,861)
Provision for liabilities and charges	12	**(10,210)**	(8,609)
Total net assets		**501,746**	690,268
FINANCED BY			
Capital and reserves			
Share capital	13	**19,441**	23,777
Capital redemption reserve	14	**14,504**	10,168
Capital reserve – realised	14	**410,985**	425,131
Capital reserve – unrealised	14	**45,543**	221,143
Revenue reserve	14	**11,273**	10,049
Total ordinary shareholders' funds (all equity)		**501,746**	690,268
Net asset value per ordinary share	15	**645.2p**	725.8p

The accounts on pages 24 to 35 were approved by the Directors on 12th September 2001 and are signed on their behalf by:

John Evans
Chairman

The notes on pages 27 to 35 form part of these accounts.

Cash Flow Statement

for the year ended 30th June 2001

	Note 17	2001 £'000	2000 £'000
Operating activities			
Cash received from investments		**10,378**	8,669
Deposit interest received		**1,006**	724
Other income received		**26**	1,971
Management fee paid		**(3,124)**	(3,230)
Directors' fees paid		**(101)**	(77)
Other cash payments		**(850)**	(739)
Performance fee paid		**(2,761)**	—
Net cash inflow from operating activities		**4,574**	7,318
Returns on investments and servicing of finance			
Interest paid		**(6,508)**	(6,384)
Net cash outflow from returns on investments and servicing of finance		**(6,508)**	(6,384)
Taxation recovered		**1,944**	1,587
Capital expenditure and financial investments			
Purchases of investments		**(329,996)**	(383,754)
Sales of investments		**434,885**	458,845
Other capital (charges)/credits		**(80)**	3
Net cash inflow from capital expenditure and financial investment		**104,809**	75,094
Total equity dividends paid on ordinary shares		**(3,424)**	(2,742)
Net cash inflow before financing		**101,395**	74,873
Financing			
Decrease in short term loans		**—**	(63)
Repurchase of ordinary shares		**(103,941)**	(100,656)
Net cash outflow from financing		**(103,941)**	(100,719)
Decrease in cash for the year		**(2,546)**	(25,846)

The notes on pages 27 to 35 form part of these accounts.

Notes to the Accounts

at 30th June 2001

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

i. Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice (SORP) 'Financial statements of investment trust companies'. The Company did not have investment company status, for the entire accounting period. However, as explained in note 19, the Directors consider that in order to give a true and fair view the accounts should continue to be prepared in accordance with the SORP.

ii. Valuation of investments

Quoted 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. Unquoted investments are valued by the Board. In making their valuations, the Board has taken into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

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

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

iii. Income

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

Franked dividends and overseas 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.

The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security.

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 through capital reserves.

iv. Expenses, including finance costs

All expenses are accounted for on an accruals basis. Expenses are charged 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; and
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- expenses are charged to capital reserve – realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. The management fee and interest expenses (including applicable tax relief) has been allocated 50% to capital reserve – realised and 50% to the revenue account, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company. Performance fees payable within one year are charged to capital reserve – realised and performance fees payable in future years are charged to capital reserve – unrealised.

v. Borrowings/interest payable

Borrowings are stated at the amount of the net proceeds immediately after issue. Issue expenses are amortised over the life of the applicable borrowing. Interest payable on floating rate notes is recognised on an accruals basis.

vi. Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

vii. Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency 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 or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

Notes to the Accounts continued

at 30th June 2001

	2001 £'000	2000 £'000
1. Income		
Income from investments		
Franked investment income	**217**	795
UK unfranked investment income	**1,125**	1,259
Overseas dividends	**10,372**	8,099
Other investment income	**–**	1,899
	11,714	12,052
Other income		
Deposit interest	**1,006**	719
Stock lending fees (net of agent's commission)	**26**	72
	1,032	791
Total income	**12,746**	12,843
Total income comprises:		
Dividends	**10,589**	8,894
Interest from investments	**1,125**	1,259
Other income	**1,032**	2,690
Total income	**12,746**	12,843
Income from investments comprises:		
Listed UK	**1,342**	1,303
Listed overseas	**6,889**	7,272
Unlisted	**3,483**	3,477
	11,714	12,052

		2001			2000	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
2. Management fee						
Management fee	**1,486**	**1,486**	**2,972**	1,520	1,520	3,040
Irrecoverable VAT thereon	**76**	**76**	**152**	95	95	190
	1,562	**1,562**	**3,124**	1,615	1,615	3,230

	2001 £'000	2000 £'000
3. Other administrative expenses		
Other management expenses	**495**	753
Directors' fees[1]	**101**	77
Auditors' remuneration[2]	**16**	16
Irrecoverable VAT	**17**	41
	629	887

[1]The Chairman is paid at the rate of £30,000 per annum (2000: £20,000 per annum), Chairman of the Audit Committee at the rate of £20,000 per annum each (2000: £12,500), other Directors at the rate of £17,500 per annum each (2000: £12,500).

The total Directors' fees of £101,250 (2000: £77,214) comprise £71,250 (2000: £56,375) in respect of aggregate emoluments paid to Directors and £30,000 (2000: £20,839) paid to third parties for making available the services of two of the Directors (2000: two Directors).

[2]In addition, £3,482 (2000: £3,263) was paid to the Auditors in respect of non-audit services.

	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000
4. Interest payable						
On bank loans and overdrafts	**70**	**70**	**140**	10	10	20
On debenture stock	**5**	**4**	**9**	5	4	9
On loans falling due after more than one year	**3,204**	**3,204**	**6,408**	3,201	3,201	6,402
	3,279	**3,278**	**6,557**	3,216	3,215	6,431
5. Taxation						
Corporation tax at 30%	**991**	**—**	**991**	1,095	—	1,095
Relief relating to overseas taxation	**(991)**	**—**	**(991)**	(1,095)	—	(1,095)
Overseas taxation	**1,352**	**—**	**1,352**	1,142	—	1,142
Tax credit relating to overseas taxation	**(187)**	**—**	**(187)**	(303)	—	(303)
Tax relief on items charged to capital	**1,621**	**(1,621)**	**—**	1,503	(1,503)	—
Deferred taxation	**—**	**—**	**—**	—	—	—
	2,786	**(1,621)**	**1,165**	2,342	(1,503)	839

		2001 £'000	2000 £'000
6. Dividends on ordinary shares			
Prior year dividend no longer payable		**—**	(25)
Final (payable)	4.20p (2000: 3.60p)	**3,266**	3,424
		3,266	3,399

7. Return per ordinary share

The return per ordinary share is based on the weighted average number of ordinary shares in issue during the year of 89,314,794 (2000: 106,214,354). The revenue and capital returns per ordinary share are based on the revenue and capital attributable to ordinary shareholders of £4,490,000 (2000: £4,783,000) and a capital loss of £85,805,000 (2000: capital gain of £144,169,000) respectively.

Notes to the Accounts continued

at 30th June 2001

	2001 £'000	2000 £'000
8. Investments		
Investments listed on a recognised investment exchange	552,303	700,521
Unlisted investments	28,853	71,882
	581,156	772,403

	Listed £'000	Unlisted £'000	Total £'000
Opening book cost	515,725	26,926	542,651
Opening unrealised appreciation	184,796	44,956	229,752
Opening valuation	700,521	71,882	772,403
Movements in the year:			
Purchases at cost	330,605	–	330,605
Sales – proceeds	(396,873)	(46,439)	(443,312)
Sales – realised gains on sales	1,280	2,239	3,519
(Decrease)/increase in unrealised appreciation	(83,230)	1,171	(82,059)
	552,303	28,853	581,156
Closing book cost	499,013	26,390	525,403
Closing unrealised appreciation[1]	53,290	2,463	55,753
	552,303	28,853	581,156

[1]During the year, prior year unrealised appreciation of £91,940,000 has been transferred to realised as disclosed in note 14.

The unlisted investments consist of equity investments only.

Capital uncalled on investments at 30th June 2001 amounted to £nil (2000: £nil).

The investments are deposited with Chase Manhattan Bank or its agents as custodian.

Subsidiary company

The Company owns the whole of the issued share capital of Foss Securities Limited, which is registered in England and has not traded. Consolidated accounts have not been prepared since the Directors are of the opinion that the amounts involved are insignificant. The Directors have valued this holding at:

	2001 £	2000 £
Cost	140	140
Less: inter-company loan	(100)	(100)
	40	40

Holdings in excess of 10% of issued share capital

At 30th June 2001 the Company held 10% or more of the issued share capital, or of a class of the issued share capital, of the following company:

400,000 dividend shares of Ericott Offshore Limited, equal to 40% of that class of its share capital. This Company invests in US arbitrage situations. The assets of this company are managed by JPMorgan Partners. The Company does not exercise significant influence over the operating and financial policies of this investee company, which is therefore not considered to be an associated company. As described on page 19, the value of this holding is excluded from the management fee calculation.

Significant holdings in unlisted investments as at 30th June 2001

Company	No of shares	Cost at 30.6.01 £'000	Value 30.6.01 £'000	% of portfolio	% of capital owned	Fully diluted EPS	Net asset value per share
Ericott Offshore – income shares	400,000	24,926	28,441	4.9	40.0	$7.31[1]	$107.3[1]

[1]Year to or at 30th September 2000.

	2001 £'000	2000 £'000
8. Investments continued		
Stock lending details		
Fee income (net) from stock lending during the year	**26**	72

The aggregate value of securities on loan as at 30th June 2001 amounted to £nil. Collateral, with a value equivalent to a minimum of 105% of the outstanding value of securities on loan was obtained by Robert Fleming & Co. Limited as agent to the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds.

	2001 £'000	2000 £'000
9. Debtors		
Securities sold for future settlement	**10,949**	2,522
Taxation	**613**	2,194
Dividends, interest and other balances receivable	**796**	618
	12,358	5,334
10. Creditors: amounts falling due within one year		
Securities purchased for future settlement	**2,796**	2,187
Dividend payable on ordinary shares	**3,266**	3,424
Performance fee payable	**2,007**	2,761
Other creditors	**133**	85
Interest on debenture stock	**5**	5
	8,207	8,462
11. Creditors: amounts falling due after more than one year		
£200,000 4½% perpetual debenture stock (secured as to capital and interest by a floating charge over the assets of the Company)	**200**	200
£80,000,000 floating rate notes due June 2007[1]	**79,710**	79,661
	79,910	79,861

[1]Interest on this debt is fixed through an interest rate swap arrangement with The Royal Bank of Scotland to give an effective rate of 7.95% until March 2002. The floating rate notes are repayable at par.

The swap agreement was originally entered into with Robert Fleming & Co. Limited ('RF&Co'). Following the acquisition of RF&Co by the Chase Manhattan Corporation ('Chase') and the subsequent merger of Chase and JPMorgan, the loans were transferred to The Royal Bank of Scotland.

	2001 £'000	2000 £'000
12. Provisions for liabilities and charges		
Performance fee payable		
Opening balance	**8,609**	–
Performance fee earned during the year	**3,608**	11,370
Amount realised during the year	**(2,007)**	(2,761)
	10,210	8,609
13. Share capital		
Ordinary shares of 25 pence each		
Opening balance	**23,777**	28,238
Repurchase of 17,345,525 ordinary shares (2000: 17,846,000)	**(4,336)**	(4,461)
Closing balance[1]	**19,441**	23,777

[1]Represented by 77,762,074 shares of 25p each (2000: 95,107,599 shares).

Notes to the Accounts continued

at 30th June 2001

	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
14. Reserves				
Beginning of year	10,168	425,131	221,143	10,049
Currency losses on cash and short term deposits held during the year	—	(358)	—	—
Realised gains on investments	—	3,519	—	—
Transfer on disposals of investments	—	91,940	(91,940)	—
Decrease in unrealised appreciation	—	—	(82,059)	—
Performance fee payable	—	—	(3,608)	—
Unrealised performance fee now realised	—	(2,007)	2,007	—
Management fee charged to capital	—	(1,562)	—	—
Finance costs charged to capital	—	(3,278)	—	—
Tax relief on management fee and finance costs charged to capital	—	1,621	—	—
Repurchase of ordinary shares	4,336[1]	(103,941)	—	—
Other capital charges	—	(80)	—	—
Transfer from revenue account	—	—	—	1,224
	14,504	410,985	45,543	11,273

[1]Represents nominal value of shares re-purchased.

15. *Net asset value per share*

Net asset value per ordinary share is based on funds attributable to ordinary shareholders and on 77,762,074 (2000: 95,107,599) ordinary shares.

	2001 £'000	2000 £'000
16. Reconciliation of movements in total shareholders' funds		
Opening shareholders' funds	690,268	645,371
Return on ordinary activities after taxation	(81,315)	148,952
Dividends appropriated during the year	(3,266)	(3,399)
Repurchase of ordinary shares	(103,941)	(100,656)
Closing shareholders' funds	501,746	690,268

17. Cash flow statement

Reconciliation of net revenue before interest and taxation to net cash inflow from operating activities

	2001 £'000	2000 £'000
Net revenue before interest and taxation	10,555	10,341
(Increase)/decrease in accrued dividends/interest	(178)	284
Increase in other creditors	48	18
Tax on unfranked investment income	(1,528)	(1,710)
Expenses charged to capital	(1,562)	(1,615)
Performance fee paid	(2,761)	—
Net cash inflow from operating activities	4,574	7,318

	2001 £'000	2000 £'000
17. Cash flow statement continued		
Reconciliation of net cash flow to movement in net debt		
Decrease in cash for the year	**(2,546)**	(25,846)
Cash inflow from increase in debt	**—**	63
Change in net debt arising from cash flows	**(2,546)**	(25,783)
Effect of changes in foreign exchange rates	**(358)**	468
Amortisation of issue expenses	**(49)**	(47)
Movement in net debt for the year	**(2,953)**	(25,362)
Net debt at beginning of year	**(70,398)**	(45,036)
Closing net debt	**(73,351)**	(70,398)

	At 1st July 2000	Cash flow	Issue expenses	Exchange movement	**At 30th June 2001**
Analysis of net debt					
Cash at bank and in hand	9,463	(2,546)	—	(358)	**6,559**
Debt due after one year	(79,861)	—	(49)	—	**(79,910)**
Closing balance	(70,398)	(2,546)	(49)	(358)	**(73,351)**

18. Transactions with JPMorgan Fleming Asset Management

The terms of the management contract with JPMorgan Fleming Asset Management ('JPMFAM')make allowance for the exclusion of management charges on investments held in funds managed by JPMFAM. The management fee paid to JPMFAM for the year was £2,972,000 (2000: £3,040,000). There were no amounts due to JPMFAM at the year end (2000: £nil). A performance fee of £2,007,000 (2000: £2,761,000) is also payable to JPMFAM and a further amount of £10,210,000 (2000: £8,609,000) payable in future years depending on continued outperformance of the benchmark return. Further details of the performance fee can be found on page 19. In addition JPMFAM was paid £66,959 for marketing expenses (2000: £152,247). Other management expenses, as shown in Note 3 on page 28, include safe custody fees of £40,067 (2000: £42,000). These fees were paid to third party custodians by JPMFAM Limited 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 £15,000 (2000: £4,000). The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

The Company's loan agreement and a swap agreement with Robert Fleming & Co. Limited as set out in note 11 on page 31, were transferred during the year to the Royal Bank of Scotland. The amounts paid to Robert Fleming & Co. Limited by way of loan interest for the year were £140,793 (2000: £1,506,000) of which £nil was outstanding at the year end.

The Company holds investments in funds managed by JPMFAM. At 30 June 2001 these were valued in aggregate at £42.8m (2000: £49.2m) and represented 6.4% of the Company's investment portfolio (2000: 6.4%) (These are listed individually on pages 14 and 15). During the year the Company made purchases of such investments with a total value of £2.3m and made sales with a total value of £2.8m. Investment income received from these funds amounted to £3,483,000 (2000: £2,726,000).

The Company has received £26,000 (2000: £72,000) as a result of stock lending transactions during the year. JPMFAM commissions in respect of such transactions amounted to £8,600 (2000: £24,000).

19. Investment Company Status

For part of the year, the Company was not an investment company within the meaning of section 266, Companies Act 1985 as the Articles of the Company did not absolutely prohibit the distribution of capital profits. Following authority from shareholders at last year's Annual General Meeting, the Articles were amended to enable investment company status to be regained. The Company re-registered as an investment company following the AGM. During the year under review, the Company continues to manage its affairs to enable it to qualify as an investment trust for taxation purposes under section 842 of the Income and Corporation Taxes Act 1988. As such, the Directors consider it appropriate to continue to present the accounts in accordance with the Statement of Recommended Practice (SORP) applicable for investment trusts. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes the following capital items which, since the Company is not an investment company, the Companies Act and accounting standards would ordinarily require to be included in the profit and loss account: gains on disposal of investments, calculated by reference to their previous carrying amount, of £3,519,000 (2000: £49,263,000), currency losses on cash and short-term deposits held during the year of £358,000 (2000: gains of £1,367,000), other charges of £80,000 (2000: credits of £3,000) and management expenses and finance costs charged to capital net of tax relief of £3,219,000 (2000: £3,327,000) and the performance fee payable in the current year of £2,007,000 (2000: £2,761,000). In the opinion of the Directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The Directors therefore consider that these exclusions are necessary to give a true and fair view. The exclusions have no effect on total return or on balance sheet totals or equity shareholders' funds.

20. Financial instruments

The Company's financial instruments comprise:

- Investments including equity and non-equity shares, fixed income securities, and floating rate securities with overseas exposure. These are held in accordance with the Company's investment objective and policies;
- Borrowings by way of floating rate notes (FRN) due June 2007;
- Short-term debtors, creditors and cash amounts arising directly from its operations;
- Derivative transactions which the Company also enters into (principally interest rate swaps and forward foreign currency contracts) the purpose of which is to manage the interest rate and currency risks arising from the Company's investment activities and FRN;

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 policy for managing these risks is summarised below. These policies have remained unchanged from the beginning of the last year to which these financial statements relate.

MARKET PRICE RISK

Market risks 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 quarterly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks also meet an acceptable risk-reward profile.

INTEREST RATE RISK

Where the Company finances its operations through the issued floating rate notes, the Company uses an interest rate swap to manage the exposure to interest rate fluctuations. Please refer to note 11 on page 31 for further details.

20. Financial instruments continued

FOREIGN CURRENCY RISK

The Company has an exposure to foreign currency as part of the risk reward inherent from a company that invests overseas.

The income and capital value of the Company's investments can be affected by exchange rate movements as some 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 27.

CURRENCY EXPOSURES

An analysis of the Company's currency net assets at 30th June 2001 is:

	US$ £m	Euro £m	Other £m	Total £m
Investments	342.1	87.5	102.8	532.4
Net current (liabilities)/assets	(2.4)	0.2	—	(2.2)
Financial instruments outstanding at year end	339.7	87.7	102.8	530.2

An analysis of the Company's net currency assets at 30th June 2000 is:

	US$ £m	Euro £m	Other £m	Total £m
Investments	411.5	120.0	154.2	685.7
Net current assets	3.5	—	—	3.5
Financial instruments outstanding at year end	415.0	120.0	154.2	689.2

INTEREST RATE RISK PROFILE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The majority of the Company's financial assets are equity shares or other investments which neither pay interest nor have maturity dates.

LIABILITIES

The Company has issued £80,000,000 floating rate notes, the interest rate on this debt has been fixed until March 2002 through an interest rate swap. This swap is the only derivative contract in place at the end of the year.

Further details can be found in note 11 on page 31.

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 fair values of the floating rate notes, which is stated after the effect of interest rate swaps, have been calculated by estimating the costs of breaking the interest rate swap.

	Accounts value		Fair value	
	2001 £m	2000 £m	2001 £m	2000 £m
Floating rate notes	79.7	79.7	81.2	81.3

Notice of Meeting

Notice is hereby given that the one hundred and thirteenth Annual General Meeting of The Fleming Overseas Investment Trust plc will be held at 10 Aldermanbury, London EC2V 7RF at 12.00 noon on Tuesday 30th October 2001 for the following purposes:

1 To receive the Directors' Report and Accounts and the Auditors' Report for the year ended 30th June 2001.

2 To re-elect Raymond Mould as a Director of the Company.

3 To declare a final dividend

4 To re-appoint PricewaterhouseCoopers as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolution which will be proposed as special resolution:
AUTHORITY TO REPURCHASE THE COMPANY'S SHARES

5 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 11,248,937 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 the earlier of 31st December 2002 or the conclusion of the Company's Annual General Meeting in 2002 or when 14.99 per cent of the Company's issued share capital has been acquired 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.

By order of the Board
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary.

12th September 2001

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), members 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 members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members 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.

Information about the Company

History

The Company was formed in 1887 as The British Steamship Investment Trust Limited with initial share capital of £170,000. In its first year it purchased direct interests in some 30 steamships at a total cost of £71,000. Within ten years it had an interest in over 200 vessels. After 1900 the direct investment in ships declined and was replaced by shares in shipping and railway companies. In 1925 there was a depression in shipping freights and the Company widened its powers to those of a general investment trust. It changed its name to United British Securities Trust Limited in 1962 and in 1968 merged with Second United British Securities Trust (formerly Second British Steamship Investment Trust). The Company was a general investment trust until 1982, when it adopted its current objective and name as part of a general reorganisation of the investment trusts managed by Flemings.

Financial Calendar

Financial year end	30th June
Interim results announced	February
Final results announced	*September*
Final dividend payment on ordinary shares	November
Interest payments on 4.5% (net) perpetual debenture stock	1st January, 1st July
Annual General Meeting	October

Company Number

24299

Stock Exchange Code

0914327

Market Information

The Company's ordinary shares are listed on the London Stock Exchange and on the New Zealand Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Guardian, The Independent, The Daily Mail, The Scotsman, The Herald, BBC Ceefax, New Zealand Herald, and on the Flemings internet site at www.jpmorganfleming.co.uk/its where it is updated every 15 minutes during trading hours.

Taxation

For capital gains tax purposes, the base cost of the Company's shares on 31st March 1982 was 52.834p. This figure has been adjusted for the capitalisation issue in October 1984 whereby shareholders were issued with two ordinary shares for each ordinary share held.

Share Transactions

The shares may be dealt in through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the Fleming Investment Trust Share Plan, ISA, PEP and Pension Accounts.

AITC The Company is a member of The Association of Investment Trust Companies

Investing through JPMorgan Fleming

JPMorgan Fleming has a range of 'wrapper' products available which enable investors to purchase Fleming investment trusts as follows:

Share Plan

The Investment Trust Share Plan is a savings plan allowing investments in any of the Fleming investment trusts, as shown below. 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 and sales, with a maximum charge of £50 for each transaction in each trust.

Individual Savings Account ('ISA')

Tax-free savings in any of the Fleming investment trusts through either a mini or a 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')

Available to investors with existing PEPs with other providers who would like to consolidate their investments. Under current legislation investments grow free of all income and capital gains tax. The minimum transfer value is £1,000 per trust.

Pension Account

Available for the self-employed, employees not currently members of a company pension scheme and those employees wishing to make additional voluntary contributions. Tax relief is available on all contributions at your highest rate of tax. All investments grow free of capital gains tax. The minimum investment is £100 gross per month or £1,000 gross lump sum.

The Range of Fleming Investment Trusts

Fleming American
Capital growth from North American investments

Fleming Asian
Capital growth from Asian investments, excluding Japan

Fleming Chinese
Capital growth from 'Greater China' investments

Fleming Claverhouse
Capital and income growth from UK investments

Fleming Continental European
Capital growth from Continental European investments

Fleming Emerging Markets
Capital growth from emerging markets worldwide

Fleming European Fledgeling
Capital growth from smaller Continental European companies

Fleming Income & Capital
Income and capital growth from UK investments through a split-capital structure

Fleming Income & Growth
Income and capital growth from higher-yielding investments through a split-capital structure. Invests in equities and fixed interest securities

Fleming Indian
Capital growth from investment in India

Fleming Japanese
Capital growth from Japanese investments

Fleming Japanese Smaller Companies
Capital growth through investment in small and medium-sized Japanese companies

Fleming Managed Growth
Long-term capital growth from investing in the range of investment trusts managed by JPMorgan Fleming

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

Fleming Mid Cap
Capital growth from medium-sized UK companies

Fleming Overseas
Capital growth from overseas markets

Fleming Smaller Companies
Capital growth from UK smaller companies

Fleming Technology
Capital growth from investment in the global technology sector

Fleming US Discovery
Capital growth from investing in US micro cap companies

Fleming Worldwide Income
High income with capital growth through a split-capital structure from a portfolio of equities and bonds with international exposure

Please remember that the value of shares and the income from them can fall as well as rise and investors may not get back the full amount invested. Past performance is not necessarily a guide to the future. For trusts investing in emerging markets the risk to your capital may be greater. Exchange rate changes may cause the value of overseas investments to rise or fall. Unquoted investments may be illiquid and difficult to value and may be more volatile.

Contact Details

Manager and Secretary
Company's Registered Office

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Auditors

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

UK Registrar

Lloyds TSB Registrars	Reference 1103, The Causeway, Worthing, West Sussex, BN99 6DA. Telephone number: 01903 502 541 *Notifications of changes of address and enquiries regarding certificates or dividend cheques should be made in writing to the Registrar quoting reference 1103.* *Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk*

New Zealand Registrar

Registry Managers (New Zealand) Ltd	Private Bag 92119, Auckland 1030, New Zealand. Telephone number: 09 522 0022 *Notifications of changes of address and enquiries regarding certificates or dividend cheques should be made in writing to the Registrar.*

JPMorgan Fleming Brochureline

Freephone 0800 40 30 30 or 020 7382 8989 (8.00 a.m. to 6.00 p.m. Monday to Friday, 9.00 a.m to 5.00 pm weekends)
Please use this service to order ISA, Pension, Share Plan or PEP literature and/or annual reports of the Fleming investment trusts.

JPMorgan Fleming Helpline

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Please use this service if you have any general queries about Fleming investment trusts or any of their products.

Account Queries

If you have an account query and your Fleming investment trust shares are held in one of the JPMorgan Fleming "wrapper" products please call:

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You can visit the Fleming Investment Trust website at

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