JPMorgan Fleming
Asset Management

JPMorgan Fleming Overseas Investment Trust plc

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COMPANIES HOUSE 05/11/04

ANNUAL REPORT & ACCOUNTS • YEAR ENDED 30th JUNE 2004

Results.

+13.4% **Return to shareholders**[1]

(2003: -16.6%)

+12.8% **Return on net assets**[2]

(2003: -12.6%)

+12.8% **Benchmark Index Return**[3,4]

(2003: -9.8%)

7.0p **Dividend**

(2003: 5.0p)

[1]Change in share price with net dividends (if any) reinvested. (Source: Standard & Poor's – www.funds-sp.com).

[2]Change in net asset value per share with net dividends (if any) reinvested. (Source: Fundamental Data – www.funddata.com).

[3]Change in value with net dividends (if any) reinvested. (Source: MSCI).

[4]The Company's benchmark is the MSCI World Index (in sterling terms). Comparison of the Company's performance is made with this benchmark. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not track this index and, consequently, there may be some divergence between its performance and that of the Company.

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Chairman's Statement

George Paul
CHAIRMAN

Performance

I am pleased to be able to report that the performance of the Trust during the year under review was far better than in the previous three years. The Company delivered a positive return of 13.4% to its shareholders and its return on net assets of 12.8% matched the benchmark index, which is the MSCI World Index in sterling terms. Currency gains and asset allocation largely countered negative stock selection within the portfolio. Last year's introduction of a flexible £40 million multi-currency revolving credit facility enabled the investment managers to regulate the level of borrowings. As a result, the gearing effect was neutral. More recently, it also enabled the investment managers to mitigate exchange rate risk by drawing down part of the borrowing in US Dollars against a proportion of the US portfolio. The US economy has performed well over the past 12 months but the weakness of the US dollar against sterling meant that, in sterling terms, returns from our US investments were lower than the other geographical sectors. This justified our underweight stance in the US but a higher weighting in Japan would have been beneficial.

The Board keeps a close watch on the level of the share price relative to net asset value ('NAV') and, where an enhancement to NAV could be achieved, has been prepared to repurchase the Company's shares to a modest degree. At the end of the year, the discount of the share price to NAV was 18.2% and, at time of writing, it remains at around that level.

Earnings and Dividends

Earnings per share rose to 7.24p as a result of reduced interest payments on borrowings as well as a lower tax charge. The Board is proposing, subject to shareholders' approval at the Annual General Meeting, to pay a final dividend of 7.0p. This is an increase of 40% over the 5.0p paid last year (itself a 19% increase over the two previous years). The principal investment aim of the Company is to maximise shareholder return through capital growth, and fulfilling this aim can lead to fluctuations in dividend income. This dividend is to be paid on 1st December 2004 to shareholders on the register at close of business on 29th October 2004.

Directors

There were no changes to the composition of the Board during the year. The Board fully supports the recommendations of the Combined Code and the AITC Code of Corporate Governance. We now have Nomination and Remuneration Committees as well as an Audit Committee. We have also appointed Richard Barfield as our Senior Independent Director. We have carried out a formal evaluation of the effectiveness of the Board, the Directors, and the Managers as well as my position as Chairman.

Investment Managers

Peter Harrison who led the investment management team throughout the year under review, ably supported by Ed Walker, left JPMorgan Fleming in July 2004. The Board has agreed that Ed Walker should take over as the main investment manager and we look forward to working with him in the future.

Annual General Meeting

My fellow Directors and I invite you to attend the Company's Annual General Meeting which will be held at JPMorgan Fleming's offices at 10 Aldermanbury, London EC2V 7RF on Thursday 25th November 2004 at 12 noon. The investment manager, Ed Walker, will review the past year and comment on the outlook for the current year. If you have any detailed or technical questions, you may wish to raise these in advance with the Secretary whose contact details are shown on page 45. Shareholders who are unable to attend the AGM in person are encouraged to use their proxy votes.

The AGM will be followed by refreshments and there will be an opportunity for shareholders to meet the Directors and the investment manager.

George Paul
Chairman 7th October 2004

Investment Manager's Report

Ed Walker
INVESTMENT MANAGERS

Overview

Returns for the year ended June 30th 2004 were healthy in all major markets. Following 3 years of negative returns the recovery seen over the past 12 months was a welcome change. The rally was driven by a broad improvement in the global economic prospects, particularly in Japan, the United States and the UK and strong growth in company profits as the cost-cutting of previous years was supplemented by growth in demand.

The strongest period for returns occurred in late summer 2003 as it became apparent that deflation was not a threat to the US economy and that the economy was growing at a healthy rate. This was also a time when company profitability forecasts were increasing most rapidly, from a level of low expectations. As the economic recovery progressed, the market's attention turned quickly to the prospects of higher interest rates in the US, and whether the main driver of the world economy, namely the US consumer, could sustain growth in the face of rising interest rates given the high levels of debt and still uncertain outlook for the path of US employment growth. The stockmarket was also quick to move from a point of optimism about growing profitability levels to concerns over slowing momentum in the growth of profits.

Japan was the star-performer amongst major stockmarkets returning 33%. Signs of an end to deflation, a pick-up in economic growth and an improvement in consumer sentiment all pointed to an improving economic environment. Limited progress has also occurred with regard to economic reforms, particularly in the banking sector. The passage was, however, not smooth as concerns arose periodically over the potential damaging effects of a stronger Yen and worries about the sustainability of the Chinese investment cycle damaged confidence. In Europe many of the peripheral economies showed good growth, although Germany lagged behind.

The other notable feature of the period under review was the strength of Sterling. The benchmark MSCI World Index delivered almost 13% in sterling terms. This includes a 6% negative return from the conversion of local returns back to sterling. The decline of the US dollar was the biggest factor in this calculation, with more modest strengthening against the Euro also proving unhelpful. The US market returned 7% in sterling terms, lagging behind all other major markets.

In terms of sector, the strongest performers were those with high levels of market and economic sensitivity, including basic materials, semiconductors and internet stocks, with pharmaceuticals, insurance and consumer staples lagging. Energy also performed strongly given the strong oil price, which we believe is influenced not only by the current geopolitical concerns, but also by strong demand growth and a period of under-investment in the industry.

Performance

The Company's performance overall was in line with the benchmark during the year. Stock selection in Japan was the main detractor. The strong run in this market was led by speculative investments, particularly banks, where stock prices ran well ahead of observable fundamental improvements. Generally speaking, more risky and lower quality investments performed best within the portfolio. The Company has a bias towards higher quality stocks that we believe will produce consistent positive returns across the economic cycle. Offsetting these negative elements was a positive contribution from stock selection in Europe, and exposure to developing markets such as Korea and India. The underweight to the US assets and the US dollar also aided relative performance.

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

Performance attribution for the year to 30th June 2004

	1 Year %
Net asset value total return in sterling terms	+12.8
Benchmark total return in sterling terms	+12.8
Relative return	0.0
Analysis of relative return	
Currency effect	+0.8
Allocation effect	+0.4
Stock selection effect	−1.4
Gearing/Cash effect	0.0
Management fees and other expenses	−0.7
Buybacks	+0.2
Other/Residual item	+0.7
Total	0.0

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

Definitions

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

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

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

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

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

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

Buybacks: *Indicates the net effect on relative performance of decreasing the number of shares in issue.*

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

Activity

Assets held by the company continue to be driven by individual stock considerations, rather than the country or currency of listing. By sector, exposure to cyclical sectors including financials, industrials, technology and basic materials was increased, at the expense of the consumer sectors and the healthcare sector. By geography, exposure only changed modestly. Selective buying and market movement saw an appreciable rise in exposure to Japan. Exposure was also increased in Asia and emerging markets. Funding for these moves came from Europe. Relative to the benchmark, the greatest deviation is the long-standing underweight to the US, with all other regions at or above benchmark weight.

Outlook

The global economic outlook is generally positive. US growth may decelerate modestly in the year ahead from the current growth of nearly 5%, but we are optimistic that corporate investment will increase materially. The consumer, which has been the engine of growth, is likely to slow in the face of higher interest rates and high debt levels, but overall we are still expecting the US consumer expenditure to remain healthy. The major risk to this outlook is the low level of job creation in this economic expansion. Data has been quite mixed in this regard and trends in this key data will require close attention. The situation in Japan appears quite robust with strong evidence that the economy is recovering, and in the absence of a premature rise in interest rates, the stage for a sustained recovery looks set. In Europe interest rates should remain low for the foreseeable future, although we are starting to see signs of a pick-up in Germany, which has so far lagged. However, looking forward, Europe will not be the engine of growth for the world economy.

The influence of developing markets continues to gain in importance. The Chinese economy has a profound influence on many elements of the global economy, particularly energy and basic material pricing, the global manufacturing supply-chain and in the future as a source of consumption demand. Similarly India is influencing the delivery of many parts of the service economy and again could act as a future demand driver in the global economy. Recent events such as the government engineered slow-down in China and the surprise Indian election results have led investors to worry that these economies are faltering, but in the long term we believe that it is important that your Company builds exposure to these, and other dynamic emerging economies, as opportunities arise.

A combination of healthy global growth, low inflation and solid corporate profitability should produce a positive environment for global equities in the year ahead. This positive picture in aggregate does mask some serious challenges, including the normalisation of US interest rates from the currently unsustainably low levels, a weak employment scene across many developed economies and the possible disruption from higher input prices, particularly oil, but also other metals and basic materials. On balance though, valuations are attractive in many regions and sectors, and a number of specific opportunities at the company level currently exist. If the outlook improves or stocks become more attractively valued the Company will actively utilise the gearing available to its full potential.

Ed Walker

Investment Manager 7th October 2004

Report & Accounts.

Facts.

OBJECTIVE

Capital growth from world markets.

POLICIES

To invest in a broad range of world equity markets.

To emphasise capital growth rather than income.

To manage liquidity and borrowings to increase returns to shareholders.

To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

BENCHMARK

The MSCI World Index expressed in sterling terms.

CAPITAL STRUCTURE

The Company has an authorised share capital of 132,840,000 ordinary shares of 25p each, of which 70,162,065 were in issue at the year end.

MANAGEMENT COMPANY

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

AITC

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

Figures.

Summary of Results

	2004	2003	
TOTAL RETURNS (capital plus income) for the year to 30th June			
Return to shareholders[1]	**13.4%**	–16.6%	
Return on net assets[2]	**12.8%**	–11.6%	
MSCI World Index (in sterling terms)[3,4]	**12.8%**	–9.8%	
ASSETS at 30th June			% CHANGE
Net asset value per ordinary share	**481.4p**	431.3p	+11.6
Ordinary share price	**394.0p**	352.0p	+11.9
Discount of ordinary share price to net asset value	**18.2%**	18.4%	
Ordinary shareholders' funds (£'000)	**337,771**	305,949	+10.4
REVENUE for the year to 30th June			
Revenue available for ordinary shareholders (£'000)	**5,122**	3,847	+33.1
Earnings per ordinary share	**7.2p**	5.4p	+33.3
Dividend per ordinary share	**7.0p**	5.0p	+40.0
TOTAL EXPENSE RATIO[5]	**0.42%**	0.47%	

[1] *Change in share price with net dividends (if any) reinvested. (Source: Standard & Poor's – www.funds-sp.com).*

[2] *Change in net asset value per share with net dividends (if any) reinvested. (Source: Fundamental Data – www.funddata.com).*

[3] *Change in value with net dividends (if any) reinvested. (Source: MSCI).*

[4] *The Company's benchmark is the MSCI World Index (in sterling terms). Comparison of the Company's performance is made with this benchmark. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not track this index and, consequently, there may be some divergence between its performance and that of the Company.*

[5] *Management fees and all other operating expenses (including tax relief, where allowable, but interest payments and performance fee) expressed as a percentage of average net assets over the year. The total expense ratio including the performance fee for 2004 is 0.99% (2003: 1.06%).*

Performance and Discount

Ten Year Performance

Figures have been rebased to 100 at 30th June 1994

Performance Relative to Benchmark Index

Discount

Financial Record

As at 30th June	1994	1995	1996	1997	1998	1999[1]	2000	2001	2002	2003	**2004**
Total assets less current liabilities (£m)	446.5	461.9	544.5	672.6	703.7	725.2	778.7	591.9	436.3	329.4	**368.5**
Ordinary shareholders' funds (£m)	444.5	460.4	543.1	592.0	623.0	645.4	690.3	501.7	349.7	305.9	**337.8**
Net asset value per ordinary share (p)	334.6	346.6	408.8	445.7	469.0	571.4	725.8	645.2	493.1	431.3	**481.4**
Ordinary share price (p)	284.0	296.5	335.0	373.0	405.5	492.5	622.5	572.0	428.0	352.0	**394.0**
Discount (%)	15.1	14.5	18.1	16.3	13.5	13.8	14.2	11.3	13.2	18.4	**18.2**
Total expense ratio(%)[2]	0.42	0.41	0.42	0.41	0.47	0.39	0.43	0.49	0.47	0.47	**0.42**
Year ended 30th June											
Gross revenue (£'000)	11,603	12,927	11,920	12,012	16,565	13,844	12,843	12,746	9,361	8,251	**7,430**
Revenue per ordinary share (p)	4.70	5.67	4.86	4.58	3.26	4.81	4.50	5.03	4.50	5.42	**7.24**
Dividends per ordinary share (net) (p)	4.25	4.60	4.60	4.60	3.00	2.45	3.60	4.20	4.20	5.00	**7.00**
Rebased to 100 at 30th June 1994											
Net asset value per ordinary share – total return[3]	100.0	104.9	126.2	139.1	146.2	179.7	229.3	204.9	157.8	139.5	**157.3**
Share price – total return[4]	100.0	106.1	122.5	138.2	150.3	184.2	234.0	216.3	163.0	135.9	**154.1**
MSCI World (in sterling terms) – total return[5]	100.0	105.0	127.7	143.8	164.1	204.4	242.7	210.3	164.5	148.4	**167.4**

[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.*

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

[3]*Source: Fundamental data–www.funddata.com.*

[4]*Source: Standard and Poor's–www.funds.sp.com.*

[5]*Source: MSCI.*

Ten Largest Investments

at 30th June 2004

Company	*Country*	*Sector*	**Valuation £'000**	*%*[1]
Citigroup Citigroup is the largest diversified financial services company in the world. It provides a broad range of financial services to consumer and corporate customers around the globe. With such broadly diversified revenue streams, Citigroup offers earnings and profitability stability well above that of its peers throughout the economic cycle.	USA	Banking	**9,545**	**2.6**
Pfizer A leading global pharmaceutical company with dominant positions in cardiovascular and pain therapies. Pfizer, with its highly rated sales force, is also marketing partner of choice for smaller pharmaceutical companies.	USA	Pharmaceuticals	**9,220**	**2.5**
Total Fina Total Fina produces, refines, transports and markets oil and natural gas and undertakes exploratory work. 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 the industry in innovation and efficiency.	France	Oil & Gas	**8,018**	**2.2**
Vodafone Vodafone is a leading provider of mobile telecommunication services. The company has a dominant position in each of its key markets and has a geographically diverse earnings base. Vodafone is growing revenues and margins as it expands its range of non-voice services.	UK	Telecoms	**6,938**	**1.9**
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 consistent growth coupled with high margins.	USA	Computer Software & Services	**6,680**	**1.8**
HSBC HSBC provides a variety of international banking and financial services, including retail and corporate banking, trade, trusteeship, securities, custody, capital markets, treasury, private and investment banking, and insurance. A strong management team has positioned the business to benefit from Asian economic growth and deliver consistent earnings growth.	UK	Banking	**6,277**	**1.7**
Altria Altria is the holding company for the Phillip Morris US and International cigarette brands. Altria also has a controlling interest in Kraft Foods. Both companies have premium positions in their respective industries.	USA	Consumer Staples	**5,950**	**1.6**
Ente Nazionale Idrocarburi ENI is a major European gas distributor and integrated oil and gas company with upstream assets principally concentrated in Italy, Africa and the North Sea. ENI is successfully increasing the share of exploration and production business de-emphasising the regulated gas distribution business, increasing returns across the business.	Italy	Oil & Gas	**5,949**	**1.6**
Bank of America Bank of America provides consumer and commercial banking, asset management, global corporate and investment banking, and equity investments. Its recent acquisition of FleetBoston Financial offers significant synergy benefits and business expansion opportunities.	USA	Banking	**5,897**	**1.6**
Johnson & Johnson Johnson & Johnson encompasses three main business lines: a consumer business, a focused pharmaceuticals portfolio and a fast growing medical technologies business. The company has a consistent record of achieving strong growth.	USA	Pharmaceuticals	**5,560**	**1.5**
Total			**70,034**	**19.0**

[1]Based on total assets less current liabilities of £368.5m.

Portfolio Analysis

at 30th June

Geographic

	2004		2003	
	Portfolio	Benchmark	Portfolio	Benchmark
	%	%	%	%
North America	**49.9**	57.1	52.1	60.0
Continental Europe	**16.8**	18.5	17.9	17.8
United Kingdom	**14.2**	10.6	14.9	10.9
Japan	**10.8**	10.2	8.3	8.2
Other Pacific	**4.1**	3.1	3.3	3.1
Emerging Markets	**3.0**	0.5	1.5	—
Net Current Assets	**1.2**	—	0.7	—
Ericott	**—**	—	1.3	—

Based on total assets less current liabilities of £368.5m (2003: £329.4m).

Sector

	2004		2003	
	Portfolio	Benchmark	Portfolio	Benchmark
	%	%	%	%
Financials	**27.0**	23.6	25.5	23.1
Information Technology	**14.2**	12.8	11.3	12.2
Industrials	**13.0**	10.3	10.0	9.4
Consumer Discretionary	**10.8**	12.4	10.3	11.8
Healthcare	**8.8**	11.1	13.1	12.9
Consumer Staples	**8.7**	9.2	10.4	9.7
Energy	**7.1**	7.5	8.2	7.5
Materials	**4.4**	4.8	3.3	4.3
Telecommunication Services	**3.5**	4.7	4.6	5.3
Utilities	**1.3**	3.6	1.3	3.8
Net Current Assets	**1.2**	—	0.7	—
Ericott	**—**	—	1.3	—

Based on total assets less current liabilities of £368.5m (2003: £329.4m).

Shareholder Analysis

at 30th June 2004

	Number of shares	% holding
Unit Trusts	12,460,524	17.8
Pension Funds	5,700,320	8.1
Individuals investing through JPMorgan Fleming Elect	3,545,000	5.0
Insurance Companies	3,543,244	5.0
Investment Trusts	1,674,987	2.4
Charities	844,127	1.2
Other institutions	192,866	0.3
Total institutions	**27,961,068**	**39.8**
Market Makers	1,781,918	2.5
Clearing	75,000	0.1
Custodians	31,642	0.1
Stocklending Accounts	—	—
Total Market Trading Accounts	**1,888,560**	**2.7**
Private Client Brokers	16,406,979	23.4
Retail Investors holding shares directly or through nominee accounts[1]	18,823,959	26.8
Individuals in the investment trust Share Plan[2]	3,553,031	5.1
Individuals in the investment trust Pension Account[2]	1,164,099	1.7
Individuals in the investment trust Individual Savings Account[2]	263,278	0.4
Individuals in the investment trust Personal Equity Plan[2]	101,091	0.1
Total Retail Holdings	**40,312,437**	**57.5**
Total shares in issue	**70,162,065**	**100.0**

[1]*Includes shares below threshold of 10,000 shares.*

[2]*Savings products managed by JPMorgan Fleming.*

Nominee accounts have been allocated to their appropriate category.

The above analysis is produced by Thomson Financial and provides greater detail than previously published. This analysis has resulted in some reclassifaction of shareholders between the above groupings and is not directly comparable with the analysis published previously.

Investment Activity

during the year to 30th June 2004

	Value at 30th June 2003 £'000	%	Purchases £'000	Sales £'000	Changes in value £'000	**Value at 30th June 2004 £'000**	**%**
North America	175,363	53.6	72,720	71,763	7,783	**184,103**	**50.6**
Continental Europe	59,071	18.1	21,520	33,141	14,326	**61,776**	**17.0**
United Kingdom	49,117	15.0	24,318	28,864	7,669	**52,240**	**14.3**
Japan	27,339	8.4	24,357	17,048	5,095	**39,743**	**10.9**
Other Pacific	10,996	3.3	5,696	2,780	1,431	**15,343**	**4.2**
Emerging Markets	5,100	1.6	6,199	—	(330)	**10,969**	**3.0**
Total Portfolio	326,986	100.0	154,810	153,596	35,974	**364,174**	**100.0**

List of Investments

at 30th June 2004

Company	Value £'000
North America	
Citigroup	9,545
Pfizer	9,220
Microsoft	6,680
Altria	5,950
Bank of America	5,897
Johnson & Johnson	5,560
Intel	5,185
General Electric	5,179
United Technologies	5,055
Masco	4,976
Hewlett Packard	4,913
Verizon	4,588
Avon Products	4,295
Pepsico	4,216
Talisman Energy	4,215
Wells Fargo	4,109
Ingersoll-Rand	3,639
Apache	3,607
Fannie Mae	3,498
Gannett	3,334
American International	3,318
Inco	3,304
News Corporation	3,296
XL Capital	3,237
Countrywide Financial	3,178
Computer Associates	3,099
Accenture	3,066
Cigna	3,043
Lexmark International	3,011
Hartford Financial Services Group	2,989
Pentair	2,972
Conoco Phillips	2,949
US Bancorp	2,945
Freeport- McMoRan	2,915
Dell	2,896
Office Depot	2,875
CIT	2,844
HCA	2,541
Lennar Corporation	2,486
Prudential Financial	2,383
Affiliated Computer	2,359
Analog Devices	2,290
Mattel	2,180
Kohls Corporation	2,098
Dean Foods	2,024
Maytag	1,800
Impax Laboratories	1,726
Western Digital	1,656
Friedman Billings	1,442
Fleming US Discovery III Fund[1,2]	1,367
Visteon	1,030
BEA Systems	792
Leach International[1]	331
Total North America	**184,103**

Continental Europe

Company	Value £'000
Total Fina *(France)*	8,018
Ente Nazionale Idrocarburi *(Italy)*	5,949
BNP Paribas *(France)*	4,444
Roche Holdings *(Switzerland)*	3,696
Zurich Financial Services *(Switzerland)*	3,665
Holcim *(Switzerland)*	3,461
Credit Suisse Group *(Switzerland)*	3,049
Deutsche Post *(Germany)*	3,001
Saint-Gobain *(France)*	2,790
Imerys *(France)*	2,789
Altadis *(Spain)*	2,609
Union Bank of Switzerland *(Switzerland)*	2,576
Dassault Systems *(France)*	2,551
ABN AMRO Holdings *(Holland)*	2,849
Bank of Ireland *(Ireland)*	2,493

[1]Unlisted
[2]Managed by JPMorgan Fleming Asset Management

List of Investments continued

at 30th June 2004

Company	Value £'000
Bayerische Motoren Werke *(Germany)*	2,381
Adecco *(Switzerland)*	2,297
Koninklijke Philips Electronics *(Holland)*	2,215
JPMorgan Fleming European Fledgeling Investment Trust[2]	922
Equitalia *(Italy)*[1,2]	21
Total Continental Europe	**61,776**

United Kingdom

Vodafone	6,938
HSBC	6,277
GlaxoSmithKline	5,224
Barclays	4,698
Intercontinental Hotels	4,276
Royal Bank of Scotland Group	3,089
Alternative Investment Strategies	2,949
Kingfisher	2,820
Centrica	2,662
Reckitt Benckiser	2,650
Compass	2,328
Morrison (WM) Supermarkets	2,220
Allied Domecq	2,128
Scottish Power	2,095
Tesco	1,886
Total United Kingdom	**52,240**

Japan

Canon	4,678
JPMorgan Fleming Japanese Smaller Companies Investment Trust[2]	4,568
SMC	3,620
Fanuc	3,579
Sumitomo	3,418
Honda Motor	2,727
Hoya	2,366
Mitsubishi	2,255
Takefuji	2,133
Sharp	2,123
Secom	1,872
Matsushita Electric Industrial	1,832
Nikko Cordial	1,831
Chugai Pharmaceutical	1,539
Shin-Etsu Chemical	1,202
Total Japan	**39,743**

Other Pacific

Samsung Electronics	3,300
Flextronics	3,176
Posco (Korea) ADR	2,454
China Life Insurance	2,190
SK Telecom ADR	1,538
JPMorgan Fleming Indian Investment Trust[2]	1,497
Lianhua Supermarket	1,188
Total Other Pacific	**15,343**

Emerging Markets

JPMorgan Fleming Emerging Markets Investment Trust[2]	3,619
Companhia Vale do Rio Doce	3,202
Fomento Economico Mexicano	2,907
Yukos	1,241
Total Emerging Markets	**10,969**

Total Portfolio	**364,174**

The total portfolio includes 0.5% in unlisted investments.

[1]Unlisted
[2]Managed by JPMorgan Fleming Asset Management

Faces

Board of Directors

George Paul (Chairman)*†
(Chairman of the Nomination and Remuneration Committees)
Age 64
Appointed on 7th January 1998
Chairman of Agricola Group Limited, formerly Agricola Holdings, since 1997. He is also deputy chairman of Aviva plc and was formerly chairman of Norwich Union plc.

Richard Barfield*†
(Senior Independent Director)
Age 57
Appointed on 1st November 2001
He is a director of Equitas and chairman of its investment committee. He is also chairman of Synergy GP Ltd and a director of Rio Tinto Pension Investments Ltd, Umbro plc, Baillie Gifford Japan Trust plc, Edinburgh Investment Trust plc and Merchants Trust plc. He was formerly Chief Investment Manager of Standard Life.

Simon Davies*†
Age 45
Appointed on 29th November 1999
Simon Davies is Chief Executive Officer of Threadneedle Asset Management. He began his investment career in 1981 with Rothschild Asset Management, before moving to Gartmore where he became Head of International Equities. He joined Threadneedle as Chief Investment Officer before taking his current position of CEO.

Geoffrey Howe†
Age 55
Appointed on 1st November 1999
He holds a number of directorships including Jardine Lloyd Thompson Group plc and Investec plc. He was formerly Chairman of Railtrack Group plc, managing partner of Clifford Chance and director and group general counsel of Robert Fleming Holdings Ltd.

John Rennocks*†
(Chairman of the Audit Committee)
Age 59
Appointed on 1st November 2001
He is chairman of Nestor Healthcare Group and Diploma plc and a non-executive director of Foreign and Colonial Investment Trust plc, Babcock International Group plc, Wagon plc and Xenova plc. He was previously finance director of Corus Group plc (formerly British Steel plc), Powergen plc and Smith & Nephew plc.

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

Directors' Report

Business of the Company

The Company carries on business as an investment trust and was approved by the Inland Revenue as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th June 2003. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year. Approval for the year ended 30th June 2003 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's statement on pages 1 and 2 and in the Investment Manager's report on pages 3 to 6.

Revenue and Dividends

Gross revenue for the year totalled £7,430,000 (2003: £8,251,000) and distributable revenue after deducting interest, administrative expenses and taxation amounted to £5,122,000 (2003: £3,847,000).

The Directors recommend a dividend of 7.0p per share (2003: 5.0p) payable on 1st December 2004 to holders on the register at the close of business on 29th October 2004. This distribution will absorb £4,911,000 (2003: £3,547,000) which results in a transfer to the revenue reserve of £211,000 (2003: £300,000). The revenue reserve after this transfer will amount to £12,225,000 (2003: £12,014,000).

Investments

The investments were valued at £364,174,000 as at 30th June 2004 (2003: £326,986,000). The notes to the accounts show the basis of this valuation. A list of the Company's investments is given on pages 16 to 17.

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 obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by these terms. As at 30th June 2004, the Company had no outstanding trade creditors.

Directors

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

	30th June 2004	1st July 2003
Richard Barfield	4,680	4,621
Simon Davies	500	500
Geoffrey Howe	5,461	5,403
George Paul	15,000	15,000
John Rennocks	1,000	1,000

No changes in interest have been notified by any Director as at the date of this report. No Director has an interest in the Company's debenture stock.

In accordance with the Articles of Association, the Directors retiring by rotation at the Annual General Meeting are Mr Richard Barfield and Mr Geoffrey Howe who, being eligible, offer themselves for re-election.

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

Directors' Report continued

Acquisition of the Company's own shares
Further to a resolution passed on 27th November 2003, the Company purchased 770,000 ordinary shares for cancellation during the year, representing 1.1% of the Company's issued share capital, for a total consideration of £2,998,000.

The Company has not repurchased any further shares for cancellation since the year end.

A resolution to renew the authority is due to be put to shareholders at the forthcoming Annual General Meeting. The full text of the resolution is set out in the Notice of Meeting on page 27.

Management
The Company's assets are managed by J.P. Morgan Fleming Asset Management (UK) Limited ('JPMFAM').

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

The Board has thoroughly reviewed the Manager's strategy and process. The review covered the performance of the investment style, resources and risk controls. The Board is satisfied with the results of the review and is therefore of the opinion that the continuing appointment of the Manager is in the best interests of shareholders. Such a review will be carried out on an annual basis.

Management and Performance Fee
The Manager and Secretary, JPMFAM, 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. 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%. The performance fee payable is 15% of any excess of the total return (excluding the effect of share buybacks) over the benchmark total return. Payment of any amount earned under the performance fee in any relevant period is spread equally over four years. Performance is measured on a cumulative basis. Any performance fee accrued but not paid can be and is reduced by the extent of any underperformance in subsequent years. Any adjustment in respect of underperformance is 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 is capped at 0.8% (previously 0.4%) of the published net assets of the Company at the end of the relevant period. Any excess is carried forward until paid in full (or offset against subsequent underperformance). The results for the year ended 30th June 2004 give rise to a performance fee writeback of £53,000 (2003: £980,000) as the total return did not exceed the benchmark. The cumulative performance fee accrued in the accounts (based on prior years' outperformance and this year's writeback) is £3,153,000 (2003: £5,653,000) of which £2,702,000 (2003: £2,447,000) is payable in the current year. The balance of £451,000 (2003: £3,206,000) remains payable in future years but will first be reduced by any future underperformance.

Directors' Report continued

Notifiable Share Interests

At the date of this report the following had declared a notifiable interest in the Company's ordinary share capital:

Shareholders	Number of shares held	%
Chase Nominees	11,910,557	17.0
Included within this are the following:		
JPMorgan Fleming Securities Ltd	2,197,856	3.1
JPMorgan Fleming Elect plc (Managed Growth shares)	3,545,000	5.0
Puddle Dock Nominees Ltd[2]	3,917,400	5.6

[1]*Non-beneficial.*

[2]*Held on behalf of JPMFAM Share Plan, PEP and ISA participants.*

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be put to shareholders at the forthcoming Annual General Meeting.

Annual General Meeting

A resolution relating to the following item of special business will be proposed at the forthcoming Annual General Meeting:

Repurchase of the Company's shares

At the Annual General Meeting held on 27th November 2003, 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 26th May 2005 or the conclusion of the Company's Annual General Meeting in 2004. 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 10,517,293 shares (or, if less, the number of shares which is equal to 14.99 per cent of the Company's issued share capital as at the date of the passing of Resolution 7 set out in the Notice of Annual General Meeting), using its realised capital reserves. The actual cash required to repurchase shares will be met either from cash available or from selling investments in the portfolio.

The 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 that 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 earliest of 25th May 2006, the conclusion of the Company's Annual General Meeting in 2005 or when 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
Philip Jones, for and on behalf of
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
7th October 2004

Corporate Governance

Introduction

Two important documents were published in July 2003: The London Stock Exchange's revised Combined Code on Corporate Governance for all listed companies and the Association of Investment Trust Companies' ('AITC') Code of Corporate Governance for Investment Trusts. Compliance with the revised Combined Code is mandatory for accounting periods commencing on or after 1st November 2003 and its aim is to improve investor confidence by enhancing the effectiveness of Boards. The AITC's Code of Corporate Governance complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of Corporate Governance and has put in place arrangements which it believes enable the Company to comply with the revised Combined Code and the AITC's Code of Corporate Governance. The Board believes that the Company has complied with the requirements of section 1 of the existing 1998 Combined Code for the year ended 30th June 2004. In addition, the Board believes that the Company has implemented processes to comply fully with the revised Code in the year to 30th June 2005. The following report outlines how the principles of the 1998 Combined Code and the revised Combined Code were applied during the year, unless stated otherwise.

The Board

The Board consists of five non-executive Directors, chaired by George Paul, all but one of whom are considered to be independent, including the Chairman. Geoffrey Howe was, until 31st December 2000 a director of Robert Fleming Holdings Limited. The Company has no executive Directors or employees and a management agreement between the Company and JPMFAM sets out matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative and some marketing services. 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. The Board regularly reviews both the performance of, and the contractual arrangements with, the Manager. The Directors also have access, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The table below details the number of Board and Audit Committee meetings attended by each Director. During the year there were six Board meetings, including a meeting devoted to strategy, two Audit Committee meetings and one Nomination Committee meeting.

Director	Board Meetings attended	Audit Committee Meetings attended	Nomination Committee Meetings attended
Richard Barfield	6	2	1
Simon Davies	5	1	1
Geoffrey Howe	5	—	1
George Paul	6	2	1
John Rennocks	6	2	1

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a three year term. A Director may thereafter be invited by the Board to serve for one or more further terms of three years. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that one third of the Board must retire by rotation each year.

Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

Board Committees

The Board has established a Nomination Committee, which consists of all of the Directors, and meets at least annually to ensure that the Board has a balance of skills to carry out its fiduciary duties and to select and propose suitable candidates when necessary for appointment. A variety of sources may be used to ensure that a wide range of candidates is considered. The

Corporate Governance continued

Committee will also undertake an annual performance evaluation to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Chairman is evaluated by the other Directors.

The Board has also established a Remuneration Committee. This consists of all of the Directors and will meet annually to review the levels of remuneration of the Chairman, the Chairman of the Audit Committee and other Directors, taking into account both boards of other trusts and corporate salaries to ensure that high quality people are attracted and retained.

The Audit Committee meets at least twice each year and its membership is set out on page 19. The Committee reviews the actions and judgements of management in relation to the interim and annual financial statements and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's compliance department and reviews the scope and results of the external 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.

The terms of reference for the Nomination, Remuneration and Audit Committees are available for inspection on request and at the Company's AGM.

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

The Company reports formally to shareholders twice a year by way of the Annual Report and Accounts and the Interim Report.

All shareholders have the right to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet and answer questions. In addition, a presentation is given by the investment managers who review the Company's performance. During the year the Company's brokers and JPMFAM hold regular discussions with larger shareholders and the Directors are made fully aware of their views. The Chairman and Directors make themselves available at other times as and when required to meet shareholders and address any queries. The Directors may be contacted through the Company Secretary whose details are shown on page 44.

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by 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 they meet the Company's business objectives. Consequently, the Company does not have an internal audit function. The key elements designed to provide effective internal control are as follows:

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

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

Corporate Governance continued

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

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

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

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

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th June 2004, and to the date of approval of this Annual Report and Accounts.

Socially Responsible Investment

The following is a summary of JPMFAM's policy statement on socially responsible investment ('SRI') which has been noted by the Board:

> *Unless instructed otherwise, we believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk in the management of our clients' investments. A company run in the long-term interests of its shareholders with the objective of enhancing shareholder value over time will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. In our pursuit of good financial returns for our clients, our investment managers take account of these and all other factors affecting the valuation of the companies in which they are currently invested or considering investment on behalf of clients.*

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMFAM. The following is a summary of JPMFAM's policy statement on corporate governance and voting policy which has been noted by the Board:

> *JPMFAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect those companies to demonstrate high standards of governance in the management of their business.*
>
> *Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. It is the policy of JPMFAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable we will vote at all of the meetings called by companies in which we are invested.*
>
> *In order to do this we have formulated detailed guidelines, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition, committee structure, director independence and remuneration issues, audit partner rotation and social and environmental issues. These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMFAM makes all of its voting decisions on a case-by-case basis, taking into account the individual circumstances of each vote.*

Directors' Remuneration Report

The Board has established a Remuneration Committee which reviews fees on a regular basis. Reviews are based on information provided by the Manager, JPMorgan Fleming Asset Management (UK) Limited, and industry research on the level of fees paid to the Directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance-related. Any increase in aggregate fees requires shareholder approval. The Board does not believe that it is appropriate to recommend an increase in Directors' fees at present.

In the year to 30th June 2004, the Chairman was paid at the rate of £30,000 per annum and the other Directors at the rate of £17,500 per annum, with the Chairman of the Audit Committee receiving an additional £2,500 per annum. The Chairman's and other Directors' fees were last increased on 1st January 2001.

The Directors do not have service contracts with the Company.

Graphs showing the Company's share price total return compared to its benchmark index, the MSCI World Index (in sterling terms), over the last five years are shown below.

Audited Information
Directors' Remuneration

Director's Name	2004 £	2003 £
George Paul (Chairman)	30,000	30,000
Richard Barfield	17,500	17,500
Simon Davies	17,500	17,500
Geoffrey Howe	17,500	17,500
Raymond Mould	1,997[1]	17,500
John Rennocks	20,000	20,000

[1]*Resigned 14th August 2003*

The total Directors' fees of £104,497 (2003: £120,000) comprise £89,375 (2003: £85,000) in respect of aggregate emoluments paid to Directors and £15,122 (2003: £35,000) paid to third parties for making available the services of two of the Directors (2003: same).

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

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

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

By order of the Board
Philip Jones, for and on behalf of
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
7th October 2004

Directors' Responsibilities in Respect of the Accounts

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

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

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

Notice of Meeting

Notice is hereby given that the one hundred and seventeenth Annual General Meeting of JPMorgan Fleming Overseas Investment Trust plc will be held at 10 Aldermanbury, London EC2V 7RF at 12.00 noon on Thursday 25th November 2004 for the following purposes:

1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2004.

2 To approve the Directors' Remuneration Report for the year ended 30th June 2004.

3 To re-elect Mr Richard Barfield as a Director of the Company.

4 To re-elect Mr Geoffrey Howe as a Director of the Company.

5 To declare a final dividend.

6 To re-appoint PricewaterhouseCoopers LLP as Auditor 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

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

PROVIDED ALWAYS THAT

(i) the maximum number of shares hereby authorised to be purchased shall be 10,517,293 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 earliest of 25th May 2006, the conclusion of the Company's Annual General Meeting in 2005 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
Philip Jones, for and on behalf of
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
7th October 2004

Notice of Meeting continued

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.

Independent Auditors' Report

To the members of JPMorgan Fleming Overseas Investment Trust plc

We have audited the financial statements which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ('the auditable part').

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, and the corporate governance statement.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs at 30th June 2004 and of its total return and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors

London, 7th October 2004

(a) The financial statements are published on the www.jpmorganfleming.com/its website, which is a website maintained by the Company's manager, J.P. Morgan Fleming Asset Management UK ('JPMFAM') The maintenance and integrity of the J.P. Morgan Fleming Assets Management UK website or any of its subsidiaries is, so far as it relates the company, the responsibility of JPMFAM; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Total Return

for the year ended 30th June 2004

	Notes	2004 Revenue £'000	2004 Capital £'000	2004 Total £'000	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000
Realised gains on investments	8	–	7,597	7,597	–	185	185
Net unrealised gains/(losses) on investments	8	–	28,377	28,377	–	(44,595)	(44,595)
Net losses on foreign currency transactions	14	–	(89)	(89)	–	(173)	(173)
Unrealised loss on foreign currency loan	14	–	(24)	(24)	–	–	–
Realised gains on currency hedge		–	–	–	–	769	769
Other capital charges	14	–	(135)	(135)	–	(66)	(66)
Income from investments	1	7,097	–	7,097	7,616	–	7,616
Other income	1	333	–	333	635	–	635
Gross return/(loss)		7,430	35,726	43,156	8,251	(43,880)	(35,629)
Management fee	2	(713)	(713)	(1,426)	(716)	(716)	(1,432)
Other administrative expenses	3	(552)	–	(552)	(529)	–	(529)
Performance fee	12	–	53	53	–	980	980
Interest payable	4	(458)	(457)	(915)	(1,363)	(1,363)	(2,726)
Return/(loss) on ordinary activities before taxation		5,707	34,609	40,316	5,643	(44,979)	(39,336)
Taxation	5	(585)	–	(585)	(1,796)	886	(910)
Total return/(loss) attributable to ordinary shareholders		5,122	34,609	39,731	3,847	(44,093)	(40,246)
Dividend on ordinary shares	6	(4,911)	–	(4,911)	(3,547)	–	(3,547)
Transfer to/(from) reserves		211	34,609	34,820	300	(44,093)	(43,793)
Return/(loss) per ordinary share	7	7.24p	48.90p	56.14p	5.42p	(62.16)p	(56.74)p

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

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

The notes on pages 33 to 43 form part of these accounts.

Balance Sheet

at 30th June 2004

	Notes	2004 £'000	2003 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	8	**364,174**	326,986
Current assets			
Debtors	9	**920**	798
Cash and short-term deposits		**11,277**	7,744
		12,197	8,542
Current liabilities			
Creditors: Amounts falling due within one year	10	**(7,921)**	(6,173)
Net current assets		**4,276**	2,369
Total assets less current liabilities		**368,450**	329,355
Creditors			
Amounts falling due after more than one year	11	**(30,228)**	(20,200)
Provision for liabilities and charges	12	**(451)**	(3,206)
Total net assets		**337,771**	305,949
FINANCED BY			
Capital and reserves			
Share capital	13	**17,540**	17,733
Capital redemption reserve	14	**16,405**	16,212
Capital reserve – realised	14	**265,791**	287,746
Capital reserve – unrealised	14	**25,810**	(27,756)
Revenue reserve	14	**12,225**	12,014
Total ordinary shareholders' funds (all equity)		**337,771**	305,949
Net asset value per ordinary share	15	**481.4p**	431.3p

The accounts on pages 30 to 43 were approved by the Directors on 7th October 2004 and are signed on their behalf by:

Simon Davies
Director

The notes on pages 33 to 43 form part of these accounts.

Cash Flow Statement

for the year ended 30th June 2004

	Note 17	2004 £'000	2003 £'000
Operating activities			
Cash received from investments		**6,178**	7,023
Deposit interest received		**317**	619
Stocklending received		**16**	16
Management fee paid		**(1,426)**	(1,432)
Directors' fees paid		**(104)**	(120)
Other cash payments		**(465)**	(510)
Performance fee paid		**(2,447)**	(1,399)
Net cash inflow from operating activities		**2,069**	4,197
Returns on investments and servicing of finance			
Interest paid		**(874)**	(2,639)
Net cash outflow from returns on investments and servicing of finance		**(874)**	(2,639)
Total taxation recovered		**288**	358
Capital expenditure and financial investments			
Purchases of investments		**(154,810)**	(89,519)
Sales of investments		**153,623**	129,494
Other capital charges		**(133)**	(66)
Net cash (outflow)/inflow from capital expenditure and financial investments		**(1,320)**	39,909
Total equity dividends paid on ordinary shares		**(3,547)**	(2,979)
Net cash (outflow)/inflow before financing		**(3,384)**	38,846
Financing			
Repayment of floating rate notes		**—**	(79,758)
Drawdown of loan facility		**10,004**	20,000
Repurchase of ordinary shares		**(2,998)**	—
Net cash inflow/(outflow) from financing		**7,006**	(59,758)
Increase/(decrease) in cash for the year		**3,622**	(20,912)

The notes on pages 33 to 43 form part of these accounts.

Notes to the Accounts

for the year ended 30th June 2004

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'.

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 and performance fees payable in future years (which relate to outperformance on capital account) are charged respectively to capital reserve – realised and capital reserve – unrealised.

v. Borrowings/interest payable

In accordance with FRS4, 'Capital Instruments', 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.

Deferred tax is recognised, in accordance with FRS19, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred that result in an obligation to pay more, or right to pay less, tax in the future. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

In line with the requirements of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital has been changed to the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by revenue expenses, then no tax relief is transferred to capital. As this is a change in allocation method only, the prior year figures have not been restated. The effect of this change in allocation method has been to reduce the current year revenue tax charge and increase the return on capital account by £0.9m.

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

	2004 £'000	2003 £'000
1. Income		
Income from investments:		
UK dividend income	**1,417**	1,219
UK unfranked investment income	**—**	298
Overseas dividends	**5,680**	6,099
	7,097	7,616
Other income:		
Deposit interest	**317**	619
Stock lending fees (net of agent's commission)	**16**	16
	333	635
Total income	**7,430**	8,251
Total income comprises:		
Dividends	**7,097**	7,318
Interest from investments	**—**	298
Other income	**333**	635
Total income	**7,430**	8,251
Income from investments comprises:		
Listed UK	**1,417**	1,517
Listed overseas	**5,652**	5,896
Unlisted	**28**	203
	7,097	7,616

	2004 Revenue £'000	**2004 Capital £'000**	**2004 Total £'000**	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000
2. Management fee						
Management fee	**677**	**677**	**1,354**	702	702	1,404
Irrecoverable VAT thereon	**36**	**36**	**72**	14	14	28
	713	**713**	**1,426**	716	716	1,432

Notes to the Accounts continued

	2004 £'000	2003 £'000
3. Other administrative expenses		
Other management expenses	**418**	388
Directors' fees[1]	**104**	120
Auditors' remuneration[2]	**19**	17
Irrecoverable VAT	**11**	4
	552	529

[1]The Chairman is paid at the rate of £30,000 per annum (2003: £30,000 per annum), the Chairman of the Audit Committee at the rate of £20,000 per annum (2003: £20,000) and other Directors at the rate of £17,500 per annum each (2003: £17,500).

The total Directors' fees of £104,497 (2003: £120,000) comprise £89,375 (2003: £85,000) in respect of aggregate emoluments paid to Directors and £15,122 (2003: £35,000) paid to third parties for making available the services of two of the Directors (2003: same).

[2]In addition, £3,310 (2003: £4,082) was paid to the Auditors in respect of non-audit services.

	2004			2003		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
4. Interest payable						
On bank loans and overdrafts	**21**	**21**	**42**	12	12	24
On debenture stock	**5**	**4**	**9**	5	4	9
On loans falling due after more than one year	**432**	**432**	**864**	1,346	1,347	2,693
	458	**457**	**915**	1,363	1,363	2,726

Notes to the Accounts continued

	2004 Revenue £'000	2004 Capital £'000	2004 Total £'000	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000
5. Taxation						
Corporation tax at 30%	**761**	**–**	**761**	616	–	616
Relief relating to overseas taxation	**(761)**	**–**	**(761)**	(616)	–	(616)
Overseas taxation	**770**	**–**	**770**	1,012	–	1,012
Tax credit relating to overseas taxation	**(94)**	**–**	**(94)**	(102)	–	(102)
Tax relief on items charged to capital	**–**	**–**	**–**	886	(886)	–
Overseas tax recovered	**(91)**	**–**	**(91)**	–	–	–
	585	**–**	**585**	1,796	(886)	910

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

	2004 %	2003 %
Standard rate of UK corporation tax	**30.00**	30.00
Non-taxable UK dividends	**(7.45)**	(6.48)
Income taxed in different periods	**(0.99)**	1.81
Expense not utilised	**–**	1.30
Prior year expenses utilised	**(8.23)**	–
Overseas taxation	**11.90**	17.93
Avoir fiscal (net of tax effect)	**(1.65)**	(1.81)
Relief for overseas taxation	**(13.33)**	(10.93)
Effective rate based on tax charge against revenue before tax	**10.25**	31.82

The Company has an unrecognised deferred tax asset of £3,261,553 (2003: £4,241,420). This has arisen from deductible expenses exceeding taxable income. It is unlikely that this asset will be fully utilised in the foreseeable future.

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

	2004 £'000	2003 £'000
6. Dividends on ordinary shares		
Final (payable) 7.00p (2003: 5.00p)	**4,911**	3,547
	4,911	3,547

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 70,774,329 (2003: 70,932,065). The revenue and capital returns per ordinary share are based on the revenue and capital attributable to ordinary shareholders of £5,122,000 (2003: £3,847,000) and a capital gain of £34,609,000 (2003: capital loss of £44,093,000) respectively.

	2004 £'000	2003 £'000
8. Investments		
Investments listed on a recognised investment exchange	**362,455**	320,132
Unlisted investments	**1,719**	6,854
	364,174	326,986

	Listed £'000	Unlisted £'000	Total £'000
Opening book cost	342,105	9,431	351,536
Opening unrealised losses	(21,973)	(2,577)	(24,550)
Opening valuation	320,132	6,854	326,986
Movements in the year:			
Purchases at cost	154,810	–	154,810
Sales – proceeds	(147,202)	(6,394)	(153,596)
Sales – realised gains on investments	6,955	642	7,597
Net unrealised gains on investments	27,760	617	28,377
	362,455	1,719	364,174
Closing book cost	335,341	2,548	337,889
Closing unrealised gains/(losses)	27,114	(829)	26,285
	362,455	1,719	364,174

The unlisted investments consist of equity investments only.

Capital uncalled on investments at 30th June 2004 amounted to £nil (2003: £nil).

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

During the year, prior year unrealised losses have been transferred to realised, as disclosed in note 14. This was derived from the following sources:

	Listed £'000	Unlisted £'000	Total £'000
	21,327	1,131	22,458

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:

	2004 £	2003 £
Cost	**140**	140
Less: inter-company loan	**(100)**	(100)
	40	40

Notes to the Accounts continued

	2004 £'000	2003 £'000
8. Investments continued		
Stock lending details		
Fee income (net) from stock lending during the year	**16**	16

The aggregate value of securities on loan as at 30th June 2004 amounted to £15,816,110 and the maximum value of stock on loan during the year ended 30th June 2004 was £15,816,110. Collateral, with a value equivalent to a minimum of 105% of the outstanding value of stocks on loan, is obtained by JPMorgan Chase & Co. Limited as agent to the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds.

	2004 £'000	2003 £'000
9. Debtors		
Securities sold for future settlement	**–**	27
Foreign tax recoverable	**67**	192
Dividends and interest receivable	**685**	579
Other debtors	**168**	–
	920	798

	2004 £'000	2003 £'000
10. Creditors: amounts falling due within one year		
Dividend payable on ordinary shares	**4,911**	3,547
Performance fee payable	**2,702**	2,447
Accrued expenses	**178**	92
Interest on long-term loan	**128**	87
Other creditors	**2**	–
	7,921	6,173

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
£40,000,000 ING multicurrency floating rate loan		
Drawdown in GBP	**20,000**	20,000
Drawdown in USD	**10,028**	–
	30,228	20,200

Notes to the Accounts continued

	2004 £'000	2003 £'000
12. Provisions for liabilities and charges		
Performance fee payable[1]		
Opening balance	3,206	6,633
Performance fee written back during the year	(53)	(980)
Amount realised during the year	(2,702)	(2,447)
	451	3,206

[1]For details on performance fee see Directors' Report on pages 20.

	2004 £'000	2003 £'000
13. Share capital		
Ordinary shares of 25 pence each		
Opening balance	17,733	17,733
Repurchase of 770,000 ordinary shares (2003: nil)	(193)	—
Closing balance[1]	17,540	17,733

[1]Represented by 70,162,065 shares of 25p each (2003: 70,932,065 shares).

	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
14. Reserves				
Beginning of year	16,212	287,746	(27,756)	12,014
Net losses on foreign currency transactions	—	(89)	—	—
Repurchase of ordinary shares	193	(2,998)	—	—
Performance fee now realised	—	(2,702)	2,702	—
Performance fee written back	—	—	53	—
Management fee charged to capital	—	(713)	—	—
Interest expenses charged to capital	—	(457)	—	—
Realised gains on investments	—	7,597	—	—
Unrealised loss on foreign currency loan	—	—	(24)	—
Other capital charges	—	(135)	—	—
Net unrealised gains on investments	—	—	28,377	—
Transfer on disposal of investments	—	(22,458)	22,458	—
Retained net revenue for the year	—	—	—	211
	16,405	265,791	25,810	12,225

Notes to the Accounts continued

15. Net asset value per share

Net asset value per ordinary share is based on funds attributable to ordinary shareholders and on 70,162,065 (2003: 70,932,065) ordinary shares.

	2004 £'000	2003 £'000
16. Reconciliation of movements in total shareholders' funds		
Opening shareholders' funds	**305,949**	349,742
Return on ordinary activities after taxation	**39,731**	(40,246)
Dividends appropriated during the year	**(4,911)**	(3,547)
Repurchase of ordinary shares	**(2,998)**	—
Closing shareholders' funds	**337,771**	305,949

17. Cash flow statement

Reconciliation of net revenue before interest and taxation to net cash inflow from operating activities		
Net revenue before interest and taxation	**6,165**	7,006
(Increase)/decrease in accrued dividends/interest	**(106)**	320
Increase in other debtors	**(168)**	—
Increase/(decrease) in accrued expenses	**86**	(15)
Tax on unfranked investment income	**(748)**	(999)
Expenses charged to capital	**(713)**	(716)
Performance fee paid	**(2,447)**	(1,399)
Net cash inflow from operating activities	**2,069**	4,197

Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash for the year	**3,622**	(20,912)
Cash (inflow)/outflow from change in net debt for the year	**(10,004)**	59,758
Change in net debt for the year	**(6,382)**	38,846
Effect of changes in foreign exchange rates	**(113)**	1,278
Movement in net debt for the year	**(6,495)**	40,124
Net debt at beginning of year	**(12,456)**	(52,580)
Closing net debt	**(18,951)**	(12,456)

	At 1st July 2003 £'000	Cash flow £'000	Exchange movement £'000	**At 30th June 2004 £'000**
Analysis of net debt				
Cash at bank and in hand	7,744	3,622	(89)	**11,277**
Debt due after one year	(20,200)	(10,004)	(24)	**(30,228)**
Closing balance	(12,456)	(6,382)	(113)	**(18,951)**

Notes to the Accounts continued

18. Transactions with JPMorgan Fleming Asset Management

The terms of the management contract with 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 £1,354,000 (2003: £1,404,000). There were no amounts due to JPMFAM at the year end (2003: £nil). A performance fee of £2,702,000 (2003: £2,447,000) is also payable to JPMFAM and a further amount of £451,000 (2003: £3,206,000) payable in future years depending on outperformance of the benchmark return. Further details of the performance fee can be found on page 20. In addition JPMFAM was paid £101,012 for marketing expenses (2003: £100,115). Other management expenses, as shown in Note 3 on page 35, include safe custody fees of £36,559 (2003: £47,181). 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 arm's length. The commission paid in the year was £nil (2003: £2,152). The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

The Company holds investments in funds managed by JPMFAM. At 30 June 2004 these were valued in aggregate at £12.0m (2003: £9.4m) and represented 3.3% of the Company's investment portfolio (2003: 2.9%) (These are listed individually on pages 16 to 17). During the year the Company made purchases of such investments with a total value of £nil (2003: £nil) and made sales with a total value of £0.3m (2003: £nil). Investment income received from these funds amounted to £28,000 (2003: £nil).

The Company has received £16,062 (2003: £16,500) as a result of stock lending transactions during the year. JPMFAM commissions in respect of such transactions amounted to £4,016 (2003: £4,126).

19. Financial instruments

The Company's financial instruments comprise:

- Investments including equity and non-equity shares with overseas exposure. These are held in accordance with the Company's investment objective and policies;
- Long-term loan facility with ING. The interest on this facility is at a floating rate;
- Short-term debtors, creditors and cash amounts arising directly from its operations;
- Derivative transactions which the Company can enter 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.

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, except in relation to the use of a forward currency contract to hedge US$ exposure and non-renewable interest rate swap on repayment of the floating rate notes.

Notes to the Accounts continued

19. Financial instruments continued

Market Price Risk

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

The Board meets at least 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

The Company currently borrows at floating rates of interest and can use interest rate swaps to generate both the desired interest rate profile and to manage its exposure to interest rate fluctuations.

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 has used a forward currency contract to manage the exposure to foreign currencies.

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

Liquidity Risk

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

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

Notes to the Accounts continued

19. Financial instruments continued

Currency Exposures

An analysis of the Company's currency net assets at 30th June 2004 is:

	US$ £m	Euro £m	Other £m	Total £m
Investments	197.4	42.1	71.1	310.6
Net monetary assets	0.3	0.1	0.2	0.6
Financial instruments outstanding at year end	197.7	42.2	71.3	311.2

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

	US$ £m	Euro £m	Other £m	Total £m
Investments	176.7	61.9	33.5	272.1
Net monetary assets	0.2	0.2	1.8	2.2
Financial instruments outstanding at year end	176.9	62.1	35.3	274.3

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 a long-term loan facility with ING. The interest on this facility is at a floating rate.

Fair Value of Financial Instruments

Financial assets and liabilities are included in the balance sheet at values which represent fair values except in respect of the item disclosed below. The fair value of the £200,000 debenture issued by the Company has been calculated with reference to a similar dated gilt plus a margin. All other debt drawn upon is deemed to be at market value and therefore no adjustment is necessary.

	Accounts value		Fair value	
	2004 £m	2003 £m	2004 £m	2003 £m
Long term loan facility	30.2	20.2	30.1	20.2
	30.2	20.2	30.1	20.2

Information about the Company

Financial Calendar

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

History
The Company was formed in 1887. The Company was a general investment trust until 1982, when it adopted its current objective. The current name was adopted in 2002.

Company Numbers
Company registration number: 24299
London Stock Exchange Sedol number: 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, the New Zealand Herald, and on the JPMorgan Fleming internet site at www.jpmorganfleming.co.uk/its where it is updated every 15 minutes during trading hours. For an up to date fact sheet, please visit the Company's website at www.jpmfoverseas.com.

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

Manager and Secretary
J.P. Morgan Fleming Asset Management (UK) Limited

Company's Registered Office
Finsbury Dials, 20 Finsbury Street,
London EC2Y 9AQ
Telephone number: 020 7742 6000,
Please contact Philip Jones for company secretarial and administrative matters.

Brokers
Dresdner Kleinwort Wasserstein,
20 Fenchurch Street, London EC3P 3BB

Registrars
UK Registrar
Lloyds TSB Registrars, Reference 1103,
The Causeway, Worthing, West Sussex, BN99 6DA
Telephone number: 0870 600 3984

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1103.

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

New Zealand Registrar
Computershare Investor Services Limited
Private Bag 92119, Auckland 1020, Level 2,
159 Hurstmere Road, Takapuna, North Shore City,
New Zealand.
Telephone number: 09 522 0022

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

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

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

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

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JPMorgan Fleming Helpline

Freephone 0800 40 30 30 or 020 7742 9999

8.30 am to 6.00 pm Monday to Friday

JPMorgan Fleming Pension Helpline

Freephone 0800 413 176 or 01722 414 888

9.00 am to 5.00 pm Monday to Friday

Please use this service if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security.

www.jpmfoverseas.com/its