2479975

F&C Latin American Investment Trust PLC

Report and Accounts 2003

About your Company

COMPANY OBJECTIVES

The aim of F&C Latin American Investment Trust PLC ("the Company") is to secure for shareholders long-term growth in assets per share through a portfolio investing in equity and occasionally fixed income securities in Latin America. The Board has appointed F&C Emerging Markets Limited ("FCEM") as the day-to-day Manager of the Company. Details of the Manager can be found on page 18 of this report. The Manager's objective is to outperform in US dollar terms the MSCI Emerging Markets Latin America Gross Index, after total expenses, by the use of country allocation, stock selection and gearing. The Board is of the opinion that the ability to borrow money and gear the portfolio is a key feature of an actively managed investment trust. Accordingly, the Company may, from time to time, be geared when markets are expected to rise and a net cash position may be held when markets are expected to fall. The Company's gearing covenants permit a maximum level of gearing of 35% of gross assets. Stockmarkets in the region can be extremely volatile and investors should view their investment as high risk. It is the Board's policy to request annual shareholder approval to repurchase the Company's shares. This authority will be used in circumstances which the Board believes are in the interest of its shareholders taking into account market conditions.

Contents

SUMMARY OF RESULTS

Attributable to equity shareholders	31 Dec 2003	31 Dec 2002	% change
Net assets	**US$219.9m**	US$116.8m	+88.2
Net asset value per share	**298.06¢**	158.37¢	+88.2
Net asset value per share - diluted	**268.44¢**	149.64¢*	+79.4
Dividends per share	**0.56¢**	–	n/a
Share price	**223.00¢**	124.00¢	+79.8
Warrant price	**122.00¢**	40.50¢	+201.2

*Restated in accordance with the revised SORP issued in January 2003 (see note 1, page 32)

Company Registration Number: 2479975

FINANCIAL CALENDAR

AGM	5 May 2004
Interim Results for 2004 announced	September 2004
Final Results for 2004 announced	March 2005

Chairman's Statement

I am very pleased to report that Latin American stockmarkets experienced a major recovery in 2003 due to a combination of a substantial improvement in the global economic environment and constructive news from the region's principal economies. Latin America was the best performing region in both the emerging market asset class and the world in 2003. The result was excellent performance by your Company during the year.

INVESTMENT PERFORMANCE

Your Company's undiluted net asset value per share ("NAV") appreciated by 88% in US dollar terms, materially outperforming the benchmark index's 76% US dollar return (the IFCG Latin American Total Return Index). These results made your Company the best performing closed-end Latin American fund amongst the peer group of four (two listed in the UK and two listed in the US) against which we monitor our relative performance. We use undiluted NAV when comparing investment performance against the peer group and the benchmark index because it excludes the impact of the Company's warrants and we believe that it consequently gives the clearest guide to investment performance. In UK sterling terms the undiluted NAV rose by 69% compared to the benchmarks 58% (UK sterling terms).

The Company's fully diluted NAV rose by 79% in US dollars over the year. This figure includes the full impact of the warrants, which had a very dilutive effect on the NAV due to the strong appreciation of the underlying portfolio. We also outperformed all the others in the peer group using the fully diluted NAV despite the negative drag caused by the warrants. Over the year, the share price rose by 80% in US dollars from US$1.24 to US$2.23, whilst the warrants appreciated by 201% from US$0.405 to US$1.22. It is pleasing to note the share price was also the best performing within its peer group. The discount* contracted marginally from 17.1% at the end of December 2002 to 16.9% at the end of 2003.

Since the end of the financial year our performance has continued to be good. From 31 December 2003 to 2 March 2004, the undiluted NAV has appreciated by 9.1% whilst the share price has risen by 12.6%. The discount has narrowed further to 13.9%.

In passing it is worth reminding shareholders that, assuming a decision is made at the AGM to continue the Company in its present form, the warrants expire on 31 July 2005. If 100% of the warrants are exercised, your Company will receive an additional US$12.97 million of funds.

PERFORMANCE ATTRIBUTION

Looking at performance attribution in detail, there were three principal drivers behind our outperformance. During the year, tactical gearing was successfully deployed, with an average effective gearing level of 11.2%. Secondly, we held a significant overweight position in Brazil throughout 2003, materially higher than the benchmark's weighting. Thirdly, Mexican stock selection continued to be very good, with the Mexican portfolio appreciating by 44% compared to the IFCG Mexico's 35% rise. The negative factors in the year were the overweight asset allocation position in Mexico and slightly sub-optimal Brazilian stock selection, with the Brazilian portfolio returning 114% compared to the IFCG Brazil's 117% return.

(* calculated in accordance with the revised SORP (see note 1, page 32. Please note that the discount as at 31 December 2002 has been restated from 19.0% to 17.1% to reflect the revised SORP)

REGIONAL REVIEW

There were also three major factors behind the exceptionally strong performance in Latin American equities in 2003. Firstly, Latin American equities had a very tough year in the 2002 global bear market and consequently many of the region's stockmarkets entered 2003 at a very low level. Secondly, global risk aversion fell materially when the global economic outlook improved after the swift conclusion to the Iraq war, which resulted in a return of investor flows into emerging markets. Thirdly and most importantly, the outlook in almost all of the region's main economies started to improve materially as the year progressed. The Brazilian stockmarket in particular benefited from a dramatic recovery solidly built on the new government's extremely successful political reform agenda and the expectation that the economy is embarking on a strong investment and export led recovery. The much smaller Argentine market was the region's best performer in 2003 as sentiment swung from extremely negative at the start of 2003 (with the memory of the economic crises still at the forefront of many people's minds) to a state of complete euphoria at the end of 2003 when the economy delivered 8% GDP growth. The Chilean market also performed very well, with the economy delivering robust economic growth in 2003 with the promise of a further acceleration to 4-5% GDP growth in 2004. A political stalemate in the Mexican Congress combined with a degree of economic uncertainty resulted in the Mexican market underperforming the region, but still delivering a 35% return.

INVESTMENT POLICY

On the inside of the front cover of the Annual Report we have included a more detailed explanation of the Company's objectives than previously. Whilst this does not represent any change in policy, we felt it would be helpful for shareholders to have a more explicit statement of the Board's investment policy guidelines.

This statement also refers to the performance benchmark which, as announced on 22 December 2003, was changed from the IFCG Latin America Total Return Index to the MSCI Emerging Markets Latin America Gross Index with effect from 1 January 2004. The change was made because the Company was finding it increasingly hard, and in some cases impossible, to buy many of the smaller constituents of the IFCG index. Many shareholders were consulted before making this change and we found that the substantial majority were very happy for the Company to move to the MSCI index. We would also draw your attention to our readiness, due to what we see as a logical counterpart to the more active use of tactical gearing, to hold a net cash position for a period, should particularly difficult markets be in prospect.

DISCOUNT AND SHARE REPURCHASE PROGRAMME

The discount at the beginning of 2003 was 17.1% and fluctuated in a fairly volatile range during the year, reaching a low of 13.0% in May and a high of 19.1% in September before ending the year at 16.9%. Whilst we believe the main contributor to a lower discount is generally consistent good absolute and relative performance (relative to both the benchmark and peer group), we wish to retain the ability to use share buy backs selectively and opportunistically; hence the resolution to renew the authority to buy back shares at the AGM. We are careful to balance the benefits of cancelling repurchased shares with the impact on trading liquidity in your Company's own shares. The Board is monitoring the evolution of treasury shares and their use but has not reached any firm conclusion.

DIVIDEND

Latin American companies are becoming more shareholder focused. As a result, the dividend flow from our investments is becoming more significant than it used to be. This enabled the Company to eliminate its revenue deficit in 2003 and put the Company in the position of paying a dividend. The Board has declared an interim dividend of 0.56 cents per share payable on 2 April 2004. The interim dividend reduces the revenue reserve to nil and therefore no final dividend is proposed. The Company hopes that in the future its total expenses will be more than covered by its dividend inflow and consequently hopes to continue to pay dividends.

CORPORATE GOVERNANCE

Given the significant number of new principles and guidelines covered by the revised Combined Code on

Corporate Governance issued by the Financial Reporting Council in July 2003, the AITC Code of Corporate Governance and other regulatory issues, the Board has included a separate Corporate Governance report within the Annual Report which appears on pages 22 to 25.

The Board agrees with the rationale for all these developments. We consider that given its status as a listed investment trust, the Company is essentially in compliance in all material respects with the revised Combined Code on Corporate Governance, with one principal exception. The Board does not believe that length of service necessarily affects the independence of a non-executive director. We subscribe to the view expressed in the AITC's Code regarding the length of Board Members' tenure, that maintenance of an appropriate balance of experience and skills and the continuing effectiveness of the Board, based on regular review, is a more appropriate criteria than the adoption of an absolute limit of nine years. Those Directors who have served nine years and who the Board feels should continue in office will, however, be required to seek annual re-election.

BOARD OF DIRECTORS

Alexander Zagoreos is retiring from the Board at the forthcoming AGM having served as a Director since the launch of the Company. Alex has had a long and distinguished career as a leader in the closed-end fund sector internationally and has made an invaluable contribution throughout his time on the Board, for which the Board would like to express their great appreciation.

The Company employed a leading international search firm to identify candidates in North and South America and Europe as well as the UK to replace Mr Zagoreos. In his place we have been fortunate to secure the services of Laurence Whitehead who is an Official Fellow in Politics and Senior Fellow of Nuffield College, Oxford. He has followed Latin American developments for the past thirty years, covering both economic and political trends throughout the region. He has served on the College's Investment Committee since 1975 and became the Director of the Oxford University Centre for Mexican Studies when founded in 2002. One of its main research priorities are issues relating to Mexico's competitiveness.

Fees for Board Membership have remained unchanged in sterling terms since 1998. Apart from the length of time since the last adjustment, the last six years has seen a very significant increase in workload and responsibilities as the new Corporate Governance principles have evolved and we trust that shareholders will agree that an increase in Directors' fees is appropriate.

Your Company is unusual in that individual Chairman and Directors' fees are fixed in the Articles of Association, with any change requiring a change to the Articles. It is therefore proposed to change the Articles to the format utilised by most investment trusts and other public companies with an aggregate annual limit for Directors' remuneration. The resolution on page 47 of the Annual Report to adopt new Articles, as explained on page 21, provides for a limit of £200,000. The level of Directors fees has remained unchanged for six years and it is proposed that the level of fees increase from £20,000 per annum to £30,000 per annum for the Chairman and from £15,000 per annum to £23,000 per annum for the Senior Independent Director and £20,000 per annum for the other Directors. At the same time as amending the Directors' fees we are proposing to update a series of other Articles to bring them into line with current best practice.

MANAGEMENT

Rupert Brandt took over from Emily McLaughlin as the Fund Manager on 1 April 2003. He and his team have produced excellent results in the intervening period. Rupert had very successfully managed the Mexican and Argentine portion of the Company's investments since 1998, which comprised up to 50% of the Company's NAV over this period. Jeff Chowdhry, Joint Head of Emerging Markets at F&C, also has a close involvement to ensure that the overall resources applied to your Company are utilised in the most effective way. F&C currently has over US$1.6 billion in equities and US$1.5 billion in fixed interest under management in Latin America, making it one of the leading Latin American fund managers in the world.

The Board, having reviewed the Manager's performance, proposes to continue the management contract with F&C following, and dependent upon, the passing of the Continuation Resolution at the AGM. We are pleased to report that we have negotiated the following significant improvements to the terms of F&C's appointment from 1 January 2004: the management fee structure has fallen from 1.5% per annum of **gross** assets up to US$216 million and 1% per annum thereafter, to 1.5% per annum of **net** assets up to US$200 million and 1% per annum thereafter, and the notice period has been reduced from twelve months to six months. F&C has also agreed to waive its right to the remaining management company options.

PROSPECTS

The outlook for Latin American stockmarkets remains distinctly favourable as we enter 2004. The combination of very low interest rates in the US, EU and Japan is providing plenty of liquidity, whilst the acceleration in the global economy is helping to support an economic recovery across the region. We expect the Brazilian, Chilean and Mexican economies to mount meaningful economic accelerations over 2004 and all to report relatively robust GDP growth ranging between 3-5%, which should help produce double digit corporate profit growth in Latin American equities in 2004. We are particularly positive about the Brazilian economic recovery, where we expect the rate of inflation to continue to fall in 2004; this should result in further interest rate cuts. We believe that very material improvements in Brazil's fiscal and balance of payments positions have the potential to make this economic recovery much more durable than previous recoveries. We believe that Peru and Colombia will continue growing at similar rates to 2003. Argentina is the only economy where we expect to see economic growth decelerate in 2004. The region remains very inexpensive, trading on a price to earnings multiple of ten times consensus 2004 earnings expectations, and this should facilitate a continued rally. The main external risks are a stalling of the US economic recovery or inflationary pressures that may start to build up causing an interest rate shock. The main regional risks include the loss of momentum in the regional economic recovery, an unexpected acceleration in inflation or unpredictable negative political change. Please refer to the Manager's Review for more detail on both prospects and the risk factors.

FUTURE OF YOUR COMPANY

At the Annual General Meeting the bi-annual resolution for the continuation of the Company in its present form will be put to shareholders. Regular meetings with many of our shareholders lead us to believe that there is continued demand for a well-managed, Latin American closed-end regional fund given the volatile nature of the region's stockmarkets. The Board and Manager believe that tactical gearing can be used very effectively in Latin America and we envisage your Company being either geared or in a net cash position in the future at different times of the cycle. This is a major advantage of the closed-end structure. The F&C Latin American Investment Trust remains the biggest and most liquid Latin American regional fund in its peer group. The Company was the best performing fund in our closed-end peer group over one year and are second over five years. The Company benefits from the knowledge and experience of a dedicated Latin American team at F&C, which is one of the largest managers of Latin American assets in the world. The Board recommends that shareholders vote in favour of the continuation vote at the forthcoming AGM, as they intend to do in respect of their beneficially held shares.

ANNUAL GENERAL MEETING

The AGM will be held at 12.15 pm on Wednesday, 5 May 2004 at the offices of F&C. We hope that as many shareholders as possible will attend. Following the AGM, Rupert Brandt will give a brief presentation following which shareholders are invited to join the Board and Managers at a buffet lunch. A map showing the location of the meeting can be found in the Notice of Meeting on page 47.

Peter Burnell

March 2004

Manager's Review

BRAZIL

The very strong returns in Latin American equities in 2003 were driven by an exceptionally robust performance in the Brazilian stock market, which appreciated by 117% in US dollars (as measured by the IFCG Brazil index). Brazil was your Company's principal overweight position relative to the benchmark for most of the year. We built up exposure to the market during the Iraq war and tactically reduced the size of our position in June and July before adding to our exposure again toward the end of the summer where we ran the overweight position straight through to the year end. The average weight over the year was 45.3% (on an ungeared basis) compared to the 38.5% index weight. Our overweight stock positions relative to the benchmark were focused in the telecoms, banking, utilities and, to a lesser extent, steel sectors.

The Brazilian market's rally was built on a strong domestic foundation of very meaningful structural reform and the start of a cyclical economic recovery, which has the potential to be much more durable than recent economic recoveries. A sharp increase in global risk appetite after the Iraq war finished and a very low starting point for the Brazilian stock market at the beginning of 2003 also played a major role in contributing to Brazil's rally.

Brazil's new President, Luiz Inacio da Silva (known as Lula), made it very clear during the presidential election campaign in 2002 that his economic policies had evolved from the populist agenda that he had been associated with in the 1990's to a more centrist agenda which embraced market forces. In the run up to the election in October 2002, the stock market did not, however, give him the benefit of the doubt and experienced a very sharp fall. This sell off created a very low base in the Brazilian stock market at the start of 2003. Within Lula's first 100 days in office, it became clear that he planned to stick to his promises as he appointed one technocrat after another to the key government and ministerial posts. Lula then embarked on the most ambitious and most successful economic reform programmes Brazil has seen in the last decade.

The most important reform was the social security reform, where public sector pension benefits were materially reduced. The public sector pension deficit finished 2002 at 3.5% of GDP and was projected to snowball in the future if no reforms were made. The social security reform was sent to the Lower House of Congress on 30 April and eventually passed its final hurdle in the Senate on 11 December. The reform that was finally passed suffered almost no meaningful dilution and affected all stages of the public sector pension scheme, from new joiners to current scheme members and even existing pensioners, who will have to pay a new 11% tax. This was extremely unpopular with the public sector workers, who organised a series of very vocal street protests. This type of reform is very difficult for a traditionally left-of-centre party to force through and it shows very clearly how committed the Lula administration is to setting Brazil on a sustainable path of economic development.

Lula's new government also passed a series of other very important reforms over the year, including a constitutional reform, which laid the legal foundations for central bank independence, and a mini tax reform. The momentum in reforms is likely to continue in early 2004 when the government is expected to finalise its new regulatory blueprint for the energy industry and the bankruptcy reform is expected to pass its last hurdle in the Senate. The Manager does not expect any further progress on the political front in 2004 after these reforms are passed as Brasilia's attention is likely to then turn to the municipal elections in October 2004. We are currently expecting that the government will introduce a new labour and tax reform in 2005 aimed at reducing the cost of labour in the formal sector, where employers are paying up to twice their employees' wages in total employment costs. This situation has created a large informal sector in Brazil, which is proving to be an ever-increasing problem.

The Brazilian economy absorbed the shocks caused by 2002's confidence crises in 2003, which was largely a year of economic consolidation with GDP falling by 0.2% in real terms. The Brazilian real's approximate 51% devaluation against the US dollar in 2002 resulted in a spurt in inflation, which peaked during the fourth quarter of 2002 and the first quarter of 2003. The new team at the central bank, headed up by ex-Fleet Boston banker Henrique Meirelles, were keen to prove to the market that they were credible and a safe pair of hands and consequently waited until they were completely comfortable that inflation was under control before starting to cut interest rates. This resulted in the Brazilian economy enduring a period of very high interest rates in the first half of the year, peaking at 26.5% in May 2003, compared to trailing 12 month consumer price inflation (IPCA) which peaked at 17.24% in May 2003. This very high level of interest rates strangled local demand, causing the domestic economy to experience a recession for most of 2003, which was somewhat masked by the extremely strong performance of the external sector in the overall GDP data. Consumer price inflation consistently decelerated from 2.25% in January 2003 (month on month) to 0.61% in May 2003 (month on month), giving the central bank the confidence to start a period of aggressive monetary easing. The central bank then consistently cut the key Selic interest rate by 1000 basis points from 26.5% to 16.5% between June and December 2003.

The rapid decline in interest rates helped stimulate a recovery in the domestic economy, which started in August 2003. The industrial part of the economy was the key beneficiary between August and the year end, with capital goods and durable goods production responding very rapidly to the interest rate cuts. We would expect the economic recovery to continue to build momentum in 2004, with consumption picking up as the year progresses. This should drive real GDP growth from close -0.2% in 2003 to nearly 4% in 2004. F&C are currently forecasting that consumer price inflation will fall from 9.3% in 2003 to 5-6% in 2004, which should facilitate further falls in the Selic interest rate to close to 12% by the end of 2004. Continued declines in interest rates should provide further stimulus to both the economy and the stock market in 2004. The central bank is, however, expected to put further interest rate cuts on hold in the first quarter of 2004 to make sure that the 1000 basis point cut in interest rates in the second half of 2003 does not cause inflation to miss the 5.5% target (+/- 2.5%) in 2004. We expect the central bank to start cutting interest rates again in March or April 2004.

The external sector in Brazil was a major source of strength in 2003. Exports grew by 21% in US dollars compared to 2002, whilst imports only grew by 2.3% over the same period. This allowed Brazil to report a trade surplus of close to US$25 billion, representing approximately 5% of GDP. The record trade surplus galvanised a major improvement in Brazil's current account, which recorded a 0.9% surplus. The improvement in the current account was a major milestone in Brazil's economic development, allowing it to be a lot less dependent on foreign capital flows to sustain the economic status quo. We expect continued export growth in 2004, albeit at a much more moderate pace than 2003, and a greater acceleration in import growth. This will probably result in the current account running a deficit of close to 0.5% of GDP in 2004, a fraction of the size of the deficits seen in the late 1990's that often ranged between 3-5% of GDP. The vast improvement in Brazil's external account should help the current economic recovery prove more durable than recent economic recoveries.

The new government is running a very conservative fiscal policy. The nominal fiscal deficit is expected to fall from over 5% of GDP in 2003 to between 2-3% of GDP in 2004 and even lower in 2005. This also has the potential to help make this economic recovery a lot more scaleable than previous economic recoveries.

The Brazilian real bounced back against the US dollar over the year, rallying from 3.54 at the start of the year to 2.89 at the year end. The combination of strong commodity prices, the improving domestic economy in the second half of 2003 and the strength of the currency all resulted in Brazilian companies' earnings estimates being consistently raised throughout 2003. This provided a very solid foundation to the sharp upward move in Brazilian equities during the year.

F&C is expecting strong performance from Brazilian equities during the first half of 2004. Nominal earnings growth should be close to 20% as the economy accelerates from -0.2% to 4% GDP growth. The 2004 price to earnings ratio of close to eight times is toward the low end of Brazil's ten year forward price to earnings multiple range and we see no reason why it cannot at least move closer to the average of ten times forward twelve month earnings. This scenario offers considerable upside and we have kept Brazil as our principal overweight. It should be emphasised that Brazil produced very strong performance in the fourth quarter of 2003 and there may have to be a period of short-term consolidation before more gains are made. The principal risks to our very positive Brazilian outlook include rising global risk aversion, earlier than expected rises in US interest rates, falling commodity prices, a disappointing rate of growth in the domestic Brazilian economy, a negative surprise in Brazilian inflation and a possible increase in noise from Brazilian politics ahead of the municipal elections in October 2004.

MEXICO

The Mexican stockmarket produced solid absolute performance, with a 35% US dollar gain from the IFCG Mexico index, but materially underperformed the Latin American region's 76% appreciation (as measured by the IFCG US$ Latin America Total Return Index). There were three principal reasons why Mexico underperformed in 2003. First, it had produced relatively defensive performance in 2002 and consequently entered 2003 on a much higher base than Brazil and Argentina. Second, Mexico's economy only grew by between 1-1.5% in 2003, which caused some observers to be concerned that competitive pressure from China was going to prevent Mexico from experiencing a cyclical recovery. Third, the Mexican political environment continued to be stuck in a quagmire that prevented any meaningful reforms being passed and resulted in the market concluding that the rest of President Fox's term would follow a similar pattern.

F&C remain very positive on both the short- and long-term Mexican economic outlook but are concerned about some medium-term risks.

In the short term, we believe that the Mexican economy should experience a meaningful cyclical recovery catalysed by the recovery in the US manufacturing sector that became apparent in the second half of 2003. The Mexican economy has traditionally experienced a three to six month lag between a pick up in US industrial production and Mexican economic output. The consensus view in the stock market had become concerned in the second half of 2003 that China's rapid export growth would break or vastly reduce this traditional link. Whilst we agree that China does pose a major long-term competitive threat to Mexico, we do not believe that this situation is a zero sum game in absolute terms and we feel confident that even if China does continue to win market share from Mexico in the US import market, this will not prevent the Mexican exports to the US continuing to grow. We do not expect the Chinese threat to prevent Mexico experiencing a cyclical recovery in 2004. Looking at the economic data toward the end of 2003 does provide plenty of evidence to suggest that the Mexican economy has started to recover. Retail sales rose by 4.5% in October and 5.5% in November (compared to the same months in the previous year). Industrial production rose by 1.5% in October and 0.7% in November (compared to the month earlier on a seasonally adjusted basis). December unemployment fell to a lower than expected 2.96% level and December manufacturing exports grew by 10% compared to December 2002.

Considering the amount of attention that the market paid to China's competitive threat to Mexico in 2003, it is worth looking into this issue in more detail. In the long term we expect both China and Mexico to grow exports to the US, albeit with China experiencing faster growth than Mexico. China is also likely to overtake Mexico as the US's second largest trading partner in 2004. Mexico is still, however, a very attractive base for attacking the US market and has three key advantages over China. First, NAFTA has created a tax-free trading zone between Mexico and the US that China does not enjoy. Second, there are substantial logistical advantages for companies to locate in Mexico. The seamless road and rail links with the US allow Mexican exporters to supply US warehouses and factories as easily as they can be supplied from many cities within the US, facilitating just-in-time inventory management. This is very different from the Chinese situation, where it takes six weeks to ship goods and then working capital intensive warehousing has to be provided to prevent stock shortages. Third, many US managers are culturally much more comfortable dealing with management from Mexican rather than Chinese plants. China's main advantage over Mexico is that its labour costs are far cheaper, although the labour costs in both countries are clearly a fraction of those in the US. We expect that China will take market share from Mexico in products where low labour costs are the critical variable behind success, such as the textiles industry, but will find it much harder to compete with Mexico in industries where logistics are more important. Mexico's natural niche appears to be in bulky medium value-added goods such as TVs, white goods and large autoparts.

The most important positive feature in the upcoming economic cycle in Mexico compared to previous cycles is that credit should be much more available for both businesses and consumers and this could provide a new engine of growth in the domestic economy. This is a result of the central bank's successful disinflationary policy, under which consumer price inflation fell to just under 4% in 2003 and is expected to remain close to this level in 2004. This has allowed interest rates to fall sustainably into single digits for the first time in a generation. The banking sector has been consolidated and fully recapitalised and is very keen to start lending again. Commercial loans to GDP are only 15% in Mexico, a fraction of its potential penetration. Your Company is entering 2004 with a material overweight position in Mexican banking stocks relative to the benchmark index.

2003 was a very frustrating year for Mexican politics with the principle opposition party, the PRI, continuing to block all of the ruling party, the PAN's, reform initiatives. This culminated in a narrow but extremely painful defeat for the PAN in its attempt to pass a very sensible fiscal reform in December 2003. This was a very functional reform that aimed to increase Mexico's overall tax collection and switch part of the tax burden from the formal sector to the informal sector by introducing VAT on food and medicine. This reform would have had a very beneficial effect on Mexico's long-term economic outlook. President Fox had placed much of his political capital in getting this reform passed and the defeat probably means that he will be a 'lame duck' president for the final three years of his presidency, which will prevent Mexico making the best of its opportunities in the upcoming cycle. In particular, Mexico needs to attract foreign direct investment ("FDI") into its energy industry, but this is very unlikely to happen without an energy reform. The energy reform that President Fox has proposed looks very good but unfortunately it is even more controversial than the fiscal reform that he failed to get through Congress in 2003 and consequently there seems to be a very small chance of this passing in 2004. It should be emphasised that in its current political quagmire Mexico is missing out on opportunities to accelerate its economic growth rather than risking setting off an economic crisis. This was very clear in the 2004 budget negotiations where the same bitterly divided Congress that failed to pass the fiscal reform a week earlier passed an extremely conservative budget with a forecast 2004 fiscal deficit of only 0.3% of GDP based on relatively easy to achieve assumptions, such as an average Mexican crude oil price of US$20 and only 2.5% GDP growth.

The Manager's main reservation over the Mexican stock market concerns the medium-term outlook. Once the Mexican economy enjoys the cyclical acceleration that we expect to see in 2004, there is a risk that the stock market may run out of steam during late 2004 and into 2005 if meaningful reforms are not passed. The Mexican risk premium may also rise in late 2005 ahead of the 2006 presidential election.

In the long term, Mexico's outlook should remain bright as it converges with the US economy, moves up the value-added curve in its export industry and develops its financial and service industries. We would be extremely surprised to see any new government in 2006 abandon Mexico's hard-won monetary and fiscal stability and a more powerful government than the current one may well be just what Mexico needs to get its reform programme back on track.

We are expecting GDP growth to accelerate from 1-1.5% in 2003 to 3-4% in 2004, with both consumption and exports performing well. We believe that this will allow Mexican corporates to produce double digit earnings growth, which is faster than the market consensus expectation. We also anticipate upward revision to both Mexican earnings and GDP growth by the consensus in the market in the first half of 2004 and believe that this should provide a favourable backdrop for strong performance by Mexican equities over this period.

CHILE

Chilean equities had a great year in 2003 appreciating by 87% in US dollar terms (as measured by the IFCG Chile index). The Chilean market entered 2003 on a relatively low valuation and enjoyed the benefit of both relatively robust domestic economic growth in 2003 and the promise of a further non-inflationary acceleration in 2004. The Chilean economy outperformed both the Brazilian and Mexican economies in 2003. GDP is expected to have grown by close to 3.5% in 2003 and at least 4-5% GDP growth is expected in 2004. Consumer price inflation declined from 2.8% in 2002 to 1.1% in 2003; this allowed interest rates to fall to 2.25% by the year end and should help stimulate consumption and loan growth in 2004. Unemployment fell to 7.4% in December, the lowest level since 1998.

The government continued to run the country in a very conservative manner over 2003, with net government debt of only 17% of GDP and a fiscal deficit of close to 0.7% of GDP.

Copper is Chile's biggest export and a major source of government tax revenue, and the economy is a key beneficiary of the rising copper price. Copper averaged US$0.81 per pound in 2003 and we expect it to be considerably higher in 2004. (At the time of writing this report, copper was trading at US$1.31 per pound). This should give further support to the Chilean peso, which rallied from 720 to the US dollar at the start of 2002 to end the year at just under 593.

The Chilean stock market was also supported by consistent net buying by local pension funds which benefited from net inflows and reduced their exposure to fixed income instruments as interest rates fell during the year. This contributed to the Chilean market ending the year on a 2004 price to earnings multiple of approximately seventeen times, which is very expensive by regional standards but still within a traditional range for Chilean equities. It is possible that corporate earnings will be better than expected in 2004 as the economy continues to build momentum and there may be some big positive surprises in the consumption sector of the market in the second half of 2004.

ARGENTINA

The Argentine market was a stunning performer in 2003, appreciating by 132% in US dollars (as measured by the IFCG Argentina index). Sentiment swung from extremely negative at the start to completely euphoric by the end of the year. This complete turnaround was based on Argentina's extremely sharp economic recovery after its economic crises in 2001/2002. After falling by 10.9% in 2002, GDP is expected to have grown nearly 8% in 2003, which will be Argentina's best economic performance since 1997.

Argentina's rapid economic growth in 2003 was brought about by two principal factors. First, the devaluation of the Argentine peso made its external sector very competitive in 2002 and early 2003. Second, the appreciation of the peso and the reduction in interest rates during 2003 allowed domestic consumption to mount a significant recovery from extremely depressed levels.

The improvement in competitiveness that resulted from the devaluation over 2002 catalysed an export-led recovery, with agricultural, wine, oil, mining and export-oriented manufacturing companies experiencing some of the best business conditions in a decade. Exports rose by 14% in US dollars in 2003, contributing to a trade surplus of close to 10% of GDP. Industrial production grew by 16% over the year.

Domestic consumption was helped by the lifting of the bank account freezes and a decline in consumer price inflation from 41% in 2002 to 3.7% in 2004. This allowed the 30-day deposit interest rate to fall from an average of 54.9% in 2002 to an average of 18.9% in 2003. The 30-day deposit interest rate ended the year at 10.8%.

Whilst we are delighted to see Argentina's economic progress in 2003, we are nonetheless very concerned that the Argentine market is no longer efficiently discounting the enormous challenges that will face the economy during 2004 and over the medium term. We are particularly concerned about three issues: a dysfunctional government committed to populism rather than reform, the huge debt burden left in the economy even after the proactive restructuring of the foreign debt and an approaching slowdown in economic growth.

In complete contrast to Lula, President Kirchner's new government has proved to be a disappointment. He has followed a very traditional populist agenda, introducing partial capital controls and orchestrating an extremely bitter negotiation with the IMF. He is presently demanding a 75% reduction to the face value and a 90% net present value reduction to Argentina's US$98 billion of defaulted international government debt. He has completely failed to introduce any reform agenda to sort out the many problems facing Argentina's labour and tax systems. Rather than trying to reduce the number of employees in Argentina's chronically inefficient and overstaffed government entities, he has promised pay rises. Kirchner has managed to lose all the goodwill offered to Argentina by the G7 countries after its high profile economic crises and it is very unlikely that Argentina will be able to find any help in the future if it experiences further problems whilst Kirchner is in office.

The Argentine government has issued an enormous amount of new local debt after defaulting on its international debt. The new domestic debt pile is so high that even if Kirchner secures his 75% face value reduction and 90% net present value reduction in the value of Argentina's defaulted international debt, Argentina will still be left with approximately 85% net debt to GDP, widely believed to be an unsustainable level. The only way out for Argentina is for its economy to grow fast enough to bring this ratio more into line with other emerging markets. While GDP is growing at 8% per annum the stockmarket will probably ignore this issue, but if GDP growth were to slow to a still respectable 2-3% range, it is very likely that the stock market will start to become very bearish about Argentina's sovereign balance sheet. This could mark the end of the current bull market and return Argentina to a new and savage bear market.

2003's 8% GDP growth appeared especially fast because the statistical comparisons against the economic crises in 2002 were very easy. We suspect that the economic recovery might have already passed its peak and that it will gradually decelerate in 2004. The external sector, which has driven the recovery so far, is beginning to show signs of fatigue. The 23% appreciation in the Argentine peso against the US dollar between June 2002 and the end of 2003, combined with substantial pay rises and 20% export taxes, is making the export sector far less competitive. We do not think the foundations for a sustainable rapid recovery in domestic consumption are in place without a strong export sector. It is interesting to note that export growth in US dollars slowed from 18.3% in the first half of 2003 to 12.8% in the second half of 2003 against the same periods in the previous year. December industrial production fell by 2.66% month on month.

Your Company bought Argentine shares in January 2003, made a substantial return and sold out of the market over the summer of 2003. We currently have a zero position in Argentina because we are concerned that the risk/reward in the market is currently unfavourable. The main risk to our underweight position is that domestic consumption in Argentina proves much stronger than we currently anticipate and that the recovery continues to go from strength to strength.

PERU

The Peruvian economy decelerated from 4.9% real GDP growth in 2002 to close to 4% real GDP growth in 2003. Exports benefited from strengthening global commodity prices and are expected to have grown by almost 10% compared to last year; this should help Peru reduce its trade deficit from US$700 million in 2002 to approximately US$600 million in 2003. Domestic demand held up relatively well, with 4.1% real growth recorded in the first three quarters of 2003. These results were pretty good considering the ever-increasing political and social uncertainty in Peru being caused by President Toledo's astonishingly low popularity; his approval rating fell to only 11% in December. Some of the opposition candidates in Peru that have a reasonable chance of winning the 2006 presidential election could be very bad news for this economy and stock market. In particular, ex-President Alan Garcia, who is regarded as one of the most destructive populist presidents in Peru's history, is one of the leading candidates.

GDP growth in 2004 is likely to be between 3-4%, helped by strong global commodity prices. The commencement of the export phase of the Camisea gas project should help FDI increase in 2004 and give exports a major boost in 2007. If the current bilateral trade talks with the US are successful, Peruvian exports may also get an extra boost in the long term. We remain underweight the Peruvian market because it is very illiquid and we believe that Peru's risk/reward is not currently as attractive as either Brazil or Mexico. We are also concerned that Peru's risk premium may start to rise because of growing political uncertainty combined with the lack of a clear secular driving force in this economy. We currently have investments in the mining sector, which is extremely competitive globally.

COLOMBIA

President Uribe remains very popular and whilst he has succeeded in improving the security situation and has some good ideas on how to reform the economy, he has not been able to pass enough of his reforms through congress, and has made some easily avoidable political errors. The most striking mistake was the way he approached the October referendum. This was held in order to try to pass his fiscal reform, but the text that accompanied the referendum and the voting instructions were so complex that few of his supporters could understand it and many voted against it by mistake. The failure of the referendum leaves Colombian sovereign finances in a fluid state, and the public sector fiscal deficit is likely to be between 2.5-3% of GDP in 2004. We do not currently have any investments in Colombia because the stockmarket has become extremely illiquid and we perceive the risk/reward to be more favourable in other parts of the region at this time. We do, however, remain open-minded and continue to follow several companies in the Colombian market. It is fair to say that Colombian corporates are extremely well managed and can at times offer very attractive investment opportunities. The victory of a populist candidate, Luis Garzon, in last October's Bogotá mayoral election and Angelino Garzon in Valle del Cauca's gubernatorial election also raised the spectre of a possible populist victory in the 2006 presidential election, which is something we will monitor closely. Having grown at 1-2% in 2001 and 2002, real GDP is expected to grow by 3-4% in both 2003 and 2004, which is a major improvement

VENEZUELA

The Venezuelan economy contracted by 8.9% in 2002 and is expected to have shrunk by a further 9-10% in 2003, creating a very easy set of comparisons for 2004. This should help the Venezuelan economy show some signs of growth in 2004, when we are expecting real GDP to grow by 4-5%. The country is mid-way through an attempt to issue a recall referendum, which might result in Venezuela's populist President Chavez losing power. This would be positive for both the Venezuelan economy and stock market. There does not, however, appear to be a 'saviour in waiting' and the opposition remains largely disorganised, limiting both the likelihood and long-term upside potential in Chavez losing power earlier than the next scheduled election. The Venezuelan bolivar remains fixed to the US dollar at an artificially high level of 1918 and this is likely to prevent a really powerful economic recovery from occurring. Consumer price inflation was 31% in 2002 and is expected to end 2003 at just under 30% and head toward the mid-twenties in 2004. The fiscal deficit remains close to 5%. As one might expect, a lot of bad news has been priced into Venezuelan equities, which are very cheap by Latin American standards, and this might lay the foundation for a major trading rally in 2004 if the economy is able to mount a cyclical recovery. We ran a zero weight position throughout 2003 and added a small amount of exposure to this market in early 2004.

THE OUTLOOK FOR 2004

As we enter 2004, the global environment remains very supportive of Latin American equities. We are certainly in a very unusual global cycle that presently offers both plenty of liquidity caused by exceptionally low US, Japanese and EU interest rates and the promise of one the strongest and most synchronised global economic accelerations in the last 30 years. This is the dream external scenario for Latin American equities and, while it lasts, the region's equity markets should continue to produce solid absolute and relative performance. The domestic picture is also looking robust in many of the region's most important economies. Brazil, Chile and Mexico are expected to benefit from material economic accelerations in 2004. The Mexican economy should benefit from the recovery in US industrial production that became apparent in the second half of 2003. The Brazilian economic recovery in particular looks like it may be much more durable than recent recoveries and the country is benefiting from one success after another in Lula's very ambitious and well-executed reform program. The Chilean economy should see a further acceleration in GDP growth to 4-5% in 2004. The Venezuelan economy is also expected to experience a recovery after two dismal years. Argentina, which was the fastest growing economy and best performing stock market in the region in 2003, may sadly prove to be 2004's main disappointment.

The Latin American region entered 2004 trading on a multiple of close to ten times 2004 consensus earnings estimates, which remains low compared to Latin America's own trading range history. F&C believes that this provides a favourable risk/reward tradeoff when one considers that the region appears to be at the beginning of a cyclical recovery and the newsflow is likely to remain generally positive.

The main global risks to the positive scenario that we have outlined is that either US GDP growth disappoints or that US interest rates have to go up faster and further than is currently expected. The former would cause an increase in global risk aversion that would negatively effect the Latin American region and the latter would particularly damage sentiment in interest rate sensitive markets, such as Brazil. Either of these two scenarios would make it very difficult for US equities to make further gains and Latin American equities would almost certainly fall in an environment where US equities suffered a major correction.

There are also many risks specific to each market in the region. In Mexico, there is a possibility that the bears are right and that the Mexican economy will not experience a meaningful cyclical recovery in 2004 due to the impact of China. We do not believe that this will be the case. There is also the risk that the political environment deteriorates further, which could cause some unexpected problems. In Brazil, the main risks are that either inflation or growth disappoints. The municipal elections in October 2004 might also sour the political newsflow. The main risk in Chile relates to the stock market's valuation, which looks very expensive compared to the Latin American region but it is still within Chile's own trading range history. In Argentina, there is a relatively high possibility that GDP growth might decelerate, which would probably cause the market to focus on its debt to GDP ratio. The problem in Argentina is that its sovereign debt load looks unsustainable in an environment of modest GDP growth. The main risk in Peru relates to President Toledo's unpopularity and the power vacuum that this may create.

TACTICAL GEARING

Your Company's tactical gearing was managed actively throughout the year. Effective gearing rose from 11.1% of net assets at the start of the period to 12.4% during April. It was then reduced over the summer to a low of 7.9% in September before increasing to a peak of 14.8% in November. The level of gearing ended the period at 12.0%. Effective gearing averaged 11.2% of net assets over the full year.

As we enter 2004, we have maintained a very positive outlook for the region where we expect continued positive absolute performance, and consequently we have kept our tactical gearing in place. We plan to decrease the level of our effective gearing when we perceive that the regional outlook has become less positive. It is worth noting that when we expect the region is likely to experience a correction, we will consider running a moderate net cash position, which we believe is a logical extension of the tactical gearing policy.

Rupert Brandt
March 2004

Twenty Largest Equity Holdings

at 31 December 2003

This Year	Last Year	Company/Country Description	% of total investments	Value US$'000s
1	(1)	**Petróleo Brasileiro (Petróbras)** Brazil Petróbras dominates the upstream and downstream oil and gas sector in Brazil and is one of the 15 largest integrated oil companies in the world.	8.32	20,529
2	(4)	**América Moviles** Mexico América Moviles dominates the cellular industry in Mexico through its subsidiary, Telcel. The company also controls one of the three largest cellular businesses in Brazil (through its subsidiary Telecom Americas) and provides telecommunication services in Guatemala, Ecuador, Argentina, Colombia, Venezuela, Puerto Rico, Spain and the US.	6.14	15,150
3	(2)	**Teléfonos de Mexico (Telmex)** Mexico Telmex dominates the local, domestic long-distance international long-distance voice and data fixed line telephone service in Mexico.	5.92	14,601
4	(9)	**AmBev** Brazil Ambev dominates the brewing industry in Brazil and is expanding through organic growth and acquisition throughout Latin America. Ambev is one of the five largest brewers in the world.	5.23	12,895
5	(8)	**Cemex** Mexico Cemex is one of the three largest cement companies in the world. The company's main production facilities are located in Mexico, the US, Spain, Central and South America, Egypt, Indonesia and the Philippines.	4.87	12,019
6	(17)	**Banco Bradesco** Brazil Bradesco is Brazil's largest private sector bank, with close to a 12% market share.	4.77	11,760
7	(6)	**Grupo Televisa** Mexico Televisa is the largest producer and broadcaster of Spanish language TV in the world. Its core business is TV broadcasting in Mexico where it has an approximate 75% market share. Other material businesses include licensing (where there is a significant joint venture with Univision in the US), radio broadcasting, cable TV, satellite TV (through a joint venture with Sky), magazine publishing and live entertainment promotion.	4.61	11,372
8	(13)	**Banco Itaú** Brazil Banco Itaú is one of the largest private sector banks in Brazil, which has a very fragmented banking market. The bank is widely perceived to be the best managed bank in Brazil and often produces a return on equity in excess of 30%.	4.60	11,357
9	(11)	**Tele Norte Leste Participações (TNE)** Brazil TNE is the holding company for the incumbent fixed line operator in Rio and is expanding into the cellular market through its Oi subsidiary. TNE also controls a further 15 telecommunications operating companies in the south-east, north and north-east regions of Brazil.	4.39	10,838
10	(3)	**Grupo Financiero BBVA Bancomer** Mexico Bancomer has close to a 30% market share in the banking industry in Mexico and is present in the consumer, commercial and government loan markets and also has a substantial insurance, money transfer and fund management business.	4.34	10,692
11	(7)	**Cia Vale Rio Doce (CVRD)** Brazil CVRD is the world's fourth largest diversified mining company. Iron ore and pellets are the main products, but bauxite, aluminium and logistics are important contributors to the business. The company is also embarking upon a large expansion into copper mining.	3.44	8,496

This Year	Last Year	Company/Country Description	% of total investments	Value US$'000s
12	(–)	**Usinas Siderúrgicas de Minas Gerais (Usiminas)** Brazil Usiminas is one of Brazil's leading producers of hot and cold rolled steel.	**2.67**	**6,584**
13	(15)	**TV Azteca** Mexico TV Azteca is the second largest producer and broadcaster of TV programming in Mexico with a 25% market share. It is also involved in the cellular industry (through Unefon).	**2.57**	**6,338**
14	(–)	**Enersis** Chile Generates and transmits electricity in Chile, Argentina, Brazil, Peru and Colombia.	**2.19**	**5,404**
15	(12)	**Investimentos Itaú (Itaúsa)** Brazil Itaúsa, the holding company for Banco Itaú, holds a stake in some 70 companies active in a variety of fields aside from finance. Other areas include the chemical industry, wood and metals, printing, real estate, consumer electronics, information systems, communications, engineering, planning and foreign trade.	**2.14**	**5,286**
16	(–)	**Cia Energética Minas Gerais (Cemig)** Brazil Cemig generates, transmits and distributes electricity in the fast growing state of Minas Gerais. Cash flow is growing very rapidly due to the combination of substantial tariff increases and aggressive cost cutting.	**2.04**	**5,024**
17	(–)	**Empresas Copec** Chile Imports, markets, and distributes gasoline and petroleum by-products in Chile. The company's subsidiaries develop forest resources and distribute electricity in the southern region of the country. It also owns fishing boats and fish processing plants, and produces canned and frozen seafood, fishmeal and oils.	**1.46**	**3,605**
18	(–)	**Cia Saneamento Básico de São Paulo (Sabesp)** Brazil Sabesp is the largest water utility company in Brazil. It is based in the state of São Paulo. This business has lots of opportunities to cut costs and make very accretive acquisitions. We are expecting a double digit dividend yield in 2004.	**1.42**	**3,507**
19	(–)	**Banco Santander** Chile This is an extremely well run bank in Chile where there is a very functional banking market.	**1.42**	**3,507**
20	(–)	**Companía de Minas Buenaventura** Peru Peru's largest gold mining company.	**1.37**	**3,382**

The value of the twenty largest equity holdings represents 73.9% (31 December 2002: 83.4%) of the Company's total investments.
The country shown is the country of incorporation.

List of Investments

Listed Investments	Holding	31 December 2003 Value US$'000s
BRAZIL – 50.0%		
AmBev ADR	243,450	12,895
AmBev PN	26,097,435	
Banco Bradesco PN	2,232,168,727	11,760
Banco Itaú ADR	109,700	11,357
Banco Itaú PN	60,379,000	
Brasil Telecom é Brasil ON	90,120,000	2,947
Brasil Telecom é Brasil PN	317,342,000	
Centrais Elétricas Brasileiras	172,376,900	2,701
Centrais Elétricas Santa Catarina	2,204,000	619
Cia Brazileira de Distribuicao ADR (CBD)	80,000	2,012
Cia Energética Minas Gerais PN	274,792,064	5,024
Cia Paranaense de Energia (COPEL)	147,385,000	445
Cia Saneamento Básico de São Paulo ON	62,000,000	3,507
Cia Suzano de Papel é Celulose	436,295	1,919
Cia Vale Rio Doce ADR (CVRD)	86,060	8,496
Cia Vale Rio Doce PN (CVRD)	67,842	
Companhia Sidérurgica Nacional	50,000,000	2,716
Gerdau PN	150,780	3,188
Investimentos Itaú PN (Itaúsa PN)	4,472,100	5,286
Klabin Riocell	265,000	345
Petróleo Brasileiro ADR (Petróbras)	168,000	
Petróleo Brasileiro ADR Prefs (Petróbras)	333,500	20,529
Petróleo Brasileiro PN (Petróbras)	237,826	
Tele Celular Sul Parts ADR	110,000	1,579
Tele Centro Oeste Celular Parts PN	450,171,000	1,665
Tele Centro Oeste Celular Parts ADR	16,799	
Tele Norte Leste Participações ON	135,308,000	10,838
Tele Norte Leste Participações PN	583,569,564	
Telecomunicações Brasileiro ADR (Telebras)	50,400	
Telecomunicações Brasileiro PN (Telebras)	25,541,000	1,705
Telesp Celular PN	1,159,845,729	3,043
Unibanco PN	90,900	2,268
Usinas Siderúrgicas de Minas Gerais (Usiminas)	559,500	6,584
Total Brazil		**123,428**
CHILE – 13.7%		
AFP BBVA Provida	168,000	311
AntarChile	202,514	1,948
Banco de Chile	25,994,182	1,215
Banco Santander	152,223,710	3,507
Compañia de Telecomunicación de Chile CTC (COPEC)	157,000	596
Corpbanca ADR	7,531	188
Cristalerías de Chile (CristalChile) Ord	64,229	618
Distribución y Servico (D&S)	1,581,918	2,216
Embotelladora Andina 'A'	224,000	1,206
Embotelladora Andina 'B'	454,300	
Empresa Eléctrica Colbún	10,783,967	1,474
Empresa Nacional de Electric (Endesa)	2,469,688	971
Empresa Nacional de Telecomunicaciones (Entel Chile)	215,174	1,325
Empresas Almacenes Paris	1,336,700	1,151
Empresas CMPC	134,572	2,691
Empresas Copec	500,317	3,605
Enersis	4,828,500	
Enersis ADR	635,800	5,404
Enersis Rights	577,694	
Falabella SACI	1,541,386	2,729
Parque Arauco	1,378,020	686
Sociedad Quimica y Minera de Paris B Pref	169,242	708
Teléfonos de Chile 'B'	357,132	1,139
Total Chile		**33,688**
MEXICO – 34.9%		
América Moviles	11,011,800	15,150
Cemex ADR	458,753	12,019
Consorcio Ara Ser Unica	144,900	360
Controladora Commercial Mexicana	76,000	77
Empresas ICA	14,144,800	3,273
Fomento Económico Mexicano (FEMSA)	17,300	638
Grupo Aeroportuario del Sureste	65,600	1,155
Grupo Elektra CPO	305,780	1,619
Grupo Financiero Banorte	544,889	1,891
Grupo Financiero BBVA Bancomer	12,515,900	10,692
Grupo Financiero Inbursa	697,857	755
Grupo Indutrias Alfa 'A'	389,000	1,167
Grupo México 'B'	788,479	2,023
Grupo Modelo 'C'	268,800	645
Grupo Televisa	285,300	11,372
Industrias Penoles	404,400	1,799
Teléfonos de Mexico (Telmex) 'L'	8,821,400	14,601
TV Azteca	696,500	6,338
Walmart de México (Walmex) 'V'	194,380	554
Total Mexico		**86,128**
PERU – 1.4%		
Compania de Minas Buenaventura 'B'	119,600	3,382
Total Peru		**3,382**
TOTAL INVESTMENTS	**100.00%**	**246,626**

Brazilian companies can issue equity shares either as preference (PN) or ordinary (ON). The ON shares carry voting rights and as a result are usually tightly held and relatively illiquid. In contrast, the PN shares are normally relatively easier to trade. The total number of companies in the portfolio is 64 (2002: 53). There are no convertible securities in the portfolio (2002: nil). The percentage shown is the percentage of total investments.

Directors

PETER BURNELL †* CHAIRMAN

He was appointed a Director in 1990 and became Chairman in December 1997. He is a director of Trans-Siberian Gold PLC and of Navan Mining plc and was, until his retirement in June 1999, an executive director of Minorco SA and a director of Anglo American Corporation of South Africa and Minorco South America. He lived in Brazil from 1977 to 1986 as managing director of Anglo American's interests in South America. *Age 62.*

MAILSON FERREIRA DA NOBREGA †*

He was appointed a Director in 1990. Following a career in the civil service, he became Minister of Finance for Brazil in January 1988 and held that post until the change of government in March 1990. He is an independent private consultant. *Age 61.*

DESMOND O'CONOR †* SENIOR INDEPENDENT DIRECTOR

He was appointed a Director in 1998. Until December 2001 he was a Group Director of Dresdner Kleinwort Wasserstein, London, as well as being a director of this Bank's subsidiaries in Brazil, Argentina and Chile. He has been involved in Latin American business since the early 1960s and has lived in Central America, Peru and Brazil. He is also a member of the Advisory Committee of Latin American Capital Partners II LP, New York and the Darby Latin American Mezzanine Fund LP, Washington, a private equity and mezzanine fund respectively. He is Chairman of the Latin American Regional Advisory Group of International Financial Services London and of the British Chilean Chamber of Commerce. In addition, he is Chairman of the Sailors and Soldiers Home, Eastbourne, a registered charity. *Age 65.*

FRED PACKARD †*

He was appointed a Director in 1990. He was a partner in Banco de Investimentos Garantia SA, a leading Brazilian investment bank, from 1974 to July 1988. He is Chairman of The Rank Foundation and a director of Sun Interbrew Limited. From 1993 to 1996 he was executive chairman of F&C Emerging Markets Limited and a director of its parent company Foreign & Colonial Emerging Markets (Holdings) Limited. *Age 55.*

THE EARL ST. ALDWYN †*

He was appointed a Director in 1996. He has had a long association with Latin America, having worked in Brazil from 1973 to 1979 and had responsibility for the region in the New York office of ED&F Man between 1979 and 1989. He also served as chairman of the Anglo-Brazilian Society from 1996 to 2002. He is currently managing director of International Fund Marketing (UK) Limited. *Age 54.*

LAURENCE WHITEHEAD †*

He was appointed a Director on 3 December 2003. Mr Whitehead is an Official Fellow in Politics and Senior Fellow of Nuffield College, Oxford. For over 30 years he has specialised in Latin American politics and economic policy, most recently with particular emphasis on Mexico. *Age 59.*

ALEXANDER ZAGOREOS †*

He was appointed a Director in 1990. He is managing director of Lazard Frères & Co. LLC in New York and is also responsible for the management of Scottish and English Investors Limited Partners, The World Trust Fund and The Emerging World Trust Fund, funds investing in investment companies worldwide. He is also a director of JPMorgan Fleming Continental European Investment Trust PLC, Jupiter Global Green Investment Trust PLC and The New Zealand Investment Trust PLC. Mr Zagoreos will retire as a Director following the 2004 Annual General Meeting. *Age 66.*

† MEMBER OF THE AUDIT COMMITTEE
* INDEPENDENT DIRECTOR

Management and Advisers

ABOUT THE MANAGER

The Company is managed by F&C Emerging Markets Limited ("FCEM"), who have one of the largest teams of specialist emerging markets investment professionals in the world.

FCEM is a subsidiary of F&C Management Limited ("F&C"), which is itself a wholly owned subsidiary of Eureko, a major European insurance company. FCEM is appointed by the Board of F&C Latin American Investment Trust under a detailed agreement setting out its responsibilities for investment management, administration and marketing.

The savings plans linked to the Company are operated by F&C, which is authorised and regulated in the UK by the Financial Services Authority.

F&C is a leading manager of investment trusts and also manages pension funds, insurance funds and open-ended funds for a wide range of investors in the UK and Europe. F&C employed over 437 people and managed over US$114 billion of assets at 31 December 2003. Emerging market and Latin American assets comprise approximately US$8.6 billion and US$3.1 billion of this total respectively.

RUPERT BRANDT, MANAGER (since 1 April 2003), is a Director of F&C Investment Management Limited. He is a member of the global emerging markets team where he runs the Mexican and Brazilian (including other South America) portfolios for both regional and global accounts. Rupert is also a member of the Korean equity team. Rupert joined F&C in 1994 as a US small cap specialist, moving to Latin America in 1998. He has a BSc in management sciences from the University of Manchester and an MA in finance and investment from the University of Exeter. He is an associate of the UK Society of Investment Professionals and is a CFA charterholder. *Age 34*

JEFF CHOWDHRY, Joint Head of emerging markets at F&C, joined the company in 1994. Jeff began his career as an investment analyst in 1982, joining Royal Insurance plc in 1985 as a portfolio manager before joining BZW Investment Management in 1987, where he was a director in its emerging markets division. He has managed investments in the US, Europe, Latin America and Asia. He holds a BSc in economics from Brunel University and an MBA from Kingston Business School. *Age 43.*

JASPER CRONE is an Assistant Fund Manager with coverage responsibilities across Latin American and emerging markets. He joined F&C in 1997 and spent three years in a quantitative role in the Performance and Risk team before moving to his current role in 2000. Jasper holds a BSc (Hons) in biology from the University of Bristol and has been a CFA charterholder since 2001. *Age 29*

ROBERT HARVEY is an investment analyst within the F&C emerging markets team, covering Mexico, South Africa, Thailand, Malaysia and Indonesia. He began his investment career with Fitch Ratings in 1994, then in 1996 he joined Standard Bank's Asset Management division in the dual roles of investment analyst and fund manager. He holds a Bachelor of Commerce in accountancy from Rhodes University and BCompt. (Hons) in accounting science from the Unisa. Robert is an associate of the UK Society of Investment Professionals and a CFA charterholder. *Age 33*

MARY MURPHY joined F&C in September 2002 and is an investment analyst on the F&C emerging markets team, with a focus on Brazil and Korea. She graduated from Harvard University in 1999 with an Honours degree in history and spent the following two years in New York with the film company Merchant Ivory. Since joining F&C, she has successfully passed Level I of the CFA examination. *Age 26*

INVESTMENT MANAGER, SECRETARY AND REGISTERED OFFICE:

F&C Emerging Markets Limited
Exchange House
Primrose Street
London EC2A 2NY

Telephone:	020 7628 8000
Facsimile:	020 7628 8188
Website:	www.fandc.com
email:	info@fandc.com

Authorised and regulated in the UK by the Financial Services Authority. Registered in England.

AUDITORS:

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

BANKERS:

The Royal Bank of Scotland plc
Citibank NA

REGISTRARS:

Computershare Investor Services PLC
PO Box 82, The Pavilions
Bridgwater Road
Bristol BS99 7NH

Telephone:	0870 702 0130
Facsimile:	0870 703 6119

Authorised and regulated in the UK by the Financial Services Authority

SOLICITORS:

Norton Rose

STOCKBROKERS:

UBS Ltd

Member of The Association of Investment Trust Companies

Report of the Directors

The Directors present their report and the financial statements of the Company for the year ended 31 December 2003.

STATUS OF THE COMPANY

During the year under review the Company carried on the business of an investment trust and has since conducted its affairs so as to continue to qualify as such under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The last accounting period for which the Company has been treated as approved by the Inland Revenue was for the year ended 31 December 2002. This approval is subject to there being no subsequent enquiry under Corporation Tax Self-Assessment.

The Company is an investment company as defined by Section 266 of the Companies Act 1985.

The Company's shares are eligible for inclusion in an Individual Savings Account ("ISA") and are also eligible as an investment for Personal Equity Plan ("PEP") transfers.

As referred to in the Chairman's Statement on page 5, resolution 12 proposing the continuation of the Company as an investment trust will be put to the shareholders at the forthcoming Annual General Meeting on 5 May 2004. The Directors are recommending that shareholders vote in favour of this resolution. The Directors therefore believe that it is appropriate for the accounts to be prepared on a going concern basis. Note 1 on the accounts contains full details of the accounting policies adopted.

REVIEW OF ACTIVITIES

A review of the Company's activities is given in the Chairman's Statement on pages 2 to 5 and in the Manager's Review on pages 6 to 13.

RESULTS AND DIVIDENDS

Net revenue after taxation for the period amounted to a profit for the year of US$2,126,000 (2002: US$515,000).

	US$'000s
Net revenue available for distribution	2,126
Dividends payable	
Interim dividend of 0.56 cents per share payable on 2 April 2004 to shareholders registered at the close of business on 12 March 2004	(413)
Amount transferred to revenue reserve	1,713

The Directors have declared an interim dividend of 0.56 cents per share, to be paid on 2 April 2004. The interim dividend reduces the revenue reserve to nil and therefore no final dividend is proposed.

CAPITAL

At the Annual General Meeting held on 8 May 2003, shareholders granted the Company authority to repurchase in the market up to 11,057,192 ordinary shares for cancellation. No shares were purchased for cancellation during the year under review.

SUBSTANTIAL SHARE INTERESTS

At 3 March 2004 the Company had received notification of the following disclosable interests in its ordinary share capital:

	Ordinary Shares of US$0.10 each	%
City of London Investment Management Company Ltd*	11,980,000	16.24
Advance Developing Markets Trust PLC	8,718,834	11.82
Foreign & Colonial Investment Trust PLC	7,332,450	9.94
F&C Management Limited (non-beneficial - on behalf of discretionary clients)	3,698,000	5.01
SG Option Europe	3,632,147	4.92

* includes substantial shareholdings of 3,775,000 (5.12%) held by Investable Emerging Markets Country Fund and 2,865,000 (3.88%) held by The Emerging Markets Country Fund.

DIRECTORS

The Directors of the Company are detailed on page 17. With the exception of Mr L A Whitehead, who was appointed as a Director on 3 December 2003, all the Directors held office throughout the year under review.

In accordance with the Articles of Association, Mr Whitehead retires at the Annual General Meeting and, being eligible, offers himself for election. The Directors retiring by rotation are Messrs F A R Packard and D R O'Conor who, being eligible, offer themselves for re-election. Mr Packard has served as a Director for more than nine years. In addition, Messrs P C D Burnell and M F da Nobrega also stand for re-election, having served as Directors for more than nine years. The Board has appraised the performance as Directors of Messrs Burnell, da Nobrega, O'Conor and Packard and continues to believe that they provide a relevant and significant contribution and bring a balance to the knowledge and expertise of the Board, and their re-election is recommended to shareholders. In accordance with the Combined Code, it is the Board's intention that Directors serving for more than nine years should offer themselves for re-election annually, and accordingly Messrs Burnell, da Nobrega and Packard offer themselves for re-election for a further year. Mr A E Zagoreos, who has served on the Board since the launch of the Company, has indicated his intention to retire as a Director at the conclusion of the forthcoming Annual General Meeting.

Each Director has signed a letter of appointment setting out the terms of their engagement as Directors; no Director has a service contract with the Company. Details of the beneficial interests of the Directors in the capital of the Company and their interests in contracts and agreements are given in note 5 on the accounts.

DIRECTORS' REMUNERATION

The Directors' Remuneration Report, which can be found on page 26, and note 5 on the accounts, provide detailed information on the remuneration arrangements for Directors of the Company. Shareholders will be asked to approve the Directors' Remuneration Report at the Annual General Meeting. The Directors' remuneration is not conditional on Resolution 2 being passed.

MANAGEMENT

Notes 23 and 24 on the accounts contains details of the management agreement with F&C Emerging Markets Limited (the "Manager"). As a result of the annual review of the terms of the management agreement during the year, some changes were agreed, details of which are also set out in these notes. Shareholders are also referred to "day-to-day management" on page 24.

The F&C group has arrangements under which stockbrokers pay for various investment services used by the group in return for stated amounts of commission. The Manager's policy is that this commission should be within a range of 10% and 15% of total commission paid by clients of the group in any one year.

It is the Company's policy to exercise its voting rights at shareholder meetings of investee companies.

F&C Management Limited has developed and published a policy on Corporate Governance, Voting Policy and Socially Responsible Investment ("SRI") in respect of companies quoted in developed markets. To the extent that it is practicable, those principles are extended to investments made in Latin America. The current policy is available on the F&C website.

POLICY ON PAYMENT OF SUPPLIERS

The Company's principal supplier is the Manager, which is paid a management fee monthly in arrears in accordance with the terms of the management agreement. Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

At 31 December 2003, the Company's outstanding trade creditors were equivalent to 5 days payments to suppliers.

AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

As set out in note 4 on the accounts, the Auditors provide some non-audit services to the Company. These services are in relation to taxation services, the review of corporate governance matters and meeting attendance and do not compromise the independence of the external Auditors.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

Shareholders will find on pages 46 and 47 the notice of the forthcoming Annual General Meeting of the Company to be held at Exchange House, Primrose Street, London EC2 on 5 May 2004 at 12.15 pm. In addition to the ordinary business of the meeting, four resolutions (numbered 9 to 12) are proposed as special business.

AUTHORITY OF DIRECTORS TO ALLOT SHARES (RESOLUTION 9)

Resolution 9 is similar to the authorities given to the Directors at previous annual general meetings. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 9 gives the Directors the necessary authority to allot securities up to an aggregate nominal amount of US$368,818 (which is equivalent to approximately 5% of the issued ordinary share capital of the Company at the date of this report), and empowers the Directors to allot such securities for cash otherwise than to existing shareholders on a pro-rata basis. Such authority will expire at the conclusion of the Annual General Meeting in 2005 and provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares, should any favourable opportunities arise to the advantage of shareholders. The Directors can, if necessary, use this authority to satisfy demand from participants in the F&C Private Investor and Pension Savings Plans and from holders of F&C Individual Savings Accounts when they believe it is advantageous to such participants and the

Company's shareholders to do so.

Under no circumstances would the Directors use the authority to dilute the interests of existing shareholders by issuing shares at a price which is less than the net asset value attributable to the shares at the time of issue.

SHARE BUY-BACK FACILITY (RESOLUTION 10)

At the Annual General Meeting held on 8 May 2003 the Company was authorised to purchase up to 11,057,192 of its own ordinary shares (representing 14.99% of the number of issued ordinary shares at that time) in the market at a minimum price of US$0.10 and a maximum price (exclusive of expenses) of 5% above the average of the middle market quotations of the ordinary shares on the London Stock Exchange Daily Official List for the five business days immediately before the relevant purchase was made.

Resolution 10 seeks to renew this authority is respect of 11,057,192 ordinary shares, representing 14.99% of the ordinary shares in issue at the date of this report. This authority will continue until 4 November 2005 or, if earlier, the conclusion of the Annual General Meeting in 2005. The Board intends to seek a renewal of such authority at subsequent Annual General Meetings.

Under this authority, purchases would only be made, within guidelines established from time to time by the Board. They would be made through the market for cash at prices below the prevailing net asset value per ordinary share, which would have the effect of enhancing net asset value per ordinary share for the remaining shareholders. Any ordinary shares which are purchased will be cancelled

The Board considers that it would be advantageous to shareholders for the Company to have the authority to make such purchases as and when it considers the timing to be favourable. However, use of this authority, if given, will depend upon market conditions and the Board's judgement of its likely effectiveness in increasing net asset values and/or reducing the discount.

It is proposed that any purchase of ordinary shares will be funded from the Company's own cash resources or, if appropriate, from short-term borrowings.

ARTICLES OF ASSOCIATION (RESOLUTION 11)

Resolution 11 proposes the adoption of new Articles of Association in order to incorporate a number of new provisions. The full terms of the proposed new Articles of Association are available for inspection at the registered office of the Company from the date of this report until the close of the Annual General Meeting and at the Annual General Meeting for 15 minutes prior to and during the meeting. In summary, the amendments are as follows:

- Directors - to reflect the provisions of the Combined Code (as revised in July 2003) as to retirement and re-election of Directors and to amend the limits on Directors' remuneration. As described in the Directors Remuneration Report on page 26, the Articles of Association currently provide for separate limits in respect of the remuneration of the Chairman and the other Directors. It is proposed that these limits be removed and a single limit of £200,000 applicable to the Board as a whole be introduced;
- treasury shares - to reflect the introduction of these in December 2003;
- electronic communications - following the recent introduction of legislation in this regard, these provisions will enable the Company to deal directly with shareholders by electronic means, for example in relation to distributing future Annual Reports and Accounts and notices of meetings. It will also enable shareholders to appoint proxies and give the Company voting instructions generally by electronic means;
- payment of dividends - to enable the Company to make such payments by means other than by cheque (for example bank transfer) and to deal with uncashed dividends; and
- provisions relating to CREST and uncertificated shares, an indemnity in relation to certain claims in respect of ordinary shares and to introduce a power to adjourn a meeting in the event it is necessary to secure the proper and orderly conduct of that meeting.

DURATION OF THE COMPANY (RESOLUTION 12)

Under the Articles of Association, a continuation vote is to be proposed at every second Annual General Meeting. The next such vote will be held at the Annual General Meeting scheduled for 5 May 2004. Accordingly, Resolution 12 proposes the continuation of the Company as an investment trust company. The Directors recommend that shareholders vote in favour of this resolution, as they intend to do in respect of their beneficially held shares.

By order of the Board, F&C Emerging Markets Limited,
Secretary,
3 March 2004

Corporate Governance

The Company is committed to high standards of corporate governance and has complied throughout the year under review with the provisions set out in section 1 of the Combined Code on Corporate Governance issued by the UK Listing Authority in 1998 (the "Combined Code"). The Board has considered the principles set out in the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the "revised Code"). It is considered that the Company's current practice, given the special circumstances of an investment trust, is consistent in all material respects with the principles of the revised Code, save that the Company does not have in place its own internal audit function (for the reasons that are explained on page 24) and that it does not have a Nominations Committee (for the reasons that are explained on page 25).

The Board has also reviewed the AITC Code of Corporate Governance (the "AITC Code") issued in July 2003 and endorses its recommendations in all material respects.

THE BOARD

The Board is comprised solely of non-executive Directors. There is no Chief Executive position within the Company, as day-to-day management of the Company's affairs has been delegated to the Manager. The Board regularly reviews the independence of its members and currently considers all of the Directors to be independent of the Manager.

Mr Packard is a former Executive Chairman of F&C Emerging Markets Limited and director of its then parent company, Foreign & Colonial Emerging Markets (Holdings) Limited. As it is over seven years since he resigned from these companies, the Board considers Mr Packard to be fully independent of the management company.

The Board recognises the value of progressive refreshing of, and succession planning for, company boards. Accordingly each Director's appointment has been reviewed by the Board prior to submission for re-election. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board. Messrs Burnell, da Nobrega, Packard and Zagoreos have each served as a Director for over nine years; notwithstanding this fact, the Directors believe that Messrs Burnell, da Nobrega, Packard and Zagoreos continue to be independent in both character and judgement. Mr Zagoreos has indicated his intention to retire as a Director at the conclusion of the forthcoming Annual General Meeting. In accordance with both the revised Code and the AITC Code, the Board has adopted a policy for any Directors having served for nine years or longer to be subject to annual re-election going forward; Messrs Burnell, da Nobrega and Packard will each therefore stand for re-election for a further year at the next Annual General Meeting.

Mr D R O'Conor is the Senior Independent Director of the Company.

Five Directors, including the Chairman, are resident in the UK. One of the Directors resides in Brazil and the other in the US. The Directors' biographical details on page 17 of this report demonstrate the wide range of skills and experience that they bring to the Board. Each Director has signed a letter of appointment to formalise in writing the terms of their engagement as Directors. Copies of these letters are available upon request.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are determined by the Board. In order to enable them to discharge their responsibilities, the Board has full and timely access to relevant information. The Board meets at least quarterly and at each meeting reviews investment performance, financial reports and other reports of a strategic nature. It also monitors compliance with the Company's objectives and is directly responsible for investment strategy, asset allocation and gearing. Board or Board committee meetings are also held on an ad hoc basis to consider particular issues as they arise. A formal schedule of matters reserved for the decision of the Board has been adopted and is regularly reviewed. The quorum for any Board meeting is two Directors; however, attendance by all Directors at each meeting is strongly encouraged. During the year under review, four Board meetings were held. All of the Directors attended each of the meetings they were entitled to attend with the exception of The Earl of St Aldwyn and Mr Zagoreos, who both attended three Board meetings. Key representatives of the Manager also attend each meeting.

As set out below, the Board has appointed an Audit and Management Engagement Committee. Copies of the terms of reference of this Committee are available on request and can also be found on the F&C website at www.fandc.com.

The revised Code states that the Board should undertake a formal and rigorous annual evaluation on its own performance and that of its committees and individual directors. In order to review the effectiveness of the Board, the Board seeks the views of the Manager, as well as carrying out a process of formal self-appraisal, both individually with the Chairman and as a whole. In addition, the Senior Independent Director and the other non-executive Directors review the performance of the Chairman. Such reviews were carried out during the year and will be conducted on an annual basis going forward. Given the nature of a Board of non-executive Directors, it is not felt appropriate for an external appraisal to take place as this would be unlikely to produce meaningful results, although this will be kept under review.

The Board has direct access to the advice and services of the Company Secretary, F&C Emerging Markets Limited, which is responsible for ensuring that Board and Committee procedures are followed and applicable regulations are complied with.

The Board has established a procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

Notwithstanding the requirement contained in the Company's current articles of association that one-third of the Board is subject to retirement by rotation each year, the Board complies with the provision contained in the revised Code whereby all Directors are required to submit themselves for re-election at least once every three years. One of the changes in the new articles being proposed for adoption at the Annual General Meeting is to bring the articles into line with the revised Code in this respect. Under the Company's Articles of Association, Directors attaining the age of 70 shall retire at the next Annual General Meeting.

During the year, the Board has maintained appropriate insurance cover in respect of legal action against the Directors.

The Board's approach to socially responsible investment and voting policy is set out under 'Management' on page 20.

ACCOUNTABILITY AND AUDIT

Audit and Management Engagement Committee (the "Audit Committee")

The Audit Committee, which is chaired by Mr Burnell, operates within written terms of reference clearly setting out its authority and duties. These terms of reference were reviewed and updated during the year in the light of the best practice recommendations of the revised Code. The Audit Committee is comprised of the Directors who are considered by the Board to be independent; following the review of the independence of all Directors during the year, this is currently the full Board. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee. One Audit Committee meeting was held during the year, attended by all members except The Earl St Aldwyn. Going forward, it is intended that the Audit Committee will meet at least twice a year.

The primary role of the Audit Committee is to review the Company's accounting policies, the contents of its financial statements, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. The Audit Committee also reviews the provision of non-audit services by the external auditor, the risks to which the Company is exposed and the controls in place to mitigate those risks, and is responsible for reviewing the management agreement and fees.

The Audit Committee will review from time to time the Manager's arrangements for staff, in confidence, to raise concerns about possible improprieties in matters of financial reporting or other matters in so far as they may affect the Company.

The Audit Committee has direct access to the auditors, PricewaterhouseCoopers LLP, and to the compliance and internal audit directors of the Manager and to the Manager's group audit committee, and reports its findings to the Board. The Board retains ultimate responsibility for all aspects relating to the annual and interim accounts and other significant published financial information.

Auditors

The Audit Committee, together with the Manager, has reviewed the work carried out by PricewaterhouseCoopers LLP for the audit of the annual financial statements. On the basis of this and their experience in auditing the affairs of the Company, the Audit Committee has been able to assess the effectiveness of the external audit. The Audit

Committee has taken into account the standing, experience and tenure of the audit partner, the nature and level of services provided and confirmation that they have complied with the relevant UK and professional regulatory and independence standards. The Audit Committee considers PricewaterhouseCoopers LLP to be independent both of the Company and the Manager in all respects.

The Audit Committee has also reviewed the provision of non-audit services by the Auditors. In the year under review non-audit fees amounted to US$8,000 and were in relation to taxation services, the review of corporate governance matters and meeting attendance. It is considered that the non-audit fees are non-material and that the services provided are cost effective and in no way impede the independence of the Auditors.

Day-to-day management

The Board has contractually delegated the management of the investment portfolio, the operation of custodial services and the provision of accounting and company secretarial services to the Manager. Details of the terms of its agreement with the Manager, as set out in note 23 on the accounts, are reviewed periodically by the Company's Audit Committee.

The Directors review the activities of the Manager on an ongoing basis. In addition, following the change of lead manager during the year, the Board conducted a thorough review of the Manager's investment strategy and process. This covered not only the investment performance of the Company but also the management processes, investment style, resources and risk control mechanisms of the Manager. The Board also reviewed the terms of the management agreement, and a number of satisfactory changes were agreed with the Manager. Following the review, it is the Board's opinion that the continuing appointment of F&C Emerging Markets Limited as Manager on the agreed terms is in the interests of shareholders as a whole.

Monitoring of internal controls

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness and ensuring that the risk management and control processes are embedded in day-to-day operations. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication is reliable. Typical areas of risk material to investment trusts in general, and which have been identified and are monitored as part of the control process, include excessive gearing, inappropriate long-term investment strategy, asset allocation, loss of management personnel and potential loss of section 842 status under the provisions of the Income and Corporation Taxes Act, 1988.

Control of financial, operational and compliance risks and overall risk management is exercised by the Board through quarterly reports provided by the Manager on investment performance, performance attribution and other management issues. The Board has agreed with the Manager the investment policy and restrictions under which the Manager operates and the Manager reports on compliance with this at every meeting. The Board also receives a quarterly control report from the Manager that provides details of any known internal control failures. This report incorporates a key risk table that identifies the risks to which the Company is exposed and the controls in place to mitigate them, including those risks that are not directly the responsibility of the Manager.

The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss.

The Company does not have an internal audit function. All of the Company's management functions are delegated to the Manager, which has its own internal audit and risk department and whose controls are monitored by the Board. It is therefore felt that there is no need for the Company to have an internal audit function. However, this need will be reviewed periodically.

Assessment of internal controls

The Board has carried out a risk and control assessment, including a review of the Manager's risk management infrastructure.

A key element of this assessment was the Statement of Internal Corporate Governance for the year to 31 December 2003 (the "Statement") prepared by the Manager for its investment trust clients to the standards of the Financial Reporting and Auditing Group Technical Release 21/94 (FRAG21) issued by the Institute of Chartered Accountants in England and Wales. Containing a report from independent external accountants, the Statement sets out the Manager's control policies and procedures with respect to the management of its clients' investments. The effectiveness of these controls is monitored by the

Manager's group audit committee, which receives regular reports from the Manager's compliance and audit and risk departments. The Audit Committee has received and reviewed the Statement, together with a report from the Manager's group audit committee on the effectiveness of the internal controls maintained on behalf of the Company and an annual compliance report from the Manager's director of compliance.

By means of the procedures set out above, and in accordance with "Internal Control: Guidance for Directors on the Combined Code" published by the Working Party of the Institute of Chartered Accountants in England and Wales, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and has regularly reviewed the effectiveness of the internal control systems for the period. This process has been in place throughout the year under review and to the date hereof and will continue to be regularly reviewed by the Board going forward.

NOMINATION COMMITTEE

The Board operates without a nomination committee and believes that this is appropriate given its circumstances as an investment trust with a Board comprising non-executive Directors, all of whom are independent. The Directors review the structure of the Board, including the balance of expertise and skills brought by individual Directors. Appointments of new Directors are made on a formalised basis, with the Chairman agreeing selection criteria and the method of selection, recruitment and appointment with his colleagues. The potential Director will meet with the Board prior to formal appointment. New appointees will be given a briefing on the workings and processes of the Company, including the receipt of key documentation, by the Chairman, the Manager, the Secretary and other appropriate persons. All appointments are subject to confirmation by shareholders. For the appointment of Mr Whitehead, the Board used the services of an external search consultant.

REMUNERATION COMMITTEE

The Company has no executive Directors and no employees and consequently does not have a remuneration committee. The Directors' Remuneration Report, which can be found on page 26, and note 5 on the accounts, provide detailed information on the remuneration arrangements for the Directors of the Company.

INVESTOR RELATIONS

Communication with shareholders is given a high priority. The Company's annual report and accounts, containing a detailed review of performance and the investment portfolio, is sent to all of its shareholders. At the half year stage, an interim report, containing updated information in a more abbreviated form, is also sent out to all shareholders. Updated information is also available on the F&C website at www.fandc.com. Shareholders wishing to communicate with the Chairman, the Senior Independent Director or other members of the Board may do so by writing to the Company at the registered office address on page 18. All shareholders are encouraged to attend and vote at the Annual General Meeting, when a presentation is made by the Manager, and where they have the opportunity to question the Chairman, the Board and the Manager. Proxy voting figures are announced to shareholders at the meeting.

A regular dialogue is maintained with the Company's institutional investors and private client asset managers through the Manager, who regularly reports to the Board on its meetings. The Chairman also meets with shareholders periodically, with and without representatives of the Manager. The Senior Independent Director and other Directors are available to attend such meetings. The Board through the Manager is thus able to canvass the views of investors on specific issues and also to put its views across.

INVESTMENT POLICY

There will be no material change to investment policy without prior shareholder approval.

While the Company may from time to time hold shares in other listed investment companies (including investment trusts) where this is consistent with the Company's objectives, it is the Company's policy to invest no more than 15% of its gross assets in other UK listed investment companies (including investment trusts).

Directors' Remuneration Report

REMUNERATION COMMITTEE

As the Board of Directors is comprised solely of non-executive Directors, it has not appointed a Remuneration Committee. The determination of the Directors' fees is a matter dealt with by the whole Board.

The Company's Articles of Association limit the fees payable to the Board of Directors to a maximum of £20,000 per annum for the Chairman and £15,000 per annum for other Directors. This is unchanged since 1998.

As set out on page 21, shareholders will be asked to approve an aggregate limit for Directors' remuneration of £200,000 per annum. The proposed new level of fees for 2004 will be £30,000 per annum for the Chairman, £23,000 for the Senior Independent Director and £23,000 per annum for other Directors. It is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and the time committed to the Company's affairs.

No element of the Directors' remuneration is performance related.

No Director has a service contract with the Company. Each Director has signed a letter of appointment setting out the terms of their engagement as Directors.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

REMUNERATION FOR QUALIFYING SERVICES

Director	2003 Fees for services to the Company US$	2002 Fees for services to the Company US$
P C D Burnell (Chairman and highest paid Director)	**34,519**	31,062
The Earl St Aldwyn	**25,890**	23,297
M F da Nobrega	**25,890**	23,297
D R O'Conor	**25,890**	23,297
F A R Packard	**25,890**	23,297
L A Whitehead	**2,168***	–
A E Zagoreos	**25,890**	23,297
Totals	**166,137**	147,547

* Appointed 3 December 2003

The Chairman received a fee of £20,000 and the other Directors,with the exception of L A Whitehead, £15,000, unchanged since 1998. The above figures are converted at an average exchange rate of £1:US$1.73 (2002: £1: US$1.55).

The information in the above table has been audited (see the Independent Auditor's Report on page 28).

The amounts paid by the Company to the Directors were for services as non-executive Directors.

The IFCG Latin America US$ Total Return Index was selected because it has been the Company's benchmark during the year under review.

By order of the Board
F&C Emerging Markets Limited, Secretary
3 March 2004

Directors' Statement of Responsibilities

As required by company law, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company at 31 December 2003 and of the results for the year then ended. In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with applicable accounting standards and on a going concern basis. The Directors are also responsible for ensuring that adequate accounting records are maintained and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements are published on the www.fandc.com website, which is a website maintained by F&C Management Limited ("F&C"). The maintenance and integrity of the website maintained by F&C or any of its subsidiaries is, so far as it relates to the Company, the responsibility of F&C. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Analysis of Ordinary Shareholders

Analysis of Ordinary Shareholders at 31 December 2003

Category	Number of Shares	% Holding
F&C Savings Plans	6,199,016	8.40
Retail Nominee Holders	7,195,372	9.75
Direct Individual Holdings	2,171,903	2.95
Institutions	58,197,499	78.90
	73,763,790	100.00

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF F&C LATIN AMERICAN INVESTMENT TRUST PLC

We have audited the financial statements, which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the accounts 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 accounts 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 Report of the Directors is not consistent with the accounts, 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 accounts. The other information comprises only the Chairman's Statement, the Manager's Review, the Report of the Directors, the unaudited part of the Directors' Remuneration Report and the Corporate Governance Statement.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts 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 accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 accounts give a true and fair view of the state of affairs of the Company at 31 December 2003 and of the total return and cash flows of the Company for the year then ended;
- the accounts 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 3 March 2004

Statement of Total Return

Revenue Notes	Capital Notes	(incorporating the Revenue Account)* for the year ended 31 December	2003 Revenue US$'000s	2003 Capital US$'000s	2003 Total US$'000s	2002 Revenue US$'000s	2002 Capital US$'000s	2002 Total US$'000s
	9	Gains/(losses) on investments	-	**101,536**	**101,536**	–	(55,257)	(55,257)
	18	Exchange (losses)/gains	**(49)**	**(189)**	**(238)**	33	312	345
2		Income	**7,138**	-	**7,138**	5,067	–	5,067
3		Management fee	**(2,716)**	-	**(2,716)**	(2,587)	–	(2,587)
		Loss on warrants purchased for cancellation	-	-	-	–	(236)	(236)
4	18	Other expenses	**(858)**	**(17)**	**(875)**	(680)	(53)	(733)
		Net return before finance costs and taxation	**3,515**	**101,330**	**104,845**	1,833	(55,234)	(53,401)
6		Interest payable and similar charges	**(690)**	-	**(690)**	(863)	–	(863)
		Return on ordinary activities before taxation	**2,825**	**101,330**	**104,155**	970	(55,234)	(54,264)
7	7	Taxation on ordinary activities	**(699)**	-	**(699)**	(455)	5	(450)
		Return on ordinary activities after taxation	**2,126**	**101,330**	**103,456**	515	(55,229)	(54,714)
		Dividend on ordinary shares						
		Interim of 0.56 cents (2002: nil)	**(413)**	-	**(413)**	–	–	–
		Amount transferred to/(from) reserves	**1,713**	**101,330**	**103,043**	515	(55,229)	(54,714)
8	8	**Return per ordinary share (basic) - cents**	**2.88**	**137.37**	**140.25**	0.69	(74.47)	(73.78)
8	8	**Return per ordinary share (diluted) - cents**	**2.71**			0.66		

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

All revenue and capital items in the above statement derive from continuing operations.

Balance Sheet

at 31 December

Notes		US$'000s	2003 US$'000s	US$'000s	2002 US$'000s
	Fixed assets				
9	Investments		**246,626**		130,370
	Current assets				
10	Debtors	**2,305**		841	
	Taxation recoverable	**109**		109	
	Short-term deposits	-		13,011	
	Cash at bank	**3,185**		3,474	
		5,599		17,435	
	Current liabilities				
	Creditors: amounts falling due within one year				
11	Bank loans	**(22,250)**		(29,500)	
12	Other	**(2,839)**		(1,462)	
		(25,089)		(30,962)	
	Net current liabilities		**(19,490)**		(13,527)
	Total assets less current liabilities		**227,136**		116,843
	Creditors: amounts falling due after more than one year				
13	Bank loans		**(7,250)**		–
	Net assets		**219,886**		116,843
	Capital and reserves				
15	Called up share capital: including non-equity share capital		**7,400**		7,400
16	Share premium	**61,544**		61,544	
17	Capital redemption reserve	**313**		313	
18	Warrant reserve	**4,356**		4,356	
18	Capital reserves	**146,273**		44,943	
18	Revenue reserve	-		(1,713)	
			212,486		109,443
	Total shareholders' funds		**219,886**		116,843
	Equity interests		**219,862**		116,819
	Non-equity interests		**24**		24
19	**Total shareholders' funds**		**219,886**		116,843
20	**Net asset value per ordinary share**				
	Basic – cents		**298.06**		158.37
	Diluted – cents		**268.44**		149.64*

* Restated in accordance with the revised SORP issued in January 2003 (see note 1, page 32)

Approved by the Board on 3 March 2004 and signed on its behalf by:

Peter Burnell

Cash Flow Statement

for the year ended 31 December

Notes		US$'000s	2003 US$'000s	US$'000s	2002 US$'000s
	Operating activities				
	Investment income received	**5,212**		4,881	
	Interest received	**86**		108	
	Investment management fees paid	**(2,602)**		(2,655)	
	Cash paid to and on behalf of Directors	**(164)**		(148)	
	Other cash payments	**(293)**		(228)	
21	**Net cash inflow from operating activities**		**2,239**		1,958
	Servicing of finance				
	Interest paid		**(456)**		(830)
	Taxation				
	Overseas tax paid	**(421)**		(390)	
	Taxation paid		**(421)**		(390)
	Financial investment				
	Purchases of equities and other investments	**(101,224)**		(53,390)	
	Sales of equities and other investments	**86,720**		63,478	
	Capital expenses	**(17)**		(55)	
	Net cash (outflow)/inflow from financial investment		**(14,521)**		10,033
	Net cash (outflow)/inflow before use of liquid resources and financing		**(13,159)**		10,771
	Management of liquid resources				
	Decrease/(increase) in short-term deposits		**13,011**		(6,511)
	Financing				
	Purchase of ordinary shares	**-**		(1,035)	
	Purchase of warrants	**-**		(677)	
	Net cash outflow from financing		**-**		(1,712)
22	**(Decrease)/increase in cash**		**(148)**		2,548

Notes on the Accounts

1 ACCOUNTING POLICIES

(a) Going Concern

As referred to in the Chairman's Statement on page 5 and the Report of the Directors on page 21, resolution 12 proposing the continuation of the Company as an investment trust will be put to the shareholders at the forthcoming Annual General Meeting on 5 May 2004. The Directors are recommending that shareholders vote in favour of this resolution. The Directors therefore believe that it is appropriate for the accounts to be prepared on a going concern basis.

(b) Basis of Accounting

The accounts have been prepared under the historical cost convention, modified to include fixed asset investments at valuation and in accordance with accounting standards applicable in the United Kingdom and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP) issued in January 2003. The currency of the accounts is US dollars. Diluted net asset value per ordinary share has been calculated in accordance with the Articles basis (see note 20) as set out in the SORP. Prior year figures have been restated accordingly.

(c) Valuation of Investments

As an investment trust, the Company treats all transactions on the realisation and the revaluation of investments held as transactions on capital account. These items, whether profits or losses, are not part of and are not reflected in the revenue account but are charged or credited to capital reserve. Listed investments are shown at middle market value.

(d) Foreign Currency

Non-US dollar denominated assets and liabilities are expressed in US dollars at rates of exchange ruling at the balance sheet date. Purchases and sales of investment securities, dividends and interest income and expenses are translated at rates of exchange prevailing on the respective dates of such transactions. The Company does not isolate that portion of gains and losses on investment securities which are due to changes in exchange rates from that which is due to changes in the market price of securities. Exchange profits and losses on currency balances are charged or credited to capital reserves except where they relate to revenue items.

e) Income

Income from quoted equity shares is brought into account on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

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

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except those expenses incidental to the acquisition or disposal of investments, which are charged through capital reserves.

(g) Finance Costs

Finance costs are accounted for on an accruals basis and charged through the revenue account.

(h) Taxation

Deferred tax is provided in accordance with FRS19 on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

Under FRS19, deferred tax is not provided on timing differences arising from the appreciation of investments where there is no commitment to sell the investments.

(i) Capital Reserves

Capital Reserve - Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- other capital charges and credits charged or credited to this account in accordance with the above policies
- cost of purchasing ordinary share capital and warrants.

Capital Reserve - Unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature.

2 INCOME

	2003 US$'000s	2002 US$'000s
Overseas dividends	**7,053**	4,570
Scrip dividends	**-**	392
Income from investments	**7,053**	4,962
Interest on cash and short term deposits	**85**	105
Total income	**7,138**	5,067

3 MANAGEMENT FEE

Under the arrangements for the Company's management and administration the Company does not employ any staff.

	2003 US$'000s	2002 US$'000s
Management fee	**2,716**	2,587

The basis of the management fee is detailed in note 23, on page 41.

4 OTHER EXPENSES

	2003 US$'000s	2002 US$'000s
Administration charges - F&C Emerging Markets Limited	**119**	104
- Chilean local administrator	**35**	34
Auditors' remuneration:		
for audit services	**35**	30
for other services	**8**	28
Custody fees	**117**	61
Directors' and officers' liability insurance	**35**	9
Directors' emoluments:		
fees for services to the Company (see page 26)	**166**	148
Directors' expenses	**26**	22
Marketing:		
AITC promotional activity	**8**	9
Other	**58**	44
Printing and postage	**41**	34
Private Investor Plan	**48**	37
Professional fees	**74**	48
Registrar fees	**13**	13
Stock exchange listings fees	**16**	13
Sundry expenses	**59**	46
	858	680

5 DIRECTORS' REMUNERATION AND CONTRACTS

(a) Remuneration from the Company

The amounts paid by the Company to the Directors of the Company, which were for services as non-executive Directors and did not include any payments or rights to pensions, are shown on page 26.

5 DIRECTORS' REMUNERATION AND CONTRACTS (CONTINUED)

(b) Directors' interests in shares

The beneficial interests of the Directors in the ordinary shares of the Company were as follows :

		2003		2002
	Ordinary Shares	**Warrants**	Ordinary Shares	Warrants
P C D Burnell	**10,000**	**2,000**	10,000	2,000
The Earl St Aldwyn	**1,470**	-	1,470	–
M F da Nobrega	**4,491**	-	4,491	–
D R O'Conor	**6,927**	-	6,927	–
F A R Packard	**1,000**	-	1,000	–
L A Whitehead	-	-	n/a	n/a
A E Zagoreos	**20,000**	**4,000**	20,000	4,000

No Director had any interest, beneficial or otherwise, in the issued shares or warrants of the Company other than stated above. There have been no changes in the Directors' holdings as detailed above since the Company's year end.

(c) Directors' interests in contracts with the Company

No contract of significance to which the Company is a party and in which a Director is or was materially interested subsisted during the year.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	US$'000s	US$'000s
The interest on bank loans and overdrafts is analysed as follows:		
Loans and overdrafts repayable within 1 year, not by instalments	**683**	863
Loans and overdrafts repayable between 2 to 5 years, not by instalments	**7**	–
	690	863

7 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of the charge/(credit) for the year

			2003			2002
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	US$'000s	**US$'000s**	**US$'000s**	US$'000s	US$'000s	US$'000s
UK corporation tax at 30% (2002: 30%)	**421**	-	**421**	390	–	390
Relief for overseas taxation	**(421)**	-	**(421)**	(390)	–	(390)
	-	-	-	–	–	–
Overseas taxation	**699**	-	**699**	445	–	445
Total current taxation (note 7 (b))	**699**	-	**699**	445	–	445
Deferred tax	-	-	-	10	(5)	5
Taxation on ordinary activities	**699**	-	**699**	455	(5)	450

7 TAXATION ON ORDINARY ACTIVITIES (CONTINUED)

(b) Factors affecting the current taxation charge for the year

			2003			2002
	Revenue US$'000s	**Capital US$'000s**	**Total US$'000s**	Revenue US$'000s	Capital US$'000s	Total US$'000s
Return on ordinary activities before tax	**2,825**	**101,330**	**104,155**	970	(55,234)	(54,264)
Return on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2002: 30%)	**848**	**30,399**	**31,247**	291	(16,570)	(16,279)
Relief for overseas taxation	**(421)**	**-**	**(421)**	(390)	–	(390)
Income taxable in different periods	**(552)**	**-**	**(552)**	92	–	92
Smaller company's relief	**(27)**	**-**	**(27)**	(22)	–	(22)
Expenses not utilised in the year	**118**	**-**	**118**	16	–	16
Disallowable tax expenses	**34**	**-**	**34**	13	–	13
Overseas taxation suffered	**699**	**-**	**699**	445	–	445
Capital returns*	**-**	**(30,399)**	**(30,399)**	–	16,570	16,570
Total current taxation (note 7 (a))	**699**	**-**	**699**	445	–	445

* These items are not subject to corporation tax within an investment trust company.

The deferred tax asset of US$1,865,000 in respect of unutilised expenses at 31 December 2003 (US$1,747,000 at 31 December 2002) has not been recognised as it is unlikely that these expenses will be utilised.

8 RETURN PER ORDINARY SHARE

Basic and Diluted Revenue Return

The revenue return per share is based on the revenue return attributable to equity shareholders of US$2,126,000 profit (2002: US$515,000 profit).

Basic Capital Return

The capital return per share is based on the capital return attributable to equity shareholders of US$101,330,000 profit (2002: US$55,229,000 loss).

Weighted Average Number of Shares for Basic Return Calculations

Basic returns per ordinary share are based on the weighted average number of shares in issue during the year of 73,763,790 (2002: 74,158,311).

Weighted Average Number of Shares for Diluted Return Calculations

Diluted return per ordinary share has been calculated in accordance with FRS14, under which the Company's outstanding warrants are considered dilutive only if the exercise price is lower than the period average market price of the ordinary shares. The dilution is calculated by reference to the additional number of shares which warrantholders would have received on exercise as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market ("dilutive potential shares").

	2003	2002
Weighted average number of shares in issue during the year for basic return calculations	**73,763,790**	74,158,311
Dilutive potential shares	**4,831,836**	4,641,238
Weighted average number of shares for diluted return calculations	**78,595,626**	78,799,549

9 INVESTMENTS

	Listed investments Total US$'000s
Cost at 1 January 2003	148,293
Unrealised depreciation at 1 January 2003	(17,923)
Valuation at 1 January 2003	130,370
Movements in the year	
Purchases at cost	101,224
Sales:	
proceeds	(86,504)
realised profits on sales	12,764
Increase in unrealised appreciation	88,772
Valuation at 31 December 2003	**246,626**

Cost at 31 December 2003	168,212
Unrealised appreciation at 31 December 2003	78,414
Valuation at 31 December 2003	**246,626**

Profits/(losses) on investments

	2003 US$'000s	2002 US$'000s
Realised profits/(losses) based on historical cost	**5,199**	(21,771)
Less amounts recognised as unrealised losses in previous years	**7,565**	675
Realised profits/(losses) based on carrying value at previous balance sheet date	**12,764**	(21,096)
Net movement in unrealised appreciation/(depreciation)	**88,772**	(34,161)
	101,536	(55,257)

10 DEBTORS

	2003 US$'000s	2002 US$'000s
Investment debtors	-	216
Prepayments and accrued income	**2,091**	518
Other debtors	**214**	107
	2,305	841

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank loans

	2003 US$'000s	2002 US$'000s
US dollar repayable January 2004	**4,000**	–
US dollar repayable February 2004	**3,250**	–
US dollar repayable October 2004	**15,000**	–
US dollar repaid January 2003	-	15,000
US dollar repaid June 2003	-	14,500
	22,250	29,500

The Company has a committed loan facility of US$15 million, expiring in October 2004, upon which commitment commission of 0.3875% per annum is charged on any undrawn amounts, and a further facility of US$14.5 million, expiring in June 2005, upon which commitment commission of 0.3875% per annum is charged on any undrawn amounts.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Other

	2003 US$'000s	2002 US$'000s
Dividends on ordinary shares	**413**	–
Accruals and deferred income	**1,713**	846
Chilean tax payable	**550**	453
Other creditors	**163**	163
	2,839	1,462

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Bank loans

	2003 US$'000s	2002 US$'000s
US dollars repayable June 2005	**7,250**	–

14 GEOGRAPHICAL AND INDUSTRIAL CLASSIFICATION: TOTAL ASSETS LESS CURRENT LIABILITIES (EXCLUDING LOANS)

	Brazil %	Chile %	Mexico %	Peru %	UK %	USA %	**2003 Total %**	2002 Total %
Investments (equities):								
Resources	11.6	–	0.8	1.4	–	–	**13.8**	13.7
Basic industries	5.9	3.1	6.1	–	–	–	**15.1**	10.3
General industries	–	0.8	0.5	–	–	–	**1.3**	0.7
Non-cyclical consumer goods	5.2	0.9	2.4	–	–	–	**8.5**	9.5
Cyclical services	2.2	2.0	7.3	–	–	–	**11.5**	13.7
Non-cyclical services	8.8	1.2	11.9	–	–	–	**21.9**	22.4
Utilities	3.5	3.1	–	–	–	–	**6.6**	1.8
Financials	12.3	2.4	5.5	–	–	–	**20.2**	17.0
Total investments (equities)	49.5	13.5	34.5	1.4	–	–	**98.9**	89.1
Net current assets (excluding loans)	0.6	0.5	(0.1)	–	(0.5)	0.6	**1.1**	10.9
Total assets less current liabilities (excluding loans)	**50.1**	**14.0**	**34.4**	**1.4**	**(0.5)**	**0.6**	**100.0**	
2002 totals	34.9	8.7	47.2	–	(0.1)	9.3		100.0

Note: Geographical classification for the investments held as fixed assets is determined by the location of the major part of the investee companies' business.

15 SHARE CAPITAL

	Authorised		Issued and allotted	
	Number	US$'000s	Number	US$'000s
Non-equity share capital				
Redeemable shares of £1 each (25p paid):				
Balance brought forward and carried forward	50,000	96	50,000	24
Equity share capital				
Ordinary shares of 10 cents each (fully paid):				
Balance brought forward and carried forward	110,000,000	11,000	73,763,790	7,376

The redeemable shares of £1 each carry the right to receive a fixed dividend at the rate of 0.1% per annum on the nominal amount thereof. They are capable of being redeemed by the Company at any time and confer no right to receive notice of, attend or vote at general meetings except where the rights of holders are to be varied or abrogated. On a winding up the capital paid up on such shares ranks pari passu with, and in proportion to, any amounts of capital paid to the holders of ordinary shares, but does not confer any further right to participate in the surplus assets of the Company.

Since the year end, no purchases of ordinary shares have been made.

At 31 December 2003 there were 12,970,320 warrants (31 December 2002: 12,970,320) outstanding. Holders have the right to subscribe for one ordinary share per warrant at US$1 in cash at any time until 31 July 2005.

16 SHARE PREMIUM

	2003 US$'000s	2002 US$'000s
Balance brought forward and carried forward	**61,544**	61,544

17 CAPITAL REDEMPTION RESERVE

	2003 US$'000s	2002 US$'000s
Balance brought forward and carried forward	**313**	313

18 OTHER RESERVES

	Warrant reserve US$'000s	Capital reserve realised US$'000s	Capital reserve unrealised US$'000s	Capital reserves total US$'000s	Revenue reserve US$'000s
Realised profits on investments	–	12,764	–	12,764	–
Transfer on disposal of investments	–	(7,565)	7,565	–	–
Increase in unrealised appreciation on investments	–	–	88,772	88,772	–
Exchange losses	–	(189)	–	(189)	–
Other capital expenses	–	(17)	–	(17)	–
Amount transferred to revenue reserve	–	–	–	–	1,713
	–	4,993	96,337	101,330	1,713
Balance brought forward	4,356	62,866	(17,923)	44,943	(1,713)
Balance carried forward	**4,356**	**67,859**	**78,414**	**146,273**	**-**

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 US$'000s	2002 US$'000s
Revenue return on ordinary activities after taxation	**2,126**	515
Capital return for the year	**101,330**	(55,229)
Net movement to shareholders' funds	**103,456**	(54,714)
Dividends on ordinary shares	**(413)**	–
Purchase of ordinary shares	-	(1,035)
Purchase of warrants	-	(441)
	103,043	(56,190)
Total shareholders' funds brought forward	**116,843**	173,033
Total shareholders' funds carried forward	**219,886**	116,843

20 NET ASSET VALUE PER ORDINARY SHARE

The movements during the year in the assets attributable to each class of share were as follows:

	Ordinary shares US$'000s	Redeemable shares US$'000s
Net assets attributable brought forward	116,819	24
Total return for the year	103,456	–
Dividends on ordinary shares	(413)	–
Net assets attributable carried forward	**219,862**	**24**

Net asset value per ordinary share is based on net assets less the nominal value of redeemable shares outstanding at the year end, and on 73,763,790 ordinary shares in issue at the year end (31 December 2002: 73,763,790).

Diluted Net Asset Value per Share

Diluted net asset value per ordinary share has been calculated on the Articles basis as set out in the SORP and is based on net assets less the nominal value of redeemable shares outstanding at the year end and assuming the receipt of proceeds arising from the exercise of 12,970,320 (31 December 2002: 12,970,320) warrants outstanding at US$1 per warrant.

	2003	2002
Ordinary shares in issue at the year end	**73,763,790**	73,763,790
Shares created on exercise of all warrants	**12,970,320**	12,970,320
Number of ordinary shares for diluted calculation (Articles basis)	**86,734,110**	86,734,110
Diluted net asset value per share on Articles basis (cents)	**268.44**	149.64

Diluted net asset value per ordinary share was previously calculated in accordance with FRS14, under which the Company's outstanding warrants are considered dilutive only if the exercise price is lower than the market price of the ordinary shares at the year end. The dilution is calculated by reference to the additional number of shares which warrantholders would have received on exercise as compared with the number of ordinary shares which the subscription proceeds would have purchased in the open market ("dilutive potential shares").

	2003	2002
Ordinary shares in issue at the year end	**73,763,790**	73,763,790
Dilutive potential shares at the year end	**7,154,033**	2,510,385
Number of ordinary shares for diluted calculation (FRS14 basis)	**80,917,823**	76,274,175
Diluted net asset value per share on FRS14 basis (cents)	**271.71**	153.16

21 RECONCILIATION OF REVENUE RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 US$'000s	2002 US$'000s
Net revenue return before finance costs and taxation	**3,515**	1,833
(Increase)/decrease in accrued income and other debtors	**(1,957)**	293
Increase in accruals and other creditors	**632**	257
Scrip dividends	**-**	(392)
Exchange losses/(gains) on currency balances	**49**	(33)
Net cash inflow from operating activities	**2,239**	1,958

22 RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

	2003	2002
	US$'000s	US$'000s
(Decrease)/increase in cash	**(148)**	2,548
(Decrease)/increase in short-term deposits	**(13,011)**	6,511
Change in net debt resulting from cash flows	**(13,159)**	9,059
Exchange movement	**(141)**	312
Movement in net debt	**(13,300)**	9,371
Net debt brought forward	**(13,015)**	(22,386)
Net debt carried forward	**(26,315)**	(13,015)

Represented by:

	Balance at 1 January 2003 US$'000s	Cash flow US$'000s	Exchange movement US$'000s	**Balance at 31 December 2003 US$'000s**
Cash at bank	3,474	(148)	(141)	**3,185**
Short-term deposits	13,011	(13,011)	–	**-**
	16,485	(13,159)	(141)	**3,185**
Loans	(29,500)	–	–	**(29,500)**
	(13,015)	(13,159)	(141)	**(26,315)**

23 MANAGEMENT AGREEMENT

F&C Emerging Markets Limited ("FCEM") provides investment management and administration services to the Company. With effect from 1 January 2004, the management fee is payable monthly in arrears at rate of 1.5% on net assets (previously on gross assets), as defined in the Management Agreement, up to US$200 million (previously US$216 million) and 1% per annum on net assets (previously on gross assets) thereafter. The notice period on the Agreement was reduced from one year to six months with effect from 1 January 2004.

Additionally, FCEM receives an administration fee denominated in pounds sterling which is increased or decreased with effect from 31 December in each year to reflect any movements in the UK retail price index during the intervening period. For the year ended 31 December 2003 the administration fee amounted to US$119,000 (2002: US$104,000).

The Company has also granted FCEM options to subscribe for ordinary shares, the details of which are set out in note 24.

24 MANAGEMENT OPTIONS

The Company has granted to FCEM options to subscribe for ordinary shares at a price of US$1 per share on a performance related basis. FCEM has, with effect from 1 January 2004, waived its right to the remaining options and from that date the options ceased to exist.

The options become exercisable one year after 31 December in each of the years 1993, 1997, 2001 and 2004 (Vesting Dates). The number of ordinary shares into which the options are exercisable is dependent upon the compound annual increase in the Net Asset Value (as defined in the Management Agreement) of the Company between 12 July 1990 (assuming a Net Asset Value at that date of US$1 multiplied by the number of ordinary shares in issue) and the relevant Vesting Date on the following basis:

Compound annual increase in NAV %	Percentage of issued ordinary shares in the Company
20 to 25	1
25 to 30	2
30+	3

For the purpose of the above, the percentage of the ordinary shares of the Company for which FCEM may subscribe is calculated by reference to the ordinary shares in issue on 12 July 1990. The maximum number of ordinary shares to which FCEM may become entitled is 7,500,000 (10%). The number of ordinary shares covered by an option may be adjusted downwards by the Auditors to reflect the repurchase of ordinary shares by the Company. If, on any Vesting Date when a performance target is met, there remain any options relating to an earlier Vesting Date which have not become exercisable, or have become exercisable at a lower rate, those options will then also become exercisable at the rate prevailing on such later Vesting Date. The agreement also contains a provision entitling FCEM to an accelerated exercise of options (on the same performance basis) if the agreement is terminated by the Company in breach of its terms. If the Company is wound-up under the duration provisions contained in the Articles of Association earlier than the last Vesting Date of the Options in 2004, FCEM will, if the performance target has been met, become entitled to an accelerated exercise of the options which would otherwise be granted on the next Vesting Date. For these purposes the performance target and the number of ordinary shares to which options relate will be reduced on a pro rata time-related basis. Additionally, FCEM has undertaken to dispose of any ordinary shares arising upon the exercise of an option in an orderly manner.

24 MANAGEMENT OPTIONS (CONTINUED)

As the compound annual increase in Net Asset Value of the Company from 12 July 1990 to 31 December 1993 exceeded 30%, FCEM had the option to subscribe for 1,875,000 ordinary shares at a price of US$1 per share after 31 December 1994. FCEM exercised this option on 7 September 2000 and sold the shares on 11 September 2000.

The compound annual increase in Net Asset Value of the Company from 12 July 1990 to 31 December 1997 (Vesting Date) did not exceed the minimum increase required for the Company to grant options to FCEM to subscribe for ordinary shares at a price of US$1.

The compound annual increase in Net Asset Value of the Company from 12 July 1990 to 31 December 2001 (Vesting Date) did not exceed the minimum increase required for the Company to grant options to FCEM to subscribe for ordinary shares at a price of US$1.

25 FUND RISK PROFILE

The Company conducts its affairs so as to qualify as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988.

The Company's investment objective is to secure for shareholders long-term growth in assets per share through a portfolio investing in equity and occasionally fixed income securities invested in Latin America. The portfolio held throughout the year and at the year end is in line with the Company's investment policy. The Company has the power to take out both short and long-term borrowings. In pursuing its investment objectives, the Company faces risks to both assets and revenue. These risks, and the Directors' approach to the management of the risks, which were applied consistently over the current and preceding period are set out on page 43.

Financial Assets

The interest rate profile of the Company's financial assets (excluding short-term debtors) at 31 December 2003 was:

Currency	Floating rate financial assets US$'000s	Fixed rate financial assets US$'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
US dollars	1,488	–	–	–
Sterling	7	–	–	–
Chilean pesos	1,690	–	–	–

The interest rate profile of the Company's financial assets (excluding short-term debtors) at 31 December 2002 was:

Currency	Floating rate financial assets US$'000s	Fixed rate financial assets US$'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
US dollars	2,641	11,000	1.3	2 days
Sterling	261	–	–	–
Chilean pesos	873	–	–	–
Mexican pesos	1,710	–	–	–

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they neither pay interest or have a maturity date. Floating rate financial assets earn interest at competitive rates set by Citibank.

Financial Liabilities

The interest rate profile of the Company's financial liabilities (including loans but excluding other creditors) at 31 December 2003 was:

Currency	Floating rate financial liabilities US$'000s	Fixed rate financial liabilities US$'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
US dollars	–	29,500	2.36	277 days
Maturity analysis:				
Payable within one year	–	22,250		
Payable in more than one year	–	7,250		

25 FUND RISK PROFILE (CONTINUED)

The interest rate profile of the Company's financial liabilities (including loans but excluding other creditors) at 31 December 2002 was:

Currency	Floating rate financial liabilities US$'000s	Fixed rate financial liabilities US$'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
US dollars	–	29,500	2.46	86 days
Maturity analysis:				
Payable within one year	–	29,500		

Currency Exposure

The profile of the Company's net monetary assets at 31 December 2003, by currency (excluding US dollars), was:

	Brazilian real US$'000s	Chilean peso US$'000s	Sterling US$'000s	Mexican peso US$'000s	Total US$'000s
Total net monetary assets	1,486	1,152	(1,336)	(163)	1,139

The profile of the Company's net monetary assets at 31 December 2002, by currency (excluding US dollars), was:

	Brazilian real US$'000s	Chilean peso US$'000s	Sterling US$'000s	Mexican peso US$'000s	Total US$'000s
Total net monetary assets	333	637	(154)	1,709	2,525

Fair Value

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet, with the exception of the US dollar loans repayable in 2004 (see note 11) and repayable in 2005 (see note 13) which have a market value at 31 December 2003 of US$29,583,000 (2002: US$29,537,000). The market value includes penalty fees for early redemption.

Risk Management

Risk	Management of Risk
Credit Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered.	All transactions are settled on the basis of delivery against payment, except where local market conditions do not permit. Only approved counterparties are used.
Liquidity Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.	The Company's investments are principally quoted equities and are readily realisable. The Company has the power to take out borrowings, both short- and long-term, and in addition to an overdraft facility has committed loan facilities of US$29.5 million. Covenants relating to these borrowings are continuously monitored.
Market Price The Company's assets consist principally of quoted equities, the values of which are determined by market forces.	The Board manages the market price risks inherent in the Company's portfolio by ensuring full and timely access to relevant information from the Manager. The Board meets regularly and at each meeting reviews investment performance and financial results. The Board monitors compliance with the Company's objectives and is directly responsible for investment strategy, asset allocation and gearing.
Interest Rate Assets, liabilities and net revenue may be affected by interest rate movements.	The Company finances part of its activities through fixed interest loans, in currencies and at levels approved and monitored by the Board.
Currency Certain of the Company's assets and liabilities are denominated in currencies other than US dollars. As a result movements in exchange rates may affect the US dollar value of the portfolio, cash, investment purchases and sales and income.	Income denominated in foreign currencies is converted to US dollars on receipt. Borrowings are limited to currencies and amounts commensurate with the asset exposure to those currencies. The Company does not make use of hedging.

Ten Year Record

ASSETS

US$'000s	31 Dec 1993	31 Dec 1994	31 Dec 1995	31 Dec 1996	31 Dec 1997	15 Jul 1998	31 Dec 1998	31 Dec 1999	31 Dec 2000*	31 Dec 2001	31 Dec 2002	**31 Dec 2003**
Total assets less liabilities- (excl. loans)	213,610	198,803	164,180	204,575	270,852	199,879	144,104	246,743	211,136	202,533	146,343	**249,386**
Prior charges (including loans)	17,024	25,024	25,024	29,024	44,024	14,524	14,524	22,024	28,024	29,524	29,524	**29,524**
Available for ordinary shareholders	196,586	173,779	139,156	175,551	226,828	185,355	129,580	224,719	183,112	173,009	116,819	**219,862**

NET ASSET VALUE

	31 Dec 1993	31 Dec 1994	31 Dec 1995	31 Dec 1996	31 Dec 1997	15 Jul 1998	31 Dec 1998	31 Dec 1999	31 Dec 2000*	31 Dec 2001	31 Dec 2002	**31 Dec 2003**
NAV per share - undiluted - cents	262.1	231.7	185.5	234	302.4	247.1	172.7	309.4	245.7	232.2	158.4	**298.1**
NAV per share - diluted - cents	232.3	207.5	169.8	209.4	265.2	220.4	168.2	276.2	227.9	215.7	149.6**	**268.4**
NAV per share total return on £100												
- 5 years (per AITC)												**£159.10**
- 10 years (per AITC)												**£93.30**

SHARE PRICE

	31 Dec 1993	31 Dec 1994	31 Dec 1995	31 Dec 1996	31 Dec 1997	15 Jul 1998	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001	31 Dec 2002	**31 Dec 2003**
Mid market price per share - cents	272.0	196.0	150.0	169.0	207.5	184.0	114.5	217.5	169.0	166.5	124.0	**223.0**
Discount/(premium) of share price to diluted NAV %	(17.1)	5.5	11.7	19.3	21.8	16.5	31.9	21.2	25.8	23.1	17.1**	**16.9**
Share price high - cents	272.0	300.0	196.0	179.0	276.0	215.0	185.0	217.5	235.5	216.0	202.0	**223.0**
Share price low - cents	151.0	191.0	116.0	150.0	168.0	161.0	77.0	94.0	164.5	122.0	103.0	**109.0**
Share price total return on £100												
- 5 years (per AITC)												**£181.80**
-10 years (per AITC)												**£67.20**

REVENUE

for the periods ended:

	31 Dec 1993	31 Dec 1994	31 Dec 1995	31 Dec 1996	31 Dec 1997	15 Jul 1998	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001	31 Dec 2002	**31 Dec 2003**
Available for ordinary shareholders (US$'000s)	240	(760)	(578)	(875)	(1,468)	1,396	369	(368)	(2,267)	1,910	515	**2,126**
Earnings per share - cents	0.32	(1.01)	(0.77)	(1.17)	(1.96)	1.86	0.49	(0.49)	(3.10)	2.56	0.69	**2.88**
Dividends per share - cents	–	–	–	–	–	–	–	–	–	–	–	**0.56**

* Restated to comply with FRS19 "Deferred Tax". Earlier years have not been restated.

** Restated in accordance with the revised SORP issued in January 2003 (see note 1, page 32)

PERFORMANCE

rebased at 31 December 1993

	31 Dec 1993	31 Dec 1994	31 Dec 1995	31 Dec 1996	31 Dec 1997	15 Jul 1998	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001	31 Dec 2002	**31 Dec 2003**
NAV - undiluted	100	88	71	89	115	94	66	118	94	89	60	**114**
Share price performance	100	72	55	62	76	68	42	80	62	61	46	**82**
RPI	100	103	106	109	113	115	116	118	121	122	124	**128**
IFCG	100	100	84	100	129	104	83	134	117	114	91	**160**

COST OF RUNNING THE COMPANY

%	31 Dec 1993	31 Dec 1994	31 Dec 1995	31 Dec 1996	31 Dec 1997	15 Jul 1998†	31 Dec 1998†	31 Dec 1999	31 Dec 2000	31 Dec 2001	31 Dec 2002	**31 Dec 2003**
Operating costs as a percentage of :												
Average net assets	2.32	2.10	2.37	2.21	2.09	2.19	2.40	2.09	2.09	2.07	2.27	**2.32**
Average total assets	2.09	1.89	2.01	1.88	1.79	1.87	2.16	1.91	1.87	1.86	1.88	**1.98***

GEARING

%	31 Dec 1993	31 Dec 1994	31 Dec 1995	31 Dec 1996	31 Dec 1997	15 Jul 1998	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001	31 Dec 2002	**31 Dec 2003**
Effective gearing ratio	7.0	6.1	13.8	15.2	19.9	(3.4)	7.4	7.5	14.6	13.0	11.2	**12.0**
Fully invested gearing ratio	8.7	14.4	18.0	16.5	19.4	7.8	11.2	9.8	15.3	17.1	25.3	**13.4**

† Annualised returns for period of account of less than one year.

* In the year ended 31 December 2003 operating costs as a percentage of the average total assets increased to 1.98% from 1.88% on 31 December 2002. This was due to a 10.9% increase in operating costs compared with an increase of 5.6% in average total assets. The increases in operating costs were attributable to three factors:

- investment values and movements, which affect management fees and custody fees;
- one-off, above-inflation increases in directors and officers liability insurance and professional charges, and;
- the weakening of the US dollar against sterling by 9% during the year ended 31 December 2003.

Definitions

Prior charges	All redeemable shares, loans, overdrafts, etc., used for investment purposes.
Operating costs	All costs charged to revenue and capital, excluding related taxation relief, interest costs, taxation, the costs of purchase of share capital and the costs of buying and selling of investments.
Effective gearing	Prior charges at balance sheet value, less cash and fixed interest stocks, as a percentage of net assets (also termed "Actual gearing").
Fully invested gearing	Prior charges at balance sheet value as a percentage of net assets (also termed "Potential gearing").
Total assets	Total assets less liabilities before deducting prior charges.
NAV	Net asset value (assuming prior charges at nominal value).
RPI	Retail Price Index.
Average net assets	Average of net assets at end of each month.
Average total assets	Average of total assets at end of each month.
Share price total return	Return to the investor on mid-market prices.
AITC	Association of Investment Trust Companies.
IFCG	IFCG Latin American US$ Total Return Index.

Notice of Annual General Meeting

Notice is hereby given that the fourteenth Annual General Meeting of F&C Latin American Investment Trust PLC will be held at the registered office of the Company, Exchange House, Primrose Street, London EC2, on Wednesday, 5 May 2004 at 12.15 pm for the following purposes.

ORDINARY BUSINESS

1 To receive and adopt the Directors' report and accounts for the year ended 31 December 2003.
2 To approve the Directors' Remuneration Report.
3 To elect Mr L A Whitehead as a Director.
4 To re-elect Mr D R O'Conor as a Director.
5 To re-elect Mr F A R Packard as a Director.
6 To re-elect Mr P C D Burnell as a Director.
7 To re-elect Mr M F da Nobrega as a Director.
8 To re-appoint the Auditors and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions as special resolutions:

9 THAT:
(a) the Directors be and they are hereby:
(i) generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985 (the "Act"), to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of US$368,818 during the period commencing on the date of the passing of this resolution; and
(ii) empowered pursuant to Section 95 of the Act, to allot equity securities pursuant to the authority referred to in paragraph (a)(i) of this resolution and to sell equity securities (up to an aggregate nominal amount of US$368,818) as if Section 89(1) of the Act did not apply to any such allotment and sales,

but so that this authority and power shall expire at the conclusion of the Annual General Meeting of the Company in 2005 and shall enable the Company to make offers or agreements which would or might require relevant securities or equity securities to be allotted after the expiry of this authority and power;

(b) all authorities and powers previously conferred under Section 80 or Section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect; and
(c) words and expression defined in or for the purposes of Part IV of the Act shall bear the same meanings in this resolution.

10 THAT, the Company be and is hereby generally and 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 said Act) of ordinary shares of 10 cents each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors may from time to time determine, provided that:
(a) the maximum number of ordinary shares hereby authorised to be purchased is 11,057,192;
(b) the minimum price which may be paid for an ordinary share is US$0.10;
(c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
(d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
(e) the authority hereby conferred shall expire on 4 November 2005 or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2005, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
(f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

11 THAT the new Articles of Association, produced to the meeting and initialled by the Chairman for the purposes of identification, be adopted in substitution for, and to the exclusion of, all existing Articles of Association.

12 To consider, and if thought fit, pass the following resolution as an ordinary resolution:

THAT the Company should continue as an investment trust.

By order of the Board
F&C Emerging Markets Limited
Secretary
31 March 2004

Registered Office:
Exchange House
Primrose Street
London EC2A 2NY

LOCATION OF MEETING

NOTES

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only holders of ordinary shares registered on the register of the Company at 11.00 pm on 3 May 2004 ("the specified time") shall be entitled to attend and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register of members after 11.00 pm 3 May 2004 shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified 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 11.00 pm on the day which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and to vote instead of him/her. A proxy need not be a member of the Company.

To be valid, an instrument of proxy for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited with the Company's registrars, Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3ZZ, not less than 48 hours before the time appointed for holding the meeting. In view of this requirement, investors holding shares in the Company through the F&C Private Investor, Pension Savings or Private Equity Plans or in an F&C Individual Savings Account should ensure that forms of direction are returned to Computershare Investor Services PLC not later than 96 hours before the time appointed for holding the meeting.

The register of Directors' holdings and Directors' letters of appointment are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes prior to the commencement of the meeting until the conclusion thereof.

No Director has any contract of service with the Company.

The full terms of the proposed new Articles of Association are available for inspection at the registered office of the Company from the date of this report until the close of the Annual General Meeting and at the Annual General Meeting for 15 minutes prior to and during the meeting.

Information for Shareholders

NET ASSET VALUE AND SHARE PRICE

The Company's Net Asset Value (NAV) is released daily, on the working day following the calculation date, to the London Stock Exchange.

The current share price of F&C Latin American Investment Trust is shown in the investment trust or investment companies section of the stockmarket page in most leading newspapers, usually under "F&C Latin".

PERFORMANCE INFORMATION

Information on the Company's performance is provided in the interim and final reports which are sent to shareholders in September and March respectively.

More up-to-date performance information is available on the Internet at www.fandc.com (select your country, click on "Private Investors", then "Funds & Products", followed by "Investment Trusts"). This website also provides a monthly update on the Company's geographic spread and largest holdings, along with comments from the Fund Manager.

ASSOCIATION OF INVESTMENT TRUST COMPANIES ("AITC")

F&C Latin American Investment Trust is a member of the AITC, which publishes a monthly statistical information service in respect of member companies. The publication also has details of ISA, PEP and other investment plans available. For further details, please contact the AITC on 020 7282 5555, or visit the website: www.itsonline.co.uk.

UK CAPITAL GAINS TAX ("CGT")

An approved investment trust does not pay tax on capital gains. UK resident individuals may realise net capital gains of up to £7,900 in the tax year ended 5 April 2004 without incurring any tax liability.

Up to April 1998, the cost of investments for CGT purposes was adjusted to allow for inflation between the month of acquisition and the month of disposal of the investments. For investments held at 6 April 1998 and disposed of after that date, this indexation allowance will be computed for the period from the date of acquisition to April 1998, with taper relief applying after April 1998. For assets acquired on or after 6 April 1998, only taper relief applies. The taper reduces the amount of chargeable gain according to the number of complete years after 5 April 1998 for which the investment has been held.

INCOME TAX

The interim dividend is payable in April 2004. Individual UK resident shareholders who are subject to UK income tax at the lower rate or the basic rate have no further tax liability.

Shareholders not resident in the UK, and any shareholders in doubt as to their tax position, should consult their professional advisers.

How to Invest

F&C Management Limited runs a number of savings products which have been set up to provide cost effective and flexible ways to invest (details of these products are listed below). You can also buy F&C Latin American Investment Trust shares using a bank or stockbroker or alternatively, directly through an online and telephone dealing service. The F&C website has a link to comdirect, Europe's biggest stockbroker, at www.fandc.com/comdirect.

PRIVATE INVESTOR PLAN ("PIP")

It only costs 0.2% (plus 0.5% Government Stamp Duty) to invest in F&C Latin American Investment Trust via this simple savings scheme and there are no ongoing charges. You can invest a lump sum or set up a Direct Debit to make regular monthly payments from just £50 per month.

PENSION SAVINGS PLAN ("PSP")

You can maximise your tax benefits and save for your retirement using this low cost Plan, which includes a Personal Pension and Free Standing AVC. Contributions can be made via a lump sum or by Direct Debit. Now that personal pensions are no longer restricted to those with earnings of their own, almost everyone under the age of 75 is eligible. This means that you can invest on behalf of non-working spouses or partners and children.

INDIVIDUAL SAVINGS ACCOUNT ("ISA")

You can invest up to £7,000 each year in F&C's Maxi ISA, or £3,000 in the Mini ISA, either by completing an application form or investing online. You can make regular monthly payments by Direct Debit and/or invest a lump sum.
Gains arising from assets held in an ISA are exempt from tax. Interest and dividends received on assets in the ISA are free of income tax (and a 10% tax credit is payable on dividends received from UK equities before 6 April 2004).

PERSONAL EQUITY PLAN ("PEP")

Although PEPs are no longer available for new subscriptions you can transfer investments from one manager to another, subject to Inland Revenue requirements.
F&C's fixed rate charging structure provides excellent value for money as you pay one fixed annual management fee no matter how many Investment Trust PEPs or ISAs you hold with F&C.

If you have trouble reading smaller print, please let us know. We can provide literature in alternative formats, for example, large print or on audiotape. Please call 0845 600 3030 for more details.

For further details on the savings schemes and application forms, please contact:
Investor Services on **0845 600 30 30** or
Broker Support on **0845 600 1868**
(UK calls charged at the local rate)
Fax **020 7825 2108**

You can also find more information on the website:
www.fandc.com under Investment Trusts

If you wish to write, the address is:
Investor Services Team, F&C Management Limited,
Exchange House, Primrose Street, London EC2A 2NY

The information on this page has been issued and approved by F&C Management Limited, authorised and regulated in the UK by the Financial Services Authority. Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances. Please note that with effect from April 2004 you will no longer be able to reclaim the 10% tax credit currently given to dividends within a stocks and shares ISA, neither are you able to reclaim tax paid on foreign income dividends. Within the ISA and PEP capital gains remain tax-free.

Registered Office:
Exchange House, Primrose Street,
London EC2A 2NY
Tel: 020 7628 8000 Fax: 020 7628 8188
www.fandc.com info@fandc.com

Registrars:
Computershare Investor Services PLC,
PO Box 82, The Pavilions,
Bridgwater Road,
Bristol BS99 7NH
Tel: 0870 702 0130 Fax: 0870 703 6119
www.computershare.com
web.queries@computershare.co.uk