



Annual Report **2013**  
JPMorgan Global Emerging Markets  
Income Trust plc

Annual Report & Accounts for the year ended 31st July 2013

# Features

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## Objective

The Company's investment objective is to provide investors with a dividend income combined with the potential for long term capital growth from a diversified portfolio of emerging markets investments.

## Investment Policies

- The Company invests predominantly in listed equities but retains the flexibility also to invest in other types of securities, including, but not limited to, unlisted equities, convertible securities, preference shares, debt securities, cash and cash equivalents.
  - The Company is free to invest in any particular market, sector or country in the global emerging markets universe. It may also invest in securities issued by companies based in or operating in emerging markets but listed or traded on the stock exchanges of developed markets and in the securities of issuers based in developed markets that have substantial exposure to emerging markets.
  - There are no fixed limits on portfolio construction with regard to region, country, sector or market capitalisation. In the normal course of business the Company typically invests at least 80% of its gross assets in listed equities. The Company will at all times invest and manage its assets in a manner that is consistent with spreading investment risk.
  - No more than 15% of the Company's gross assets shall be invested in the securities of any one company or group at the time the investment is made.
  - The Company shall not invest more than 10% of its gross assets in unlisted securities or in other listed closed-ended investment funds at the time the investment is made.
  - The Company may undertake option writing in respect of up to 10% of the Company's net assets. The Company may use derivative instruments for the purposes of efficient portfolio management.
  - The Company may borrow up to an amount equal to 30% of its net assets at the time of the drawdown, although the Board intends only to utilise borrowings representing up to a maximum of 20% of net assets at the time of drawdown.
- Full details of the Company's investment policies may be found on pages 15 and 16.

## Benchmark

The Company's benchmark is the MSCI Emerging Markets Index, with net dividends reinvested, in sterling terms.

## Capital Structure

At 31st July 2013, the Company's issued share capital comprised 234,369,438 Ordinary shares of 1p each.

## Life of the Company

At the annual general meeting of the Company to be held in 2015 and every three years thereafter, an ordinary resolution will be put to shareholders that the Company continues as an investment trust.

## Management Company

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

## Association of Investment Companies

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

## Website

The Company's website, which can be found at [www.jpmglobalemergingmarketsincome.co.uk](http://www.jpmglobalemergingmarketsincome.co.uk), includes useful information about the Company, such as daily prices, factsheets and current and historic half year and annual reports.

# Financial Results

Total returns (includes dividends reinvested)

**+12.1%**

Return to shareholders<sup>1</sup>  
(2012: +5.7%)

**+14.7%**

Return on net assets<sup>2</sup>  
(2012: +4.0%)

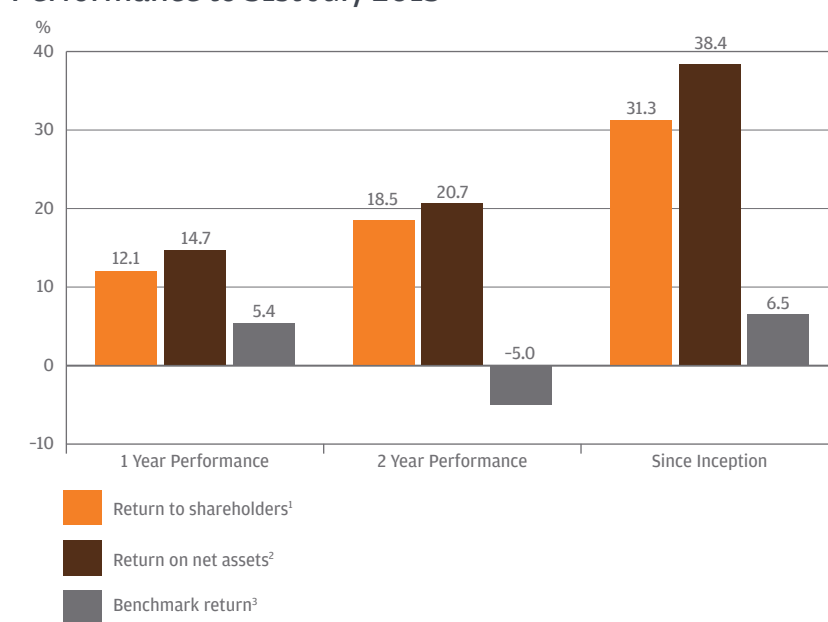
**+5.4%**

Return on the MSCI Emerging  
Markets Index<sup>3</sup>  
(2012: -9.8%)

**4.90p**

Dividend  
(2012: 4.85p)

## Performance to 31st July 2013



## Financial Data

	31st July 2013	31st July 2012	% change
Net assets (£'000)	<b>288,527</b>	194,651	+48.2
Number of shares in issue	<b>234,369,438</b>	173,719,438	+34.9
Net asset value per share	<b>123.10p</b>	112.00p	+9.9
Share price	<b>123.00p</b>	114.25p	+7.7
Share price (discount)/premium to net asset value per share	<b>-0.1%</b>	2.0%	

A glossary of terms and definitions is provided on page 57.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Source: Datastream. The Company's benchmark is the MSCI Emerging Markets Index, with net dividends reinvested, in sterling terms.

# Chairman's Statement



## Performance

I am pleased to report another strong performance for the year to 31st July 2013. The Company recorded a total return on net assets of 14.7%, outperforming the benchmark index, the MSCI Emerging Markets Index with net dividends reinvested (in sterling terms), which produced a total return of 5.4%. The Investment Managers' Report reviews the Company's performance and gives details on the investment strategy and portfolio construction. The total return to shareholders was 12.1%, as the Company's share price increased from 114.25p to 123.00p over the year.

## Revenue and Dividends

Gross revenue for the year amounted to £13.7 million (2012: £10.5 million) and net total revenue after finance costs, administrative expenses and taxation amounted to £10.9 million (2012: £8.5 million). Revenue return per Ordinary share for the year, calculated on the average number of shares in issue, was 5.45p (2012: 5.41p).

The Company invests globally, receiving dividends in the currencies of developing countries and US dollars, but is priced and pays dividends in sterling. As such, the value of dividends payable by the Company will fluctuate with exchange rates. During the year, currency detracted from performance by a marginal 0.2%.

In the current financial year the Board has paid two quarterly interim dividends of 0.9p per share and one quarterly dividend of 1.0p per share. On 9th September 2013 it announced the payment of a fourth quarterly dividend of 2.10p per share, payable on 25th October 2013 to shareholders on the register of members as at the close of business on 20th September 2013 (ex-dividend date 18th September 2013). This will bring the total dividend for the year to 4.90p, an increase of 1.0%. The Board is mindful of the Company's continued growth and also shareholders' wish for a regular and more timely income stream. Therefore, the Board decided to pay the fourth quarterly interim dividend in lieu of a final dividend, resulting in the dividend being paid earlier in the Company's financial year.

## Management Fee

With effect from 1st August 2013, the performance fee element of the Company's management fee arrangements is being amended. Under the previous arrangements, any performance fee in excess of the cap of 0.75% of net assets was accrued and carried forward to be dealt with in future years. From 1st August 2013, the maximum performance fee that can be earned in any one year will be capped at 0.75% of net asset value and no excess amount will be carried forward. The £1.5 million performance fee carried forward from 31st July 2012 has been waived by the Manager and written back to the Company's income statement through the capital account.

## Change of Investment Policy and Gearing

At the General Meeting held on 20th June 2013, shareholders approved a change of investment policy to permit the use of longer term gearing by the Company. During the year, the Company entered into a further loan facility for US\$20 million at a fixed rate of 2.88%. Loans totalled US\$40 million and the Company's gearing was 7.2% at the year end.

On 8th October 2013, the Company entered into a five year fixed rate loan facility for US\$20 million. Loans now total US\$60 million, however it is the Board's intention to repay the ING loan of US\$20 million at its maturity in November 2013.

### **Share Capital**

During the year, the Company issued a total of 60.65 million new shares at a premium to net asset value. Since the year end, the Company has issued a further 17.1 million shares. On 20th June 2013, shareholders granted authority to issue up to a further 30% of the then issued share capital. This authority will expire at the forthcoming Annual General Meeting and the Board will seek shareholder approval for its renewal. However, in order to comply with the UKLA Listing Rules, the 30% limit will be reset to 10% of the issued share capital on 20th June 2014 (or the number of shares remaining under the 30% authority, whichever is the lesser), when the prospectus issued on 21st June 2013 will expire. More details are given in the Directors' Report. A supplementary prospectus is being published due to this announcement of the Company's annual results and the publication of the Company's annual report and financial statements.

### **The Board**

In accordance with corporate governance best practice, all Directors will seek reappointment at this year's Annual General Meeting. It has been agreed by the Board that, with immediate effect, Paul Wallace be appointed as the Company's Senior Independent Director.

### **Alternative Investment Fund Managers Directive ('AIFMD')**

The Board will announce its progress in relation to the implementation of AIFMD over the next year. It is taking advice on the implications of the new regulations for the Company and is working closely with JPMorgan in this regard. The Board has agreed in principle to appoint JPMorgan as its Manager. Shareholders will also note additional reporting requirements as implementation progresses.

### **Annual General Meeting**

The Annual General Meeting will be held at Holborn Bars, 138-142 Holborn, London EC1N 2NQ on Thursday, 28th November 2013 at 2.00 p.m. The meeting will include a presentation from the Investment Managers on investment policy and performance. There will also be an opportunity for shareholders to meet the Board and representatives of JPMorgan after the meeting.

It would be helpful if shareholders seeking answers to detailed questions put them in writing beforehand, addressed to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Alternatively, questions may be submitted via the Company's website ([www.jpmglobalemergingmarketsincome.co.uk](http://www.jpmglobalemergingmarketsincome.co.uk)).

Shareholders who are unable to attend the AGM in person are encouraged to use their proxy votes. Proxy votes may be lodged electronically, whether shares are held through CREST or in certificate form and full details are set out on the form of proxy.

# Chairman's Statement continued

## Outlook

In recent months the emerging markets have underperformed developed equity markets. The Manager believes that current valuation levels offer the prospect of attractive and superior long term returns. Your Board shares this view.

Three forces tend to determine the long term trajectory of investment returns: valuation, growth (of profits and dividends) and liquidity. In the short run, liquidity prevails; in the long run, valuation trumps both growth and liquidity. Liquidity - the weight of investor money keen to enter these markets - is influenced forcefully by sentiment. Sentiment towards emerging markets is currently antipathetic. It is rooted in multiple concerns, all of which are legitimate: political instability; the implications of less accommodative monetary policies in developed economies; stresses in the Chinese financial system; disorderly capital flows and currency repercussions. The list goes on. However, the history of sentiment in these markets is bipolar. Volatility in this asset class is a fact of life.

When we look at the companies in the portfolio, we see a calmer picture. While it is true that growth in earnings and dividends has slowed, cash flows remain strong and debt levels are below average. This looks like a typical emerging market cycle, not a crisis. The most important feature, highlighted by the Manager, is on valuation. Historically, when the average price-to-book value of companies in these markets stands at today's level of 1.5, subsequent returns have been strong.

**Andrew Hutton**  
Chairman

11th October 2013

# Investment Managers' Report



Richard Titherington  
Investment Manager



Omar Negyal  
Deputy Portfolio Manager

For the financial year, it is pleasing that the Company achieved its income target while also increasing the NAV total return by 14.7%. The Company demonstrated significant outperformance versus its benchmark index, which rose 5.4% during the year. Considering our process is driven from the bottom-up, picking individual stocks, we are pleased that the bulk of the outperformance was derived from stock selection rather than asset allocation.

## Performance

Although it is important to remember our country exposure is the result of stock level decisions, country differences were a small positive factor in terms of the Company's relative performance – but were much less important than stock selection. The most positive contributors were the Company's overweight positions in South Africa, Turkey and Poland. In contrast, the most negative contributors were underweight positions in India, Malaysia and Mexico. We remain underweight in these latter three markets because we do not find a wealth of dividend opportunities in them.

Again, sector return differences were not significant in terms of driving the Company's relative returns. We do have major differences in sector positioning (e.g. the largest sector overweights were in the telecommunications and consumer discretionary, while the largest underweight positions were in financials and materials) but in themselves, these did not lead to significant variation in performance. As an example, our overall contribution from telecommunications stocks during the year was strongly positive but this was due to specific stocks chosen for the portfolio rather than holding an overweight position in the sector itself (which actually underperformed slightly in the period).

When looking at the stock contribution to relative performance, it is noteworthy that the outperformance was not driven by just a handful of stand-out names but by multiple contributors. This ties in with our desire for effective diversification within the portfolio – something we think is desirable in what remains a volatile asset class. The top contributors to performance included a Thai telecommunications stock (Advanced Info Service), a Turkish consumer discretionary name (Arcelik) and a Taiwanese electronics company (Novatek Microelectronics). The outperformance of these stocks more than countered the underperformance of companies such as Foschini (a South African clothes retailer), Kumba Iron Ore and Brazilian utilities company AES Tiete.

## Dividends

Overall, the receipt of dividends from the holdings in the portfolio was in line with our expectations. A crucial part of our stock analysis is understanding the attitude of management to dividend payouts. Although we understand that dividends can fluctuate in the short term, due to earnings, we monitor each stock to ensure that the rate is not exacerbated by unpredictable payout policies. As this is a key focus of our investment process, it is comforting that the majority of our positions delivered on dividends as expected. However, there were a few disappointments in terms of negative dividend announcements. One example was the Indian consumer

# Investment Managers' Report continued

## Performance attribution for the year ended 31st July 2013

	%	%
<b>Contributions to total returns</b>		
<b>Return on MSCI Emerging Markets Index</b>		<b>+5.4</b>
Asset allocation	+1.3	
Stock selection	+8.6	
Currency effect	-0.2	
Gearing/cash	+0.7	
<b>Investment Manager contribution</b>		<b>+10.4</b>
<b>Portfolio total return</b>		<b>+15.8</b>
Management fee/ other expenses	-1.3	
Performance fee	-0.3	
Shares issues	+0.5	
<b>Return on net assets</b>		<b>+14.7</b>
<b>Impact of change in premium/discount</b>		<b>-2.6</b>
<b>Return to shareholders</b>		<b>+12.1</b>

Source: Xamin/Datastream/Morningstar. All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

A glossary of terms and definitions is provided on page 57.

discretionary company, Tata Motors, which had reported reasonable operational numbers but decided to lower its dividend by 50% compared with the previous year. In the case of Polish materials company KGHM, the annual tussle between company management and government, in terms of dividend payments, ended with a return lower than expected. In both cases, the significantly increased uncertainty over corporate dividend policy led to a decision to sell the positions.

## Portfolio Changes

Portfolio changes over the year have been modest. This is consistent with our desire to invest for the long term and benefit from the compound growth of investee company dividends.

Sales (whether outright or position size reduction) during the year can generally be divided into three types:

- (1) Dividend disappointments as detailed above – thankfully a relatively low number of companies.
- (2) Companies where the fundamental view on dividend sustainability or growth deteriorated relative to other opportunities. An example of this was Petrochina which was sold due to concerns over future sustainability of the dividend payment.
- (3) Companies where our view on dividends remained positive but valuations had increased to the extent that the stocks looked less attractive. A good example of this was the sale of our position in Asur (a Mexican airport operator). Here we continued to have a positive view on the underlying cash flows and dividends but a strong rally in the stock meant a lower and less attractive yield.

Purchases have been much driven by individual stock opportunities. We continue to find many attractive dividend-paying companies in Emerging Markets. We build the portfolio with the aim of having the best combination of dividend yield and dividend growth. Our purchases during the year focused on stocks that improved the profile of the Company from this perspective. New names added to the portfolio during the year included South African consumer discretionary company Imperial Holdings and Sberbank, the dominant banking franchise in Russia).



## **Outlook**

The focus of the portfolio on stable growth from sectors such as consumer discretionary, telecommunications and utilities, rather than the cyclicality of natural resources, has remained constant. Diversification by stock, country and sector is an important part of the portfolio and the Company is expected to continue to invest in 60 to 70 companies over the coming year.

Not surprisingly, the market's concerns and recent currency weakness have led to significant underperformance of emerging market stocks, which now offer valuations that have proven over time to be extremely rewarding entry points for long term investors. For the first time since the global financial crisis of 2008 - 2009, the MSCI Emerging Markets Index is trading below 1.5 times price-to-book value.

Over the past 15 years, instances of such low valuations have been seen almost exclusively during global crises, and the outcome has generally been the same, namely strong performance over the subsequent one and three year periods. While many of the market's current concerns about the asset class are reasonable, they do not amount to a crisis in our view. We believe strongly that current market pessimism and depressed valuations present an opportunity for long term investors like ourselves, even if the short term outlook is somewhat less clear.

### **Richard Titherington**

Investment Manager

### **Omar Negyal**

Deputy Portfolio Manager

11th October 2013

# Summary of Results

	2013	2012	
<b>Total returns</b> for the year ended 31st July			
Return to shareholders <sup>1</sup>	<b>+12.1%</b>	+5.7%	
Return on net assets <sup>2</sup>	<b>+14.7%</b>	+4.0%	
Benchmark return <sup>3</sup>	<b>+5.4%</b>	-9.8%	
			<b>% change</b>
<b>Net asset value, share price and discount</b>			
Total net assets (£'000)	<b>288,527</b>	194,651	+48.2
Number of shares in issue	<b>234,369,438</b>	173,719,438	+34.9
Net asset value per share	<b>123.10p</b>	112.00p	+9.9
Share price	<b>123.00p</b>	114.25p	+7.7
Share price (discount)/premium to net asset value per Ordinary share	<b>-0.1%</b>	2.0%	
<b>Revenue</b> for the year ended 31st July			
Gross revenue return (£'000)	<b>13,713</b>	10,532	+30.2
Net revenue available for shareholders (£'000)	<b>10,949</b>	8,482	+29.1
Revenue return per share	<b>5.45p</b>	5.41p	+0.7
Dividend per share	<b>4.90p</b>	4.85p	+1.0
<b>Gearing</b> at 31st July <sup>4</sup>	<b>7.2%</b>	5.4%	
<b>Ongoing Charges</b> <sup>5</sup>	<b>1.21%</b>	1.26%	
<b>Ongoing Charges</b> including performance fee payable <sup>6</sup>	<b>1.45%</b>	2.09%	

A glossary of terms and definitions is provided on page 57.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Source: Datastream. The Company's benchmark is the MSCI Emerging Markets Index, with net dividends reinvested, in sterling terms.

<sup>4</sup>Gearing represents the excess amount above shareholders' funds of total assets (including net current assets/(liabilities)) less cash/cash equivalents, expressed as a percentage of shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

<sup>5</sup>Management fee and all other operating expenses excluding interest and performance fee payable, expressed as a percentage of the average of the daily net assets during the year. Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

<sup>6</sup>Management fee, any performance fee payable and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year.

# Ten Largest Investments

at 31st July 2013

Company	Sector	2013 Valuation		2012 Valuation	
		£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
<b>Delta Electronics</b> (Taiwan) <sup>2</sup> Delta Electronics Inc. manufactures power supplies and video display products. The company's products include switching power supplies, telecom power systems, uninterruptible power supply (UPS), variable speed alternating current (AC) monitor drives, high resolution colour monitors and projectors. Delta also manufactures magnetic and networking components.	Information Technology	6,982	2.2	2,887	1.4
<b>Advanced Info Service</b> (Thailand) Advanced Info Service is the largest GSM mobile phone operator in Thailand.	Telecommunication Services	6,424	2.0	6,829	3.3
<b>Powszechny Zaklad Ubezpieczen</b> (Poland) <sup>2</sup> Powszechny Zaklad Ubezpieczen SA offers property/casualty insurance. The company offers a wide range of non-life insurance products including fire and automobile insurance. Powszechny Zaklad also has a division that offers life insurance.	Financials	6,314	2.0	2,212	1.1
<b>Bank of China H-Shares</b> (China) Bank of China provides a complete range of banking and other financial services to individual and corporation customers worldwide. The bank's services include retail banking, credit card and debit card services, consumer credit, foreign currency transactions, corporate banking, settlement and clearing, investment banking and fund management businesses.	Financials	6,129	2.0	4,817	2.3
<b>Imperial</b> (South Africa) <sup>3</sup> Imperial Holdings Limited is a diversified holding company for a group of companies which provide car rental, leasing, coach touring, motor vehicle retailing, aviation leasing, commercial transport, warehousing and logistics, life insurance, banking and other related financial services and investments.	Consumer Discretionary	5,840	1.9	–	–
<b>Telekomunikasi Indonesia</b> (Indonesia) <sup>2</sup> PT Telekomunikasi Indonesia Persero Tbk is a telecommunications company that provides a variety of domestic telecommunications services such as telephone, telex, telegram, satellite, and leased lines services. The company also offers electronic mail, mobile communication and cellular phone services.	Telecommunication Services	5,793	1.8	1,964	0.9
<b>Lukoil</b> (Russia) Lukoil explores for, produces, refines, transports, and markets oil and gas, mainly from Western Siberia. The company also manufactures petrochemicals, fuels, and other petroleum products. Lukoil operates refineries and gasoline filling stations in Russia and the United States. The company transports oil through pipelines and petroleum products with its fleet of ships.	Energy	5,620	1.8	4,496	2.2
<b>Bidvest</b> (South Africa) <sup>3</sup> Bidvest Group Limited is the holding company for a group of companies operating in a range of sectors. Subsidiaries manufacture and distribute food and allied products to the catering industry, as well as packaging, stapling, fastening and adhesive tapes, office products, cosmetics, toiletries and skin care products. Bidvest supplies cleansing products and provides laundering services.	Industrials	5,554	1.8	–	–
<b>Quanta Computer</b> (Taiwan) Quanta Computer manufactures and markets notebook computers and related peripheral equipment.	Information Technology	5,478	1.7	4,421	2.1
<b>Sberbank</b> (Russia) <sup>3</sup> Sberbank of Russia attracts deposits and offers commercial banking services. The bank offers time deposits, corporate banking, securities brokerage, credit, foreign exchange services and sponsors credit cards.	Financials	5,374	1.7	–	–
<b>Total</b>		<b>59,508</b>	<b>18.9</b>		

<sup>1</sup>Based on total assets less current liabilities of £301.7m (2012: £208.9m). The \$20 million drawn down on Company's loan facilities at 31st July 2013 has been treated as a long term liability for the purpose of this analysis.

<sup>2</sup>Not included in the ten largest investments at 31st July 2012.

<sup>3</sup>Not held in the portfolio at 31st July 2012.

# Sector Analysis

at 31st July 2013

	31st July 2013		31st July 2012	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Telecommunication Services	17.9	7.9	18.2	8.5
Financials	17.0	27.4	13.2	25.1
Consumer Discretionary	13.8	8.5	11.3	8.0
Information Technology	11.5	14.5	11.4	13.6
Energy	10.2	11.7	9.3	12.7
Industrials	9.9	6.4	13.2	6.7
Consumer Staples	8.1	9.2	10.2	8.5
Materials	5.7	9.6	8.0	12.0
Utilities	4.2	3.3	4.4	3.8
Health Care	–	1.5	–	1.1
<b>Total equities</b>	<b>98.3</b>	<b>100.0</b>	99.2	100.0
Liquidity Fund	0.6	–	1.4	–
Net current assets/(liabilities)	1.1	–	(0.6)	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>Based on total assets less current liabilities of £301.7m (2012: £208.9m). The \$20 million drawn down on Company's loan facilities at 31st July 2013 has been treated as a long term liability for the purpose of this analysis.

# Geographical Analysis

at 31st July 2013

	31st July 2013		31st July 2012	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
South Africa	15.0	7.3	9.0	8.1
Taiwan	13.2	11.7	13.2	10.7
Brazil	13.2	11.0	12.0	13.1
China	10.3	18.8	13.7	17.8
Hong Kong	9.3	–	4.4	–
Turkey	6.4	1.8	5.5	1.7
Russia	6.2	5.9	4.9	6.0
South Korea	4.4	15.0	5.0	15.5
Thailand	3.3	2.7	6.4	2.2
Saudi Arabia	3.3	–	2.5	–
Poland	2.6	1.6	4.6	1.3
Indonesia	2.4	3.0	2.1	2.8
India	2.0	6.4	2.3	6.3
Kazakhstan	1.7	–	1.2	–
Qatar	1.6	–	3.5	–
Philippines	1.4	1.1	2.0	0.9
Mexico	1.1	5.6	2.6	5.0
Malaysia	0.9	3.9	2.6	3.7
Czech Republic	–	0.3	0.9	0.3
Chile	–	1.7	0.8	1.9
Colombia	–	1.2	–	1.3
Egypt	–	0.3	–	0.3
Hungary	–	0.2	–	0.3
Morocco	–	0.1	–	0.1
Peru	–	0.4	–	0.7
<b>Total equities</b>	<b>98.3</b>	<b>100.0</b>	99.2	100.0
Liquidity Fund	0.6	–	1.4	–
Net current assets/(liabilities)	1.1	–	(0.6)	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>Based on total assets less current liabilities of £301.7m (2012: £208.9m). The \$20 million drawn down on Company's loan facilities at 31st July 2013 has been treated as a long term liability for the purpose of this analysis.

# List of Investments

at 31st July 2013

Company	Valuation £'000	Company	Valuation £'000
<b>South Africa</b>		<b>China</b>	
Imperial	5,840	Bank of China H-shares	6,129
Bidvest	5,554	Hutchison Port	5,045
Sasol	5,352	Industrial & Commercial Bank of China H-shares	4,184
MTN	5,325	China Shenhua Energy 'H'	4,175
Absa	5,318	China Construction Bank H-shares	3,979
Foschini	5,213	Zhejiang Expressway H-shares	3,773
Tiger Brands	4,613	Jiangsu Expressway H-shares	3,756
Growthpoint Properties	3,531	Midland	1,281
Old Mutual	3,522		
Kumba Iron Ore	2,840		
	<b>47,108</b>		<b>32,322</b>
<b>Taiwan</b>		<b>Hong Kong</b>	
Delta Electronics	6,982	SJM	5,344
Quanta Computer	5,478	Wynn Macau	5,194
Taiwan Mobile	5,294	China Mobile	5,060
President Chain Store	5,211	Hang Seng Bank	3,966
Novatek Microelectronics	4,948	Dah Chong Hong	3,376
Taiwan Semiconductor Manufacturing <sup>1</sup>	4,593	Vtech	3,171
Siliconware Precision Industries	3,421	MGM China	3,022
Far Eastone Telecommunications	2,985		
Tripod Technology	2,784		
	<b>41,696</b>		<b>29,133</b>
<b>Brazil</b>		<b>Turkey</b>	
Embraer <sup>1</sup>	5,111	Ford Otomotiv Sanayii	5,127
Banco do Brasil	4,973	Turkiye Petrol Rafinerileri	4,557
Cielo	4,916	Arcelik	4,452
Tractebel Energia	4,783	Turk Telekomunikasyon	3,230
Companhia de Bebidas das Americas <sup>1</sup>	4,632	Tofas Turk Otomobil	2,771
AES Tiete	4,217		
Energias Do Brasil	4,207		<b>20,137</b>
Cia Souza Cruz	4,059	<b>Russia</b>	
Banco Bradesco	2,946	Lukoil <sup>1</sup>	5,620
Companhia de Concessoes Rodoviaras	1,822	Sberbank <sup>1</sup>	5,374
	<b>41,666</b>	Mobile Telesystems OJSC <sup>1</sup>	5,182
		MMC Norilsk Nickel <sup>1</sup>	3,426
			<b>19,602</b>

Company	Valuation £'000	Company	Valuation £'000
<b>South Korea</b>		<b>Kazakhstan</b>	
SK Telecom <sup>1</sup>	4,927	Kcell <sup>1</sup>	3,603
KT&G	3,489	Kazmunaigas Exploration Production <sup>1</sup>	1,763
Kangwon Land	3,197		<b>5,366</b>
S-Oil	2,351		
	<b>13,964</b>	<b>Qatar</b>	
		Industries Qatar	5,056
<b>Thailand</b>			<b>5,056</b>
Advanced Info Service	6,424	<b>Philippines</b>	
Siam Cement	2,992	Philippine Long Distance Telephone <sup>1</sup>	4,458
Bangkok Expressway	966		<b>4,458</b>
	<b>10,382</b>	<b>Mexico</b>	
		Kimberly Clark de Mexico	3,460
<b>Saudi Arabia</b>			<b>3,460</b>
Etihad <sup>2</sup>	4,281	<b>Malaysia</b>	
Credit Suisse <sup>2</sup>	3,772	Malayan Cement	2,704
YACCO <sup>2</sup>	2,327		<b>2,704</b>
	<b>10,380</b>	<b>Total Equity Investments</b>	
			<b>309,721</b>
<b>Poland</b>		<b>Liquidity Fund</b>	
Powszechny Zaklad Ubezpieczen	6,314	JPMorgan US Dollar Liquidity Fund <sup>3</sup>	1,748
Lubelski Wegiel Bogdanka	1,889		<b>1,748</b>
	<b>8,203</b>	<b>Total Liquidity Funds</b>	
			<b>1,748</b>
<b>Indonesia</b>		<b>Total Portfolio</b>	
Telekomunikasi Indonesia	5,793		<b>311,469</b>
Indo Tambangraya Megah	1,895		
	<b>7,688</b>		
<b>India</b>			
Coal India <sup>2</sup>	4,490		
Ascendas India Trust	1,906		
	<b>6,396</b>		

<sup>1</sup>Includes ADRs/GDRs/ADSS.

<sup>2</sup>Participation notes.

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

# Board of Directors



## **Andrew Hutton (Chairman of Board)**

A Director since June 2010. Appointed Chairman in July 2010.

Remuneration for the year ended 31st July 2013: £30,000.

Remuneration for the year ending 31st July 2014: £32,500.

Owner and Director of A. J. Hutton Ltd, an investment advisory practice. Director of Schroders UK Growth Fund PLC, Asia Altitude Fund and Asia Altitude Master Fund. He is a member of the Governing Body of the Lister Institute of Preventive Medicine, a Trustee of the National Trust Retirement & Death Benefits Scheme and a Trustee of Kusuma Trust UK. Formerly with J.P. Morgan (1979-1997), Head of Investment Management at Coutts Group (1997-2004) and Managing Director of RBS Asset Management (2004-2007).

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 90,000.



## **Paul Wallace**

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

A Director since June 2010.

Remuneration for the year ended 31st July 2013: £25,000.

Remuneration for the year ending 31st July 2014: £26,000.

Finance Director of Forum Energy plc and Director of FEC Resources and Pitkin Petroleum plc. He previously acted as a consultant providing corporate financial advice to a wide variety of sizeable UK and international corporations. He also held senior finance and management roles for a number of UK and Hong Kong based companies including Blue Ocean Wireless Limited, Sanctuary Group plc and First Pacific Company Limited. He was formerly a partner in Price Waterhouse, Hong Kong, and is a member of the Canadian Institute of Chartered Accountants.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 50,000.



## **Sarah Fromson**

A Director since June 2011.

Remuneration for the year ended 31st July 2013: £22,000.

Remuneration for the year ending 31st July 2014: same.

Head of Investment Risk at Wellcome Trust. She was previously at RBS Asset Management (formerly Coutts) where she held a number of senior positions, including Chief Investment Risk Officer, Co-Head of Investments and Head of the Long-Only Investment team.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: –



## **Richard Robinson**

A Director since December 2011.

Remuneration for the year ended 31st July 2013: £22,000.

Remuneration for the year ending 31st July 2014: same.

Investment Director at Paul Hamlyn Foundation. He was previously Group Head of Charities & Foundations at Schroders plc and held a number of senior positions at Rothschild Asset Management. He was a director of Aurora Investment Trust plc from 2007 to 2011.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: –

All Directors are members of the Audit and Nomination Committee and are considered independent of the Manager.



# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st July 2013.

## Business Review

The Company was incorporated on 4th June 2010 and launched as an investment trust on 29th July 2010.

### Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs ('HMRC') as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ('Section 1158') for the year ended 31st July 2012. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify as an investment trust under the HMRC's qualifying rules. Approval in previous years 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 833 of the Companies Act 2006. 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 to 4, and in the Investment Managers' Report on pages 5 to 7.

### Investment Objective and Policies

The Company's investment objective is to provide investors with a dividend income combined with the potential for long term capital growth from a diversified portfolio of emerging market investments.

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions.

The Company's investment policies were amended pursuant to a resolution of shareholders at the General Meeting held on 20th June 2013.

- The Company invests predominantly in listed equities but retains the flexibility also to invest in other types of securities, including, but not limited to, unlisted equities, convertible securities, preference shares, debt securities, cash and cash equivalents.
- The Company is free to invest in any particular market, sector or country in the global emerging markets universe. It may also invest in securities issued by companies based in or operating in emerging markets but listed or traded on the stock exchanges of developed markets and in the securities of issuers based in developed markets that have substantial exposure to emerging markets.

- The Company's portfolio will typically contain between 50 and 80 holdings.
- There are no fixed limits on portfolio construction with regard to region, country, sector or market capitalisation. In the normal course of business the Company typically invests at least 80% of its gross assets in listed equities but other security types may be used in the event of adverse equity market conditions or where they represent a more efficient means of obtaining investment income for the purposes of making dividend payments. Non-equity portfolio assets are expected to comprise predominantly cash or fixed income securities issued by companies, states or supra-national organisations domiciled in, or with a significant exposure to, emerging markets. In the event of adverse equity market conditions, the Company may increase its holdings in fixed income securities of any kind to a maximum of 50% of its gross assets.
- Despite the absence of specific region, country, sector or market capitalisation limits, the Company will at all times invest and manage its assets in a manner that is consistent with spreading investment risk and in accordance with its published investment policy. The Company shall not conduct any trading activity that is significant in the context of the Company as a whole.
- No more than 15% of the Company's gross assets shall be invested in the securities of any one company or group at the time the investment is made.
- The Company shall not invest more than 10% of its gross assets in unlisted securities or in other listed closed-ended investment funds at the time the investment is made.
- The Company may undertake option writing in respect of up to 10% of the Company's net assets.
- The Company may use derivative instruments for the purposes of efficient portfolio management. The Company does not have a policy of hedging or otherwise seeking to mitigate foreign exchange risk but reserves the right to do so from time to time as part of the Company's efficient portfolio management.
- For the purposes of the investment policy, emerging markets are the capital markets of developing countries, including both recently industrialised countries and countries in transition from planned economies to free-market economies. Many, but not all, emerging market countries are constituents of the MSCI Emerging Markets Index or, in the case of smaller or less developed emerging markets, the MSCI Frontier Index. The Company may invest

# Directors' Report continued

in securities listed in, or exposed to, these countries or other countries that meet the definition in this paragraph. These markets will tend to be less mature than developed markets and will not necessarily have such a long history of substantial foreign investment.

- The Company measures its performance against the total return of the MSCI Emerging Markets Index (in sterling).
- The Company has power under its Articles of Association to borrow up to an amount equal to 30% of its net assets at the time of the drawdown, although the Board intends only to utilise borrowings representing up to a maximum of 20% of net assets at the time of drawdown and only on such occasions as the Manager believes that gearing will enhance returns to shareholders.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

## Performance

In the year ended 31st July 2013, the Company produced a total return to shareholders of 12.1% and a total return on net assets of 14.7%. This compares with the return on the Company's benchmark index of 5.4%. As at 31st July 2013, the Company's investment portfolio was £311.5 million. The Investment Managers' Report on pages 5 to 7 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 return for the year amounted to £34.3 million (2012: £14.0 million) and net total return, after deducting administrative expenses, finance costs and taxation, amounted to £28.7 million (2012: £7.6 million). Distributable income for the year amounted to £10.9 million (2012: £8.5 million).

Two interim dividends of 0.9p per share and one interim dividend of 1.0p per share (2012: three interim dividends of 0.9p per share) have been paid during the year, amounting to £5,935,000 (2012: £4,348,000).

On 9th September 2013 the Board announced the payment of a fourth quarterly dividend of 2.10p per share (2012: final dividend of 2.15p per share), payable on 25th October 2013 to shareholders on the register of members as at the close of business on 20th September 2013 (ex-dividend date 18th September 2013). This will bring the total dividend for the year to 4.90p, an increase of 1.0%. This distribution will absorb £4,922,000 (2012: £3,735,000). Following payment of the fourth interim dividend, the revenue reserve will amount to £1,333,000 (2012: £1,266,000).

## Key Performance Indicators ('KPIs')

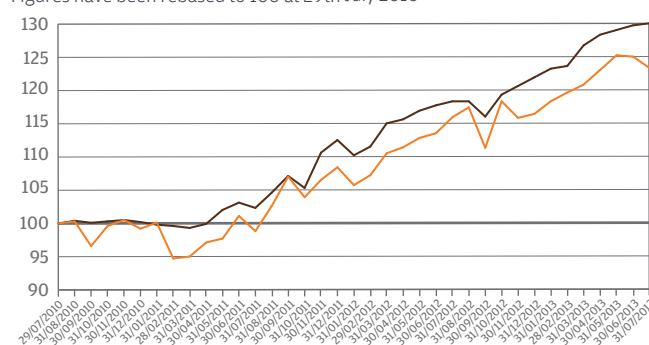
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

### Performance against the benchmark

This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report on pages 2 to 4 and 5 to 7 respectively.

## Performance Relative to Benchmark

Figures have been rebased to 100 at 29th July 2010



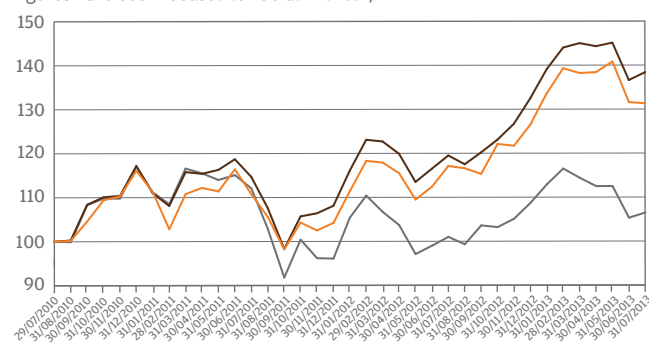
Source: Morningstar.

- JPMorgan Global Emerging Markets - share price total return.
- JPMorgan Global Emerging Markets - net asset value total return.
- Benchmark.

The Company's benchmark is the MSCI Emerging Markets Index, with net dividends reinvested, in sterling terms.

## Performance Since Inception

Figures have been rebased to 100 at 29th July 2010



Source: Morningstar.

- JPMorgan Global Emerging Markets - share price total return.
- JPMorgan Global Emerging Markets - net asset value total return.
- Benchmark.

- **Performance**

The principal objective is to provide investors with a dividend income combined with the potential for long term capital growth. However, the Board also monitors performance compared with a benchmark index and a broad range of competitor funds.

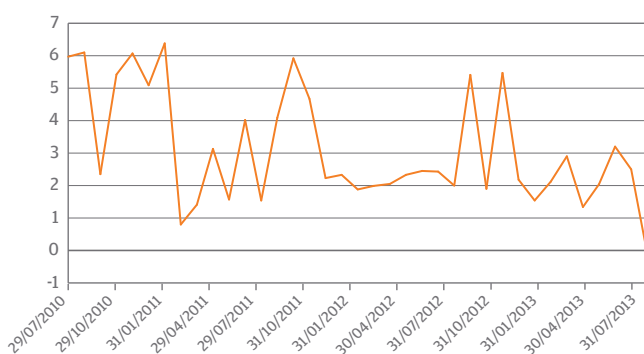
- **Performance attribution**

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 31st July 2013 are given in the Investment Managers' Report on page 6.

- **Share price premium/discount to net asset value ('NAV') per share**

The Board recognises that the possibility of a narrowing premium or a widening discount can be a key disadvantage of investment trusts that can discourage investors. The Board therefore has a share issuance and repurchase programme that seeks to address imbalances in supply of and demand for the Company's shares within the market and thereby reduce the volatility and absolute level of the discount or premium to NAV at which the Company's shares trade. No shares have been repurchased for cancellation during the year because they have traded at a premium or close to the NAV per share throughout.

## Premium/(Discount)



Source: Datastream.

— JPMorgan Global Emerging Markets - share price premium/(discount) to net asset value per share.

- **Ongoing charges**

The ongoing charges represent the Company's management fee and all other operating expenses excluding interest and performance fee payable, expressed as a percentage of the

average of the daily net assets during the year. The ongoing charges for the year ended 31st July 2013 were 1.21%, including performance fee payable: 1.45% (2012: 1.26% and 2.09% respectively). Each year, the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers.

### Share Capital

The Directors have the authority to both issue new shares for cash and to repurchase shares in the market for cancellation or to be held in Treasury. No shares were repurchased during the year.

During the year, 60,650,000 Ordinary shares were issued for gross proceeds of £75.2 million. Further details are given in note 16 on page 43.

Since the year end, the Company has issued a further 17,060,000 new Ordinary shares for total consideration of £20.6 million. All new Ordinary shares have been issued at a premium to NAV.

A prospectus for the Company was issued on 14th May 2012. At the Annual General Meeting held on 21st November 2012, shareholders granted Directors authority to issue up to 52,460,800 Ordinary shares (being approximately 30% of the issued share capital of the Company as at 20th November 2012) for cash. Shareholders also granted the Directors authority to disapply pre-emption rights in respect of these share issues. To comply with the UKLA Listing Rules, this 30% limit was required to be reset to 10% of the issued share capital on 13th May 2013 (the date of the expiry of the prospectus issued on 14th May 2012), or the remainder of the 30% authority, whichever was the lower; in this case, the remainder of the 30% authority was the lower limit applying.

At the General Meeting held on 20th June 2013, shareholders granted Directors authority to issue up to 67,265,831 Ordinary shares (being approximately 30% of the issued share capital of the Company as at 20th May 2013) for cash or by way of a sale from Treasury. Shareholders also granted the Directors authority to disapply pre-emption rights in respect of these share issues. These authorities expire at the conclusion of the forthcoming Annual General Meeting.

The Board will seek to renew these authorities at the forthcoming Annual General Meeting. It should be noted that the Board would only reissue shares from Treasury at a premium to net asset value. It is not seeking authority to reissue shares from Treasury at a discount to net asset value.

A new prospectus was published on 21st June 2013.

# Directors' Report continued

Resolutions to renew the authorities to issue new shares and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. More details are given on pages 21 and 22 and the full text of the resolutions is set out in the Notice of Annual General Meeting on pages 54 and 55.

## Principal Risks

With the assistance of the Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'), the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly into the following categories:

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a narrower premium or a discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines, which are monitored and reported on. 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 Managers, who attend Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing strategically, within a range set by the Board. During the year, shareholders approved a change of investment policy to permit the use of longer term gearing by the Company.
- **Foreign Currency:** Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and the currency in which it reports). As a result, movements in exchange rates may affect the sterling value of these items. Cash assets are mainly held in US Dollars, the currency of the loans held by the Company. Therefore, there is an inherent risk from the exchange rates between US Dollars and sterling. No foreign currency hedging is undertaken and this is kept under review by the Board. Further details about the foreign currency risk may be found in note 23 on pages 46 to 48.
- **Financial:** The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 23 on pages 46 to 52.

- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 1158. Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 1158, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 1158 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 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure and Transparency Rules ('DTRs'). 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 or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMAM and its professional advisers to ensure compliance with the Companies Act 2006 and the UKLA Listing Rules and DTRs.
- **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 22 to 26.
- **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 risk management and internal control are included within the Risk Management and Internal Control section of the Corporate Governance Report on page 25.

## Future Developments

Clearly, the future development of the Company is much dependent on the success of the Company's investment strategy in the light of economic and equity market developments and the continued support of its shareholders. The Investment Managers discuss the outlook in their report on page 7.

## Management of the Company

The Manager and Company Secretary is JPMAM. JPMAM is employed under a contract which can be terminated on six months' notice, without penalty. 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 best interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy, process and performance of the Manager and the quality of support that the Company receives from JPMAM, including the marketing support provided.

The Board conducts a formal evaluation of the Manager on an annual basis. No separate Management Engagement Committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process.

#### Management Fee

The management fee is charged at the rate of 1.0% per annum of the Company's total net assets. The fee is calculated and paid monthly in arrears. Investments made by the Company in investment funds on which the Manager or a member of its group earns a fee are excluded from the calculation and therefore attract no management fee.

In addition, the Manager is entitled to receive a performance fee equivalent to 10% of any outperformance of the Company's net asset value per Ordinary share (on a total return basis) over the Company's benchmark index, the MSCI Emerging Markets Index, with net dividends reinvested (in sterling terms) over a performance fee period. A performance fee measurement period ends, and restarts, at a financial year end when outperformance of the Company's benchmark has been achieved and a performance fee earned. If there is underperformance, the measurement period continues. Therefore, the period may be more than one year. The maximum performance fee that can be paid to the Manager in any one year is capped at 0.75% of the Company's average monthly total assets less current liabilities and in a year when the Company produces a negative net asset value total return per share, this amount will be accrued but not paid. Any amount earned in excess of this cap will not be accrued but written back to the Company's capital account.

The performance fee element of the management fee arrangement was amended during the year, the

implementation date being 1st August 2013. Under the previous arrangements, any excess performance fee was accrued and carried forward to be dealt with in future years. From 1st August 2013, the maximum performance fee that can be earned in any one year will be capped at 0.75% of net asset value and no excess amount will be accrued. The amount accrued as at 31st July 2013 of £1,500,000 was waived by the Manager and written back to the Company's income statement through the capital account.

During the year ended 31st July 2013, the Company outperformed its benchmark index. As a result, a performance fee amounting to £2,053,00 has been earned and this amount is immediately payable.

#### Related Party Transactions

During the year under review, the only related party transaction that took place outside the ordinary course of business was the amendment of the Management Agreement with regard to the change of the performance fee element of the management fee arrangement, as detailed above. It was agreed with the UK Listing Authority that, as the maximum performance fee payable in any one year would remain unchanged, the effect of the transaction fell below the threshold for a smaller related party transaction which would have required additional approval from the UK Listing Authority.

#### Going Concern

The Directors believe that, having considered the Company's investment objective (see page 15), risk management policies (see pages 46 to 52), capital management policies and procedures (see pages 52 and 53), the nature of the portfolio and expenditure and cash flow projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to 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 31st July 2013, the Company had no outstanding trade creditors (2012: none).

# Directors' Report continued

## Directors

All Directors of the Company held office throughout the year under review. At the end of the year, their beneficial interests in the Company's Ordinary share capital, were as follows:

## Ordinary Shares

Directors	31st July 2013	1st August 2012
Andrew Hutton	90,000	90,000
Sarah Fromson	–	–
Richard Robinson	–	–
Paul Wallace	50,000	50,000

There have been no changes to these holdings reported since the year end.

In accordance with corporate governance best practice all Directors will stand for reappointment at the forthcoming Annual General Meeting. The Audit and Nomination Committee, having considered their qualifications, performance and contribution to the Board and to the Committee, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

## Director Indemnification and Insurance

As permitted by the Company's Articles of Association, each Director has the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

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. There is no cover against fraudulent or dishonest actions.

## 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 2006) of which the Company's Auditor is unaware, and
- each of the Directors has taken all the steps that they ought to have taken as a Director in order to make themselves

aware of any relevant audit information (as defined) and to establish that the Company's Auditor is aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

## Independent Auditor

Ernst & Young LLP have expressed their willingness to continue in office as Auditor to the Company, and a resolution proposing their reappointment and to authorise the Directors to agree their remuneration for the ensuing year, will be put to shareholders at the forthcoming Annual General Meeting.

## Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out on page 26. The Company has no employees.

## Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 of the Companies Act 2006.

### Capital Structure

As at 31st July 2013, the Company's issued share capital comprised 234,369,438 Ordinary shares of 1p each. There were no shares held in Treasury.

### Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 56.

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

At the financial year end, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
Brewin Dolphin Limited <sup>1</sup>	36,716,481	15.7
Investec Wealth & Investment Limited <sup>1</sup>	16,762,029	7.2
Quilter Cheviot Limited <sup>2</sup>	14,522,529	6.2
Cazenove Capital Management Limited <sup>1</sup>	9,795,950	4.2
J O Hambro Investment Management Limited <sup>2</sup>	7,350,250	3.1
CCLA Investment Management Ltd <sup>1</sup>	5,000,000	2.1

<sup>1</sup>Indirect holding.

<sup>2</sup>Direct holding.

Other than the notification since 31st July 2013 of an indirect holding by Schroders plc of 17,551,007 voting rights (7.5% at the time of disclosure by Schroders plc) and increases in Brewin Dolphin Limited's holding to 43,081,914 voting rights (18.0% at the time of disclosure by Brewin Dolphin Limited), there have been no changes to the notifiable interests in the Company's voting rights as at the date of this report.

The Company is also aware that, as at 31st July 2013, approximately 3.0% of the Company's total voting rights were held by individuals through savings products managed by JPMAM and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances, JPMAM has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements to which the Company is party that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

### Annual General Meeting

**NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.**

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

The full text of the resolutions is set out in the Notice of Annual General Meeting on pages 54 and 55.

#### **(i) Authority to allot new shares and disapply statutory pre-emption rights (resolutions 8 and 9)**

The Company published a prospectus on 21st June 2013 in connection with a placing of up to 200 million Ordinary shares,

of which, as at the date of this report, 177 million remain unissued. The prospectus remains valid in respect of any further issue of Ordinary shares pursuant to the placing up to and including 20th June 2014, after which the prospectus will lapse.

Resolution 8, if passed, will authorise the Directors to allot up to 75,428,831 Ordinary shares for cash or by way of a sale of Treasury shares or, if different, such number of Ordinary shares as shall represent 30% of the Company's issued share capital (excluding Treasury shares) as at close of business on the day immediately preceding the Annual General Meeting.

If Resolution 9 is passed, the Directors will also have the power to allot the shares over which they are granted authority pursuant to Resolution 8 for cash on a non pre-emptive basis. Any Ordinary shares allotted on a non pre-emptive basis will not be issued at a price less than the prevailing net asset value per Ordinary share.

Although the Board would be authorised to allot up to 75,428,831 Ordinary shares (or, if different, such number of Ordinary shares as shall represent 30% of the Company's issued share capital as at close of business on the day immediately preceding the Annual General Meeting) for cash on a non pre-emptive basis, the Board would only utilise this power up to the maximum amount permitted in respect of Ordinary shares issued pursuant to the placing on the basis of the existing prospectus during the period from the conclusion of the Annual General Meeting up to and including 20th June 2014. After that date and the lapse of the existing prospectus, the Directors will limit the number of Ordinary shares which may be issued for cash on a non pre-emptive basis to such maximum number of shares as shall be equal to 10% of the Company's issued Ordinary share capital, or the remaining shares under the 30% authority, whichever is the lesser, as at midnight on 20th June 2014 (this being the maximum amount of Ordinary shares that the Company may issue during the next 12 months without having to publish a new prospectus).

The Directors intend to use this authority when they consider that it is in the best interests of shareholders to do so and to satisfy continuing demand for the Company's Ordinary shares. As such issues (or sales from Treasury) are only made at prices greater than the NAV, they increase the assets underlying each 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 would be available for investment in line with the Company's investment policies.

# Directors' Report continued

## **(ii) Authority to repurchase the Company's shares (resolution 10)**

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2012 Annual General Meeting, will expire on 20th May 2014 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of this authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

A resolution will be proposed at the Annual General Meeting that the Company be authorised to repurchase in the market up to 14.99% of the Company's issued share capital as at the date of the passing of the resolution, as permitted by the Companies Act 2006. The authority also sets minimum and maximum prices.

If resolution 10 is passed at the Annual General Meeting, the Board may repurchase the shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV.

Any repurchases will be at the discretion of the Board and will be made in the market only at prices below the prevailing net asset value per share, thereby enhancing the NAV of the remaining shares. In the normal course of business the Directors would expect to exercise their discretion to repurchase shares if the discount to NAV at which they trade exceeded 5% over any significant period of time.

The authority limits the number of shares that could be repurchased to a maximum of 37,689,272 Ordinary shares, representing approximately 14.99% of the Company's issued share capital as at 10th October 2013 (being the latest practicable date prior to the publication of this report).

The authority to repurchase shares will expire on 27th May 2015 but it is the Board's intention to seek renewal of the authority at the 2014 Annual General Meeting.

## **Recommendation**

The Board considers that resolutions 8 to 10 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions, as they intend to do in respect of their own beneficial holdings which amount in aggregate to 140,000 Ordinary shares, representing 0.06% of the voting rights of the Company as at 10th October 2013.

## **Corporate Governance**

### **Compliance**

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 28, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's UK Corporate Governance Code (the 'UK Corporate Governance Code') and the Association of Investment Companies' ('AIC') Code of Corporate Governance (the 'AIC Code'), which complements the UK Corporate Governance 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 the Company has complied with the best practice provisions of the UK Corporate Governance Code, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

### **Role of the Board**

A management agreement between the Company and JPMAM sets out the matters which have been delegated to the Manager. 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. 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.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interest of the Company, which arose during the year. Following the introduction of The Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

The Board meets on at least four occasions 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, 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 Andrew Hutton, consists of four non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business. Brief biographical details of each Director are set out on page 14.

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 Board has appointed Paul Wallace as Senior Independent Director. He 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.

#### 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 reappointed by shareholders. Thereafter, a Director's appointment runs for a term of three years. In the light of the performance evaluation carried out each year, the Board will decide 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 reappointment but, when making a recommendation, the Board will take into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. The Board has adopted corporate governance best practice and all Directors stand for annual reappointment.

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.

#### Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter,

regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

#### Meetings and Committees

The Board delegates certain responsibilities and functions to the Audit and Nomination Committee of which all Directors are members.

The table below details the number of Board and Audit and Nomination Committee meetings attended by each Director. During the year under review there were four quarterly Board meetings and two Audit and Nomination Committee meetings. In addition, there were 5 other *ad hoc* Board meetings to deal with various corporate initiatives. In addition, there is regular contact between the Directors and the Manager and Company Secretary throughout the year.

Director	Board Meetings Attended	Audit and Nomination Committee Meetings Attended
Andrew Hutton	9	2
Sarah Fromson	9	2
Richard Robinson	7	1
Paul Wallace	9	2

#### Board Committee

##### Audit and Nomination Committee

The Audit and Nomination Committee, chaired by Paul Wallace, and comprising all of the independent Directors, meets at least twice each year. The members of the Audit and Nomination Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the UK Corporate Governance Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external

# Directors' Report continued

audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external Auditor. In the Directors' opinion the Auditor is considered independent. In order to safeguard the Auditor's objectivity and independence, any significant non-audit services are carried out through a partner other than the audit engagement partner. Representatives of the Company's Auditor attend the Audit and Nomination Committee meeting at which the draft annual report and accounts are considered.

The Audit and Nomination Committee has the primary responsibility for making recommendations to the Board on the reappointment and removal of external auditors. Having reviewed the performance of the external Auditor, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves any non-audit services provided by the independent Auditor and assesses the impact of any non-audit work on the ability of the Auditor to remain independent. No such work was undertaken during the year under review. Details of the fees paid for audit services are included in note 5 on page 38.

The Directors' statement on the Company's system of Risk Management and Internal Control is set out on page 25.

The Committee fulfils the role of a Nomination Committee in ensuring that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates, when necessary, for appointment. The appointment process takes account of the benefits of diversity, including gender. A variety of sources, including independent search consultants, may be used to ensure that a wide range of candidates is 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 and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board, with the assistance of JPMAM and a firm of independent consultants, are completed by each Director. The responses are then collated and discussed by the Audit and Nomination Committee. The evaluation of the individual Directors is led by the Chairman who also meets with each Director. The Senior Independent Director leads the evaluation of the Chairman's performance. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained.

## Terms of Reference

The Audit and Nomination Committee has written terms of reference which define clearly its responsibilities, a copy of which is 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 quarterly each year by way of the annual report and accounts, the half year report and two interim management statements. These are supplemented by daily publication, through the London Stock Exchange, of the net asset value of the Company's shares. Shareholders may also visit the Company's website at [www.jpimglobalemergingmarketsincome.co.uk](http://www.jpimglobalemergingmarketsincome.co.uk) where the share price is updated every 15 minutes during trading hours.

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. During the year the Company's brokers, the Investment Manager and JPMAM hold regular discussions with larger shareholders and make the Board fully aware of their views. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 61.

The Company's Annual Report and Accounts are published in time to give shareholders at least twenty working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 61.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the Annual General Meeting.

## Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and 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 risk management and 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 risk management and internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on page 18). This process has been in place for the year under review and up to the date of the approval of the Annual Report and Accounts, and it accords with the Turnbull guidance. The Company does not have an internal audit function of its own; the Board considers that it is sufficient to rely 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 Conduct Authority ('FCA'), whose responsibilities are clearly defined in a written agreement.

**Management Systems** - The Manager's system of risk management and 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 FCA 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 and Nomination Committee, keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st July 2013, and to the date of approval of this Annual Report and Accounts.

The Board confirms that any failings or weaknesses identified during the course of its review of the system of risk management and internal control were not significant and did not impact the Company.

## Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board.

# Directors' Report continued

## **Corporate Governance**

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

## **Proxy Voting**

JPMAM manages the voting rights of the shares entrusted to it as it 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.

## **Stewardship/Engagement**

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;
- disclose their policy on managing conflicts of interest;
- monitor their investee companies;
- establish clear guidelines on how they escalate engagement;
- be willing to act collectively with other investors where appropriate;
- have a clear policy on proxy voting and disclose their voting record; and
- report to clients.

JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

## **Social & Environmental**

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request. JPMAM is also a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: <http://www.jpmorganinvestmenttrusts.co.uk/governance>, which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board  
Rebecca Burtonwood, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Company Secretary  
11th October 2013

# Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on page 29.

## Directors' Remuneration<sup>1</sup>

Director's Name	2013 £	2012 £
Andrew Hutton (Chairman)	<b>30,000</b>	25,000
Sarah Fromson	<b>22,000</b>	20,000
Richard Robinson <sup>2</sup>	<b>22,000</b>	13,333
Paul Wallace	<b>25,000</b>	23,000
<b>Total</b>	<b>99,000</b>	81,333

<sup>1</sup>Audited information.

<sup>2</sup>Richard Robinson was appointed a Director on 1st December 2011.

During the year under review Directors' fees were paid at a rate of £30,000 per annum for the Chairman, £25,000 per annum for the Chairman of the Audit and Nomination Committee and £22,000 per annum for other Directors. With effect from 1st August 2013, Directors' fees were increased to £32,500 per annum for the Chairman and £26,000 per annum for the Audit Committee Chairman. There was no change to the fees for the other Directors.

No amounts were paid to third parties for making available the services of Directors.

The Board's policy for this and subsequent years 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 and Nomination Committee are paid higher fees than other Directors, reflecting the greater time commitment involved in fulfilling these roles.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, it has an Audit and Nomination Committee which reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, and include research carried out by third parties on the level of fees paid to the directors of the

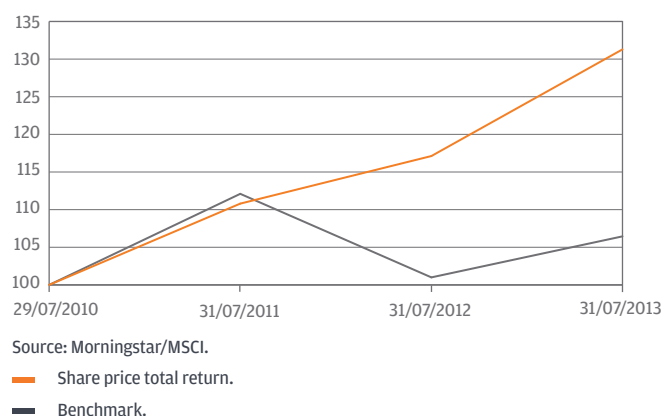
Company's peers and within the investment trust industry generally. The Directors' fees are not performance related. The Company's Articles of Association stipulate that aggregate fees must not exceed £175,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval.

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. Details of the Board's policy on tenure are set out on page 23.

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 attending to the Company's business.

A graph showing the Company's share price total return compared with its benchmark, the MSCI Emerging Markets Index, with net dividends reinvested, in sterling terms, since the date the Company began investing is shown below.

## Share price and benchmark total return to 31st July 2013



By order of the Board  
Rebecca Burtonwood, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Company Secretary  
11th October 2013

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.jpmglobalemergingmarketsincome.co.uk](http://www.jpmglobalemergingmarketsincome.co.uk) website, which is maintained by the Company's 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. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed in the Directors' Report, confirms that, to the best of their knowledge:

- (a) the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- (b) the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board  
Andrew Hutton  
Chairman  
11th October 2013

# Independent Auditor's Report

## Independent Auditor's Report to the members of JPMorgan Global Emerging Markets Income Trust plc

We have audited the financial statements of JPMorgan Global Emerging Markets Income Trust plc (the 'Company') for the year ended 31st July 2013 which comprise the Income Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st July 2013 and of its return for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 19, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

## Michael-John Albert (Senior statutory auditor)

for and on behalf of  
Ernst & Young LLP, Statutory Auditor  
London  
11th October 2013

# Income Statement

for the year ended 31st July 2013

	Notes	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>							
	2	–	21,718	21,718	–	4,496	4,496
Net foreign currency losses		–	(1,104)	(1,104)	–	(1,035)	(1,035)
Income from investments	3	13,711	–	13,711	10,530	–	10,530
Other interest receivable and similar income	3	2	–	2	2	–	2
<b>Gross return</b>							
		13,713	20,614	34,327	10,532	3,461	13,993
Management fee	4	(721)	(1,681)	(2,402)	(501)	(1,170)	(1,671)
Performance fee	4	–	(597)	(597)	–	(2,838)	(2,838)
Other administrative expenses	5	(550)	–	(550)	(450)	–	(450)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>							
		12,442	18,336	30,778	9,581	(547)	9,034
Finance costs	6	(236)	(551)	(787)	(128)	(298)	(426)
<b>Net return/(loss) on ordinary activities before taxation</b>							
		12,206	17,785	29,991	9,453	(845)	8,608
Taxation	7	(1,257)	–	(1,257)	(971)	–	(971)
<b>Net return/(loss) on ordinary activities after taxation</b>							
		10,949	17,785	28,734	8,482	(845)	7,637
<b>Return/(loss) per share</b>							
	9	5.45p	8.85p	14.30p	5.41p	(0.54)p	4.87p

All revenue and capital items in the above statement derive from continuing operations. No operations were discontinued during 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 prepared under guidance issued by the Association of Investment Companies.

The accompanying notes on pages 35 to 53 form an integral part of these accounts.



# Statement of Total Recognised Gains and Losses

for the year ended 31st July 2013

	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
Movement in fair value of the cash flow hedge	–	52	52	–	19	19
Net return/(loss) on ordinary activities	10,949	17,785	28,734	8,482	(845)	7,637
Total recognised gains/(losses) for the year	10,949	17,837	28,786	8,482	(826)	7,656

The accompanying notes on pages 35 to 53 form an integral part of these accounts.

# Reconciliation of Movements in Shareholders' Funds

for the year ended 31st July 2013

	Called up share capital £'000	Capital redemption reserve £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st July 2011</b>	1,426	13	40,561	101,276	13,439	3,065	<b>159,780</b>
Issue of Ordinary shares	311	–	33,748	–	–	–	<b>34,059</b>
Expenses of new share issue	–	–	(298)	–	–	–	<b>(298)</b>
Net (loss)/return from ordinary activities	–	–	–	–	(845)	8,482	<b>7,637</b>
Movement in fair value of the cash flow hedge	–	–	–	–	19	–	<b>19</b>
Dividends appropriated in the year	–	–	–	–	–	(6,546)	<b>(6,546)</b>
<b>At 31st July 2012</b>	1,737	13	74,011	101,276	12,613	5,001	<b>194,651</b>
Issue of Ordinary shares	607	–	74,578	–	–	–	<b>75,185</b>
Expenses of new share issue	–	–	(400)	–	–	–	<b>(400)</b>
Net return from ordinary activities	–	–	–	–	17,785	10,949	<b>28,734</b>
Movement in fair value of the cash flow hedge	–	–	–	–	52	–	<b>52</b>
Dividends appropriated in the year	–	–	–	–	–	(9,695)	<b>(9,695)</b>
<b>At 31st July 2013</b>	2,344	13	148,189	101,276	30,450	6,255	<b>288,527</b>

The accompanying notes on pages 35 to 53 form an integral part of these accounts.

# Balance Sheet

at 31st July 2013

	Notes	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss		309,721	207,152
Investment in Liquidity Fund held at fair value through profit or loss		1,748	2,904
<b>Total investments</b>	10	<b>311,469</b>	210,056
<b>Current assets</b>			
Debtors	11	1,942	1,830
Cash and short term deposits		3,874	729
		<b>5,816</b>	2,559
<b>Creditors:</b> amounts falling due within one year	12	<b>(15,516)</b>	(3,649)
Financial liability: derivative financial instrument	13	(50)	(102)
<b>Net current liabilities</b>		<b>(9,750)</b>	(1,192)
<b>Total assets less current liabilities</b>		<b>301,719</b>	208,864
<b>Creditors:</b> amounts falling due after more than one year	14	<b>(13,192)</b>	(12,757)
<b>Provision for liabilities and charges</b>			
Performance fees	15	–	(1,456)
<b>Net assets</b>		<b>288,527</b>	194,651
<b>Capital and reserves</b>			
Called up share capital	16	2,344	1,737
Capital redemption reserve	17	13	13
Share premium	17	148,189	74,011
Other reserve	17	101,276	101,276
Capital reserves	17	30,450	12,613
Revenue reserve	17	6,255	5,001
<b>Total equity shareholders' funds</b>		<b>288,527</b>	194,651
<b>Net asset value per share</b>	18	<b>123.1p</b>	112.0p

The accounts on pages 30 to 53 were approved by the Directors and authorised for issue on 11th October 2013 and are signed on their behalf by:

Sarah Fromson  
Director

The accompanying notes on pages 35 to 53 form an integral part of these accounts.

Company registration number: 7273382

# Cash Flow Statement

for the year ended 31st July 2013

	Notes	2013 £'000	2012 £'000
<b>Net cash inflow from operating activities</b>	19	<b>8,514</b>	6,084
<b>Returns on investments and servicing of finance</b>			
Interest paid		(757)	(419)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(757)</b>	(419)
<b>Taxation</b>			
Overseas tax recovered		37	19
<b>Total tax recovered</b>		<b>37</b>	19
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(226,963)	(130,736)
Sales of investments		145,216	97,035
Other capital charges		(23)	(18)
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(81,770)</b>	(33,719)
<b>Dividends paid</b>		<b>(9,695)</b>	(6,546)
<b>Net cash outflow before financing</b>		<b>(83,671)</b>	(34,581)
<b>Financing</b>			
Proceeds of issue of Ordinary shares		74,679	33,945
Costs of subsequent issue of Ordinary shares		(379)	(298)
Drawdown of loan		12,393	–
<b>Net cash inflow from financing</b>		<b>86,693</b>	33,647
<b>Increase/(decrease) in cash for the year</b>	20	<b>3,022</b>	(934)

The accompanying notes on pages 35 to 53 form an integral part of these accounts.

# Notes to the Accounts

for the year ended 31st July 2013

## 1. Accounting policies

### (a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the AIC in January 2009.

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

The accounts have been prepared on a going concern basis.

### (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 'held 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 to capital at the time of acquisition. Subsequently the investments are valued at fair value which are quoted bid market prices for investments traded in active markets.

Realised gains or losses on investments are recognised in the Income Statement and represent the difference between the proceeds arising on sale and the brought forward fair value of the investment sold.

Derivatives are classified as held for trading and are measured at fair value using a recognised valuation technique. Unrealised movements in the valuation of derivatives are recognised in the Income Statement except where the derivative meets the criteria for cash flow hedge accounting. Under the requirements of cash flow hedge accounting, unrealised gains or losses on derivative products are recognised through the Statement of Total Recognised Gains and Losses as a separate component of equity.

All purchases and sales are accounted for on a trade date basis.

### (c) Accounting for reserves

Gains and losses on sales of investments and realised gains or losses on derivatives, including any related foreign exchange gains and losses, realised gains and losses on foreign currency, performance fees realised, management fee and finance costs and any other capital charges, are included in the Income Statement and dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments, options and other derivatives held at the year end, including the related foreign exchange gains and losses, are included in the Income Statement and dealt with in capital reserves within 'Investment holding gains'.

### (d) 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 included in capital.

UK dividends are included net of tax credits. Overseas dividends are included gross of any withholding tax.

Interest receivable on deposits and debt instruments is taken to revenue on an accruals basis using the effective interest rate method.

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 foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

# Notes to the Accounts continued

## 1. Accounting policies continued

### (e) Expenses

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

- Management fees are allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Performance fees are allocated 100% to capital.
- Expenses incidental to purchases and sales of investments are charged to capital. These expenses are commonly referred to as transaction costs and include items such as stamp duty and brokerage commissions. Details of transaction costs are given in note 10.

### (f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest rate method and in accordance with the provisions of FRS 25 'Financial Instruments: Presentation' and FRS 26 'Financial Instruments: Measurement'.

Finance costs are allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

### (g) Financial instruments

Cash and short term deposits 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 debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at carrying value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying value of all debtors and creditors approximates to their fair value.

Short term forward currency contracts are classified as derivative financial instruments and are held at fair value through profit or loss. Unrealised gains or losses on contracts outstanding at the end of the year are recognised in the Income Statement.

The Company uses an interest rate swap to hedge the cash flow risk arising from interest rate fluctuations. The swap is classified as 'held at fair value through profit or loss' and has been designated as an effective cash flow hedge in accordance with the provisions of FRS 26. Gains or losses arising on the fair value of the cash flow hedge during the year are shown in the Statement of Total Recognised Gains and Losses and are accounted for in capital reserves.

### (h) Foreign currency

In accordance with FRS 23: '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, has determined the functional currency to be sterling. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted to sterling at actual exchange rates at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, 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 on monetary assets 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. Gains and losses on investments arising from a change in exchange rates are included in the Income Statement within 'Gains or losses on investments held at fair value through profit or loss' and charged or credited to capital reserves.

**(i) Taxation**

Current taxation is provided at the amounts expected to be received or paid.

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred taxation liabilities are recognised for all taxable timing differences but deferred taxation assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Deferred taxation is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

Investment trusts which have approval under the appropriate tax regulations are not liable for taxation on capital gains.

**(j) Dividends payable**

In accordance with FRS21: 'Events after the balance sheet date', dividends are considered in the accounts in the year in which they are paid.

**(k) Share issue costs**

The costs of issuing shares are charged against any premium received on those shares. If no premium is receivable, the costs are included in the income statement and charged to capital reserves.

	2013 £'000	2012 £'000
<b>2. Gains on investments held at fair value through profit or loss</b>		
Gains/(losses) on sales of investments held at fair value through profit or loss based on historic cost	5,838	(1,214)
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(2,568)	(1,974)
Realised gains/(losses) on sales of investments based on carrying value at the previous balance sheet date	3,270	(3,188)
Net movement in investment holding gains and losses	18,470	7,702
Other capital charges	(22)	(18)
Total gains on investments held at fair value through profit or loss	21,718	4,496
	2013 £'000	2012 £'000
<b>3. Income</b>		
Overseas dividends	12,935	10,371
Dividends from participation notes	768	139
Dividends from Liquidity Fund	8	7
Scrip dividends	—	13
Total income from investments	13,711	10,530
<b>Other income</b>		
Deposit interest	2	2
Total income	13,713	10,532

# Notes to the Accounts continued

	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
<b>4. Management and performance fees</b>						
Management fee	721	1,681	2,402	501	1,170	1,671
Performance fee	–	597	597	–	2,838	2,838
	<b>721</b>	<b>2,278</b>	<b>2,999</b>	501	4,008	4,509

Details of the management fee and performance fee together with changes during the year ended 31st July 2013 are given in the Directors' Report on pages 19 and 20.

	2013 £'000	2012 £'000
<b>5. Other administrative expenses</b>		
Administration expenses	380	305
Directors' fees	99	81
Savings scheme costs <sup>1</sup>	47	42
Auditor's remuneration for audit services <sup>2</sup>	24	22
	<b>550</b>	450

<sup>1</sup>These amounts are payable to the Manager for the marketing and administration of savings scheme products.

<sup>2</sup>In addition to the above, fees amounting to £nil (2012: £18,000) including VAT were payable to the Auditor for services in connection with the issues of shares. Those fees payable in connection with the issue of Ordinary shares have been included in share issue costs and charged to share premium.

	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
<b>6. Finance costs</b>						
Interest on bank loans and overdrafts	236	551	787	128	298	426

## 7. Taxation

### (a) Analysis of tax charge in the year

	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
UK corporation tax at 23.67% (2012: 25.34%)	–	–	–	–	–	–
Overseas withholding tax	1,257	–	1,257	971	–	971
Current tax charge for the year	<b>1,257</b>	–	<b>1,257</b>	971	–	971



**(b) Factors affecting current tax charge for the year**

The tax charge for the year is lower (2012: lower) than the Company's applicable rate of corporation tax of 23.67% (2012: 25.34%). The difference is explained below:

	Revenue £'000	2013 Capital £'000	Total £'000	Revenue £'000	2012 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	12,206	17,785	29,991	9,453	(845)	8,608
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 23.67% (2012: 25.34%)	2,889	4,210	7,099	2,395	(214)	2,181
Effects of:						
Non taxable capital gains	–	(4,880)	(4,880)	–	(877)	(877)
Non taxable overseas dividends	(2,750)	–	(2,750)	(2,373)	–	(2,373)
Non taxable scrip dividends	–	–	–	(3)	–	(3)
Tax attributable to expenses and finance costs charged to capital	(670)	670	–	(1,091)	1,091	–
Income taxed in different periods	28	–	28	(114)	–	(114)
Overseas withholding tax	1,257	–	1,257	971	–	971
Unutilised expenses carried forward to future periods	503	–	503	1,186	–	1,186
Current tax charge for the year	1,257	–	1,257	971	–	971

**(c) Deferred taxation**

The Company has an unrecognised deferred tax asset of £1,885,000 which comprises unutilised expenses of £8,976,000 (2012: £1,634,000, unutilised expenses of £6,808,000) based on a prospective corporation tax rate of 21% (2012: 24%). The reduction in the standard rate of corporation tax was substantively enacted on 2nd July 2013 and is effective from 1st April 2014. The Government has also indicated that it intends to enact a future reduction in the main rate of corporation tax of 1% down to 20% by 1st April 2015. The deferred tax asset has arisen due to the excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's intention to apply for status as an investment trust company, no deferred tax has been provided on any capital gains or losses arising on the revaluation or disposal of investments.

# Notes to the Accounts continued

## 8. Dividends

### (a) Dividends paid and proposed

	2013 £'000	2012 £'000
2012 Final dividend paid of 2.15p (2011: 1.45p)	3,760	2,198
First interim dividend paid of 0.90p (2012: 0.90p)	1,732	1,380
Second interim dividend paid of 0.90p (2012: 0.90p)	1,908	1,449
Third interim dividend paid of 1.00p (2012: 0.90p)	2,295	1,519
Total dividends paid in the year	9,695	6,546
Fourth interim dividend payable of 2.10p (2012: nil)	4,922	–
Final dividend proposed of nil (2012: 2.15p)	–	3,735

### (b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends paid and proposed in respect of the financial year, as follows:

	2013 £'000	2012 £'000
First interim dividend paid of 0.90p (2012: 0.90p)	1,732	1,380
Second interim dividend paid of 0.90p (2012: 0.90p)	1,908	1,449
Third interim dividend paid of 1.00p (2012: 0.90p)	2,295	1,519
Fourth interim dividend proposed of 2.10p (2012: nil)	5,048	–
Final dividend proposed of nil (2012: 2.15p)	–	3,735
Total dividends for Section 1158 purposes	10,983	8,083

The revenue available for distribution by way of dividend is £10,949,000 (2012: £8,482,000).

## 9. Return/(loss) per share

Return/(loss) per share is based on the following:

	2013 £'000	2012 £'000
Revenue return	10,949	8,482
Capital return/(loss)	17,785	(845)
Total return	28,734	7,637
Weighted average number of Ordinary shares in issue during the year	200,902,726	156,827,362
Revenue return per share	5.45p	5.41p
Capital return/(loss) per share	8.85p	(0.54)p
Total return per share	14.30p	4.87p

	2013 £'000	2012 £'000
<b>10. Investments</b>		
Listed investments and participation notes	309,721	207,152
Investment in Liquidity Fund	1,748	2,904
Total investments	311,469	210,056
Opening book cost	196,999	162,477
Opening investment holding gains	13,057	7,329
Opening valuation	210,056	169,806
Movements in the year:		
Purchases at cost	224,925	132,787
Sales - proceeds	(145,252)	(97,051)
Realised gains/(losses) on sales of investments based on the ongoing value at the previous balance sheet date	3,270	(3,188)
Net movement in investment holding gains and losses	18,470	7,702
	311,469	210,056
Closing book cost	282,510	196,999
Closing investment holding gains	28,959	13,057
Total investments held at fair value	311,469	210,056

During the year, prior investment holding gains amounting to £2,568,000 were transferred to gains on sales of investments as disclosed in notes 2 and 17.

Transaction costs on purchases during the year amounted to £330,000 (2012: £223,000) and on sales during the year amounted to £161,000 (2012: £145,000). These costs comprise mainly brokerage commission.

	2013 £'000	2012 £'000
<b>11. Current assets</b>		
<b>Debtors</b>		
Securities sold awaiting settlement	52	16
Dividends and interest receivable	1,106	1,664
Overseas tax recoverable	109	9
Issue of Ordinary shares awaiting settlement	620	114
Other debtors	55	27
	1,942	1,830

The carrying amount of debtors approximates to their fair value.

#### Cash and short term deposits

Cash and short term deposits comprise bank balances and short term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

# Notes to the Accounts continued

	2013 £'000	2012 £'000
<b>12. Creditors:</b> amounts falling due within one year		
Securities purchased awaiting settlement	–	2,038
Bank loan – US Dollar 20 million floating rate loan with ING Bank	13,192	–
Performance fee	2,053	1,382
Other creditors and accruals	161	143
Loan interest payable	110	86
	<b>15,516</b>	<b>3,649</b>

The carrying amount of creditors falling due within one year approximates to their fair value.

	2013 £'000	2012 £'000
<b>13. Financial liability: derivative financial instrument</b>		
Interest rate swap contract held at fair value through profit or loss	50	102

	2013 £'000	2012 £'000
<b>14. Creditors:</b> amounts falling due after more than one year		
Bank loan – US Dollar 20 million fixed rate loan with National Australia Bank	13,192	12,757

The loan is fixed rate and secured by a floating charge over all the assets of the Company.

Further details are given in note 23(a)(ii).

	2013 £'000	2012 £'000
<b>15. Provisions for liabilities and charges</b>		
Performance fee		
Provision brought forward at the beginning of year	1,456	–
Prior year performance fee write back	(1,456)	–
Performance fee for the year	2,650	2,838
Performance fee write back	(597)	–
Amount released during the year	(2,053)	(1,382)
Provision carried forward at the end of the year	–	1,456

	2013 £'000	2012 £'000
<b>16. Called up share capital</b>		
<b>Ordinary shares – allotted and fully paid</b>		
Opening balance	1,737	1,426
Issue of 60,650,000 (2012: 31,063,585) Ordinary shares	607	311
Closing balance represented by 234,369,438 (2012: 173,719,438) Ordinary shares of 1p each	<b>2,344</b>	1,737

### Share capital transactions

During the year 60,650,000 Ordinary shares were issued for gross proceeds of £75.2 million. The purpose of the new share issues was not only to satisfy demand but also to enhance the net asset value because all new Ordinary shares were issued at a premium.

Since the year end, the Company has issued a further 17,060,000 new Ordinary shares for total consideration of £20.6 million. All new Ordinary shares have been issued at a premium to NAV.

The Company has the authority to repurchase shares in the market for cancellation. However, no shares were repurchased during the year (2012: same).

Resolutions to renew the authority to issue new shares and to repurchase shares will be put to shareholders at the forthcoming Annual General Meeting. More details are given on pages 21 and 22 and the full text of the resolutions is set out in the Notice of Annual General Meeting on pages 54 and 55.

	Called up share capital £'000	Capital redemption reserve £'000	Share premium £'000	Other reserve <sup>1</sup> £'000	Capital reserves		Revenue reserve £'000
					Gains and losses on sales of investments £'000	Investment holding gains £'000	
<b>17. Reserves</b>							
Opening balance	1,737	13	74,011	101,276	1,336	11,277	5,001
Foreign currency gains on cash and short term deposits	–	–	–	–	123	–	–
Realised gains on sales of investments based on carrying value at the previous balance sheet date	–	–	–	–	3,270	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	18,470	–
Transfer on disposal of investments	–	–	–	–	2,568	(2,568)	–
Performance fee written back <sup>2</sup>	–	–	–	–	–	(597)	–
Performance fee now realised <sup>2</sup>	–	–	–	–	(2,053)	2,053	–
Issue of Ordinary shares	607	–	74,578	–	–	–	–
Additional share issue expense	–	–	(400)	–	–	–	–
Unrealised foreign currency losses on loans	–	–	–	–	(1)	(1,226)	–
Movement in fair value of the cash flow hedge	–	–	–	–	(19)	71	–
Finance costs charged to capital	–	–	–	–	(551)	–	–
Management fee charged to capital	–	–	–	–	(1,681)	–	–
Other capital charges <sup>3</sup>	–	–	–	–	(22)	–	–
Dividends appropriated in the year	–	–	–	–	–	–	(9,695)
Retained revenue for the year	–	–	–	–	–	–	10,949
Closing balance	<b>2,344</b>	<b>13</b>	<b>148,189</b>	<b>101,276</b>	<b>2,970</b>	<b>27,480</b>	<b>6,255</b>

<sup>1</sup>The share premium account was cancelled on 20th October 2010 and the 'Other reserve' is for the purposes of financing share repurchases.

<sup>2</sup>The performance fee for the year ended 31st July 2013 was £2,650,000 (2012: £2,838,000), of which £597,000 (2012: nil) was written back. In addition, £1,456,000 was written back in respect of prior year accruals following a change to the Management Agreement, further details of which are included in the Directors' Report on page 19.

<sup>3</sup>This differs from the £23,000 in the Cash Flow Statement and note 21 due to roundings of accruals.

# Notes to the Accounts continued

## 18. Net asset value per share

The net asset value per share is based on the net assets attributable to the Ordinary shareholders of £288,527,000 (2012: £194,651,000) and on the 234,369,438 (2012: 173,719,438) Ordinary shares outstanding at 31st July 2013.

	2013 £'000	2012 £'000
<b>19. 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	30,778	9,034
Add: capital (return)/loss on ordinary activities before finance costs and taxation	(18,336)	547
Scrip dividends received as income	–	(13)
Decrease/(increase) in accrued income	558	(570)
(Increase)/decrease in other debtors	(28)	110
(Decrease)/increase in accrued expenses	(4)	38
Management fee charged to capital	(1,678)	(1,170)
Overseas withholding tax	(1,394)	(995)
Performance fee paid	(1,382)	(897)
Net cash inflow from operating activities	<b>8,514</b>	6,084

	2012 £'000	Cash flow £'000	Exchange movement £'000	Other movements £'000	2013 £'000
<b>20. Analysis of changes in net debt</b>					
Cash and short term deposits	729	3,022	123	–	<b>3,874</b>
Foreign currency bank loan falling due within one year	(12,757)	–	(428)	(7)	<b>(13,192)</b>
Foreign currency bank loan falling due after more than one year	–	(12,393)	(799)	–	<b>(13,192)</b>
Net debt	(12,028)	(9,371)	(1,104)	(7)	<b>(22,510)</b>

## 21. Transactions with the Manager and affiliates of the Manager

The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £2,402,000 (2012: £1,671,000) of which £nil (2012: £nil) was outstanding at the year end.

Expenses amounting to £47,000 (2012: £42,000) were payable to JPMAM for the marketing and administration of savings scheme products during the year, of which £nil (2012: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £23,000 (2012: £18,000) were payable to JPMorgan Chase during the year, of which £7,000 (2012: £7,000) was outstanding at the year end. This differs from the £22,000 in note 17 due to roundings of accruals.

Based on the performance over the year, the Manager has earned a performance fee of £2,053,000 (2012: £2,838,000) under the terms of the Management Agreement. In addition, the performance fee provision brought forward from the previous year of £1,456,000 has been written off during the year. The performance fee payable at the year end was £2,053,000 (2012: £1,382,000).

Included in other administration expenses in note 5 are safe custody fees amounting to £186,000 (2012: £148,000) payable to JPMorgan Investor Services Limited, of which £51,000 (2012: £53,000) was outstanding at the year end.

JPMAM may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £26,000 (2012: £40,000) of which £nil (2012: £nil) was outstanding at the year end.

At the year end, a bank balance of £3,874,000 (2012: £729,000) was held with JPMorgan Chase. A net amount of interest of £2,000 (2012: £2,000) was receivable by the Company during the year from JPMorgan Chase, of which £nil (2012: £nil) was outstanding at the year end.

## 22. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio and an interest rate swap contract.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets;

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1; and

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b).

The following table sets out the fair value measurements using the FRS 29 hierarchy at 31st July:

	2013			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Financial assets held at fair value through profit or loss</b>				
Listed investments and participation notes	309,721	–	–	309,721
Liquidity Fund	1,748	–	–	1,748
Derivative financial instruments - interest rate swap contract	–	(50)	–	(50)
<b>Total</b>	<b>311,469</b>	<b>(50)</b>	<b>–</b>	<b>311,419</b>

	2012			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Financial assets held at fair value through profit or loss</b>				
Listed investments and participation notes	207,152	–	–	207,152
Liquidity Fund	2,904	–	–	2,904
Derivative financial instruments - interest rate swap contract	–	(102)	–	(102)
<b>Total</b>	<b>210,056</b>	<b>(102)</b>	<b>–</b>	<b>209,954</b>

There have been no transfers between Level 1, 2 or 3 during the year (2012: nil).

# Notes to the Accounts continued

## 23. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management strategy.

The Company's financial instruments may comprise the following:

- investments in equity shares and participation notes of overseas companies and a US Dollar liquidity fund which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- a floating rate loan with ING Bank with an interest rate swap contract for the purpose of fixing the interest rate payable on that loan and a fixed rate loan with National Australia Bank.

### (a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

#### (i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and the currency in which it reports). As a result, movements in exchange rates may affect the sterling value of those items.

#### Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Foreign currency borrowing may be used to limit the Company's exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. This borrowing would be limited to currencies and amounts commensurate with the asset exposure to those currencies. Income denominated in foreign currencies is converted to US Dollars on receipt. The Company may use short term forward currency contracts to manage working capital requirements. It is currently not the Company's policy to hedge against foreign currency exchange risk.

#### Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31st July are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.



	2013						
	Hong Kong Dollar £'000	South African Rand £'000	US Dollar £'000	Taiwan Dollar £'000	Brazilian Real £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	–	–	1,748	–	–	–	1,748
Current assets	493	21	1,860	1,735	183	50	4,342
Creditors	–	–	(26,433)	–	–	–	(26,433)
Foreign currency exposure on net monetary items	493	21	(22,825)	1,735	183	50	(20,343)
Investments held at fair value through profit or loss that are equities	56,410	47,108	68,604	37,102	31,923	68,574	309,721
Total net foreign currency exposure	56,903	47,129	45,779	38,837	32,106	68,624	289,378

	2012						
	Hong Kong Dollar £'000	US Dollar £'000	Taiwan Dollar £'000	South African Rand £'000	Brazilian Real £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	–	2,904	–	–	–	–	2,904
Current assets	107	598	531	76	54	875	2,241
Creditors	–	(13,373)	–	(2,038)	–	–	(15,411)
Foreign currency exposure on net monetary items	107	(9,871)	531	(1,962)	54	875	(10,266)
Investments held at fair value through profit or loss that are equities	36,068	43,079	24,528	18,728	19,054	65,695	207,152
Total net foreign currency exposure	36,175	33,208	25,059	16,766	19,108	66,570	196,886

The following tables illustrate the sensitivity of the return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary financial instruments (excluding fixed asset investments) held at the balance sheet date and the income receivable in foreign currency, and assumes a 10% (2012: same) appreciation or depreciation in sterling against the Hong Kong Dollar, US Dollar, Taiwan Dollar, South African Rand, Brazilian Real, and the other currencies to which the Company is exposed, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

# Notes to the Accounts continued

## 23. Financial instruments' exposure to risk and risk management policies continued

### (a) Market risk continued

#### (i) Foreign currency exposure continued

If sterling had weakened by 10% (2012: 10%) this would have had the following effect:

	2013 £'000	2012 £'000
Income statement return after taxation		
Revenue return	1,371	(1,037)
Capital return	(2,034)	975
Total return after taxation for the year	(663)	(62)
Net assets	(663)	(62)

Conversely, if sterling had strengthened by 10% (2012: 10%) this would have had the following effect:

	2013 £'000	2012 £'000
Income statement return after taxation		
Revenue return	(1,371)	1,037
Capital return	2,034	(975)
Total return after taxation for the year	663	62
Net assets	663	62

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to foreign currency risk.

#### (ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the Liquidity Fund. The Company has no exposure to fair value interest rate risk.

##### Management of interest rate risk

The Company will not normally hold significant cash balances. There is an overdraft facility available from JPMorgan Chase, if required, bearing interest at the applicable rate and on the terms on which JPMorgan Chase makes similar overdrafts available.

The Company has a secured US Dollar 20 million 3 year floating rate loan with ING Bank, repayable in November 2013. Interest is payable at a rate of US Dollar LIBOR plus a margin of 2.15% per annum. The Company has also entered a swap agreement with ING Bank, the net effect of which is to fix the interest rate payable on the loan at 3.34% per annum for the whole 3 year term of the loan. Thus there is no interest rate risk arising from the loan due to interest rate fluctuations.

### Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below.

	2013 £'000	2012 £'000
Exposure to floating interest rates:		
Cash and short term deposits	3,874	729
JPMorgan US Dollar Liquidity Fund	1,748	2,904
Total exposure	5,622	3,633

Interest receivable on cash balances is at a margin below LIBOR.

The target interest earned on the JPMorgan US Dollar Liquidity Fund is the 7 day US Dollar London Interbank Bid Rate.

The exposure to floating interest rates has fluctuated during the year between net cash balances as follows:

	2013 £'000	2012 £'000
Maximum credit interest rate exposure - net cash balance	11,474	8,273
Minimum credit interest rate exposure - net cash balance	129	827

### Interest rate sensitivity

The following table illustrates the sensitivity of the revenue after taxation for the year and net assets to a 1% increase in interest rates with regard to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2013		2012	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
Income statement - return after taxation				
Revenue return	56	(56)	36	(36)
Capital return	–	–	–	–
Total return after taxation for the year	56	(56)	36	(36)
Net assets	56	(56)	36	(36)

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and investment in the Liquidity Fund.

# Notes to the Accounts continued

## 23. Financial instruments' exposure to risk and risk management policies continued

### (a) Market risk continued

#### (iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of investments.

#### Management of other price risk

The Board will meet on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

#### Other price risk exposure

The Company's exposure to changes in market prices at 31st July comprises its holdings in equity investments as follows:

	2013 £'000	2012 £'000
Equity investments held at fair value through profit or loss	309,721	207,152

The above data is broadly representative of the exposure to other price risk during the year.

#### Concentration of exposure to other price risk

The value of the investment portfolio is in a broad spread of countries with no particular concentration of exposure to any one country. It should also be noted that an investment may not be wholly exposed to the economic conditions in its country of domicile or of listing.

#### Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% in the fair value of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2013		2012	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	10% Increase in fair value £'000	10% Decrease in fair value £'000
Income statement - return after taxation				
Revenue return	(93)	93	(62)	62
Capital return	30,755	(30,755)	20,570	(20,570)
Total return after taxation for the year and net assets	30,662	(30,662)	20,508	(20,508)

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to other price risk.

**(b) Liquidity risk**

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

**Management of the risk**

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Company has entered into a swap contract, the net effect of which is to fix the interest rate payable on the floating rate bank loan. Thus there is no liquidity risk arising from the floating rate loan due to fluctuations in interest payments.

**Liquidity risk exposure**

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required by the lender are as follows:

	2013			Total £'000
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	
Creditors: amounts falling due within one year				
Performance fee	2,053	–	–	2,053
Bank loan	109	13,214	–	13,323
Other creditors and accruals	272	–	–	272
Financial liability: derivative financial instrument - interest rate swap contract held at fair value through profit or loss	–	50	–	50
Creditors: amounts falling due after more than one year				
Bank loan	94	286	13,637	14,017
	2,528	13,550	13,637	29,715

	2012			Total £'000
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	
Creditors: amounts falling due within one year				
Performance fee	1,382	–	–	1,382
Securities purchased awaiting settlement	2,038	–	–	2,038
Other creditors and accruals	229	–	–	229
Financial liability: derivative financial instrument - interest rate swap contract held at fair value through profit or loss	–	–	102	102
Creditors: amounts falling due after more than one year				
Performance fee	–	–	1,456	1,456
Bank loan	106	317	12,885	13,308
	3,755	317	14,443	18,515

# Notes to the Accounts continued

## 23. Financial instruments' exposure to risk and risk management policies continued

### (c) Credit risk

Credit risk is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction which could result in loss to the Company.

#### Management of credit risk

##### Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and the incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

##### Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum rating of A1/P1 from Standard & Poor's and Moody's respectively.

##### Exposure to JPMorgan Chase

JPMorgan Chase is the custodian of the Company's assets. The custody agreement grants a general lien over the securities credited to the securities account. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. However, no absolute guarantee can be given to investors on the protection of all the assets of the Company.

#### Credit risk exposure

The amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the year end.

### (d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value.

## 24. Capital management policies and procedures

The Company's capital management objectives are to ensure that it will continue as a going concern and to provide investors with a dividend income combined with the potential for long term capital growth.

The Company's debt and capital structure comprises the following:

	2013 £'000	2012 £'000
<b>Debt</b>		
US Dollar 20 million floating rate loan	13,192	12,757
US Dollar 20 million fixed rate loan	13,192	–
Total debt	26,384	12,757
<b>Equity</b>		
Equity share capital	2,344	1,737
Reserves	286,183	192,914
Total equity	288,527	194,651

The Board's policy is to employ gearing when the Manager believes it appropriate to do so. It is the Board's policy to utilise gearing up to a maximum of 20% at the time of drawdown. Gearing for this purpose is defined as Total Assets (including net current assets/liabilities) less cash/cash equivalents and excluding bank loans, expressed as a percentage of net assets.

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Investments excluding holdings in liquidity funds	<b>309,721</b>	207,152
Current assets excluding cash and short term deposits	<b>1,942</b>	1,830
Current liabilities excluding any bank loans	<b>(2,375)</b>	(3,751)
Total assets	<b>309,288</b>	205,231
Net assets	<b>288,527</b>	194,651
Gearing	<b>7.2%</b>	5.4%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to be held in Treasury, which takes into account the share price discount or premium; and
- the need for issues of new shares.

#### **25. Post balance sheet event**

On 8th October 2013, the Company entered into a further fixed rate loan agreement with National Australia Bank Limited. The term of the agreement is five years.

# Notice of Annual General Meeting

Notice is hereby given that the third Annual General Meeting of JPMorgan Global Emerging Markets Income Trust plc will be held at Holborn Bars, 138-142 Holborn, London EC1N 2NQ on Thursday, 28th November 2013 at 2.00 p.m. for the following purposes:

1. To receive the Directors' Report & Accounts and the Auditor's Report for the year ended 31st July 2013.
2. To approve the Directors' Remuneration Report for the year ended 31st July 2013.
3. To reappoint Andrew Hutton as a Director of the Company.
4. To reappoint Sarah Fromson as a Director of the Company.
5. To reappoint Richard Robinson as a Director of the Company.
6. To reappoint Paul Wallace as a Director of the Company.
7. To reappoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to determine their remuneration.

## Special Business

To consider the following resolutions:

### Authority to allot new shares – Ordinary Resolution

8. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 ('the Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £754,288, or, if different, up to an aggregate nominal amount as shall be equal to 30% of the nominal value of the issued share capital of the Company as at 27th November 2013 (being the day immediately preceding the date of the Annual General Meeting), provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in

pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

9. THAT subject to the passing of Resolution 8 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 to 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 8 or by way of a sale of Treasury shares as if Section 561(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 £754,288 or, if different, up to an aggregate nominal amount as shall be equal to 30% of the nominal value of the issued share capital of the Company as at 27th November 2013 (being the day immediately preceding the date of the Annual General Meeting), at a price being not less than the prevailing net asset value per share at the date of allotment and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements 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 pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

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

10. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued Ordinary shares of 1p each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine.

PROVIDED ALWAYS THAT

- (i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 37,689,272 or, if different, that number of Ordinary 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 shall be 1p;
- (iii) the maximum price which may be paid for an Ordinary share shall be an amount equal to the highest of:
  - (a) 105% of the average of the middle market quotations for an Ordinary 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 Ordinary share is contracted to be purchased; (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of Ordinary shares will be made in the market for cash at prices below the prevailing net asset value per Ordinary share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 27th May 2015 unless the authority is renewed at the Company's Annual General Meeting in 2014 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

By order of the Board  
 Rebecca Burtonwood, for and on behalf of  
 JPMorgan Asset Management (UK) Limited,  
 Company Secretary  
 18th October 2013

#### Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will be terminated automatically.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 2.00 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. 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. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

# Notice of Annual General Meeting continued

6. Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.
  7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006 each such representative(s) may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.  
Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
  8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with the Auditor of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
  9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
  10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
  11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
  12. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website [www.jpimglobalemergingmarketsincome.co.uk](http://www.jpimglobalemergingmarketsincome.co.uk)
  13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any service contract with the Company.
  14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
  15. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk). You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at [www.shareview.co.uk](http://www.shareview.co.uk). Full instructions are given on both websites.
  16. As at 10th October 2013 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 251,429,438 Ordinary shares of 1p each, carrying one vote each. Therefore the total voting rights in the Company are 251,429,438.
- 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. See further instructions on the proxy form.

# Glossary of Terms and Definitions

## Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

## 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 were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV per share when calculating the total return on net assets.

## Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested, without transaction costs, into 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 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

## Gearing/Net Cash

Gearing represents the excess amount above shareholders' funds of total assets less cash/cash equivalents, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

## Ongoing Charges

The Ongoing Charges represent the Company's management fees and all other operating expenses excluding interest and performance fee payable, expressed as a percentage of the average of the daily net assets during the year.

## Share Price Discount/Premium to Net Asset Value ('NAV') Per Share

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

## H-Shares

Companies incorporated in mainland China and listed in Hong Kong and on other foreign exchanges.

## Performance Attribution

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

## Stock Selection/Asset Allocation

Measures the effect of investing in securities/sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

## Currency Effect

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

## Gearing/Cash

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

## 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 Fee

Measures the effect of a performance fee charge or writeback.

## Share Issues

Measures the positive effect on relative performance of issuing shares at a premium to NAV per share.

#### Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FCA before getting involved by visiting [www.fca.org.uk/consumers](http://www.fca.org.uk/consumers)
- Report the matter to the FCA by calling **0800 111 6768**
- If the calls persist, hang up.

More detailed information on this can be found on the Money Advice Service website [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

# Information about the Company

## Financial Calendar

Financial year end	31st July
Final results announced	October
Half year end	31st January
Half year results announced	March
Interim Management Statements announced	May and November
Annual General Meeting	November

### History

JPMorgan Global Emerging Markets Income Trust plc is an investment trust which was launched in July 2010 with assets of £102.3 million.

### Company Numbers

Company registration number: 7273382

### Ordinary Shares

London Stock Exchange ISIN code: GB00B5ZZY915

Bloomberg code: JEMI

SEDOL B5ZZY91

### Market Information

The Company's unaudited net asset value ('NAV') is published daily, via the London Stock Exchange.

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

### Share Transactions

The Company's 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 J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+, available at [www.jpmorganwealthmanagerplus.co.uk](http://www.jpmorganwealthmanagerplus.co.uk)

### Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

### Company's Registered Office

Finsbury Dials

20 Finsbury Street

London EC2Y 9AQ

Telephone number: 020 7742 4000

For company secretarial and administrative matters please contact Rebecca Burtonwood at the above address.

### Custodian

JPMorgan Chase Bank, N.A.

25 Bank Street

Canary Wharf

London E14 5JP

### Registrars

Equiniti Limited

Reference 3570

Aspect House

Spencer Road

Lancing

West Sussex BN99 6DA

Telephone number: 0871 384 2857

Calls to this number cost 8p per minute plus network charges. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. The overseas helpline number is +44 (0)121 415 7047.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 3570. Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

### Independent Auditor

Ernst & Young LLP

Statutory Auditor

1 More London Place

London SE1 2AF

### Brokers

Winterflood Securities Limited

The Atrium Building

Cannon Bridge

25 Dowgate Hill

London EC4R 2GA

Telephone number: 020 3100 0000

### Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.



The Association of  
Investment Companies

A member of the AIC

J.P. Morgan Helpline  
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

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