



Annual Report **07**

JPMorgan Emerging Markets  
Investment Trust plc

Annual Report & Accounts for the year ended 30th June 2007

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## Objective

Capital growth from emerging markets worldwide.

## Investment Policy

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

## Structure

- Authorised share capital of 296,000,000 ordinary shares of 25p each, of which 110,303,742 were in issue at the year end.
- UK domiciled.
- Full listing on the London Stock Exchange.

## Benchmark

The MSCI Emerging Markets Free Index in sterling terms.

## Continuation Vote

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

## Management Company

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

# Financial Results

Total Returns (capital plus income)

**+39.9%**

Return to shareholders<sup>1</sup>  
(2006: +40.7%)

**+41.4%**

Return on net assets<sup>2</sup>  
(2006: +36.2%)

**+33.7%**

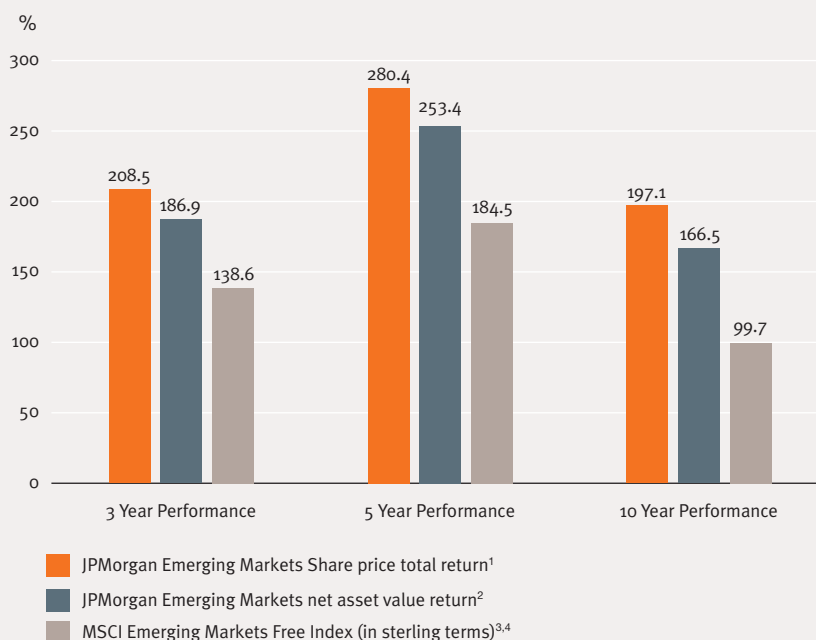
Benchmark return<sup>3,4</sup>  
(2006: +31.3%)

**2.00p**

Dividend  
(2006: 3.65p)

## Long Term Performance

for periods ended 30th June 2007



A glossary of terms and definitions is provided on page 47.

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

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

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

<sup>4</sup>The Company's benchmark is the MSCI Emerging Markets Free Index (in sterling terms).

## Chairman's Statement



It has been another excellent performance over the last 12 months. The net asset value total return (NAV) was up 41.4% as against 33.7% for our benchmark index, the MSCI Emerging Markets Free Index. The share price increased over the year from 299p to 416p, an increase of just under 40%.

The last 5 years have seen unprecedented growth in Emerging Market economies and their stock markets, with the MSCI index in sterling terms (total return) rising 185%. Your Company has been well positioned over this period and has outperformed the market by a large margin with the share price total return rising some 280%. Much of the outperformance has come from excellent bottom up stock selection, as we have seen again this year.

With the continued above-average performance, it was therefore disappointing to see the discount of the shares to NAV actually widening somewhat over the year from 8.6% to 9.6%. However, the discount was always at least in line with our peers and the Board at no time considered it in the shareholders' interests to buy back shares to control this discount. Going forward, the Board will continue to monitor carefully our discount. In stable market conditions and with the Company continuing to perform well against its benchmark, we would look to buy back shares when necessary if the discount is materially out of line with our peers and over 10%.

As mentioned in last year's report the Board would prefer to have the flexibility to hold any shares we buy back in treasury so that they can be reissued at a later date. We understand the objections to a dilution of NAV by issuing shares at a discount, and therefore at the AGM we will again be putting forward resolutions to buy back shares for cancellation or to put into treasury but reissue only at par or at a premium.

"The Board are therefore proposing, subject to shareholders' approval at the AGM, to pay a final dividend of 2.00p per share."

The Company's policy continues to be to maximise capital growth and payment of dividends are kept to the minimum that allows us to maintain our investment trust status. This year the net return on the revenue account was £2,157,000 as compared to £4,078,000 in 2006 since, whilst the dividend stream from the companies in which we invest remained more or less the same, the management fees were up considerably in absolute terms due to the average value over the year of your Company rising from £301 million to £421 million. The Board are therefore proposing, subject to shareholders' approval at the AGM, to pay a final dividend of 2.00p per share (2006: 3.65p) on 23rd November 2007 to shareholders on the register at the close of business on 26th October 2007.

You will see from the Directors' Report that the Board fully follows the Financial Reporting Council Combined Code and the AIC Code of Corporate Governance. We pay particular attention to monitoring the performance of the Manager and ensuring that we have the strategies in place to see that the Manager continues to deliver out-performance in the medium and long term. At the end of the year, we

“...the Manager is continuing to do an excellent job...”

carried out a formal review of the Manager, the Board as a whole and, separately, the Board evaluated my role as Chairman. I am pleased to report that no concerns were raised in these appraisals, and the Board believes that the Manager is continuing to do an excellent job and that their reappointment is in the best interest of shareholders.

Once a year the Board meets formally as a Nomination Committee to consider whether we have the appropriate mix of skills, succession planning and future appointments to the Board. Val Powell and David Gamble joined the Board last year following the merger with F & C Emerging Markets Investment Trust, and the balance of knowledge and personalities is working out well. However, I and Val Powell will be reaching the magic age of 70 in two years' time and have decided that this would be an appropriate time to retire from the Board; hence, to ensure the necessary continuity we need to start recruiting two new Directors over 2008/09. As a consequence we will be seeking approval at the AGM to increase the maximum permitted total Directors' remuneration from £150,000 to £175,000 per annum to be able to have the option to increase the number of Directors on a temporary basis from 5 to possibly 7. The actual levels of Directors' fees payable were increased in July 2006 and were not increased this year, but some rise may be necessary in 2008 in order to remain competitive and attract the right quality of Directors onto the Board.

This time last year, we cautioned that a period of consolidation after the dramatic bull period of the last few years could be expected. At the time of writing this report it seems that a correction is now taking place and, because it has been somewhat delayed in coming, the excesses built up in the market are creating more volatile and uncertain market conditions than might otherwise have been the case.

“...I remain very confident about the prospects for our Company over the next few years.”

Some five years ago, the perceived much higher risk associated with investment in emerging markets would have meant that falls in those markets would have been proportionally higher during such a correction. Today, however, most of the markets in which the Company invests are more solidly based. Consequently, whilst we have seen a modest fall in our NAV and share price since the end of June, it is not of a different order of magnitude from that seen in many developed markets. I believe this is because most investors see emerging markets continuing to offer higher growth potential while the risks are now much lower than before. Hence, whilst world markets could be facing considerable volatility over the next few months, your Company is well placed for the longer term. We have the ability to invest worldwide, a great strength, and we have a Manager in JPMorgan Asset Management that has the resources and knowledge to identify solid undervalued stocks. Therefore I remain very confident about the prospects for our Company over the next few years.

**Roy Reynolds**  
Chairman

18th September 2007

## Investment Manager's Report



We still regard the long term expansion of emerging economies as more than likely, and they should as a result continue to assume a larger and larger role in the world's capital markets.

“Emerging markets have thus experienced a fortunate combination of growth, low interest rates, and strengthening currencies, yet so far shown few signs of serious inflation.”

### What has happened?

This was another good year for emerging market equities, and for those investing in them. Over the course of your Company's fiscal year, which ended on 30 June 2007, the index against which we are measured appreciated by over 33% in sterling, concluding a fourth consecutive year of strongly positive returns. We are pleased to report that your Company's portfolio of investments rose in value by more than this, producing an increase in net asset value per share of 41%.

Conditions remained remarkably benign during the last year. In spite of growing concerns over rising inflationary pressures, worries about the health of the housing sector in America, a continuing accumulation of debt, and latterly an increase in long term bond yields, equity prices advanced with barely a stumble throughout the year. There was some moderation in the rise in commodity prices, though little sign of any significant fall. In emerging stock markets, particularly in Russia, Brazil, India and above all in China, the volume of new listings was unprecedented; we could have spent all our time simply assessing IPO issues, though in the event we bought very few of them for your Company's portfolio.

The scale of new equity issuance during the year tells us something about market conditions; for many owners of businesses, this period has presented an irresistible opportunity either to sell at hitherto unimagined prices, or to expand ambitions and business horizons with unprecedented financial ease. In spite of gradually rising interest rates in the developed world, financial liquidity has grown ever more abundant, and the primary source appears to be the developing world, where reserve accumulation is rapid, high commodity prices have boosted trade surpluses, and monetary policy has in general struggled to keep pace with broad money growth. It's been an intoxicating mixture. Russia provides a case study: domestic inflation is high, local interest rates have been negligible in real terms, growth is strong, and the currency has appreciated in nominal terms too. Viewed in US dollars, the Russian economy has been expanding at something like 20% per annum; at this rate, adjustments of the relative size of economies happen quite quickly; at some point input growth and productivity will come back to the forefront of everyone's attention, and life may well look less rosy.

Over the last year, though, everything has gone well from an economic point of view: against a background of steady growth in the developed world, activity has expanded at high rates in many developing nations. Emerging markets have thus experienced a fortunate combination of growth, low interest rates, and strengthening currencies, and so far shown few signs of serious inflation. Instead, equity prices have provided an outlet for the growth of money that occurred. Can it last? Read on to the last section of this report for some thoughts on this question.

### What did we do?

Sometimes we look back on a year of investment and feel dissatisfied with decisions taken, even if the actual outcome for our clients was a satisfactory one; and at other times we think that we took decisions well, and would probably take them in the

### Performance attribution for the year ended 30th June 2007

Contributions to Total Returns		%
Benchmark total return		<b>33.7</b>
Asset allocation	-1.9	
Stock selection	12.8	
Gearing/cash	-0.1	
Currency	0.0	
Investment manager contribution		<b>10.8</b>
Portfolio total return		<b>44.5</b>
Management fees/ Other expenses	-1.4	
Performance fees	-1.1	
Residual	-0.6	
Other effects		<b>-3.1</b>
Net asset value total return		<b>41.4</b>
Impact of decrease/(increase) in discount		<b>-1.5</b>
Share price total return		<b>39.9</b>

Source: Xamin/HSBC/JPMAM

All figures are on a total return basis.

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

A glossary of terms and definitions is provided on page 47.

“As markets rise further, and especially as nominal returns well outstrip underlying returns on corporate equity, it seems rational to stick to our guns as far as the future is concerned.”

same way again, even though the outcome may have been poor. In spite of the actual and relative investment performance achieved for shareholders during this last year, we are probably more aware of opportunities missed than we are pleased with results achieved. That said, we have not changed our approach, which remains focused on trying to identify attractively priced risks within a framework which is patient (prepared to wait for results), selective (doesn't seek many decisions), tolerant of risk (where clearly mis-priced), and (we hope) consistent through time.

We changed a little over a fifth of the portfolio in the last twelve months. As can be read from the table on page 12, transactions were concentrated in a number of the larger countries; we made a significant (though probably not large enough) addition to your Company's investments in China, including Hong Kong; in Brazil, Russia, South Africa and India we changed some stocks, but did not alter the overall level of exposure dramatically; we made net sales in a number of other countries, including Turkey, Poland, South Korea and the Lebanon. During the year the portfolio rose in value by approximately £150 million; fully £30 million of this derived from the Company's investments in Brazil, where we had some individual successes, but more importantly, a lot of money invested to begin with. The best performing stocks in the portfolio in fact lay elsewhere, in India and especially in China. The irony of the last point is not lost on us, for while we found some of the highest returns in China, this was also one of the markets in which we struggled both to produce ideas, and to add value against the benchmark; it was probably also the source of the highest number of ideas which almost made it into portfolios (and with hindsight should have done), but in the end did not.

A glance at the performance attribution table shows that over the year as a whole, we suffered a negative “asset allocation” contribution because we had invested less money, proportionately, in those markets which did best. The simple aggregate number shown in this table masks a number of opposing effects; in reality, the entirety of this negative asset allocation contribution can be attributed to the relatively low amount we had invested in China, at least when compared to the index. On a more constructive note, we were able, in China and elsewhere, to identify stocks which did better than average within their own markets, and thus the portfolio enjoyed a positive “stock selection” contribution which was enough to compensate. Overall, then, China was not the problem for performance that one might imagine given the stunning performance of Chinese equities; we did far worse in South Korea. But excess returns accrued in India, Taiwan, Brazil, Mexico, and especially Russia, which led to an adequate overall outcome. In all cases, the most important decision point for us remained the individual stock opportunity; and the same will be true in the year on which we are now embarking.

### What happens next?

Twelve months ago we wrote (again) that we expected returns from emerging market equities to moderate; we were wrong again. As markets rise further, and especially as nominal returns well outstrip underlying returns on corporate equity, it seems rational to stick to our guns as far as the future is concerned. A period of more muted returns seems mathematically inevitable given the rise seen in valuations over the last couple of years. Not only have valuations expanded, but returns on invested capital have increased too; abnormal profitability is currently evident in a number of industries. Capacity shortages and supply bottlenecks are prolonging these high returns, but it would be a brave investor who would bet against cost inflation bringing an eventual return to normality. More normal returns from equities are the logical consequence.

During the writing of this report, in fact, stock markets have been correcting sharply as a downturn in the US mortgage sector has begun to uncover some of the financial interdependency between credit markets and equity markets. Daily injections of liquidity by central banks in Europe and the USA, while intended to

## Investment Manager's Report continued

counter any short-term liquidity problems, also point to concerns over the ease with which a brief liquidity squeeze could become a credit crunch with real economic consequences. Some stocks have lost a meaningful percentage of their value in recent days; yet many share prices have only returned to levels they first exceeded a few months ago. Nevertheless as share prices decline our attention is shifting from stocks which were overlooked in the general rise in markets, to others which may represent the proverbial babies ejected with the bath water. So far, we see a good number of stocks which are now standing at reasonable prices; but few which seem to offer really exceptional future rates of return. But opportunities are coming, and the work of investors is getting more interesting.

“For us, this has to mean more attention to both China and India, and shareholders should not be surprised to see both these countries progressively assume greater prominence in the portfolio.”

We still regard the long term expansion of emerging economies as more than likely, and they should as a result continue to assume a larger role in the world's capital markets. We therefore spend some of our time trying to look beyond the short term noise of daily share prices to define an investment agenda for the medium term.

From a broader perspective it seems to us that we are reaching a significant inflexion for our investment strategy. For many years the portfolio has, at least compared to the benchmark, had a notable bias away from Asia and towards Latin America, Eastern Europe, Africa, and the Middle East, regardless of the conventional views of the respective economic merits of each region. This investment positioning was our reaction to a significant valuation premium attached to Asian equities. In Latin America memories of hyperinflation and economic fragility had left investors using high discount rates to value future cashflows, while in Eastern Europe unfamiliarity and immature equity markets, combined with occasional horrors of corporate governance, had the same effect. But the bull market of the last four years has gone a long way to eliminate this glaring contrast in valuations, and it seems likely to us that as valuations equalise, the scale of the reinvestment opportunity facing companies (inevitably connected to economic growth rates) and the ability of both economies and companies to achieve productivity gains will only assume greater importance. For us, this has to mean more attention to both China and India, and shareholders should not be surprised to see both these countries progressively assume greater prominence in the portfolio. On the other hand, your Company's investment performance has also been helped in the last few years by largely avoiding countries like Taiwan which have matured and slowed, and produced only mediocre equity returns as a consequence; this pattern will surely repeat elsewhere in the future, and we need to remain alert in avoiding stagnating investments just as much as we need to find good new ones.

In the present, and in the longer term, of course, our primary challenge is to go on identifying attractive individual investments which can rise in value significantly in the future. This requires not only a good process for assessing investments, but application and attention to a changing investment landscape. While we strive to maintain these qualities ourselves, the contribution of your Company's Chairman and Directors to our work should also not be underestimated; always demanding, yet understanding of our respective duties and fair in their judgements, their scrutiny helps us do better. Our appreciation of this, too rarely expressed, is something that shareholders should also hear.

**Austin Forey**  
Investment Manager

18th September 2007

## Summary of Results

	2007	2006	
<b>Total Returns</b> (capital plus income) for the year ended 30th June			
Return to shareholders <sup>1</sup>	+39.9%	+40.7%	
Return on net assets <sup>2</sup>	+41.4%	+36.2%	
MSCI Emerging Markets Free Index (in sterling terms) <sup>3</sup>	+33.7%	+31.3%	
<b>Net Asset Value, Share Price and Discount</b> at 30th June			% change
Net asset value per share	460.5p	327.2p	+40.7
Share price	416.5p	299.0p	+39.3
Discount of share price to net asset value	9.6%	8.6%	
Shareholders' funds (£000)	507,958	360,881	+40.7
<b>Revenue</b> for the year ended 30th June			
Net revenue attributable to shareholders (£000)	2,157	4,078	-47.1
Return per share	1.96p	4.30p	-54.4
Dividend per share	2.00p	3.65p	-45.2
<b>Total Expense Ratio</b>	1.00%	0.97%	
<b>Actual Gearing Factor</b>	100.8%	99.8%	

A glossary of terms and definitions is provided on page 47.

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

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

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

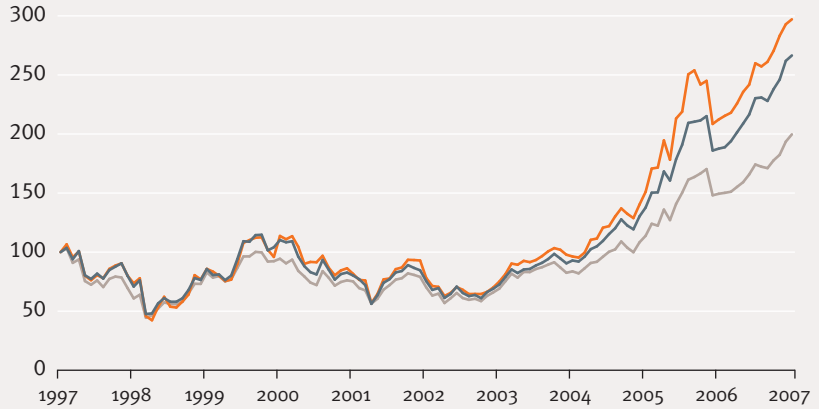
# Performance

- JPMorgan Emerging Markets – Share price
- JPMorgan Emerging Markets – Net asset value
- MSCI Emerging Markets Free Index (in sterling terms)

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

## 10 Year Performance

Figures have been rebased to 100 at 30th June 1997

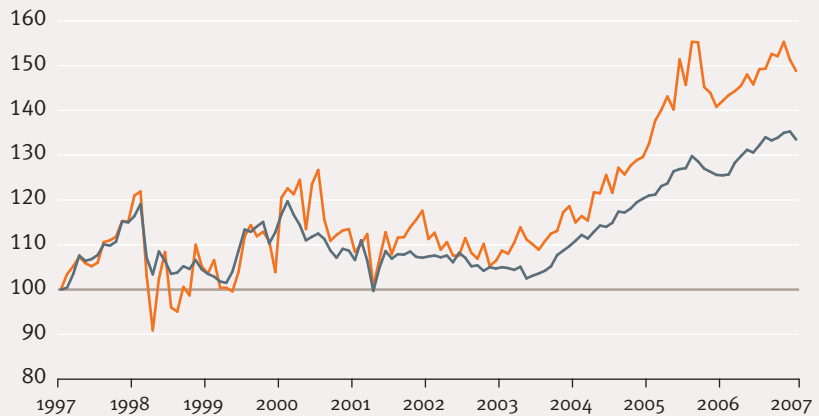


- JPMorgan Emerging Markets – Share price
- JPMorgan Emerging Markets – Net asset value
- The benchmark index is represented by the grey horizontal line

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

## Performance Relative to Benchmark

Figures have been rebased to 100 at 30th June 1997



## Ten Year Financial Record

<b>As at 30th June</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005<sup>1</sup></b>	<b>2006</b>	<b>2007</b>
Shareholders' funds (£m)	186.7	125.5	144.1	179.0	129.8	120.4	115.9	148.4	222.2	360.9	508.0
Net asset value per share (p)	177.5	125.3	151.8	195.2	142.0	133.5	128.5	164.5	246.3	327.2	460.5
Share price (p)	143.5	105.3	122.8	162.8	116.8	111.8	107.5	137.8	216.0	299.0	416.5
<b>Year ended 30th June</b>											
Revenue attributable to Shareholders (£000)	4,480	4,371	3,511	3,157	2,232	3,010	3,013	4,474	5,435	8,488	8,055
Earnings per share (p)	0.88	(0.41)	(0.48)	(1.14)	(2.17)	(0.22)	0.69	2.47	2.87	4.30	1.96
Dividend per share (p)	0.40	—	—	—	—	—	—	—	2.45	3.65	2.00
Discount (%)	19.2	16.0	19.1	16.6	17.7	16.3	16.3	16.2	12.3	8.6	9.6
Actual gearing (%)	104.5	114.5	103.1	109.8	110.4	107.4	99.7	95.8	95.0	99.8	100.8
Total expense ratio (%)	1.0	1.4	1.4	1.4	1.8	1.2	1.2	0.9	0.9	1.0	1.0
<b>Rebased to 100 at 30th June 1997</b>											
Net asset value per share – total return <sup>2</sup>	100.0	70.8	85.7	110.2	80.2	75.4	72.6	92.9	137.7	188.5	266.5
Share price – total return <sup>3</sup>	100.0	73.6	85.8	113.7	81.6	78.1	75.1	96.3	151.0	212.3	297.1
MSCI Emerging Markets Free Index (in sterling terms) – total return <sup>4</sup>	100.0	60.8	82.8	94.4	75.2	70.2	69.1	83.7	113.8	149.4	199.7

A glossary of terms and definitions is provided on page 47.

<sup>1</sup> Figures have been restated to reflect changes in accounting policy regarding dividends payable. Such dividends are now included in the accounts in the year in which they are approved by shareholders.

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

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

<sup>4</sup> Source: Datastream.

# Ten Largest Investments

at 30th June 2007

Company	Country	As at 30th June 2007		As at 30th June 2006	
		Valuation £000	% <sup>1</sup>	Valuation £000	%
<b>Petroleo Brasileiro</b> The national oil company of Brazil, and a specialist in particular in deep-water exploration.	Brazil	27,184	5.4	22,031	6.1
<b>America Movil</b> America Movil provides wireless communication services in all regions of Mexico. The company also participates in telecommunications joint ventures in multiple South American countries as well as in the United States.	Mexico	25,549	5.0	15,715	4.4
<b>Companhia Vale do Rio Doce</b> Companhia Vale do Rio Doce, the world's number 1 iron ore miner. Iron ore and pellets account for two-thirds of the Company's sales; the company, in turn, accounts for 30% of the world's ocean-shipped iron ore.	Brazil	18,988	3.7	11,230	3.1
<b>Housing Development Finance</b> India's leading mortgage lender, now diversifying into other financial services including insurance and asset management.	India	18,248	3.6	9,785	2.7
<b>Samsung Electronics</b> This South Korean company is a leading producer of DRAM chips, telecommunications equipment, and consumer electronic products.	South Korea	17,384	3.4	24,526	6.7
<b>Bharti Airtel<sup>2</sup></b> Bharti Airtel Limited is India's largest integrated and the first private telecom services provider. The businesses at Bharti Airtel have been structured into three individual strategic business units – mobile services, broadband and telephone services and enterprise services.	India	15,648	3.1	9,040	2.5
<b>Shinsegae</b> South Korea's largest retailer, which has in recent years grown rapidly by developing a successful hypermarket business alongside its original department stores.	South Korea	14,290	2.8	11,334	3.1
<b>Hon Hai Precision<sup>2</sup></b> Hon Hai Precision manufactures and markets personal computer('PC') connections and cable assemblies used in desktop PCs and PC servers.	Taiwan	13,804	2.7	8,930	2.5
<b>Banco Itau</b> Banco Itau attracts deposits and offers retail, commercial, corporate and private banking services. The bank offers consumer loans, financial management, insurance, pension plans, treasury services, mortgage loans, lease financing, securities brokerage and foreign exchange services.	Brazil	13,108	2.6	9,331	2.6
<b>Sberbank Rossii<sup>2</sup></b> Sberbank is the undisputed leader of the Russian banking industry, accounting for over a quarter of national banking assets.	Russia	12,296	2.4	5,837	1.6
<b>Total</b>		176,499	34.7		

<sup>1</sup> Based on total assets less current liabilities of £508.8m (2006: £361.1m).

<sup>2</sup> Not included in the ten largest investments at 30th June 2006.

As at 30th June 2006, the value of the ten largest investments amounted to £132.8m representing 36.7% of total assets less current liabilities.

# Portfolio Analyses

## Geographic Analysis

at 30th June

	<b>Portfolio 2007 %</b>	<b>Benchmark 2007 %</b>	<b>Portfolio 2006 %</b>	<b>Benchmark 2006 %</b>
Europe/Middle East/Africa	31.1	26.3	30.2	26.5
East Asia	30.3	41.4	30.9	41.5
Latin America	27.9	20.0	27.8	19.9
South Asia	11.3	12.3	10.8	12.1
Net current (liabilities)/assets	(0.6)	—	0.3	—

Based on total assets less current liabilities of £508.8m (2006: £361.1m).

## Sector Analysis

at 30th June

	<b>Portfolio 2007 %</b>	<b>Benchmark 2007 %</b>	<b>Portfolio 2006 %</b>	<b>Benchmark 2006 %</b>
Financials	21.1	21.5	19.0	19.5
Telecommunication Services	14.7	10.5	16.3	10.1
Consumer Staples	14.6	5.1	12.3	5.5
Materials	12.1	14.2	8.1	13.7
Consumer Discretionary	11.8	5.9	16.4	6.7
Information Technology	9.3	12.9	12.9	15.2
Energy	6.7	15.4	9.5	16.5
HealthCare	6.5	1.8	2.9	2.0
Industrials	3.8	9.1	2.3	7.5
Utilities	—	3.6	—	3.3
Net current (liabilities)/assets	(0.6)	—	0.3	—

Based on total assets less current liabilities of £508.8m (2006: £361.1m).

# Investment Activity

during the year to 30th June 2007

	Value at 30th June 2006		Purchases	Sales	Changes in value	Value at 30th June 2007	
	£000	%	£000	£000	£000	£000	%
Brazil	59,317	16.5	7,035	7,845	30,329	88,836	17.4
South Korea	75,883	21.1	4	12,243	8,201	71,845	14.0
South Africa	41,522	11.5	10,154	6,029	11,483	57,130	11.2
Mexico	31,776	8.8	7,370	5,492	19,245	52,899	10.3
India	27,765	7.8	3,740	5,893	21,156	46,768	9.1
China and Hong Kong	13,342	3.7	13,387	-	14,564	41,293	8.1
Russia	22,894	6.4	14,123	13,536	15,906	39,387	7.7
Taiwan	22,311	6.2	238	3,961	5,921	24,509	4.8
Egypt	11,147	3.1	2,651	2,731	5,758	16,825	3.3
Turkey	13,053	3.6	6,887	11,543	5,892	14,289	2.8
Israel	5,830	1.6	5,428	517	2,191	12,932	2.5
Indonesia	7,992	2.2	-	-	2,774	10,766	2.1
Hungary	6,421	1.8	-	-	3,883	10,304	2.0
Austria	-	-	5,068	-	2,468	7,536	1.5
Argentina	6,498	1.8	-	-	753	7,251	1.4
Malaysia	3,277	0.9	-	-	365	3,642	0.7
Chile	2,786	0.8	-	-	367	3,153	0.6
Romania	-	-	2,222	-	191	2,413	0.5
Pakistan	119	-	-	-	4	123	-
Czech Republic	189	-	-	22	(154)	13	-
Lebanon	7,509	2.1	-	6,941	(568)	-	-
Cyprus	438	0.1	-	469	31	-	-
Poland	-	-	3,684	4,347	663	-	-
Liquidity Funds	-	-	12,114	12,114	-	-	-
<b>Total Portfolio</b>	<b>360,069</b>	<b>100.0</b>	<b>94,105</b>	<b>93,683</b>	<b>151,423</b>	<b>511,914</b>	<b>100.0</b>

# List of Investments

at 30th June 2007

Company	Value £000	Company	Value £000
<b>Brazil</b>		<b>India</b>	
Petroleo Brasileiro <sup>1</sup>	27,184	Housing Development Finance	18,248
Companhia Vale do Rio Doce <sup>1</sup>	18,988	Bharti Airtel	15,648
Banco Itau	13,108	Infosys Technologies	5,566
MMX Mineracao e Metalicos	8,834	Hero Honda	2,805
Lojas Renner	4,936	Pantaloon Retail India	2,572
Weg	4,793	Zee Entertainment Enterprises	1,473
Companhia de Bebidas das Americas <sup>1</sup>	4,735	Ambuja Cements <sup>1</sup>	439
GP Investments <sup>1</sup>	4,698	ICICI Bank	15
Gol Linhas Aereas Inteligentes <sup>1</sup>	1,559	Great Eastern Shipping	1
Noxville Investimentos <sup>2</sup>	1	Great Offshore	1
	<b>88,836</b>		<b>46,768</b>
<b>South Korea</b>		<b>China and Hong Kong</b>	
Samsung Electronics <sup>1</sup>	17,384	Esprit Holdings	9,417
Shinsegae	14,290	Anhui Conch Cement	6,596
KT&G <sup>1</sup>	10,930	Shui On Construction & Materials	4,915
Posco	9,865	Shimao Property	4,600
Hyundai Motor	5,962	Gome Electrical Appliances	3,820
Hyundai Mobis	5,056	China National Buiding Material	3,687
Hanmi Pharmaceutical	4,946	Integrated Distribution Services	3,323
Shinsegae Food System	3,412	Tsingtao Brewery	1,873
	<b>71,845</b>	Proactive Technology	1,797
<b>South Africa</b>		Convenience Retail Asia	1,265
MTN	11,121		<b>41,293</b>
Impala Platinum	9,114	<b>Russia</b>	
Steinhoff International	8,253	Sberbank Rossii	12,296
RMB Holdings	6,633	Pharmacy Chain 36.6	6,654
African Bank Investments	5,965	Open Investments	4,894
Massmart	5,126	Vimpel Communications <sup>1</sup>	4,818
Network Healthcare	4,681	DIXY	4,355
Anglo American	3,924	Mobile Telesystems <sup>1</sup>	2,729
Imperial Holdings	2,313	Severstal Auto	2,079
	<b>57,130</b>	RTM OAO	1,562
<b>Mexico</b>			<b>39,387</b>
America Movil <sup>1</sup>	25,549	<b>Taiwan</b>	
Grupo Financiero Banorte	8,196	Hon Hai Precision	13,804
Walmart De Mexico	7,269	Taiwan Semiconductor Manufacturing <sup>1</sup>	8,691
Fomento Economico Mexicano <sup>1</sup>	4,304	President Chain Store	2,014
Controladora Comercial Mexicana	3,221		<b>24,509</b>
Grupo FAMSA	3,197	<b>Egypt</b>	
Banco Compartamos	1,163	Orascom Telecom	10,816
	<b>52,899</b>	Orascom Construction Industries	6,009
			<b>16,825</b>
		<b>Turkey</b>	
		Migros Turk	8,819
		Selcuk Ecza Deposu Ticaret Ve Sanay	2,844
		Boyner Buyuk Magazacilik	2,626
			<b>14,289</b>

## List of Investments continued

Company	Value £000
<b>Israel</b>	
Teva Pharmaceutical Industries <sup>1</sup>	9,851
Israel Discount Bank	3,081
	<b>12,932</b>
<b>Indonesia</b>	
Telekom Indonesia <sup>1</sup>	4,135
Unilever Indonesia	3,361
Bank Rakyat Indonesia	3,270
	<b>10,766</b>
<b>Hungary</b>	
OTP Bank <sup>1</sup>	8,338
Gedeon Richter <sup>1</sup>	1,966
	<b>10,304</b>
<b>Austria</b>	
Raiffeisen International Bank	7,536
	<b>7,536</b>
<b>Argentina</b>	
Tenaris <sup>1</sup>	7,251
	<b>7,251</b>
<b>Malaysia</b>	
British American Tobacco Malaysia	3,642
	<b>3,642</b>
<b>Chile</b>	
Banco Santander-Chile <sup>1</sup>	3,153
	<b>3,153</b>
<b>Romania</b>	
A&D Pharma <sup>1</sup>	2,413
	<b>2,413</b>
<b>Pakistan</b>	
BRR International Modaraba	123
	<b>123</b>
<b>Czech Republic</b>	
Czech & Slovak Investment Corporation <sup>3</sup>	13
	<b>13</b>
<b>Total Portfolio<sup>4</sup></b>	<b>511,914</b>

<sup>1</sup>Includes or comprises ADRs/GDRs/ADSs/GDSs/BDRs.

<sup>2</sup>Unlisted.

<sup>3</sup>Managed by JPMorgan Asset Management.

<sup>4</sup>Comprises all equity investments.

## Board of Directors



### **Roy Reynolds, CMG**

**(Chairman of the Board and of the Nomination Committee and Remuneration Committee)**

A Director since December 1999.

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



### **David Gamble**

A Director since April 2006.

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



### **Anatole Kaletsky**

A Director since September 2003.

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



### **Valentine Powell**

A Director since April 2006.

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



### **Alan Saunders**

**(Senior Independent Director and Chairman of the Audit Committee)**

A Director since May 2002.

An Independent Investment Consultant with Allenbridge Group plc. Mr Saunders was formerly Chief Economist at Royal Dutch Shell and also held senior investment roles in both Lazards and the Private Banking Division of UBS A.G. He is also a Director of SVM Global Fund plc and Investment Adviser to Dorset County Council Pension Scheme.

All Directors were members of the Audit, Nomination and Remuneration Committees throughout the year and all are considered independent of the Manager. With effect from 12th September 2007, Roy Reynolds stood down from membership of the Audit Committee.

# Directors' Report

The Directors present their report for the year ended 30th June 2007.

## Business Review

### Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th June 2006. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 30th June 2006 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 and 3, and in the Investment Manager's Report on pages 4 to 6.

### Investment Objective and Policies

The Company's objective is to achieve capital growth from emerging markets investments by consistent outperformance of the Company's benchmark index, the MSCI Emerging Markets Free Index (in sterling terms), and a rising share price over the longer term by taking carefully controlled risks through an investment method that is clearly communicated to shareholders.

In order to achieve this objective, the Company invests in a diversified portfolio, concentrating on countries and shares with the most attractive prospects. The Company does not invest more than 50% of its gross assets in any one region and does not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts).

### Performance

In the year to 30th June 2007, the Company produced a total return to shareholders of +39.9% and a total return on net assets of +41.4%. This compares with the return on the Company's benchmark index of +33.7%. As at 30th June 2007, the value of the Company's investment portfolio was £511.9m. The Investment Manager's Report on pages 4 to 6 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

### Total Return, Revenue and Dividends

Gross total return for the year amounted to £158,806,000 (2006: £73,686,000) and net total return after deducting interest, administration expenses and taxation amounted to £148,732,000 (2006: £67,938,000). Distributable income for the year amounted to £2,157,000 (2006: £4,078,000).

The Directors recommend a final dividend of 2.00p per share payable on 23rd November 2007 to holders on the register at the close of business on 26th October 2007. This distribution will amount to £2,206,000. The revenue reserve after transfer of the final dividend will amount to £479,000.

### Key Performance Indicators ('KPIs')

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

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

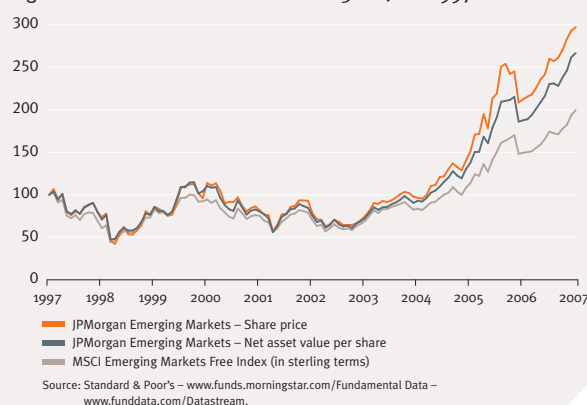
#### Performance Relative to Benchmark Index

Figures have been rebased to 100 at 30th June 1997



#### Ten Year Performance

Figures have been rebased to 100 at 30th June 1997



- **Performance against the Company's peers**

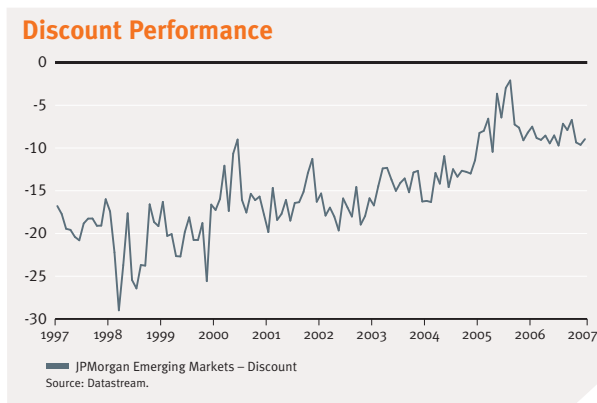
The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 30th June 2007 are given in the Investment Manager's Report on page 5.

- **Discount to net asset value ('NAV')**

The Board has a share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This helps to reduce the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers in the sector. In the year to 30th June 2007, the shares traded between a discount of 6.7% and 9.7%.



- **Total expense ratio ('TER')**

The TER is an expression of the Company's management fees and all other operating expenses (including tax relief, where allowable, but excluding interest payments) as a percentage of average net assets over the year. The TER for the year ended 30th June 2007 was 1.00% (2006: 0.97%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

### Share Capital

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

More details are given on page 20 and the full text of the resolutions is set out on pages 45 and 46.

### Principal Risks

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

- **Investment Underperformance:** An inappropriate investment strategy with regard to, for example asset allocation, the level of gearing or the degree of portfolio risk, could lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments and through a set of investment restrictions and guidelines which are monitored and reported on by the Manager. JPMorgan Asset Management (UK) Limited ('JPMAM') provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Manager, who attends all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Board holds a separate meeting devoted to strategy each year.
- **Loss of Investment Team or Investment Manager:** A sudden departure of the investment manager or several members of the investment management team could result in a short-term deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach, as well as special efforts to retain key personnel.
- **Discount:** A disproportionate widening of the discount, relative to the Company's peers could result in loss of value for shareholders. The Board regularly discusses discount policy and has set parameters for the Manager and the Company's broker to follow.]
- **Change of Corporate Control of the Manager:** The Board holds regular meetings with senior representatives of JPMAM in order to obtain assurance that the Manager continues to demonstrate a high degree of commitment to its investment trusts business through the provision of significant resources.
- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval

## Directors' Report continued

are given under "Business of the Company" above. Were the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Act 1985 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with the Companies Acts 1985 and 2006 and the UKLA Listing Rules.

- Corporate Governance and Shareholder Relations: Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 21 to 24.
- Operational: Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 23.
- Financial: The financial risks faced by the Company are disclosed in note 21 on pages 41 and 42.

### Future Developments

Clearly the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments in the countries in which it invests, but the Investment Manager discusses the outlook in his report on pages 4 to 6.

### Management

The Manager and Secretary, JPMorgan Asset Management (UK) Limited ('JPMAM') is employed under a contract which is subject to six months' notice of termination. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

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

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Investment Manager, noting consistent outperformance of the benchmark over the long term, and the support that the Company receives from JPMAM.

### Management and Performance Fees

The fixed basic annual management fee is 1.0% per annum of the Company's total assets less current liabilities. The management fee includes a contribution towards JPMAM's general marketing and client administration costs.

If the Company invests in funds managed or advised by JPMAM, or any of its associated companies, those investments are excluded from the calculation of the fixed basic annual management fee.

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

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

- Any performance fee earned in a given year is divided into two categories; that which can be offset ('offsetable') by underperformance in future years; and that which cannot ('non-offsetable').
- The 'non-offsetable' fee that can be earned in any one year is capped at 0.75% of the Company's average monthly total assets less current liabilities for the year. In a year when the Company produces a negative NAV total return per share, the 'non-offsetable' fees earned in that year are accrued but not paid. In a year when the Company produces a positive NAV total return per share, the Company will pay to the Manager all 'non-offsetable' fees earned in that year and those accrued from previous years, subject to the restriction below.

- The maximum fee that can be paid to JPMAM in any one year is capped at 0.75% of the Company's average monthly total assets less current liabilities for the year.
- The 'offsetable' fee is uncapped and equal to any fees earned in excess of the 0.75% cap. Until paid (i.e. in a year when the NAV total return per share is zero or positive), these fees are capable of being absorbed by any underperformance in a subsequent year.
- The performance fee calculation restarts at the end of a period when outperformance of the benchmark has been achieved and a performance fee earned.

The results for the year ended 30th June 2007 give rise to a performance fee of £3,826,000 as the NAV total return exceeded the benchmark total return. £3,258,000 will be payable this year (being £3,077,000 in respect of the current year plus £181,000 in respect of offsetable fees from previous years, earned but not paid due to the 0.75% cap) with £750,000 carried forward (due to the 0.75% cap restriction) and designated as offsetable.

### Going Concern

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

### Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 30th June 2007, the Company had no outstanding trade creditors (2006: none).

### Directors

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

Directors	30th June 2007	30th June 2006
David Gamble	3,781	3,781
Anatole Kaletsky	4,203	4,203
Valentine Powell	11,544	11,344
Roy Reynolds	15,000	15,000
Alan Saunders	5,000	5,000

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

In accordance with the Articles of Association, the Directors retiring by rotation at the Annual General Meeting will be Alan Saunders and Roy Reynolds who, being eligible, offer themselves for re-election.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

### Disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's auditors are unaware, and
- each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

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

### Notifiable Interests in the Company's Voting Rights

As at the date of this report, the Company had been notified of the following interests in the Company's voting rights:

Shareholders	Number of shares held	%
Lazard Asset Management LLC	12,204,950	11.1
Sarasin Chiswell	8,817,223	8.0
Puddle Dock Nominees Limited <sup>1</sup>	8,569,069	7.8
City of London Investment Management Company Limited	8,181,632	7.4
Royal Skandia	6,089,708	5.5
Devon County Council Pension Scheme Legal & General Investment Management Limited	5,110,000	4.6
National Grid UK Pension Scheme	4,533,336	4.1
	4,333,777	3.9

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

### Independent Auditors

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

## Directors' Report continued

### Annual General Meeting

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

**(i) Authority to increase the maximum aggregate Directors' fees (resolution 7).**

To allow for Board succession planning, the Directors recommend that, in accordance with Article 75 of the Company's Articles of Association, the permitted maximum aggregate of Directors' fees payable be increased from £150,000 to £175,000 per annum.

**(ii) Authority to allot relevant securities and to seek authority to disapply statutory pre-emption rights (resolutions 8 and 9).**

The Directors will seek authority at the Annual General Meeting to issue up to 5,515,187 new ordinary shares for cash up to an aggregate nominal amount of £1,378,796 such amount being equivalent to 5% of the present issued share capital. This authority will remain in effect until 7th November 2012 unless renewed at an earlier general meeting.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value ('NAV'), they increase NAV per share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

**(iii) Authority to disapply statutory pre-emption rights on sales of shares out of treasury (resolution 10).**

The Board believes that the effective use of treasury shares could assist the Company in improving liquidity in the Company's shares, in managing any imbalance between supply and demand and in minimising the volatility and absolute level of the discount at which the Company's shares trade to their NAV for the benefit of shareholders as a whole.

Sales of treasury shares will only be made at prices at or above NAV and consequently, will increase NAV per share.

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

At the Annual General Meeting held on 9th November 2006, shareholders gave authority to the Board to enable repurchases of up to 14.99% of the then issued share capital. At that time, shareholders were informed that this authority would expire on 8th May 2008 or at the conclusion of the Company's Annual General Meeting in 2007. A Special Resolution will be proposed at the Annual General Meeting

that the Company be authorised to purchase in the market up to 16,534,530 shares (or, if less, the number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of Resolution 11 set out in the Notice of Meeting). The cash required to repurchase shares will be met either from cash available or from selling investments in the portfolio.

The Directors consider that the renewal of the authority would be in the interests of shareholders as a whole as the repurchase of shares at a discount to the underlying NAV would enhance the NAV of the remaining shares. The Directors therefore recommend that shareholders vote in favour of the resolution.

The full text of all the Resolutions is set out in full in the Notice of Meeting on pages 45 and 46.

By order of the Board  
Philip Jones FCIS, for and on behalf of  
JPMorgan Asset Management (UK) Limited, Secretary  
18th September 2007

# Corporate Governance

## Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 26, indicates how the Company has applied the principles of good governance of the Revised Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that, apart from certain matters noted below, the Company has complied with the best practice provisions of the Combined Code, insofar as they are relevant to the Company's business, and of the AIC Code throughout the year under review.

## Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved during the year. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

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

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

## Board Composition

The Board, chaired by Roy Reynolds, consists of five non-executive Directors, all of whom are regarded by the Board as

independent, including the Chairman. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 15.

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

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

## Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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

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

## Meetings and Committees

The Board delegates certain responsibilities and functions to committees. All Directors are members of the committees.

## Corporate Governance continued

The table below details the number of Board and Committee meetings attended by each Director. During the year, there were 5 Board meetings, plus a meeting of the Directors to evaluate the Manager and a separate meeting devoted to strategy, 2 Audit Committee meetings, a Nomination Committee meeting and a Remuneration Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Remuneration Committee Meetings Attended	Nomination Committee Meetings Attended
David Gamble	3	0	1	1
Anatole Kaletsky	3	2	1	1
Roy Peters†	2	1	1	1
Valentine Powell	5	2	1	1
Roy Reynolds	5	2	1	1
Alan Saunders	5	2	1	1

† retired on 30th September 2006

### Training and Appraisal

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

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

### Board Committees

#### Nomination Committee

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

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

work of the Board. The Chairman is evaluated by other members of the Board, led by the Senior Independent Director.

#### Remuneration Committee

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

#### Audit Committee

The Audit Committee, chaired by Alan Saunders, meets at least twice each year. Throughout the year under review, the Committee consisted of all the Directors. The Board considers that members of the Audit Committee have the requisite skills and experience to fulfill the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience. With effect from 12th September 2007, Roy Reynolds stood down from the membership of the Audit Committee. It is intended that he will attend future Audit Committee meetings by invitation. The Committee reviews the actions and judgements of management in relation to the interim and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. Representatives of the Company's auditors attend the Committee meeting at which the draft annual report and accounts are considered. The Directors' statement on the Company's system of internal control is set out below.

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

#### Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the Annual Report and Accounts and the Interim Report. This is supplemented by the daily publication, through the

London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Manager who reviews the Company's performance. The Company's brokers, the Investment Manager and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Secretary whose details are shown on page 43.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 43.

### Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure that they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM. This arrangement is kept under review. The key elements designed to provide effective internal control are as follows:

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

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

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

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

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

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

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th June 2007, and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of internal control, the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant.

### Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The text below is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is

## Corporate Governance continued

available from JPMAM on request, or can be downloaded from [www.jpmorgan.com](http://www.jpmorgan.com).

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

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

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues (see following page). These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote.

### Corporate Social Responsibility

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

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

## Directors' Remuneration Report

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

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 27.

### Directors' Remuneration (Audited Information)

Director's Name	2007 £	2006 £
Roy Reynolds (Chairman)	27,500	22,500
David Gamble <sup>1</sup>	18,000	2,731
Patrick Gifford <sup>2</sup>	—	3,750
Anatole Kaletsky	18,000	15,000
Roy Peters <sup>3</sup>	5,500	17,500
Valentine Powell <sup>1</sup>	18,000	2,731
Alan Saunders	21,744	15,000

<sup>1</sup>Appointed on 25th April 2006.

<sup>2</sup>Retired on 30th September 2005.

<sup>3</sup>Retired on 30th September 2006.

The total Directors' fees of £108,744 (2006: £79,212) comprise £108,744 (2006: £79,212) in respect of aggregate emoluments paid to Directors and £nil (2006: £nil) paid to third parties for making available the services of Directors.

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

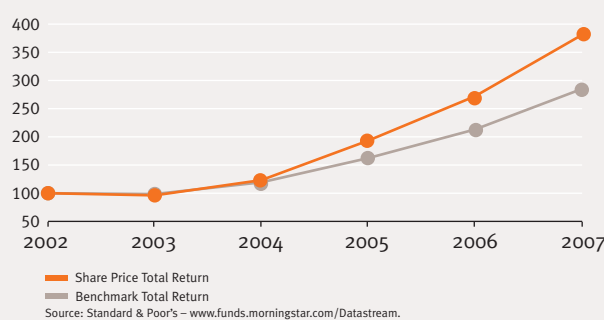
The Remuneration Committee reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited, and industry research on the level of fees paid to the Directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance related and the Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment. The Articles stipulate that aggregate fees must not exceed £150,000 per annum. Any increase in this amount requires both Board and shareholder approval. The Board will seek shareholder approval at the forthcoming Annual

General Meeting to increase the maximum aggregate amount payable per annum to £175,000.

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

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

### Five year share price and index total return performance to 30th June 2007



By order of the Board

Philip Jones FCIS, for and on behalf of  
JPMorgan Asset Management (UK) Limited, Secretary  
18th September 2007

## Directors' Responsibilities in Respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors confirm that the accounts simply comply with the above requirements.

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

The accounts are published on the [www.jpmorganassetmanagement.co.uk](http://www.jpmorganassetmanagement.co.uk) website, which is maintained by the Company's Investment Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM.

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

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

We have audited the accounts of the JPMorgan Emerging Markets Investment Trust plc for the year ended 30th June 2007 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

## Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts.

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2003 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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

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

## Basis of audit opinion

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

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

## Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30th June 2007 and of its net return and cash flows for the year then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

## PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors  
London

18th September 2007

# Income Statement

for the year ended 30th June 2007

	Notes	Revenue £000	2007 Capital £000	Total £000	Revenue £000	2006 Capital £000	Total £000
Gains from investments held at fair value through profit or loss	2	—	151,401	151,401	—	66,545	66,545
Net foreign currency losses		—	(650)	(650)	—	(1,347)	(1,347)
Income from investments	3	8,010	—	8,010	8,021	—	8,021
Other interest receivable and similar income	3	45	—	45	467	—	467
<b>Gross return</b>		8,055	150,751	158,806	8,488	65,198	73,686
Management fee	4	(4,500)	—	(4,500)	(3,088)	—	(3,088)
Performance fee	4	—	(4,176)	(4,176)	—	(1,338)	(1,338)
Other administrative expenses	5	(885)	—	(885)	(656)	—	(656)
<b>Net return on ordinary activities before finance costs and taxation</b>		2,670	146,575	149,245	4,744	63,860	68,604
Finance costs	6	(55)	—	(55)	(12)	—	(12)
<b>Net return on ordinary activities before taxation</b>		2,615	146,575	149,190	4,732	63,860	68,592
Taxation	7	(458)	—	(458)	(654)	—	(654)
<b>Net return on ordinary activities after taxation</b>		2,157	146,575	148,732	4,078	63,860	67,938
<b>Return per share</b>	9	1.96p	132.88p	134.84p	4.30p	67.34p	71.64p

**Dividends proposed in respect of the financial year ended 30th June 2007 total 2.00p per share (2006: 3.65p per share) costing £2,206,000 (2006: £3,594,000). More details can be found in note 8(a) on page 36.**

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year. On 11th April 2006, the Company acquired assets amounting to £76.1m from F&C Emerging Markets Investment Trust plc, following a scheme of reconstruction of that company. Therefore the comparative figures only include the results arising from that acquisition for the latter part of the year. The "Total" column of this statement is the Profit and Loss Account of the Company, and the "Revenue" and "Capital" columns represent supplementary information. The "Total" column represents all the information that is required to be disclosed in a 'Statement of Total Recognised Gains and Losses' ('STRGL'). For this reason a STRGL has not been presented.

The notes on pages 32 to 42 form an integral part of these accounts.

## Reconciliation of Movements in Shareholders' Funds

for the year ended 30th June 2007

	Called up Share Capital £000	Share Premium £000	Capital redemption reserve £000	Other reserve £000	Capital reserves £000	Revenue reserve £000	Total £000
<b>At 30th June 2005</b>	22,548	—	1,665	69,939	125,769	2,254	222,175
Adjustment to opening shareholders' funds at 1st July 2005 to reflect the adoption of bid prices	—	—	—	—	(1,162)	—	(1,162)
Shares issued	5,027	71,052	—	—	—	—	76,079
Net return from ordinary activities	—	—	—	—	63,860	4,078	67,938
Dividends appropriated in the year	—	—	—	—	—	(4,149)	(4,149)
<b>At 30th June 2006</b>	27,575	71,052	1,665	69,939	188,467	2,183	360,881
Net return from ordinary activities	—	—	—	—	146,575	2,157	148,732
Dividends appropriated in the year	—	—	—	—	—	(1,655)	(1,655)
<b>At 30th June 2007</b>	27,575	71,052	1,665	69,939	335,042	2,685	507,958

The notes on pages 32 to 42 form an integral part of these accounts.

# Balance Sheet

at 30th June 2007

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	10	511,914	360,069
<b>Current assets</b>			
Debtors	11	1,386	1,021
Cash and short term deposits		925	2,553
		2,311	3,574
<b>Creditors:</b> amounts falling due within one year	12	(5,467)	(2,576)
<b>Net current (liabilities)/assets</b>		(3,156)	998
<b>Total assets less current liabilities</b>		508,758	361,067
<b>Creditors:</b> amounts falling due after more than one year			
Provisions for liabilities and charges	13	(800)	(186)
<b>Total net assets</b>		507,958	360,881
<b>Capital and reserves</b>			
Called up share capital	14	27,575	27,575
Share premium	15	71,052	71,052
Capital redemption reserve	15	1,665	1,665
Other reserve	15	69,939	69,939
Capital reserves	15	335,042	188,467
Revenue reserve	15	2,685	2,183
<b>Shareholders' funds</b>		507,958	360,881
<b>Net asset value per share</b>	16	460.5p	327.2p

The accounts on pages 28 to 42 were approved and authorised for issue by the Directors on 18th September 2007 and are signed on their behalf by:

Alan Saunders

Director

The notes on pages 32 to 42 form an integral part of these accounts.

# Cash Flow Statement

for the year ended 30th June 2007

	Notes	2007 £000	2006 £000
<b>Net cash inflow from operating activities</b>	17	206	1,840
<b>Returns on investments and servicing of finance</b>			
Interest paid		(55)	(11)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(55)	(11)
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(93,139)	(112,013)
Sales of investments		93,683	101,190
Other capital charges		(18)	(19)
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		526	(10,842)
Dividends paid		(1,655)	(4,149)
<b>Net cash outflow before financing</b>		(978)	(13,162)
<b>Financing</b>			
Issue of shares		—	2,113
<b>Net cash inflow from financing</b>		—	2,113
<b>Decrease in cash in the year</b>	18	(978)	(11,049)

The notes on pages 32 to 42 form an integral part of these accounts.

# Notes to the Accounts

for the year ended 30th June 2007

## 1. Accounting policies

### (a) Basis of accounting

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

The accounts have been prepared on the historical cost basis except for the measurement at fair value of investments.

All of the Company's operations are of a continuing nature.

### (b) Valuation of investments

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

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

### (c) Income

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

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

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

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

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

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

### (d) Expenses

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

- performance related fees are allocated 100% to capital;
- expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sales proceeds. These expenses are commonly referred to as transaction costs and include items such as stamp duty and broker commissions. In accordance with the SORP, disclosure of transaction costs is now required and can be found in note 10.

### (e) Finance costs

Finance costs are accounted for on an accruals basis and in accordance with the provisions of FRS 25 "Financial Instruments: Disclosure and Presentation" and FRS 26 "Financial Instruments: Measurement".

Finance costs are allocated wholly to revenue.

**(f) Financial instruments**

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

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

Interest bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method.

Derivative instruments are valued at fair value in the balance sheet. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

**(g) Foreign currency**

In accordance with FRS23: "The effects of changes in Foreign Currency Exchange Rates" the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, have determined the functional currency to be Sterling.

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

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

**(h) Taxation**

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

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

**(i) Dividends**

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

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
<b>2. Gains from investments held at fair value through profit or loss</b>		
Gains from investments held at fair value through profit or loss based on historical cost	28,408	19,485
Amounts recognised as unrealised in the previous year	(23,270)	(9,021)
Realised gains based on carrying value at previous balance sheet date	5,138	10,464
Net movement in unrealised appreciation	146,285	56,099
Other capital charges	(22)	(18)
Total capital gains from investments held at fair value through profit or loss	151,401	66,545

## Notes to the Accounts continued

	2007 £000	2006 £000
<b>3. Income</b>		
Income from investments		
UK dividend income	121	94
Overseas dividends	7,646	7,688
Scrip dividends	243	239
	8,010	8,021
Other income		
Deposit interest	38	397
Stock lending fees	7	70
	45	467
<b>Total income</b>	<b>8,055</b>	<b>8,488</b>
Total income comprises:		
Dividends	8,010	8,021
Other income	45	467
	8,055	8,488
Income from investments:		
Listed overseas	7,889	7,927
Listed UK	121	94
	8,010	8,021
	2007 £000	2006 £000
<b>4. Management fee and performance fee</b>		
Management fee	4,215	3,011
Irrecoverable VAT thereon	285	77
	4,500	3,088
Performance fee <sup>1</sup>	3,826	1,242
Irrecoverable VAT thereon	350	96
	4,176	1,338

<sup>1</sup>For details of performance fee realised, please refer to note 13.

	2007 £000	2006 £000
<b>5. Other administrative expenses<sup>1</sup></b>		
Other management expenses	620	499
Directors' fees <sup>2</sup>	109	79
Savings product <sup>3</sup>	131	49
Auditors' remuneration – for audit services <sup>4</sup>	25	25
Auditors' remuneration – for all other services <sup>4</sup>	—	4
	885	656

<sup>1</sup>Expenses include the related irrecoverable VAT.

<sup>2</sup>Full disclosure is given in the Directors' Remuneration Report on page 25.

<sup>3</sup>Paid to JPMAM for the marketing of 'wrapper' products.

<sup>4</sup>Includes £1,000 (2006: £1,000) irrecoverable VAT.

	2007 £000	2006 £000
<b>6. Finance costs</b>		
Bank loans and overdrafts	55	12

	2007 £000	2006 £000
<b>7. Taxation</b>		
UK corporation tax at 30% (2006: 30%)	—	529
Double taxation relief	—	(529)
Overseas withholding tax	458	654
	458	654

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%). The difference is explained below.

	2007 £000	2006 £000
Revenue return on ordinary activities before taxation	2,615	4,732
Revenue return on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2006: 30%)	785	1,420
Non taxable UK dividends	(36)	(28)
Non taxable scrip dividends	(73)	(72)
Income taxed in different periods	45	(163)
Tax relief on capitalised expenses	(1,253)	(401)
Overseas tax	458	654
Relief for overseas tax	—	(529)
Brought forward excess expenses utilised	—	(227)
Unrelieved expenses	532	—
	458	654

Investment trust companies are exempt from tax on capital gains if they meet the criteria set out in S842 of the Income and Corporation Taxes Act 1988 for a given year. Therefore the capital return of £146,575,000 (2006:£63,860,000) is not included in the above reconciliation.

## Notes to the Accounts continued

The Company has an unrecognised deferred tax asset of £2,822,000 (2006: £1,820,000). This has arisen from deductible expenses exceeding taxable income. Given the composition of the Company's portfolio it is unlikely that this asset will be fully utilised in the foreseeable future.

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

### 8. Dividends

	2007 £000	2006 £000
<b>(a) Dividends paid</b>		
2006 Final dividend of 1.5p (2005: 2.45p)	1,655	2,210
Special dividend of 0.65p paid in January 2006	—	586
Special dividend of 1.5p paid in May 2006	—	1,353
<b>Total dividends paid in the year</b>	<b>1,655</b>	<b>4,149</b>
<b>Dividends declared</b>		
Final dividend payable of 2.0p (2006: 1.5p)	2,206	1,655
<b>Total dividends payable</b>	<b>2,206</b>	<b>1,655</b>

The final dividend proposed in respect of the year ended 30th June 2007 is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ended 30th June 2008.

### (b) Dividend for the purposes of S842 of the Income and Corporation Taxes Act 1988

The requirements of S842 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends declared in respect of the financial year, as follows:

	2007 £000	2006 £000
Special dividend of 0.65p paid in January 2006	—	586
Special dividend of 1.5p paid in May 2006	—	1,353
Final dividend payable of 2.0p (2006: 1.5p)	2,206	1,655
<b>Total dividend for S842 purposes</b>	<b>2,206</b>	<b>3,594</b>

The revenue available for distribution by way of dividend for the year is £2,157,000 (2006: £4,078,000).

### 9. Return per ordinary share

The revenue return per share is based on the earnings attributable to the ordinary shares of £2,157,000 (2006: £4,078,000) and on the weighted average number of shares in issue during the year of 110,303,742 (2006: 94,834,877).

The capital return per share is based on the capital gains attributable to the ordinary shares of £146,575,000 (2006: £63,860,000) and on the weighted average number of shares in issue during the year of 110,303,742 (2006: 94,834,877).

The total return per share is based on the total return attributable to the ordinary shares of £148,732,000 (2006: £67,938,000) and on the weighted average number of shares in issue during the year of 110,303,742 (2006: 94,834,877).

	2007 £000	2006 £000
<b>10. Investments</b>		
Investments listed on a recognised investment exchange	511,913	360,069
Unlisted investments	1	—
	511,914	360,069

	Listed overseas £000	2007 Unlisted £000	Total £000
Opening book cost	211,389	85	211,474
Opening unrealised gains/(losses)	148,680	(85)	148,595
Opening valuation	360,069	—	360,069
Movements in the year:			
Purchases at cost	94,105	—	94,105
Sales – proceeds	(93,683)	—	(93,683)
Sales – realised gains on sales	5,138	—	5,138
Net change in unrealised gains	146,284	1	146,285
	511,913	1	511,914
Closing book cost	240,304	—	240,304
Closing unrealised gains	271,609	1	271,610
	511,913	1	511,914

Transaction costs on purchases during the year amounted to £200,000 (2006: £262,000) and on sales during the year amounted to £219,000 (2006: £132,000). These costs represent broker commission and are included in purchases and netted off against sales in the above note.

During the year £23,270,000 of prior year unrealised appreciation has been transferred from Capital reserve – unrealised as disclosed in note 15.

The aggregate value of securities on loan as at 30th June 2007 amounted to £1,717,000 and the maximum value of stock on loan during the year ended 30th June 2007 was £3,379,000. Collateral is obtained by JPMorgan Chase & Co. Limited as agent to the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds. JPMorgan initially calls collateral at either 102% or 105% and pledges to call sufficient collateral to maintain the collateral margins at these levels.

## Notes to the Accounts continued

	2007 £000	2006 £000
<b>11. Current assets</b>		
<b>Debtors</b>		
Currency receivable	578	—
Dividends and interest receivable	704	859
Other debtors	104	162
	1,386	1,021

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

### Cash and short term deposits

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

	2007 £000	2006 £000
<b>12. Creditors: amounts falling due within one year:</b>		
Currency payable	578	—
Securities purchased for future settlement	723	—
Performance fee payable	3,258	2,330
VAT payable on accrued performance fee	220	60
Other creditors and accruals	688	186
	5,467	2,576

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

	2007 £000	2006 £000
<b>13. Provision for liabilities and charges</b>		
<b>Performance fee payable<sup>1</sup></b>		
Opening balance	181	1,269
Performance fee for the year	3,826	1,242
Amount realised during the year	(3,258)	(2,330)
Closing Balance	749	181

<sup>1</sup> Further details on the performance fee can be found in the the Directors' Report on pages 18 and 19.

	2007 £000	2006 £000
<b>Irrecoverable VAT on performance fee payable</b>		
Opening balance	5	—
Performance fee for the year	266	105
Amount realised during the year	(220)	(100)
Closing Balance	51	5

	2007 £000	2006 £000
<b>14. Called up share capital</b>		
Authorised share capital: 296,000,000 ordinary shares of 25p each	74,000	74,000
Issued and fully paid share capital: Ordinary shares of 25p each		
At beginning of year 110,303,742 shares (2006: 90,194,218)	27,575	22,548
Issue of nil shares (2006: 20,109,524)	—	5,027
At end of year 110,303,742 shares (2006: 110,303,742)	27,575	27,575

	Share premium £000	Capital redemption reserve £000	Other reserve £000	Capital reserve – realised £000	Capital reserve – unrealised £000	Revenue reserve £000
<b>15. Reserves</b>						
Opening balance	71,052	1,665	69,939	40,053	148,414	2,183
Currency loss on cash and short-term deposits held during the year	—	—	—	(650)	—	—
Realised gains on investments	—	—	—	5,138	—	—
Net change in unrealised gains	—	—	—	—	146,285	—
Transfer on disposal of investments	—	—	—	23,270	(23,270)	—
Performance fee for the year	—	—	—	—	(3,826)	—
Performance fee now realised	—	—	—	(3,258)	3,258	—
Irrecoverable VAT on performance fee	—	—	—	(350)	—	—
Provision for irrecoverable VAT on performance fee carried forward	—	—	—	51	(51)	—
Other capital charges	—	—	—	(22)	—	—
Dividends appropriated in the year	—	—	—	—	—	(1,655)
Retained revenue for the year	—	—	—	—	—	2,157
Closing balance	71,052	1,665	69,939	64,232	270,810	2,685

**16. Net asset value per share**

Net asset value per share is based on funds attributable to shareholders and on 110,303,742 (2006: 110,303,742) shares in issue at the year end.

## Notes to the Accounts continued

	2007 £000	2006 £000
<b>17. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities</b>		
Total return on ordinary activities before finance costs and taxation	149,245	68,604
Capital return before finance costs and taxation	(146,575)	(63,860)
Scrip dividends received as income	(243)	(239)
Decrease/(increase) in accrued income	155	(448)
Decrease/(increase) in other debtors	58	(92)
Increase/(decrease) in accrued expenses	502	(25)
Tax on unfranked investment income	(458)	(654)
Performance fee paid	(2,330)	(1,333)
VAT on performance fee paid	(148)	(113)
Net cash inflow from operating activities	206	1,840

	At 30th June 2006 £000	Cash flow £000	Exchange movements £000	At 30th June 2007 £000
<b>18. Analysis of changes in net funds</b>				
Cash at bank and in hand	2,553	(978)	(650)	925

### 19. Contingent assets/liabilities and capital commitments

In 2004 the AIC lodged a joint appeal for the payment of investment trust management fees to be made exempt from VAT. The costs of the appeal are being borne by the investment trust industry through the AIC. The European Court of Justice (ECJ) has found in favour of the AIC in declaring that the management fees of investment trusts are eligible for exemption from VAT. We now await the Government's response to this ruling. On the basis of the ECJ ruling it seems that the likelihood of realising some benefit is probable. However, in the absence of a final outcome on the AIC appeal and a definitive agreement with the Manager as to how the reclaims would be effected, it is not practical at this stage to quantify the amount of any VAT recoverable.

There were no contingent liabilities or capital commitments at the balance sheet date (2006: £nil).

### 20. Transactions with JPMorgan

Details of the management contract (which includes a performance fee) are set out on page 18. The terms make allowance for the exclusion of management charges on investments held in funds managed by JPMorgan. There is £3,258,000, excluding VAT, due to JPMAM at the year end (2006: £2,330,000) in respect of a performance fee. The management fee payable to JPMAM for the year can be found in note 4, page 34 and the performance fee payable is shown in note 13, page 38, with further information given in the Directors' Report on pages 18 and 19. In addition, JPMAM was paid £123,000 for the marketing and administration of 'wrapper' products (2006: £49,000). Other management expenses, as shown in note 5 on page 35, include safe custody fees of £389,000 (2006: £307,000) of which £100,000 (2006: £83,000) was outstanding at the year end. These fees were paid to third party custodians by JPMorgan Chase & Co, on behalf of the Company. JPMAM carries out some of its dealing transactions through other group subsidiaries. These transactions are carried out at arms' length. The commission payable to JPMorgan Securities for the year was £34,000 (2006: £nil). The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

The Company paid £26,000 to JPMorgan in respect of handling charges incurred on dealing transactions undertaken by overseas sub-custodians (2006: £7,000).

The Company holds investments in funds managed by JPMAM. At 30th June 2007 these were valued at £13,000 (2006: £189,000) and represented 0.003% of the Company's investment portfolio (2006: 0.1%). During the year the Company

made no purchases or sales in such investments (2006: nil). No investment income was received from these funds (2006: £nil). However, a capital distribution of £22,000 was received (2006: £666,000).

The Company has received £7,000 (2006: £70,000) as a result of stock lending transactions during the year. JPMAM commissions in respect of such transactions amounted to £2,000 (2006: £18,000).

At the year end, a bank balance of £51,000 was held with JPMorgan Chase. During the year ended 30th June 2007 the Company received a net amount of interest of £38,000.

## 21. Financial instruments

### (a) Management of risk

The Company's financial instruments comprise:

- Investments in equity shares with overseas exposure. These are held in accordance with the Company's investment objective and policies; and
- Short-term debtors, creditors and immaterial cash amounts arising directly from its operations.

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

The main risks arising from the Company's financial instruments are market price risk, foreign currency risk, credit risk and liquidity risk. The Board's policies for managing these risks are summarised below.

#### Market Price Risk

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

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

#### Foreign Currency Risk

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

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

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

The Company may be subject to short-term exposure to exchange rate movement, for instance where there is a difference between the date an investment purchase or sale is entered into and the date when settlement of the proceeds occurs. This exposure is short-term and therefore the risk is not significant.

#### Credit Risk

The Company's financial assets are bank balances, debtors and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets. When buying and selling investments, the Company is exposed to the risk that the counterparty will not deliver the investment or cash. The Company will only deal with brokers which have been approved by JPMAM and limits have been set as to the maximum exposure to any one broker at any time. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

#### Liquidity Risk

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

## Notes to the Accounts continued

### (b) Currency Exposures

An analysis of the Company's net assets at 30th June 2007 is:

	US Dollars £m	S.Korean Won £m	S.African Rands £m	Indian Rupees £m	Taiwan Dollars £m	Other £m	Total £m
Investments	175.2	62.1	53.2	46.3	15.8	159.3	511.9
Net current liabilities	(0.4)	—	—	0.2	—	(2.9)	(3.1)
Financial instruments outstanding at year end	174.8	62.1	53.2	46.5	15.8	156.4	508.8

An analysis of the Company's net assets at 30th June 2006 is:

	US Dollars £m	S.Korean Won £m	S.African Rands £m	Indian Rupees £m	Taiwan Dollars £m	Other £m	Total £m
Investments	128.0	67.1	38.6	26.9	14.6	81.6	356.8
Net current assets	2.6	—	0.1	0.2	0.3	0.2	3.4
Financial instruments outstanding at year end	130.6	67.1	38.7	27.1	14.9	81.8	360.2

### (c) Interest Rate Risk Profile of Financial Assets and Financial Liabilities

The Company's financial assets comprise investments, debtors and cash. The investments are all equity shares which neither pay interest nor have a maturity date. The Company's debtors comprise unsettled broker balances for securities sold, dividends receivable, prepayments and other small balances on which no interest accrues. Cash balances in excess of a predetermined amount are placed on short-term deposit and earn market rates of interest.

The Company's liabilities include unsettled broker balances for securities purchased and other accruals on which no interest is payable.

### (d) Fair values of Financial Instruments

All financial assets and liabilities are included in the balance sheet at fair values.

# Information about the Company

## Financial Calendar

Financial year end	30th June
Interim results announced	February
Final results announced	September
Final dividend payment on ordinary shares	November
Annual General Meeting	November
Interim Management Statements	April and October (2008)

## History

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

## Company Numbers

Company registration number: 2618994  
 London Stock Exchange Sedol number: 0341895  
 ISIN: GB0003418950  
 Bloomberg code: JMG LN  
 Reuters code: JMG.L

## Market Information

The Company's shares are listed on the London Stock Exchange and are quoted in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan website at [www.jpmemergingmarkets.co.uk](http://www.jpmemergingmarkets.co.uk), where the share price is updated every fifteen minutes during trading hours.

## Website

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

## Share Transactions

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

## Manager and Secretary

JPMorgan Asset Management (UK) Limited

## Company's Registered Office

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

Please contact Philip Jones FCIS for company secretarial and administrative matters, at the Company's registered office.

## Registrars

Lloyds TSB Registrars  
 Reference 1081  
 The Causeway  
 Worthing  
 West Sussex BN99 6DA  
 Telephone: 0870 600 3984

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

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

## Auditors

PricewaterhouseCoopers LLP  
 Hay's Galleria  
 1 Hay's Lane  
 London  
 SE1 2RD

## Brokers

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

## Savings Product Administrators

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

**aic**

The Association of  
 Investment Companies A member of the AIC

# Shareholder Analysis

at 30th June 2007

	Number of shares	% holding
Pension funds	22,533,083	20.4
Unit trusts	20,853,506	18.9
Investment trusts <sup>1</sup>	13,953,683	12.7
Insurance companies	11,976,043	10.9
Other institutions	5,184,265	4.7
Charities	2,137,190	1.9
<b>Total Institutions</b>	<b>76,637,770</b>	<b>69.5</b>
Retail investors holding shares directly or through nominee accounts <sup>2</sup>	12,852,054	11.7
Private client brokers	11,247,775	10.2
Individuals in the Investment Trust Share Plan <sup>3</sup>	6,929,813	6.3
Individuals in the Investment Trust Individual Savings Account <sup>3</sup>	1,492,615	1.3
Individuals in the Investment Trust Pension Account <sup>3</sup>	991,328	0.9
Individuals in the Investment Trust Personal Equity Plan <sup>3</sup>	152,387	0.1
<b>Total Retail</b>	<b>33,665,972</b>	<b>30.5</b>
<b>Total Shares in Issue</b>	<b>110,303,742</b>	<b>100.00</b>

Nominee accounts have been allocated to their appropriate category.

<sup>1</sup>Includes 1,325,000 shares held by JPMorgan Elect plc.

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

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

Source: Thomson Financial

# Notice of Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of JPMorgan Emerging Markets Investment Trust plc will be held at the Salters' Hall, 4 Fore Street, London EC2Y 5DE on 8th November 2007 at 3.00 p.m. for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2007.
- 2 To approve the Directors' Remuneration Report for the year ended 30th June 2007.
- 3 To approve a final dividend of 2.00p per share.
- 4 To re-elect Alan Saunders as a Director of the Company.
- 5 To re-elect Roy Reynolds as a Director of the Company.
- 6 To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

## Special Business

To consider the following resolutions:

### Authority to increase the maximum aggregate Directors' fees – Ordinary Resolution

- 7 THAT in accordance with Article 75 of the Company's Articles of Association, the maximum aggregate Directors' fees payable be increased from £150,000 to £175,000 per annum with immediate effect.

### Authority to allot relevant securities – Ordinary Resolution

- 8 THAT in substitution for all previous authorities the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £1,378,796 or, if less than 5% of the total ordinary share capital in issue immediately preceding the passing of this resolution such authority to expire on 7th November 2012 unless previously revoked, varied or extended by the Company in a general meeting.

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

- 9 THAT subject to the passing of Resolution 8, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 8 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity

securities for cash up to an aggregate nominal amount of £1,378,797, representing approximately 5% of the total share capital as at the date of the passing of this resolution at a price of not less than the net asset value ('NAV') per share and shall expire on 7th November 2012, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers, agreements or arrangements as if the power conferred hereby had not expired.

### Authority to disapply pre-emption rights on sale of treasury shares – Special Resolution

- 10 THAT references to an allotment of equity securities in Resolution 8 above shall include a sale of treasury shares provided that the power to sell treasury shares pursuant to this resolution is not granted pursuant to any resolution conferring authority under Section 80 of the Companies Act 1985.

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

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

PROVIDED ALWAYS THAT

- (i) the maximum number of shares hereby authorised to be purchased shall be 16,534,530 or if less, that number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for an ordinary share will be 25 pence;
- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors) at the date following not more than seven days before the date of purchase;

- (v) the authority hereby conferred shall expire on 7th May 2009 unless the authority is renewed at the Company's Annual General Meeting in 2008 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

By order of the Board  
Philip Jones FCIS, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Secretary  
18th September 2007

#### Notes

- 1 A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote on their behalf. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if he so wishes.
- 2 Any instrument appointing a proxy, to be valid, must be lodged at the Company's Registrar not less than 2 business days before the time of the meeting.
- 3 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. on 6th November 2007 (the 'specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- 4 Entry to the above Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.  
  
A corporation, which is a shareholder, may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with Section 375 of the Companies Act 1985. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Company's registrars.
- 5 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.
- 6 No Director has any contract of service with the Company.

#### Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's CREST Manual. The CREST message must be transmitted so as to be received by the issuer's agent (ID7RA01) by not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timing and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member(s) is/are a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

# Glossary of Terms

## Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received (net of tax) were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

## Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company (net of tax) were reinvested in the shares of the Company at time the shares were quoted ex-dividend.

## Benchmark Return

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

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

## Actual Gearing Factor

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

## Total Expense Ratio

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

## Discount/Premium

If the share price of an investment company is lower than the net asset value ("NAV") per share, the trust is said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company to trade at a discount than a premium.

## Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

## Performance Attribution Definitions:

### Asset Allocation

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

### Stock Selection

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

### Gearing/Cash

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

### Currency

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

### Management Fees/Other Expenses

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

### Performance Fees

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

### Residual

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

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