Annual Report 2012

JPMorgan Emerging Markets Investment Trust plc

Annual Report & Accounts for the year ended 30th June 2012

J.P.Morgan
Asset Management

Features

Contents

Objective

Capital growth from emerging markets worldwide.

Investment Policies

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

Further details on investment policies and risk management are given in the Directors' Report on page 17.

Benchmark

The MSCI Emerging Markets Index with net dividends reinvested, in sterling terms.

Capital Structure

At 30th June 2012 the Company's issued share capital comprised 114,932,153 Ordinary shares of 25p each, including 170,000 shares held in Treasury, and 17,431,372 Subscription shares of 1p each.

Continuation Vote

At the Annual General Meeting held on 14th November 2011 an ordinary resolution of the shareholders approved the continuation of the Company until the Annual General Meeting in November 2014.

Management Company

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

Financial Results

Total returns (includes dividends reinvested)

-11.5%
Portfolio return net of fees and expenses[1,2]
(2011: +22.3%)

-14.0%
Benchmark[3]
(2011: +19.1%)

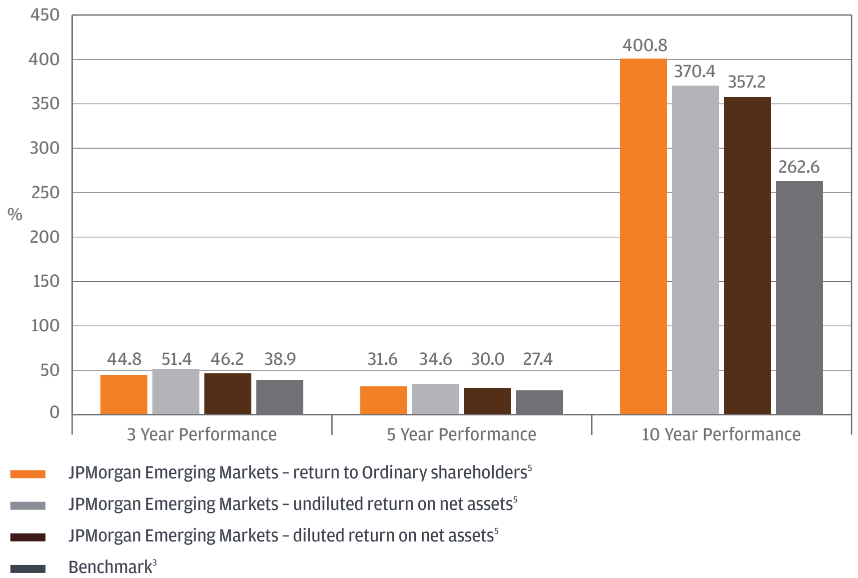
-10.4%
Fully diluted return on net assets[1,4]
(2011: +21.0%)

-10.5%
Return to Ordinary shareholders[5]
(2011: +20.1%)

4.5p
Dividend
(2011: 3.5p)

Long Term Performance

For periods ended 30th June 2012



A glossary of terms and definitions is provided on page 60.

[1]Source: J.P. Morgan.

[2]Return on net assets, net of management fees and administration expenses, but excluding both the effect of Subscription shares which have been converted during the year and the dilutive impact of Subscription shares in issue at the year end.

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

[4]Return on net assets calculated using the diluted net asset value, which assumes that all outstanding Subscription shares were converted into Ordinary shares at the year end.

[5]Source: Morningstar.

Chairman's Statement

The Company has again outperformed its benchmark index, the MSCI Emerging Markets Index, in the year to 30th June 2012, albeit in a year which saw negative returns to equity investors. As I explained previously, following the successful issue of Subscription shares in 2009, we report our net asset value on a diluted basis to reflect the potential dilution to net asset value assuming full conversion of the Subscription shares to Ordinary shares. Until expiry of the Subscription shares, this gives a somewhat misleading impression of the Company's underlying portfolio performance as it has a negative effect on the net asset value calculation. Once again, I would emphasise that it is not the basis on which we judge the performance of the Manager, which we continue to do excluding the dilution effect of the Subscription shares, which was –0.1% during the year.

Accordingly, I can report that the portfolio return net of fees and expenses was –11.5% before adjustments, against a fall of 14.0% in the benchmark. Allowing for the dilution effect of those Subscription shares that were actually exercised in the year, this adjusts to a fall in net asset value of 11.6%. The fall on a fully diluted basis was 10.4%.

This outperformance was driven by active stock selection and asset allocation, as the Manager details in his report, continuing the traditional source of added value in the Manager's performance over many years. It also gives rise to a non-offsetable performance fee payment due to the Manager of £1.8 million; this sum will be paid only when there is a positive movement in the net asset value over a financial year.

We continue to monitor closely the share price and therefore the fluctuations in the discount of our share price to their diluted net asset value. The Ordinary share price fell 11.0% through the year, from 597.5p to 531.5p at the year end. The Subscription shares declined 44% over the year, from 135.0p to 75.0p. The discount on the Ordinary shares ranged between 6.0% and 11.2%, averaging 8.8% through the year. A total of 170,000 shares were repurchased into Treasury during the year and a further 93,335 shares have been repurchased since the year end.

The Board's policy on discount management is that it is prepared to take action to ensure that the fully diluted discount does not touch or exceed 10% for an extended period, but only if the discount is out of line with our peer group and market conditions are orderly. We are prepared to buy shares in at discounts of between 8% and 10% in order to achieve this, subject to those caveats.

Income after expenses rose by more than 17% and we are proposing to pay an increased dividend of 4.5p. Our investment policy is aimed at maximising capital growth and does not focus on income. Hitherto the Company has only paid dividends to the extent necessary to maintain investment trust status, but feedback at last year's AGM suggested that an increased dividend would be welcomed by shareholders. However, given that the Company's objective is to achieve capital growth, it remains the case that dividends may fluctuate from year to year according to our income position.

The Board continues to take seriously its governance obligations and we comply fully with the AIC Code of Corporate Governance and the UK Corporate Governance Code. We support the general drive to diversity in terms of board representation as recommended in the Davies Report and this will be borne in mind when we recruit a new director in ensuing years.

We continue to monitor our Manager carefully through the Management Engagement Committee. We confirm that we remain fully satisfied that the Manager is the right manager for the Company, not only in terms of investment performance but also in terms of risk management, administration, controls and compliance.

The Board itself has remained stable in terms of composition over the year.
As previously, we carry out a review of the Board and separately the Board reviews my role as Chairman. I am pleased to say no major concerns were raised and I would like to thank my colleagues for their continuing support.

Last year, I concluded by pointing out that the Company was now 20 years old and had navigated its way successfully through that period to the benefit of shareholders. I am pleased to record that shareholders gave a positive endorsement at last year's AGM by voting strongly in favour of the resolution to continue the Company for another three years

It is naturally disappointing to report a fall in shareholder returns for the first year of our new decade, though our managers have done a satisfactory job relative to the benchmark index. The Board remains confident however that emerging markets remain an attractive investment in the long term and are confident in the ability of our manager to deliver a strong performance.

Alan Saunders
Chairman 5th October 2012

Investment Manager's Report

Results

Your Company's financial year has been a challenging period for investment markets and this is reflected in a decline both in share prices generally and in the value of the Company's assets. While emerging markets fell by 14%, as measured by the MSCI index, the net asset value of the Company's portfolio declined by 11.6% on an undiluted basis, and by 10.4% when dilution (which is itself reduced by declining markets) is taken into account. It is of course disappointing to report negative results, but the Company's history so far has shown that patience and a focus on longer term outcomes can bring satisfactory results and there is no reason to expect that the future will be any different.

Further analysis of these results is given in the table on page 5, which shows a positive contribution both from stock selection within markets and from asset allocation. Although we appear to have made most of the excess performance by being in the right countries, our decisions were always made by finding stocks that we liked and this in turn led us to have more money invested in some places than in others.

The past year

The financial year began with a sharp fall in markets during the late summer of 2011 as the crisis in the Euro zone rumbled onwards and the US government nearly failed to approve its own borrowing requirement. The Euro crisis was to provide something of a refrain through the year and acted as the main determinant of market direction – an effect that extended into emerging markets as well: when policy measures seemed to be addressing Europe's problems, equities rose; when delay or political differences surfaced, they fell. Briefly, in September 2011, there was a whiff of real fear to be detected in financial markets and we found share prices offering significant value. Emerging markets subsequently rallied strongly, rising by more than a quarter, before slipping back again in February. Since then, there has been little clear direction in markets, though volatility has continued through the summer and into September.

There has also been plenty of divergence within the asset class: Thailand and the Philippines were among the few markets to rise in value during the 12 months to June, while larger countries like India and Brazil had poor years, both seeing declines of more than a quarter in sterling terms. In addition to economic factors, politics has played a prominent part this year. In Russia a predictable election result saw Vladimir Putin returned for his third term as President, though with more popular opposition than was perhaps expected. India had a dreadful year; the economy was already experiencing an inflationary hangover after the boom of 2005-2007, but the last couple of years have added corruption scandals and political paralysis to the mix; one consequence has been a steep slide in the value of the rupee. As I write, the biggest emerging market of all, China, is about to embark on a transition to new leadership. In all cases, political change increases uncertainty, and at best defers or stalls decision-making; some element of recent market returns is probably attributable to these moments of hiatus.

Performance attribution for the year ended 30th June 2012

	%	%
Contributions to total returns		
Benchmark		**-14.0**
Asset allocation	2.7	
Stock selection	1.3	
Gearing/cash	0.2	
Currency	-0.3	
Investment Manager contribution		**3.9**
Portfolio return		**-10.1**
Management fee/ Other expenses	-1.2	
Performance fee	-0.2	
Portfolio return net of fees and expenses		**-11.5**
Exercise of Subscription shares during the year	-0.1	
Undiluted return on net assets		**-11.6**
Dilution effect of potential exercise of remaining Subscription shares	1.2	
Diluted return on net assets		**-10.4**
Impact of change in discount	-0.1	
Return to Ordinary shareholders		**-10.5**

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 60.

'Activity is the enemy of investment'

As readers of previous reports will know, we tend to alter the portfolio relatively little. During this last year, we changed just under 15% of the investments by value, adding 11 new companies and selling out completely from four others.

The companies we added varied widely, but included Discovery Holdings, an innovative insurance company from South Africa, and Mahindra & Mahindra Financial Services, a consumer lending business serving rural India. We also bought Delta Electronics, a Taiwanese manufacturer, and Tiger Brands, the leading food company in Africa. There is no common thread in their activity or location, but these companies do share characteristics that we look for: good economics, a strong market position that is likely to last and management focused on building value for the benefit of all shareholders, all available at valuations that promise good returns in the future. The net effect of these changes was to change the distribution of the portfolio as explained by the table on page 11. Of note are an increase in your Company's South African investments and a decrease in exposure to Russia.

Future opportunities

Fundamental returns from equity markets are driven by dividends and by growth in dividends, which must stem from higher profits to be sustainable. On top of this, valuations can of course rise and fall and when investing in another country, currencies can also affect returns for investors.

As I write, emerging markets are well below long term averages as far as valuation is concerned; accordingly, this is one thing that we do not worry about. In fact a general improvement in investor confidence should allow valuations to rise from current levels.

Growth, on the other hand, is a more complex area. While revenue growth in emerging markets has comfortably exceeded that of the developed world in the last couple of years, profit growth has not. Corporate margins in emerging markets have been squeezed by a number of factors, some of which are cyclical (exchange rates, input costs), other less so. In some areas, company profitability has been very high and these cost increases are simply correcting it to more normal levels; in other places, government policy has been to push wage growth up. Finally, competition is increasing in many industries. This latter factor has been provoked both by the increased opening of markets and by greater interest from multinational corporations. The dismantling of protectionism has led to lower import tariffs and less restriction of ownership in key industries. While this has made it possible for international companies to grow into emerging markets, the dull economic outlook in the developed world has made them all the more keen to do so; accordingly they have become a much more significant factor in local competition than was the case a decade ago.

Investment Manager's Report continued

We expect that corporate revenues in emerging markets will continue to grow, reflecting the underlying growth in economies which will continue to exceed that of the developed world. But to translate that revenue growth into higher earnings per share and higher dividends per share, companies will need to increase productivity, withstand competition, invest their cash flow competently and avoid the dilution of shareholders' interests.

It is therefore more important than ever to judge companies' capabilities accurately, since their capacity to cope with future trends varies widely. Some companies in emerging markets are simply outstanding businesses, run to the highest standards and managed with skill and prudence to deliver long term returns to their owners. These companies stand comparison with any business from the developed world and we will own them unless their valuations are wholly unpalatable: Taiwan Semiconductor, the world's leading producer of semiconductor chips, and AIA, a life insurance business with a leading franchise across much of Asia, are just a couple of examples of large businesses which feature prominently in your Company's portfolio today. It also holds some smaller companies like Cafe de Coral, which opened its first restaurant in 1969 and over four decades has become the largest Chinese fast food restaurant chain in Hong Kong; and Top Glove, a Malaysian company which is the world's leading producer of latex gloves. In addition to businesses which have grown independently from emerging market roots, the portfolio contains several companies which are subsidiaries of multinational companies, listed locally within their area of operation: Unilever Indonesia and BAT Malaysia are two of the more obvious ones; Ambuja Cements and ACC are part of the Swiss Holcim group, while United Breweries, also in India, has Heineken as a large minority shareholder. All these businesses have just the kind of staying power that we are looking for.

But not all companies are like this; there are many others which do not stand out from the crowd and in some the risks borne by shareholders can become all too apparent: the competence and motives of owners and managers can vary enormously; not all owners understand that life is different as a listed company and not all managers have long experience, or good judgement. As long term investors in the asset class, it is vital for us to make judgements about which companies fall into which categories and this is the reason why our team of specialists puts such an emphasis on meeting the decision-makers and on visiting companies in person and conducts hundreds of such discussions with company managers every year. In the best cases, economics, staying power and governance all come into alignment; and then we need to be patient until valuations also do the same. If we can exercise our judgement consistently and invest in a well diversified portfolio of good businesses, then we should be confident that shareholders will capture the opportunity of emerging markets in the years ahead.

Austin Forey
Investment Manager — 5th October 2012

Summary of Results

	2012	2011	% change
Total returns for the year ended 30th June			
Return to Ordinary shareholders[2]	**–10.5%**	+20.1%	
Portfolio return net of fees and expenses[3]	**–11.5%**	+22.3%	
Undiluted return on net assets[3]	**–11.6%**	+21.4%	
Fully diluted return on net assets[3]	**–10.4%**	+21.0%	
Benchmark[4]	**–14.0%**	+19.1%	
Net asset value, share price and discount at 30th June			
Shareholders' funds (£'000)	**691,931**	785,060	-11.9
Undiluted net asset value per Ordinary share	**602.9p**	686.4p	-12.2
Diluted net asset value per Ordinary share	**584.1p**	655.7p	-10.9
Ordinary share price	**531.5p**	597.5p	-11.0
Ordinary share price discount to diluted net asset value per Ordinary share	**9.1%**	8.8%	
Ordinary shares in issue (excluding shares held in Treasury)	**114,762,153**	114,365,583	
Subscription share price	**75.0p**	135.0p	–44.4
Subscription shares in issue	**17,431,372**	17,997,942	
Revenue for the year ended 30th June			
Gross revenue (£'000)	**16,480**	15,912	+3.6
Net revenue attributable to Ordinary shareholders (£'000)	**7,273**	6,198	+17.3
Revenue return per Ordinary share – undiluted	**6.36p**	5.43p	+17.1
Revenue return per Ordinary share – diluted	**6.22p**	5.26p	+18.2
Dividend per Ordinary share	**4.5p**	3.5p	+28.6
Actual gearing factor at 30th June[5]	**96.1%**	94.8%	
Ongoing charges[6]	**1.18%**	1.15%	

A glossary of terms and definitions is provided on page 60.

[1]A 'Unit' comprises 5 Ordinary shares and 1 Subscription share.

[2]Source: Morningstar.

[3]Source: J.P. Morgan.

[4]Source: Datastream. The Company's benchmark is the MSCI Emerging Markets Index with net dividends reinvested, in sterling terms.

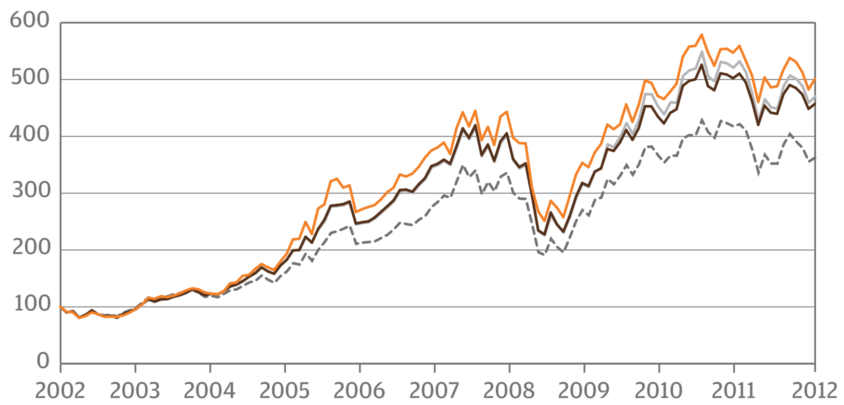
[5]Actual gearing represents investments, excluding holdings in liquidity funds, expressed as a percentage of net assets.

[6]Management fee and all other operating expenses, excluding interest and performance fee payable, expressed as a percentage of the average of daily net assets during the year (2011: Total Expense Ratio: Management fees and all other operating expenses, excluding interest and performance fee payable, expressed as a percentage of the average of the month end net assets during the year). The Ongoing charges is calculated in accordance with guidance issued by the Association of Investment Companies. The Ongoing charges including the performance fee payable was 1.18% (2011: 1.42%, Total Expense Ratio).

Performance

Ten Year Performance

Figures have been rebased to 100 at 30th June 2002



Source: Morningstar/Datastream.

JPMorgan Emerging Markets – share price total return.

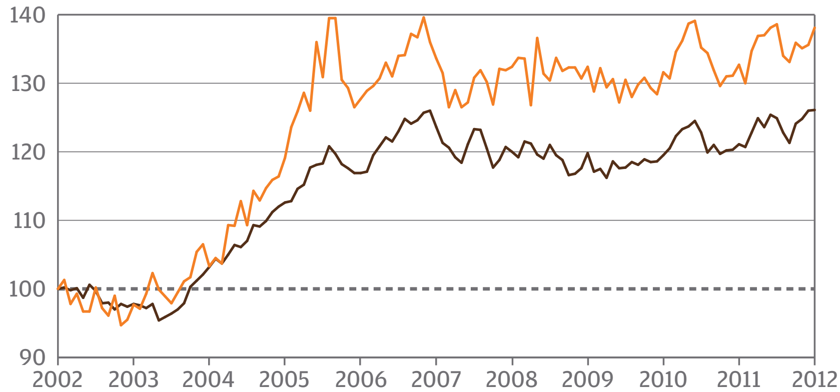
JPMorgan Emerging Markets – diluted net asset value total return.

JPMorgan Emerging Markets – undiluted net asset value total return.

Benchmark.

Performance Relative to Benchmark

Figures have been rebased to 100 at 30th June 2002



Source: Morningstar/Datastream.

JPMorgan Emerging Markets – share price total return.

JPMorgan Emerging Markets – undiluted net asset value total return.

Benchmark – represented by the horizontal line.

Ten Year Financial Record

At 30th June	2002	2003	2004	2005[1]	2006	2007	2008	2009	2010	2011	2012
Shareholders' funds (£m)	120.4	115.9	148.4	222.2	360.9	508.0	518.4	448.2	631.9	785.1	**691.9**
Undiluted net asset value per Ordinary share (p)	133.5	128.5	164.5	246.3	327.2	460.5	470.0	406.3	568.3	686.4	**602.9**
Diluted net asset value per Ordinary share (p)[2]	133.5	128.5	164.5	246.3	327.2	460.5	470.0	406.3	544.9	655.7	**584.1**
Ordinary share price (p)	111.8	107.5	137.8	216.0	299.0	416.5	433.5	374.0	500.0	597.5	**531.5**
Discount (%)	16.3	16.3	16.2	12.3	8.6	9.6	7.8	7.9	8.2	8.8	**9.1**
Subscription share price (p)[3]	–	–	–	–	–	–	–	39.5	76.3	135.0	**75.0**
Actual gearing factor (%)	107.4	99.7	95.8	95.0	99.8	100.8	95.3	99.2	98.3	94.8	**96.1**
Year ended 30th June											
Gross revenue attributable to shareholders (£'000)	3,010	3,013	4,474	5,435	8,488	8,055	9,456	11,344	12,335	15,912	**16,480**
Diluted revenue (loss)/return per Ordinary share (p)[4]	(0.22)	0.69	2.47	2.87	4.30	1.96	2.59	4.43	4.47	5.26	**6.22**
Dividend per Ordinary share (p)	–	–	–	2.45	3.65	2.00	2.00	3.20	3.20	3.50	**4.50**
Ongoing charges[5]	1.68	1.57	1.40	1.31	1.28	1.24	1.25	1.05	1.17	1.15	**1.18**
Rebased to 100 at 30th June 2002											
Ordinary share price total return[6]	100.0	96.2	123.3	193.3	271.9	380.5	397.7	345.8	465.6	559.3	**500.8**
Undiluted net asset value total return[6]	100.0	95.5	123.0	182.4	247.3	349.4	357.8	310.8	438.6	531.9	**470.4**
Diluted net asset value total return[6]	100.0	96.3	123.2	182.7	248.9	351.8	360.4	312.7	422.8	510.5	**457.2**
Benchmark[7]	100.0	98.5	119.4	162.3	213.0	284.7	300.3	261.1	353.9	421.4	**362.6**

A glossary of terms and definitions is provided on page 60.

[1]Figures have been restated to reflect changes in accounting policy regarding dividends payable. Such dividends are now included in the accounts in the year in which they are paid. Years prior to 2005 have not been restated.

[2]The diluted net asset value per Ordinary share calculated at 30th June 2010 onwards assumes that all outstanding Subscription shares were converted into Ordinary shares at the year end. There were no dilutive potential Ordinary shares in issue at 30th June 2009 and prior years.

[3]For details on Subscription shares see page 59.

[4]The returns per Ordinary share for the year ended 30th June 2010 onwards have been adjusted for the effect of the dilutive Subscription shares. There were no dilutive potential Ordinary shares in issue at 30th June 2009 and prior years.

[5]Management fee and all other operating expenses, excluding interest and performance fee payable, expressed as a percentage of the average of daily net assets during the year (2011: Total Expense Ratio: Management fees and all other operating expenses, excluding interest and performance fee payable, expressed as a percentage of the average of the month end net assets during the year). The Ongoing charges is calculated in accordance with guidance issued by the Association of Investment Companies. The Ongoing charges including the performance fee payable was 1.18% (2011: 1.42%, Total Expense Ratio) (2009 and prior years: the average of the opening and closing net assets).

[6]Source: Morningstar/J.P. Morgan.

[7]Source: Morningstar/Datastream.

Ten Largest Equity Investments
at 30th June

Company	Country	2012 Valuation £'000	2012 Valuation %[1]	2011 Valuation £'000	2011 Valuation %[1]
Housing Development Finance Housing Development Finance provides housing finance in India. The company provides long-term housing loans to low and middle income individuals and corporations. The company also provides construction finance to real estate developers, and lease financing facilities to companies and development authorities for infrastructure and other assets.	India	**23,154**	**3.3**	30,677	3.9
Vale Vale produces and sells iron ore,manganese, alloys, gold, nickel, copper, kaolin, bauxite, alumina, aluminium, and potash. The company is based in Brazil, where it owns and operates railroads and maritime terminals.	Brazil	**19,877**	**2.9**	28,834	3.7
Taiwan Semiconductor Manufacturing[2] Taiwan Semiconductor Manufacturing Company Ltd. manufactures integrated circuits based on its proprietary designs. The company offers a comprehensive set of integrated circuit fabrication processes to manufacture CMOS logic, mixed-mode, volatile and non-volatile memory and BiCMOS chips. Taiwan Semiconductor is an affiliate of Philips Electronics N.V.	Taiwan	**18,489**	**2.7**	16,278	2.1
Ultrapar Participações[2] Ultrapar Participacoes S.A. is a Brazilian holding company. The company's holdings include a gas distribution company, a petrochemical company, and a petrochemical and gas storage and transportation company.	Brazil	**17,177**	**2.5**	9,287	1.2
Ping An Insurance[2] Ping An Insurance (Group) Company of China Limited provides a variety of insurance service in China. The company writes property, casualty, and life insurance. Ping An Insurance also offers financial services.	China	**17,040**	**2.5**	14,115	1.8
Grupo Financiero Banorte[2] Grupo Financiero Banorte is a financial institution in Mexico. The company offers banking services, premium banking, wholesale banking, leasing and factoring, warehousing, insurance, pensions and retirement savings.	Mexico	**16,405**	**2.4**	16,913	2.2
Companhia de Bebidas das Americas[2] Companhia de Bebidas das Americas produces beer, soft drinks, teas, mineral water, and sports drinks. The company's main brands are Antarctica, Brahma, and Skol. AmBev is the sole distributor of Pepsi products in Brazil.	Brazil	**15,855**	**2.3**	9,725	1.2
Turkiye Garanti Bankasi Turkiye Garanti Bankasi attracts deposits and offers retail and commercial banking services. The group offers lease financing, insurance, asset management, securities brokerage, automobile and mortgage loans, credit cards, and other financial services. The company operates in Turkey, the Netherlands, Germany, Romania, Russia, Luxembourg, Malta and Bahrain.	Turkey	**15,400**	**2.2**	17,419	2.2
Hyundai Motor[2] Hyundai Motor Company manufactures, sells, and exports passenger cars, trucks, and commercial vehicles. The company also sells various auto parts and operates auto repair service centers throughout South Korea. Hyundai Motor provides financial services through its subsidiaries.	South Korea	**15,337**	**2.2**	16,385	2.1
Wumart Stores[2] Wumart Stores, Inc. operates and manages supermarkets and convenient stores in Beijing, Tianjin, and Hebei. The company also operates a hypermarket in Beijing.	China	**14,646**	**2.1**	17,255	2.2
Total		**173,380**	**25.0**		

[1]Based on total assets less current liabilities of £693.7m (2011: £785.1m).
[2]Not included in the ten largest equity investments at 30th June 2011.

At 30th June 2011, the value of the ten largest equity investments amounted to £219.4m representing 28.0% of total assets less current liabilities.

Portfolio Analyses

Geographic	30th June 2012 Portfolio %	30th June 2012 Benchmark %	30th June 2011 Portfolio %	30th June 2011 Benchmark %
East Asia	**31.3**	**46.2**	30.4	44.9
Latin America	**26.0**	**22.1**	23.4	22.9
Europe/Middle East/Africa	**21.8**	**18.0**	22.7	18.5
South Asia	**16.8**	**13.7**	18.3	13.7
Total equities	**95.9**	**100.0**	94.8	100.0
Liquidity fund	**3.6**	**–**	2.9	–
Net current assets	**0.5**	**–**	2.3	–
Total	**100.0**	**100.0**	100.0	100.0

Based on total assets less current liabilities of £693.7m (2011: £785.1m).

Sector	30th June 2012 Portfolio %	30th June 2012 Benchmark %	30th June 2011 Portfolio %	30th June 2011 Benchmark %
Financials	**31.9**	**24.8**	31.6	24.7
Consumer Staples	**18.8**	**8.5**	15.4	6.7
Consumer Discretionary	**10.8**	**7.8**	14.7	7.7
Information Technology	**9.3**	**13.8**	8.7	12.1
Industrials	**7.8**	**6.8**	4.7	7.5
Materials	**7.0**	**12.4**	8.6	14.9
Energy	**5.7**	**12.7**	6.1	14.5
Telecommunication Services	**3.8**	**8.2**	4.3	7.3
Health Care	**0.8**	**1.1**	0.7	1.0
Utilities	**–**	**3.9**	–	3.6
Total equities	**95.9**	**100.0**	94.8	100.0
Liquidity fund	**3.6**	**–**	2.9	–
Net current assets	**0.5**	**–**	2.3	–
Total	**100.0**	**100.0**	100.0	100.0

Based on total assets less current liabilities of £693.7m (2011: £785.1m).

Investment Activity

during the year ended 30th June 2012

	Value at 30th June 2011 £'000	% of portfolio	Purchases £'000	Sales £'000	Changes in value £'000	Value at 30th June 2012 £'000	% of portfolio
China and Hong Kong	149,658	19.5	24,171	(15,371)	(18,080)	**140,378**	**20.3**
Brazil	120,813	15.8	17,552	(6)	(21,410)	**116,949**	**16.9**
South Africa	75,528	9.8	37,640	(14,273)	(5,857)	**93,038**	**13.5**
India	108,521	14.2	5,319	(10,895)	(23,032)	**79,913**	**11.6**
Mexico	49,438	6.4	3,463	(6,541)	328	**46,688**	**6.8**
South Korea	56,511	7.4	–	(2,336)	(11,718)	**42,457**	**6.2**
Taiwan	32,329	4.2	10,846	(9,395)	191	**33,971**	**4.9**
Indonesia	25,485	3.3	–	–	1,120	**26,605**	**3.9**
Russia	45,077	5.9	–	(15,744)	(6,660)	**22,673**	**3.3**
Turkey	22,629	3.0	–	–	(2,302)	**20,327**	**2.9**
United Kingdom	20,236	2.6	–	–	(7,092)	**13,144**	**1.9**
Chile	7,662	1.0	4,259	–	(931)	**10,990**	**1.6**
Malaysia	9,704	1.3	–	–	400	**10,104**	**1.5**
Argentina	5,435	0.7	1,292	–	(786)	**5,941**	**0.9**
Egypt	6,655	0.9	–	(4,915)	(146)	**1,594**	**0.2**
Pakistan	29	–	–	–	2	**31**	**–**
Hungary	8,779	1.1	–	(8,009)	(770)	**–**	**–**
Total equity investments	744,489	97.1	104,542	(87,485)	(96,743)	**664,803**	**96.4**
Liquidity fund	22,439	2.9	57,810	(56,208)	1,159	**25,200**	**3.6**
Total investments	766,928	100.0	162,352	(143,693)	(95,584)	**690,003**	**100.0**

List of Investments
at 30th June 2012

Company	Valuation £'000
China and Hong Kong	
Ping An Insurance	17,040
Wumart Stores	14,646
AIA	13,732
Li & Fung	13,032
China Merchants Bank	11,565
Tsingtao Brewery	9,924
Jardine Matheson	8,974
China Mobile	8,603
Anhui Conch Cement	7,411
Cafe De Coral	7,091
Tingyi	6,428
Hang Lung Properties	5,962
Xinyi Glass	5,884
Convenience Retail Asia	4,057
Sun Art Retail Group	3,139
H.K. Aircraft Engineering	2,890
	140,378
Brazil	
Vale[1]	19,877
Ultrapar Participações	17,177
Companhia de Bebidas das Americas[1]	15,855
Petroleo Brasileiro[1]	13,642
Cielo	11,778
Itau Unibanco	10,048
WEG	9,318
TOTVS	8,577
Companhia de Concessões Rodoviárias	7,602
OGX Petroleo e Gas Participações	3,075
	116,949

Company	Valuation £'000
South Africa	
African Bank Investments	13,796
Capitec Bank	11,496
MTN	9,798
Discovery	8,348
Clicks	8,311
Shoprite Holdings	8,286
RMB	7,951
Massmart	7,830
Bidvest Group	7,614
Impala Platinum	6,415
Tiger Brands	3,193
	93,038
India	
Housing Development Finance	23,154
Yes Bank	10,577
United Breweries	9,449
Infosys Technologies[1]	9,267
Bharti Airtel	7,510
ACC	6,694
Mahindra & Mahindra Financial Service	5,501
Infosys Technologies	4,695
Ambuja Cements	3,066
	79,913
Mexico	
Grupo Financiero Banorte	16,405
Grupo Aeroportuario del Sureste[1]	10,867
Wal-Mart De Mexico	9,786
Compartamos	9,630
	46,688

List of Investments continued

Company	Valuation £'000
South Korea	
Hyundai Motor	15,337
Hyundai Mobis	14,133
Posco	5,174
E-mart	4,617
Shinsegae Food	3,196
	42,457
Taiwan	
Taiwan Semiconductor Manufacturing[1]	18,489
Delta Electronics	7,188
Tripod Technology	4,522
President Chain Store	3,772
	33,971
Indonesia	
Astra International	12,221
Bank Rakyat Indonesia	7,968
Unilever Indonesia	6,416
	26,605
Russia	
Magnit	13,862
Sberbank	8,811
	22,673
Turkey	
Turkiye Garanti Bankasi	15,400
KOC	4,927
	20,327
United Kingdom	
International Personal Finance	13,144
	13,144
Chile	
Banco Santander-Chile	10,990
	10,990

Company	Valuation £'000
Malayasia	
Top Glove	5,299
British American Tobacco Malaysia	4,805
	10,104
Argentina	
Tenaris[1]	5,941
	5,941
Egypt	
Orascom Construction Industries	1,594
	1,594
Pakistan	
BRR Guardian Modaraba	31
	31
Total equity investments	**664,803**
Liquidity fund	
JPMorgan US Dollar Liquidity Fund[2]	25,200
Total investments	**690,003**

[1]Includes ADRs/GDRs/ADSs/BDRs.

[2]Managed by JPMorgan Asset Management.

Board of Directors

Alan Saunders §†‡

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

A Director since May 2002.

Last reappointed to the Board: 2011.

Remuneration: £35,000.

An Independent Investment Consultant with Allenbridge Limited. Mr Saunders was formerly Chief Economist at Royal Dutch Shell and also held senior investment roles in both Lazards and the Private Banking Division of UBS A.G. He is currently independent investment adviser to Dorset County Council Pension Scheme, an independent trustee of two private sector pension schemes, a Non-Executive Director of CBRE Global Investors and a member of the with-profits committee of Lloyds Bank Insurance. Formerly a Non-Executive Director of ING Real Estate Investment Management.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 6,000 Ordinary shares.

David Gamble *§†‡

(Senior Independent Director)

A Director since April 2006.

Last reappointed to the Board: 2011.

Remuneration: £26,500.

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

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 3,781 Ordinary shares, 756 Subscription shares.

Anatole Kaletsky *§†‡

A Director since September 2003.

Last reappointed to the Board: 2011.

Remuneration: £24,000.

Chief Economist of Gavekal Research, a Hong Kong based company which provides economic analysis and asset management services to financial institutions around the world. Formerly Editor at Large at The Times of London.

Connections with Manager: Mr. Kaletsky is a founding partner and Chief Economist of Gavekal Research, whose clients include JPMorgan.

Shared directorships with other Directors: None.

Shareholding in Company: 4,203 Ordinary shares, 840 Subscription shares.

Board of Directors continued

Percy Mistry *§†‡

A Director since January 2009.

Last reappointed to the Board: 2011.

Remuneration: £24,000.

Chairman of The Oxford International Group which comprises companies engaged in investment banking, asset management, private equity investment and strategic financial and economic services to governments and multinational companies in emerging market countries. He is a senior advisor to Europa Partners, a corporate finance boutique. He was previously CEO of Synergy Power Corporation, a director of ICICI and non-executive chairman of D.C. Gardner. He was also an advisory member of the Forum on Debt and Development and has held several senior positions with the World Bank.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 8,000 Ordinary shares, 5,000 Subscription shares.

Nigel Kenny *§†‡

(Chairman of the Audit Committee)

A Director since September 2008.

Last reappointed to the Board: 2011.

Remuneration: £29,000.

A founding partner of emerging markets private equity company Sabre Capital. He is currently an independent non-executive director of UC Rusal Ltd, the world's largest producer of aluminium and alumina products, and a non-executive director of First City Monument Bank Plc, a bank listed on the Nigerian stock exchange. He was previously an independent non-executive director of PartyGaming Plc. Between 1992 and 2002 Mr Kenny held a number of senior positions at Standard Chartered Bank, including Group Head of Operations, Corporate and Institutional Banking and Finance Director. Prior to that he spent 14 years with Chase Manhattan Bank. He is a chartered accountant.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 3,500 Ordinary shares.

* Member of the Audit Committee
§ Member of the Nomination Committee
† Member of the Remuneration Committee
‡ Considered by the Board to be independent

Directors' Report

The Directors present their report and audited financial statements for the year ended 30th June 2012.

Business Review

Business of the Company
The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 for the year ended 30th June 2011. 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 HM Revenue & Customs' 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 and 3, and in the Investment Manager's Report on pages 4 to 6.

Objective
The Company's objective is to achieve capital growth from emerging markets worldwide.

Investment Policies and Risk Management
In order to achieve the investment objective and to seek to manage risk, the Company invests in a well diversified spread of countries, industries and companies. The Company invests primarily in quoted securities in emerging stock markets but, where necessary or appropriate in the absence of suitable quoted securities, it may invest in unquoted securities. It may invest in other collective investment schemes, but usually only where legal restrictions prevent direct investment by foreigners or prudent diversification can best be achieved in this way. The Company conducts its affairs so as to achieve and maintain approved investment trust status in the UK.

The Company is managed to produce capital growth and not to produce any particular level of dividend and therefore the level of dividend will vary.

The Board's policy is to employ gearing when the Manager believes it is appropriate to do so. The Board regularly reviews this policy. Should the Manager decide to employ gearing, the Company will remain invested in the range of 90-120% under normal market conditions.

The Board has set no minimum or maximum limits on the number of investments in the portfolio but it is a relatively concentrated portfolio consisting typically of between 60 and 90 investments. The assets are managed by an investment manager based in London who is supported by a 50 strong emerging markets equity team.

It should be noted that historically, emerging market companies (and investments in their shares) have shown greater volatility and may be subject to certain political and corporate governance risks which are not typically associated with more developed markets and economies.

Investment Restrictions and Guidelines
The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- As an investment trust, the Company cannot invest more than 15% of its assets in any one investment, at the time of acquisition. With effect from 1st July 2012, this limit no longer applies and instead, the Company must demonstrate that it has policies in place to spread its investment risk. The Company will not invest more than 10% of its total assets in any one individual stock (excluding investment trusts) at the time of acquisition.
- No more than 50% of the Company's assets may be invested in any one region.
- No more than an aggregate of 25% of the Company's assets (before deducting borrowings) may be invested in: (i) securities not listed on any recognised investment exchange; and (ii) holdings in which the Company's interest amounts to 20% or more of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company (other than an investment trust which has been approved by HM Revenue & Customs or which would qualify for such approval but for the fact that it is not listed).
- In accordance with the Listing Rules of the UK Listing Authority, the Company will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company does not normally enter into derivative transactions, other than short term forward currency contracts to manage working capital requirements and to do so requires prior Board approval.

These limits and restrictions may be varied by the Board at any time at its discretion.

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.

Directors' Report continued

Performance
In the year to 30th June 2012, the Company produced a total return to Ordinary shareholders of -10.5% and an undiluted total return on net assets of -11.6%. This compares with the return on the Company's benchmark index of -14.0%. At 30th June 2012, the value of the Company's investment portfolio (including liquidity fund holdings) was £690.0 million. The Investment Manager's Report on pages 4 to 6 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends
Gross total loss for the year amounted to £79.9 million (2011: £155.1 million return) and net total loss after deducting management fee, performance fee, other administrative expenses, finance costs and taxation amounted to £90.9 million (2011: £143.4 million return). Distributable income for the year amounted to £7.3 million (2011: £6.2 million).

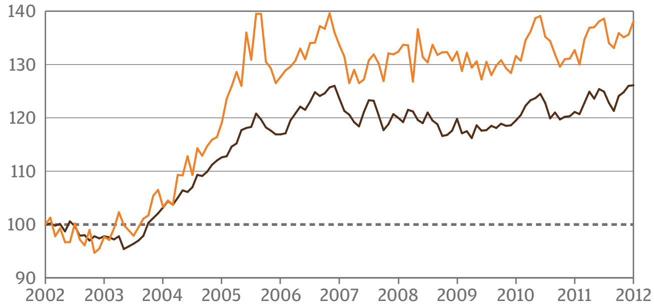
The Directors recommend a final dividend of 4.5p per share payable on 19th November 2012 to holders on the register at the close of business on 26th October 2012. This distribution will amount to £5.2 million. The revenue reserve after payment of the final dividend will amount to £8.2 million (2011: £6.1 million).

Key Performance Indicators ('KPIs')
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Manager's Report.

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 30th June 2002



Source: Morningstar/Datastream.

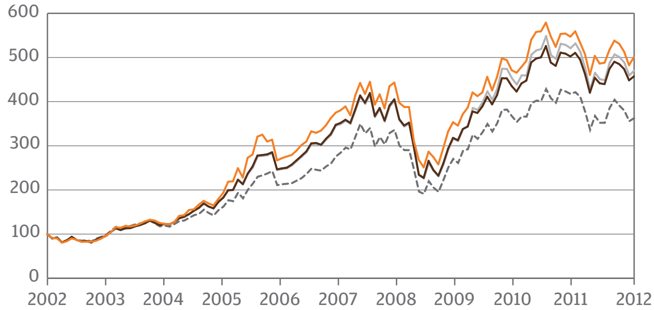
JPMorgan Emerging Markets – share price total return.

JPMorgan Emerging Markets – undiluted net asset value total return.

Benchmark – represented by the horizontal line.

Ten Year Performance

Figures have been rebased to 100 at 30th June 2002



Source: Morningstar/Datastream.

JPMorgan Emerging Markets – share price total return.

JPMorgan Emerging Markets – diluted net asset value total return.

JPMorgan Emerging Markets – undiluted net asset value total return.

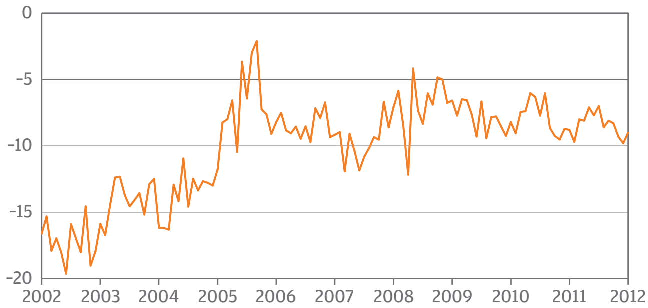
Benchmark.

- **Performance against the Company's peers**
  The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 30th June 2012 are given in the Investment Manager's Report on page 5.

- **Share price discount to net asset value ('NAV') per share**
  The Board has a share repurchase policy which seeks to address imbalances in supply of and demand for the Company's shares within the market. This helps to reduce the volatility and absolute level of the discount to NAV per share at which the Company's shares trade in relation to its peers in the sector. In the year to 30th June 2012, the Company's shares traded at a discount to the diluted net asset value per share of between 6.0% and 11.2%.

Discount Performance



Source: Datastream (month end data).

JPMorgan Emerging Markets – share price discount to diluted net asset value per Ordinary share.

- **Ongoing charges**
  The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs and performance fee payable, expressed as a percentage of the average of the daily net assets during the year. The method of calculating the ongoing charges has been changed. In previous years, the total expense ratio ('TER') was calculated, which represented the Company's management fee and other operating expenses excluding interest and performance fee payable, expressed as a percentage of the average of the month end net assets during the year. The ongoing charges for the year ended 30th June 2012 were 1.18% (2011: 1.15% TER). The Board reviews each year 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, on behalf of the Company, the authority both to repurchase shares in the market for cancellation and to issue new shares for cash on behalf of the Company.

A total of 170,000 shares were repurchased into Treasury during the year under review, for a total consideration of £877,000. The Company did not allot any new shares for cash other than on the conversion of Subscription shares. Since the year end a further 93,335 shares have been repurchased into Treasury.

Resolutions to renew the authorities to issue new shares and to repurchase shares for cancellation will be put to shareholders for approval at the Annual General Meeting.

The full text of these Resolutions is set out in the Notice of Meeting on pages 56 and 57.

During the year the Company issued 566,570 Ordinary shares for a total consideration of £2,607,000 on the conversion of Subscription shares. Since the year end, a further 7,235,298 Ordinary shares have been issued for a total consideration of £33.3 million.

Subscription Shares
On 11th June 2009 the Company issued 22,059,783 Subscription shares as a bonus issue to Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share confers the right (but not the obligation) to subscribe for one Ordinary share on any business day during the period from 1st August 2009 to 31st July 2014 (both dates inclusive) when the rights under the Subscription shares will lapse. The Subscription shares may be exercised between 1st August 2012 and 31st July 2014 at a price of 543 pence.

Further details on the Subscription shares, including the apportionments for capital gains tax purposes and how they may be exercised, can be found on page 59 of this report and on the Company's website at www.jpmemergingmarkets.co.uk

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

- Investment Underperformance: An inappropriate investment strategy, for example asset allocation, the level of gearing or the degree of portfolio risk, could lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments and through a set of investment restrictions and guidelines which are monitored and reported on by the Manager. JPMorgan Asset Management (UK) Limited ('JPMAM') provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Manager, who attends all Board meetings, and reviews data which show statistical measures of the Company's risk profile.
- Political, Economic and Governance: Administrative risks, such as the imposition of restrictions on the free movement of capital. These risks are discussed by the Board on a regular basis.
- Loss of Investment Team or Investment Manager: A sudden departure of the investment manager or several members

Directors' Report continued

of the investment management team could result in a short-term deterioration in investment performance. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach, as well as special efforts to retain key personnel.

- Discount: A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders. The Board regularly discusses discount policy and has set parameters for the Manager and the Company's broker to follow.
- Change of Corporate Control of the Manager: The Board holds regular meetings with senior representatives of JPMAM in order to obtain assurance that the Manager continues to demonstrate a high degree of commitment to its investment trusts business through the provision of significant resources.
- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Business of the Company' on page 17. Should the Company breach Section 1158, it might lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 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 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 23 to 27.
- Operational: Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on page 26.
- Financial: The financial risks faced by the Company include market price risk, interest rate risk and credit risk. Further details are disclosed in note 22 on pages 49 to 54.

Future Developments

The future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments in the countries in which it invests. The Investment Manager discusses the outlook in his report on pages 5 and 6.

Management of the Company

The Manager and Company Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM, is employed under a contract terminable in one year's notice unless notice is given as a result of poor investment performance, in which case the contract can be terminated on six months' notice. 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 conducts a formal evaluation of the Manager on an annual basis. The evaluation includes consideration of the investment strategy and process of the Investment Manager, noting consistent outperformance of the benchmark over the long term, and the quality of support that the Company receives from JPMAM. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole.

Management and Performance Fees

The management fee is charged at the rate of 1.0% per annum of the Company's total assets less current liabilities. The fee is calculated and paid monthly in arrears. Investments on which JPMAM earns a fee are excluded from the calculation and therefore attract no management fee.

In addition the Manager receives a performance fee equivalent to 10% of any outperformance of the Company's net asset value ('NAV') per share (on an undiluted total return basis) over the Company's benchmark index, the MSCI Emerging Markets Index with net dividends reinvested, in sterling terms, over the period since the last performance fee was earned.

The performance fee is calculated at the end of the Company's financial year and charged to its capital account in the annual financial statements. However, an estimate is accrued on a monthly basis and reflected in the Company's published NAV per share.

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

- Any performance fee earned in a given year is divided into two categories; that which can be offset ('offsetable') by underperformance in future years; and that which cannot ('non-offsetable').
- The 'non-offsetable' fee that can be earned in any one year is capped at 0.75% of the Company's average monthly total assets less current liabilities for the year. In a year when the Company produces a negative NAV total return per share, the 'non-offsetable' fee earned in that year is provided for but not paid. In a year when the Company produces a positive NAV total return per share, the Company will pay to the Manager all 'non-offsetable' fees earned in that year and those accrued from previous years, subject to the restriction below.
- The maximum fee that can be paid to JPMAM in any one year is capped at 0.75% of the Company's average monthly total assets less current liabilities for the year.
- The 'offsetable' fee is uncapped and equal to any fees earned in excess of the 0.75% cap. Until paid (i.e. in a year when the NAV total return per share is zero or positive), these fees are capable of being absorbed by any underperformance in a subsequent year.
- The performance fee outperformance calculation restarts at the end of a period when outperformance of the benchmark has been achieved and a performance fee earned.

At 30th June 2012, a cumulative non-offsetable performance fee of £1,786,000 had been earned and this amount will be carried forward and will be paid only when there is a positive movement in the net asset value over a future financial year.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 17), risk management policies (see pages 49 to 54), capital management policies and procedures (see page 55), the nature of the portfolio and expenditure projections, 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 those terms. As at 30th June 2012, the Company had no outstanding trade creditors (2011: none).

Directors

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

	30th June 2012		1st July 2011	
Directors	Ordinary Shares	Subscription Shares	Ordinary Shares	Subscription Shares
David Gamble	3,781	756	3,781	756
Anatole Kaletsky	4,203	840	4,203	840
Nigel Kenny	3,500	–	3,500	–
Percy Mistry	8,000	5,000	3,000	5,000
Alan Saunders	6,000	–	6,000	–

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

In accordance with corporate governance best practice, all Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, 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, the Directors have 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.

Directors' Report continued

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:

(a) 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 Auditors are unaware, and

(b) each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

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

Independent Auditors

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

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 advisor 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 ('AGM'):

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 10 and 11)

The Directors will seek renewal of the authority at the AGM to issue up to 6,095,203 new Ordinary shares for cash up to an aggregate nominal amount of £1,523,800 such amount being equivalent to 5% of the present issued ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of this document. This authority will expire at the conclusion of the AGM of the Company in 2013 unless renewed at a prior general meeting.

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

The Company currently does not hold any shares in the capital of the Company in Treasury. The full text of the resolutions is set out in the Notice of Annual General Meeting on page 56.

(ii) Authority to repurchase the Company's shares for cancellation (resolution 12)

The authority to repurchase up to 14.99% of the Company's issued Ordinary share capital and up to 14.99% of the Company's issued Subscription shares, granted by shareholders at the 2011 AGM will expire on 13th May 2013, unless renewed prior to that time. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as in the case of the Ordinary shares, the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining Ordinary shares.

Resolution 12 gives the Company authority to repurchase its own issued Ordinary shares and Subscription shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of: (i) 18,273,418 Ordinary shares; and (ii) 1,528,399 Subscription shares, representing approximately 14.99% of the Company's issued Ordinary shares and issued Subscription shares, as at 4th October 2012 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices.

If resolution 12 is passed at the AGM it is the Company's current intention to hold in Treasury any shares it may repurchase pursuant to the authority granted to it for possible re-issue at a premium to NAV. This policy is kept under review by the Board.

As at 4th October 2012 (being the latest practicable date prior to the publication of this document), there were no warrants or options over Ordinary shares in the capital of the Company, other than the 10,196,130 Subscription shares in issue (each of which gives the holder thereof the right to subscribe for one new Ordinary share) which represent 8.4% of the Company's issued Ordinary share capital. If the authority to repurchase the Company's Ordinary shares was exercised in full (and the authority to repurchase Subscription shares not exercised at all) then the Subscription shares would represent 9.8% of the Company's issued Ordinary share capital.

The full text of the resolution is set out in the Notice of Annual General Meeting on pages 56 and 57. Repurchases of Ordinary shares will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate.

Recommendation

The Board considers that resolutions 10 to 12 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 25,484 Ordinary shares representing approximately 0.02% of the voting rights of the Company.

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 29, indicates how the Company has applied the principles of good governance of the Financial Reporting Council UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's 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 and of the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative 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.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

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

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

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

Board Composition

The Board, chaired by Alan Saunders, consists of five 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 and brief biographical details of each Director are set out on pages 15 and 16.

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

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 appointed by shareholders. Thereafter, a Director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking 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

Directors' Report continued

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 committees. All Directors are members of the committees, with the exception of the Chairman who attends the Audit Committee by invitation.

The table below details the number of Board and Committee meetings attended by each Director. During the year, there were five Board meetings, two Audit Committee meetings, a Management Engagement Committee meeting, a Nomination Committee meeting and a Remuneration Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Management Engagement Committee Meetings Attended	Remuneration Committee Meetings Attended	Nomination Committee Meetings Attended
David Gamble	5	2	1	1	1
Anatole Kaletsky	5	2	1	1	1
Nigel Kenny	4	2	1	1	1
Percy Mistry	5	2	1	1	1
Alan Saunders[1]	5	2	1	1	1

[1]Ceased to be a member of the Audit Committee on 30th October 2009. Mr Saunders now attends by invitation.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Alan Saunders, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors 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 collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman. The Senior Independent Director leads the evaluation of the Chairman's performance.

Remuneration Committee

The Remuneration Committee, chaired by Alan Saunders, consists of all of the Directors and meets annually to review the levels of remuneration of the Chairman, the Chairman of the Audit Committee, the Senior Independent Director and other Directors. 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. Recommendations are made to the Board as and when appropriate.

Audit Committee

The Audit Committee, chaired by Nigel Kenny and whose membership is set out on pages 15 and 16, meets at least twice each year. The members of the Audit 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 also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. The Audit Committee has reviewed the independence and objectivity of the auditors and is satisfied that the auditors are independent. The Audit Committee also has the primary responsibility for making recommendations to the Board on the reappointment and the removal of external auditors. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered. Having reviewed the performance of the external auditors, 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 auditors and assesses the impact of any non-audit work on the ability of the auditor to remain independent. The only non-audit work carried out by the auditors this year was in relation to their subsidiary company's work on the Company's tax return in Pakistan. The Board has resolved that such non-audit work does not impact on the independence of the auditors. Details of the auditors' fees paid for audit and non-audit services are disclosed in note 5 on page 38.

The Directors' statement on the Company's system of internal control is set out below.

Management Engagement Committee
The Management Engagement Committee, chaired by Alan Saunders, consists of all of the Directors and meets annually to review the performance of the Manager.

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders quarterly each year by way of the annual report and accounts, the half year report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Manager who reviews the Company's performance. The Company's brokers, the Investment Manager and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 65.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 65.

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

Section 992 Companies Act 2006

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

Capital Structure
The Company's capital structure is summarised on the inside front cover of this report.

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 58.

Environmental Matters, Social and Community Issues
Information on environmental matters, social and community issues is set out on page 27. The Company has no employees.

Notifiable Interests in the Company's Voting Rights
At the year end, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Ordinary shares	%
Lazard Asset Management LLC	26,300,584	21.6
City of London Investment Management Company	14,798,910	12.1
Chase Nominees Limited[1]	10,291,455	8.4
Royal Skandia	6,089,708	5.0
Sarasin & Partners LLP	5,232,073	4.3
JPMorgan Asset Management Holdings Inc.	4,697,689	3.9

[1]Held on behalf of JPMAM Investment Account, ISA and SIPP participants. Non-beneficial.

On 25th September 2012 City of London Investment Management Company disclosed that their holding was 14,616,028 (11.99%). No further changes to these holdings had been notified as at the date of this report.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or repurchase 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

Directors' Report continued

securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

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 that 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 pages 19 to 20). 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, but relies on the internal audit department of JPMAM. This arrangement is kept under review.

The key elements designed to provide effective internal control are as follows:

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

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

Management Systems – The Manager's system of 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 FSA rules.

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

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

- reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;
- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviews every six months an independent report on the risk management and internal controls and the operations of JPMAM.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 30th June 2012 and to the date of approval of this Annual Report and Accounts.

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

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The 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.

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: www.jpmorganassetmanagement.co.uk/institutional/CommentaryAndAnalysis/CorporateGovernance, 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
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Company Secretary
5th October 2012

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 auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 30.

Directors' Remuneration[1]

Directors' Name	2012 £	2011 £
Alan Saunders (Chairman)	**32,000**	32,000
David Gamble	**24,500**	24,500
Anatole Kaletsky	**22,000**	22,000
Nigel Kenny	**27,000**	27,000
Percy Mistry	**22,000**	22,000
Total	**127,500**	127,500

[1]Audited information.

No amounts (2011: nil) were paid to third parties for making available the services of Directors.

In the year under review, Directors' fees were paid at the following rates: Chairman £32,000; Audit Committee Chairman £27,000; Senior Independent Director: £24,500; and other Directors £22,000. With effect from 1st July 2012, fees have been increased to £35,000, £29,000, £26,500 and £24,000 respectively.

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

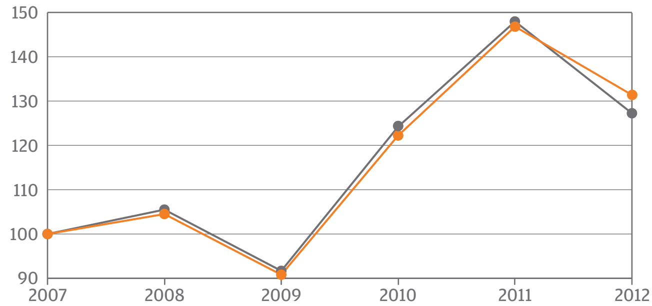
The Remuneration Committee reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Company Secretary, JPMAM, and industry research on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance related and the Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment. The Articles stipulate that aggregate fees must not exceed £175,000 per annum. Any increase in this amount requires both Board and shareholder approval.

Details of the Board's policy on tenure are set out on pages 23 to 24.

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

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

Five Year Share Price and Benchmark Total Return to 30th June 2012



Source: Morningstar/Datastream.

Ordinary share price total return.

Benchmark.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Company Secretary

5th October 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the 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 profit 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 judgements and 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 the going concern basis unless it is inappropriate to presume that 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 to 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.

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 confirm that, to the best of their knowledge:

- 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
- 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
Alan Saunders,
Chairman

5th October 2012

Independent Auditors' Report

To the members of JPMorgan Emerging Markets Investment Trust plc

We have audited the financial statements of JPMorgan Emerging Markets Investment Trust plc for the year ended 30th June 2012 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes. 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).

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 & 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 30th June 2012 and of its net loss and cash flows 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 financial 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 21, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5th October 2012

Notes:

(a) The maintenance and integrity of the JPMorgan Emerging Markets Investment Trust plc website (www.jpmemergingmarkets.co.uk) is the responsibility of JPMAM: the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

Income Statement

for the year ended 30th June 2012

	Notes	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	**–**	**(95,669)**	**(95,669)**	–	138,790	138,790
Net foreign currency (losses)/gains		**–**	**(673)**	**(673)**	–	372	372
Income from investments	3	**16,477**	**–**	**16,477**	15,905	–	15,905
Other interest receivable and similar income	3	**3**	**–**	**3**	7	–	7
Gross return/(loss)		**16,480**	**(96,342)**	**(79,862)**	15,912	139,162	155,074
Management fee	4	**(7,070)**	**–**	**(7,070)**	(7,394)	–	(7,394)
Performance fee	4	**–**	**(1,786)**	**(1,786)**	–	(1,941)	(1,941)
Other administrative expenses	5	**(1,164)**	**–**	**(1,164)**	(1,182)	–	(1,182)
Net return/(loss) on ordinary activities before finance costs and taxation		**8,246**	**(98,128)**	**(89,882)**	7,336	137,221	144,557
Finance costs	6	**(3)**	**–**	**(3)**	(6)	–	(6)
Net return/(loss) on ordinary activities before taxation		**8,243**	**(98,128)**	**(89,885)**	7,330	137,221	144,551
Taxation	7	**(970)**	**–**	**(970)**	(1,132)	–	(1,132)
Net return/(loss) on ordinary activities after taxation		**7,273**	**(98,128)**	**(90,855)**	6,198	137,221	143,419
Return/(loss) per Ordinary share – undiluted	9	**6.36p**	**(85.77)p**	**(79.41)p**	5.43p	120.28p	125.71p
Return/(loss) per Ordinary share – diluted	9	**6.22p**	**(83.94)p**	**(77.72)p**	5.26p	116.52p	121.78p

A dividend of 4.5p (2011: 3.5p) per Ordinary share has been proposed in respect of the year ended 30th June 2012, totalling £5,164,000 (2011: £4,003,000). Further details are given in note 8(a) on page 40.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in 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 Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

The accompanying notes on pages 35 to 55 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30th June 2010	28,010	74,138	1,665	69,939	450,604	7,539	**631,895**
Exercise of Subscription shares into Ordinary shares	(32)	32	–	–	–	–	**–**
Issue of Ordinary shares on exercise of Subscription shares	793	12,611	–	–	–	–	**13,404**
Net return on ordinary activities	–	–	–	–	137,221	6,198	**143,419**
Dividends appropriated in the year	–	–	–	–	–	(3,658)	**(3,658)**
At 30th June 2011	28,771	86,781	1,665	69,939	587,825	10,079	**785,060**
Repurchase of shares into Treasury	–	–	–	–	(877)	–	**(877)**
Exercise of Subscription shares into Ordinary shares	(6)	6	–	–	–	–	**–**
Issue of Ordinary shares on exercise of Subscription shares	142	2,465	–	–	–	–	**2,607**
Net (loss)/return on ordinary activities	–	–	–	–	(98,128)	7,273	**(90,855)**
Dividends appropriated in the year	–	–	–	–	–	(4,004)	**(4,004)**
At 30th June 2012	28,907	89,252	1,665	69,939	488,820	13,348	**691,931**

The accompanying notes on pages 35 to 55 form an integral part of these accounts.

Balance Sheet

at 30th June 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments held at fair value through profit or loss		**664,803**	744,489
Investment in liquidity fund held at fair value through profit or loss		**25,200**	22,439
Total investments	10	**690,003**	766,928
Current assets	11		
Debtors		**1,674**	2,294
Cash and short term deposits		**2,492**	18,350
		4,166	20,644
Creditors: amounts falling due within one year	12	**(452)**	(2,512)
Net current assets		**3,714**	18,132
Total assets less current liabilities		**693,717**	785,060
Provision for liabilities and charges	13		
Performance fees		**(1,786)**	–
Net assets		**691,931**	785,060
Capital and reserves			
Called up share capital	14	**28,907**	28,771
Share premium	15	**89,252**	86,781
Capital redemption reserve	15	**1,665**	1,665
Other reserve	15	**69,939**	69,939
Capital reserves	15	**488,820**	587,825
Revenue reserve	15	**13,348**	10,079
Total shareholders' funds		**691,931**	785,060
Net asset value per Ordinary share	16		
Undiluted		**602.9p**	686.4p
Diluted		**584.1p**	655.7p

The accounts on pages 31 to 55 were approved and authorised for issue by the Directors on 5th October 2012 and were signed on their behalf by:

Alan Saunders
Director

The accompanying notes on pages 35 to 55 form an integral part of these accounts.

Company registration number: 2618994.

Cash Flow Statement

for the year ended 30th June 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	17	**5,916**	4,452
Returns on investments and servicing of finance			
Interest paid		**(3)**	(6)
Net cash outflow from returns on investments and servicing of finance		**(3)**	(6)
Taxation			
Taxation recovered		**8**	–
Capital expenditure and financial investment			
Purchases of investments		**(162,438)**	(145,788)
Sales of investments		**143,692**	149,332
Other capital charges		**(86)**	(227)
Net cash (outflow)/inflow from capital expenditure and financial investment		**(18,832)**	3,317
Dividend paid		**(4,004)**	(3,658)
Net cash (outflow)/inflow before financing		**(16,915)**	4,105
Financing			
Issue of Ordinary shares on exercise of Subscription shares		**2,607**	13,404
Repurchase of shares into Treasury		**(877)**	–
Net cash inflow from financing		**1,730**	13,404
(Decrease)/increase in cash in the year	18	**(15,185)**	17,509

The accompanying notes on pages 35 to 55 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th June 2012

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 Association of Investment Companies in January 2009.

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

The accounts have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of investments at fair value through profit or loss.

The policies applied in these accounts are consistent with those applied in the preceding year.

(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. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

(c) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on foreign currency, management fee and finance costs allocated to capital 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 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 'Holding gains and losses on investment'.

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

(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 is taken to revenue on an accruals basis.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend 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.

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

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:

- Performance related fees are allocated 100% to capital.
- Expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sales proceeds. These expenses are commonly referred to as transaction costs and include items such as stamp duty and brokerage commissions. Details of transaction costs are given in note 10 on page 42.
- Subscription shares' issue costs are charged to share premium.

(f) Finance costs

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

Finance costs are allocated wholly to revenue.

(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 nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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

Short term forward currency contracts are classified as derivative financial instruments and the net unrealised gain or loss is included in debtors or creditors respectively.

(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 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 tax is provided at the amount expected to be received or paid.

Deferred taxation is accounted for in accordance with FRS 19: 'Deferred Tax'.

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 tax 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.

(j) Dividends

In accordance with FRS 21: 'Events after the Balance Sheet Date', dividends are included in the accounts in the year in which they are approved by shareholders.

(k) Value Added Tax ('VAT')

Irrecoverable VAT is included in the expense on which it has been suffered. VAT recoverable is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

	2012 £'000	2011 £'000
2. (Losses)/gains on investments held at fair value through profit or loss		
Gains on sales of investments held at fair value through profit or loss based on historical cost	**25,272**	39,557
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	**(37,274)**	(26,049)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	**(12,002)**	13,508
Net change in investment holding gains and losses	**(83,582)**	125,517
Other capital charges	**(85)**	(235)
Total (losses)/gains on investments held at fair value through profit or loss	**(95,669)**	138,790

Notes to the Accounts continued

	2012 £'000	2011 £'000
3. Income		
Income from investments		
Dividends from investments listed in the UK	**391**	345
Dividends from liquidity fund	**81**	42
Dividends from investments listed overseas	**15,899**	15,397
Scrip dividends	**106**	121
	16,477	15,905
Other interest receivable and similar income		
Deposit interest	**3**	7
Total income	**16,480**	15,912

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
4. Management fee and performance fee						
Management fee	**7,070**	**–**	**7,070**	7,394	–	7,394
Performance fee	**–**	**1,786**	**1,786**	–	1,941	1,941
	7,070	**1,786**	**8,856**	7,394	1,941	9,335

Details of the management fee and performance fee are given in the Directors' Report on pages 20 to 21.

	2012 £'000	2011 £'000
5. Other administrative expenses		
Other administration expenses	**829**	828
Directors' fees[1]	**128**	128
Savings scheme costs[2]	**179**	198
Auditors' remuneration - for audit services[3]	**27**	27
Auditors' remuneration - for non-audit services	**1**	1
	1,164	1,182

[1]Full disclosure is given in the Directors' Remuneration Report on page 28.

[2]Paid to JPMAM for the marketing and administration of savings scheme products.

[3]Includes £2,000 (2011: £2,000) irrecoverable VAT.

	2012 £'000	2011 £'000
6. Finance costs		
Overdraft interest	**3**	6

7. Taxation

(a) Analysis of tax charge in the year

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax for the year	**–**	**–**	**–**	–	–	–
Overseas withholding tax	**970**	**–**	**970**	1,132	–	1,132
Current tax charge for the year	**970**	**–**	**970**	1,132	–	1,132

(b) Factors affecting current tax charge for the year

The tax assessed for the year is higher (2011: lower) than the UK corporation tax rate chargeable for the year of 25.5% (2011: 27.5%). The factors affecting the current tax charge for the year are as follows:

	2012			2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	**8,243**	**(98,128)**	**(89,885)**	7,330	137,221	144,551
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 25.5% (2011: 27.5%)	**2,102**	**(25,022)**	**(22,920)**	2,016	37,735	39,751
Effects of:						
Non taxable capital losses/(returns)	**–**	**24,563**	**24,563**	–	(38,269)	(38,269)
Non taxable UK dividends	**(100)**	**–**	**(100)**	(95)	–	(95)
Non taxable scrip dividends	**(27)**	**–**	**(27)**	(33)	–	(33)
Non taxable overseas dividends	**(3,377)**	**–**	**(3,377)**	(3,555)	–	(3,555)
Tax attributable to expenses and finance costs charged to capital	**(455)**	**455**	**–**	(534)	534	–
Timing differences relating to the receipt of dividends	**56**	**–**	**56**	(46)	–	(46)
Overseas withholding tax	**970**	**–**	**970**	1,132	–	1,132
Expenses not allowable for tax purposes	**–**	**4**	**4**	–	–	–
Unrelieved expenses and charges	**2,436**	**–**	**2,436**	2,259	–	2,259
Brought forward excess expenses utilised	**(635)**	**–**	**(635)**	(12)	–	(12)
Current tax charge for the year	**970**	**–**	**970**	1,132	–	1,132

Notes to the Accounts continued

7. Taxation continued

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £5,996,000 (2011: £4,627,000) based on a prospective corporation tax rate of 24%. The reduction in the standard rate of corporation tax was substantively enacted on 26th March 2012 and is effective from 1st April 2012. The Government has also indicated that it intends to enact future reductions in the main rate of corporation tax of 1% each year down to 23% by 1st April 2014. The deferred tax asset has arisen due to the cumulative 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 status as an Investment Trust Company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

	2012 £'000	2011 £'000
(a) Dividends paid and proposed		
Dividend paid		
2011 Final dividend of 3.5p (2010: 3.2p)[1]	**4,004**	3,658
Dividend proposed		
Final dividend proposed of 4.5p (2011: 3.5p)	**5,164**	4,003

[1]The final dividend declared in respect of the year ended 30th June 2011 amounted to £4,003,000 (2011: £3,530,000). However, the amount paid amounted to £4,004,000 (2011: £3,658,000) due to shares issued after the balance sheet date but prior to the share register record date.

The final dividend proposed in respect of the year ended 30th June 2012 is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 30th June 2013.

(b) Dividend 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 the dividend proposed in respect of the financial year, as follows:

	2012 £'000	2011 £'000
Final dividend proposed of 4.5p (2011: 3.5p)	**5,164**	4,003

The revenue available for distribution by way of dividend for the year is £7,273,000 (2011: £6,198,000).

	2012 £'000	2011 £'000
9. Return/(loss) per Ordinary share		
Return/(loss) per Ordinary share is based on the following:		
Revenue return	**7,273**	6,198
Capital (loss)/return	**(98,128)**	137,221
Total (loss)/return	**(90,855)**	143,419
Weighted average number of Ordinary shares in issue during the year used for the purpose of the undiluted calculation	**114,405,899**	114,086,175
Weighted average number of Ordinary shares in issue during the year used for the purpose of the diluted calculation	**116,905,369**	117,768,751
Undiluted		
Revenue return per share	**6.36p**	5.43p
Capital (loss)/return per share	**(85.77)p**	120.28p
Total (loss)/return per share	**(79.41)p**	125.71p
Diluted		
Revenue return per share	**6.22p**	5.26p
Capital (loss)/return per share	**(83.94)p**	116.52p
Total (loss)/return per share	**(77.72)p**	121.78p

The diluted return per Ordinary share represents the return on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the year as adjusted in accordance with the requirements of Financial Reporting Standard 22 'Earnings per share'.

Notes to the Accounts continued

	2012 £'000	2011 £'000
10. Investments		
Investments listed on a recognised stock exchange	**664,803**	744,489
Investment in liquidity fund	**25,200**	22,439
	690,003	766,928
Opening book cost	**388,005**	345,395
Opening investment holding gains	**378,923**	279,455
Opening valuation	**766,928**	624,850
Movements in the year:		
Purchases at cost	**162,352**	146,210
Sales - proceeds	**(143,693)**	(143,157)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	**(12,002)**	13,508
Net change in investment holding gains and losses	**(83,582)**	125,517
	690,003	766,928
Closing book cost	**431,936**	388,005
Closing investment holding gains	**258,067**	378,923
Total investments held at fair value	**690,003**	766,928

Transaction costs on purchases during the year amounted to £328,000 (2011: £307,000) and on sales during the year amounted to £195,000 (2011: £232,000). These costs comprise brokerage commission.

During the year, prior year investment holding gains of £37,274,000 (2011: £26,049,000) have been transferred to gains and losses on sales of investment as disclosed in notes 2 and 15.

	2012 £'000	2011 £'000
11. Debtors		
Securities sold awaiting settlement	**69**	68
Overseas tax recoverable	**18**	–
Dividends and interest receivable	**1,536**	2,161
Other debtors	**51**	65
	1,674	2,294

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

Cash and short term deposits

Cash and short term deposits comprises bank balances and 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.

	2012 £'000	2011 £'000
12. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	**109**	301
Performance fee payable	**–**	1,941
Other creditors and accruals	**343**	270
	452	2,512

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

	2012 £'000	2011 £'000
13. Provisions for liabilities and charges		
Performance fee payable[1]	**1,786**	–

[1]The balance of £1,786,000 will be carried forward until paid in full or absorbed by any under performance in subsequent years. The payment in any one year is effectively capped at 2% of the Company's average total assets less current liabilities and accordingly payment of this outstanding balance will be determined by the under/over performance of the Company in future periods but it is unlikely to take more than three years. The provision is not discounted.

Further details of the performance fee can be found in the Directors' report on page 21.

	2012 £'000	2011 £'000
14. Called up share capital		
Issued and fully paid share capital:		
Ordinary shares of 25p each		
Opening balance of 114,365,583 (2011: 111,196,525) shares	**28,591**	27,798
Repurchase of 170,000 (2011: nil) shares into Treasury	**(42)**	–
Issue of 566,570 (2011: 3,169,058) Ordinary shares on conversion of Subscription shares	**142**	793
Sub total	**28,691**	28,591
170,000 (2011: nil) shares held in Treasury	**42**	–
Closing balance[1]	**28,733**	28,591
Subscription shares of 1p each:		
Opening balance of 17,997,942 (2011: 21,167,000) shares[2]	**180**	212
Conversion of 566,570 (2011: 3,169,058) shares into Ordinary shares	**(6)**	(32)
Closing balance[2]	**174**	180
Total called up share capital	**28,907**	28,771

[1]Represented by 114,932,153 (2011: 114,365,583) Ordinary shares of 25p each, including 170,000 (2011: nil) shares held in Treasury.

[2]Represented by 17,431,372 (2011: 17,997,942) Subscription shares of 1p each. The Subscription shares were issued as a bonus issue to the Ordinary shareholders on 11th June 2009 on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share confers the right (but not the obligation) to subscribe for one Ordinary share upon exercise of the Subscription share rights and on the payment of the Subscription price, as set out below.

(a) If exercised on any day between and including 1st August 2009 and 31st July 2010 – 422 pence.

(b) If exercised on any day between and including 1st August 2010 and 31st July 2012 – 460 pence.

(c) If exercised on any day between and including 1st August 2012 and 31st July 2014 – 543 pence.

During the year, holders of 566,570 Subscription shares exercised their right to convert those shares into Ordinary shares at a price of 460 pence, giving a total consideration of £2,607,000.

During the year 170,000 shares were repurchased into Treasury for a total consideration of £877,000.

					Capital reserves		
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve[1] £'000	Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	Revenue reserve £'000
15. Reserves							
Opening balance	28,771	86,781	1,665	69,939	208,901	378,924	10,079
Realised foreign currency losses on cash and short term deposits	–	–	–	–	(673)	–	–
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(12,002)	–	–
Net change in investment holding gains and losses	–	–	–	–	–	(83,582)	–
Transfer on disposal of investments	–	–	–	–	37,274	(37,274)	–
Performance fee for the year	–	–	–	–	(1,786)	–	–
Repurchase of shares into Treasury	–	–	–	–	(877)	–	–
Exercise of Subscription shares into Ordinary shares	(6)	6	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	142	2,465	–	–	–	–	–
Other capital charges	–	–	–	–	(85)	–	–
Dividends appropriated in the year	–	–	–	–	–	–	(4,004)
Retained revenue for the year	–	–	–	–	–	–	7,273
Closing balance	**28,907**	**89,252**	**1,665**	**69,939**	**230,752**	**258,068**	**13,348**

[1]Created during the year ended 30th June 1999, following a cancellation of the share premium account.

Notes to the Accounts continued

	2012	2011
16. Net asset value per Ordinary share		
Undiluted		
Ordinary shareholders funds (£'000)	**691,931**	785,060
Number of Ordinary shares in issue	**114,762,153**	114,365,583
Net asset value per Ordinary share (pence)	**602.9**	686.4
Diluted		
Ordinary shareholders funds assuming exercise of Subscription shares (£'000)	**772,115**	867,851
Number of potential Ordinary shares in issue	**132,193,525**	132,363,525
Net asset value per Ordinary share (pence)	**584.1**	655.7

The diluted net asset value per Ordinary share assumes that all outstanding Subscription shares were converted into Ordinary shares at the prevailing price of 460p at the year end.

	2012 £'000	2011 £'000
17. Reconciliation of net (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total (loss)/return on ordinary activities before finance costs and taxation	**(89,882)**	144,557
Less capital loss/(return) before finance costs and taxation	**98,128**	(137,221)
Scrip dividends received as income	**(106)**	(121)
Increase/(decrease) in dividends and interest receivable	**625**	(940)
Decrease/(increase) in other debtors	**14**	(15)
Increase in accrued expenses	**74**	34
Performance fee paid	**(1,941)**	(712)
Overseas withholding tax	**(996)**	(1,130)
Net cash (outflow)/inflow from operating activities	**5,916**	4,452

	At 30th June 2011 £'000	Cash flow £'000	Exchange movements £'000	At 30th June 2012 £'000
18. Analysis of changes in net funds				
Cash and short term deposits	18,350	(15,185)	(673)	**2,492**

19. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2011: £nil).

20. Transactions with JPMorgan

Details of the management contract are set out in the Directors' Report on pages 20 and 21. The terms make allowance for the exclusion of management charges on investments held in funds on which JPMorgan Asset Management ('JPMAM') earns a management fee. The fee payable to JPMAM for the year was £7,070,000 (2011: £7,394,000) of which £nil (2011: £nil) was outstanding at the year end.

Under the terms of the performance fee agreement, a non-offsetable performance fee amounting to £1,786,000 (2011: £1,941,000 payable) is payable in respect of the current year and the whole of this amount (2011: £1,941,000) was outstanding at the year end. It becomes payable only when there is a positive movement in the net asset value over a future financial year.

Expenses amounting to £166,000 (2011: £183,000) excluding VAT were payable to JPMAM for the marketing and administration of savings scheme products of which £nil (2011: £nil) was outstanding at the year end.

Included in other administration expenses in note 5 on page 38 are safe custody fees payable to JPMorgan Chase amounting to £476,000 (2011: £486,000) of which £225,000 (2011: £132,000) was outstanding at the year end.

JPMAM carries out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £71,000 (2011: £16,000) of which £nil (2011: £nil) was outstanding at the year end.

Handling charges incurred on dealing transactions amounting to £69,000 (2011: £69,000) were payable to JPMorgan Chase of which £19,000 (2011: £20,000) was outstanding at the year end.

The Company holds units in the JPMorgan US Dollar Liquidity Fund, which is managed by JPMAM. At the year end, the Company's investment in this fund amounted to £25,200,000 (2011: £22,439,000) and represented 3.6% (2011: 2.9%) of the Company's investment portfolio. During the year, the Company made purchases of units amounting to £57.8 million (2011: £57.8 million) and sales amounting to £56.2 million (2011: £38.8 million). Income amounting to £81,000 (2011: £42,000) was receivable from this investment for the year.

At the year end, a bank balance of £2,492,000 (2011: £18,350,000) was held with JPMorgan Chase. Interest amounting to £3,000 (2011: £7,000) was receivable by the Company from JPMorgan Chase for the year of which £nil (2011: £2,000) was outstanding at the year end.

21. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio and derivative financial instruments comprising forward foreign currency contracts.

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.

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) on page 35.

Notes to the Accounts continued

21. Disclosures regarding financial instruments measured at fair value continued

The following tables set out the fair value measurements using the FRS 29 hierarchy at 30th June:

	2012			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial instruments held at fair value through profit or loss				
Equity investments	**664,803**	**–**	**–**	**664,803**
Liquidity funds	**25,200**	**–**	**–**	**25,200**
Total	**690,003**	**–**	**–**	**690,003**

There were no transfers between Levels 1, 2 or 3 during the year.

	2011			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	744,489	–	–	744,489
Liquidity funds	22,439	–	–	22,439
Total	766,928	–	–	766,928

There were no transfers between Levels 1, 2 or 3 during the year. A reconciliation of the fair value measurements in Level 3 is set out below.

	2011 Equity investments £'000
Level 3 financial instruments held at fair value through profit or loss	
Opening balance	3
Loss arising from investments written off	(3)
Closing balance	–

Level 3 financial instruments comprise two investments which have both been written off during 2011.

22. Financial instruments' exposure to risk and risk management policies

As an investment trust company, the Company invests in equities and other securities for the long term so as to achieve its stated investment objective. 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 co-operation with the Board and the Manager, co-ordinates the Company's risk management strategy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's financial instruments may comprise the following:

- investments in equity shares 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
- short term forward currency contracts for the purpose of settling short term liabilities.

(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 and these policies have remained unchanged from those applying in the comparative year. 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 presentational currency). 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 five 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. Income denominated in foreign currencies is converted to sterling 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 risk.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 30th June 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 in order to show the overall level of exposure.

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(i) Currency risk continued

Foreign currency exposure continued

	2012							
	US Dollars £'000	Hong Kong Dollars £'000	Indian Rupees £'000	Brazilian Real £'000	South African Rands £'000	South Korean Won £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	25,200	–	–	–	–	–	–	25,200
Net current assets	330	1,563	392	406	122	–	1,141	3,954
Foreign currency exposure on net monetary items	25,530	1,563	392	406	122	–	1,141	29,154
Investments held at fair value through profit or loss that are equities	136,573	131,404	70,646	67,575	93,038	42,457	109,966	651,659
Total net foreign currency exposure	162,103	132,967	71,038	67,981	93,160	42,457	111,107	680,813

The above year end amounts are not representative of the exposure to foreign currency risk during the year. Investments held at fair value through profit or loss that are monetary items comprise the holding in the JPMorgan US Dollar Liquidity Fund which has fluctuated between £23,696,000 and £25,200,000 during the year.

	2011							
	US Dollars £'000	Hong Kong Dollars £'000	Indian Rupees £'000	Brazilian Real £'000	South African Rands £'000	South Korean Won £'000	Other £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	22,439	–	–	–	–	–	–	22,439
Net current assets	12,796	37	486	5,814	117	32	984	20,266
Foreign currency exposure on net monetary items	35,235	37	486	5,814	117	32	984	42,705
Investments held at fair value through profit or loss that are equities	163,778	141,222	95,425	59,712	75,528	56,511	132,077	724,253
Total net foreign currency exposure	199,013	141,259	95,911	65,526	75,645	56,543	133,061	766,958

The above year end amounts are not representative of the exposure to foreign currency risk during the year. Investments held at fair value through profit or loss that are monetary items comprise the holding in the JPMorgan US Dollar Liquidity Fund which has fluctuated between £nil and £23,696,000 during the year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of 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 currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2011: 10%) appreciation or depreciation in sterling against the US Dollar, Hong Kong Dollar, Indian Rupee, Brazilian Real, South African Rand, South Korean Won and 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.

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

	2012 £'000	2011 £'000
Income statement return after taxation		
Revenue return	**1,609**	1,556
Capital return	**2,915**	4,270
Total return after taxation for the year	**4,524**	5,826
Net assets	**4,524**	5,826

Conversely if sterling had strengthened by 10% this would have had the following effect:

	2012 £'000	2011 £'000
Income statement return after taxation		
Revenue return	**(1,609)**	(1,556)
Capital return	**(2,915)**	(4,270)
Total return after taxation for the year	**(4,524)**	(5,826)
Net assets	**(4,524)**	(5,826)

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole of the current or comparative year due to fluctuations in the Company's investment in the JPMorgan US Dollar Liquidity Fund as shown above.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and investments in liquidity funds.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required.

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.

	2012 £'000	2011 £'000
Exposure to floating interest rates:		
Cash and short term deposits	**2,492**	18,350
JPMorgan US Dollar Liquidity Fund	**25,200**	22,439
Total exposure	**27,692**	40,789

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(ii) Interest rate risk continued

Interest rate exposure continued

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

The target interest rate 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 as follows:

	2012 £'000	2011 £'000
Maximum credit exposure to floating rates – net cash and liquidity fund balances	**47,278**	40,789
Minimum credit exposure to floating rates – net cash	**22,982**	3,965

Interest rate sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to a 1% (2011: 1%) increase or decrease in interest rates in regards 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 currency financial instruments held at the balance sheet date and the income receivable in foreign currency, with all other variables held constant.

	2012		2011	
	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	**277**	**(277)**	408	(408)
Capital return	**–**	**–**	–	–
Total return after taxation for the year	**277**	**(277)**	408	(408)
Net assets	**277**	**(277)**	408	(408)

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 fluctuation in the level of cash balances and investment in the JPMorgan US Dollar Liquidity Fund.

(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 meets on at least five 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 objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

The Company's exposure to changes in market prices at 30th June comprises its holdings in equity investments as follows:

	2012 £'000	2011 £'000
Equity investments held at fair value through profit or loss	**664,803**	744,489

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 10 to 14. This shows that the investments' value is in a broad spread of countries with no 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 return after taxation for the year and net assets to an increase or decrease of 10% (2011: 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.

	2012		2011	
	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	**(665)**	**665**	(744)	744
Capital return	**66,480**	**(66,480)**	74,449	(74,449)
Total return after taxation for the year and net assets	**65,815**	**(65,815)**	73,705	(73,705)

(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.

22. Financial instruments' exposure to risk and risk management policies continued

(b) Liquidity risk continued

Liquidity risk exposure

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

	2012 Three months or less £'000	2012 Total £'000	2011 Three months or less £'000	2011 Total £'000
Creditors: amounts falling due within one year				
Performance fee payable	–	–	1,941	1,941
Other creditors and accruals	**343**	**343**	270	270
Securities purchased awaiting settlement	**109**	**109**	301	301
	452	**452**	2,512	2,512

(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 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 assets of the Company.

Credit risk exposure

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

The liquidity fund has a AAA (2011: AAA) credit rating.

Cash and short term deposits comprises balances held at banks that have a minimum rating of A1/P1 (2011: A1/P1) from Standard & Poor's and Moody's respectively.

There have been no (2011: nil) securities on loan at any time during the year.

(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.

23. Capital management policies and procedures

The Company's capital comprises the following:

	2012 £'000	2011 £'000
Equity		
Share capital	**28,907**	28,771
Reserves	**663,024**	756,289
Total capital	**691,931**	785,060

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise capital return to shareholders.

The Board's policy is to employ gearing when the Manager believes it to be appropriate to do so. Gearing will be in the range 90%-120% in normal market conditions, at the discretion of the Manager. Gearing for this purpose is defined as investments excluding holdings in liquidity funds, expressed as a percentage of net assets.

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 need to buy back equity shares for cancellation or to hold in Treasury, which takes into account the share price discount or premium;
- the need for issues of new shares including issues from Treasury; and
- the ability to employ gearing when the Manager believes it to be appropriate.

Notice of Annual General Meeting

Notice is hereby given that the twenty first Annual General Meeting of JPMorgan Emerging Markets Investment Trust plc will be held at Holborn Bars, 138-142 Holborn, London EC1N 2NQ on Monday 12th November 2012 at 3.00 p.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2012.
2. To approve the Directors' Remuneration Report for the year ended 30th June 2012.
3. To approve a final dividend of 4.5p per share.
4. To reappoint David Gamble as a Director of the Company.
5. To reappoint Anatole Kaletsky as a Director of the Company.
6. To reappoint Nigel Kenny as a Director of the Company.
7. To reappoint Percy Mistry as a Director of the Company.
8. To reappoint Alan Saunders as a Director of the Company.
9. To reappoint PricewaterhouseCoopers LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

10. 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 £1,523,800, representing approximately 5% of the Company's issued Ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 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 or agreements as if the authority conferred hereby had not expired.

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

11. THAT subject to the passing of Resolution 10 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 10 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 £1,523,800 representing approximately 5% of the issued Ordinary share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 10 above, 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 pursuant of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

12. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued Ordinary shares and Subscription shares 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 and Subscription shares hereby authorised to be purchased shall be 18,273,418 and 1,528,399 respectively, or if less, that number of Ordinary shares or Subscription shares which is equal to 14.99% of the issued share capital of the relevant share class as at the date of the passing of this Resolution;

    (ii) the minimum price which may be paid for an Ordinary share or Subscription share shall be 25 pence and 1 pence respectively;

(iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a share of that class of share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 11th May 2014 unless the authority is renewed at the Company's Annual General Meeting in 2013 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Company Secretary

5th October 2012

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 automatically be terminated.
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 3.00 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 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 and their proxy or proxies, 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 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 Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors 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 Auditors 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 can not 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.jpmemergingmarkets.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 contract of service 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 Instruction Form, you can appoint a proxy or proxies electronically by visiting 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. Full instructions are given on both websites.
16. As at 4th October 2012 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 121,904,060 Ordinary shares, carrying one vote each and 10,196,130 Subscription shares with no voting rights. Therefore the total voting rights in the Company are 121,904,060.

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.

Details of Subscription Shares

On 11th June 2009 the Company issued Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share confers the right (but not the obligation) to subscribe for one Ordinary shares on any business day during the period from 1st August 2009 to 31st July 2014, after which the rights under the Subscription shares will lapse.

For the purposes of UK taxation, the issue of Subscription shares is treated as a reorganisation of the Company's share capital. Whereas such reorganisations do not trigger a chargeable disposal for the purposes of the taxation of capital gains, they do require shareholders to reallocate the base costs of their Ordinary shares between Ordinary shares and Subscription shares received.

At the close of business on 11th June 2009 the middle market prices of the Company's Ordinary shares and Subscription shares were as follows:

Ordinary shares	392p
Subscription shares	57p

Accordingly, an individual investor who, on 11th June 2009, held five Ordinary shares (or a multiple thereof) would have received a bonus issue of one Subscription share (or the relevant multiple thereof) and would apportion the base cost of such holding 97.17% to the five Ordinary shares and 2.83% to the Subscription shares.

The Subscription shares are exercisable between 1st August 2012 and 31st July 2014 at a price of 543 pence.

Notice of the exercise of the Subscription rights may be given at any time until 31st July 2014 and the Ordinary shares arising on conversion will be issued within ten business days of the first business day of the calendar month following the month in which the relevant notices are received by the registrars. For further details on how to exercise the Subscription share rights please refer to the Company's website at www.jpmemergingmarkets.co.uk or contact the Company Secretary on 020 7742 4000.

Glossary of Terms and Definitions

Portfolio return

Return on net assets, net of management fees and administration expenses, but excluding both the effect of Subscription shares which have been converted during the year and the dilutive impact of Subscription shares in issue at the year end.

Return to Ordinary shareholders/Unit holders

Total return to the Ordinary shareholder, or Unit holder, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, in the Ordinary shares of the Company at the time the shares were quoted ex-dividend.

Diluted net asset value ('NAV') per Ordinary share

The NAV per Ordinary share assuming that all outstanding Subscription shares were converted into Ordinary shares at the year end.

Diluted return on net assets

Return on the diluted 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 in 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 diluted NAV per share when calculating the diluted return on net assets.

Undiluted return on net assets

Return on the undiluted 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 in 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 undiluted NAV per share when calculating the undiluted 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 in the shares of the underlying companies at the time the shares were quoted ex-dividend.

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

Actual gearing factor

Investments, excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value per share if the market value of the portfolio were to increase by 100%.

Ongoing charges

The ongoing charges represents 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 and is calculated in accordance with guidance issued by the Association of Investment Companies.

The method of calculating the ongoing charges (2011: total expense ratio or 'TER') has changed. The TER represented the Company's management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the month end net asset during the year. In 2009 and previous years, the TER represented the Company's management fee and other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets.

Share price discount/premium to net asset value ('NAV')

If the share price of an investment trust is lower than the NAV per share, the Company's 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.

Performance attribution

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

Performance attribution definitions:

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

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

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

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

Management fee/other expenses
The payment of fees and expenses reduces the Company's net assets and therefore has a negative effect on relative performance.

Performance fee
The Company may be required to make provision for a performance fee payable under the terms of the performance fee agreement. This will reduce the Company's net assets and therefore have a negative effect on relative performance.

Exercise of Subscription shares
Measures the negative impact on the net asset value (NAV) per share arising from the exercise of Subscription shares into Ordinary shares at a price less than the NAV per share.

Subscription share dilution
Measures the dilutive impact on the net asset value (NAV) per share arising from the potential exercise of all the outstanding Subscription shares into Ordinary shares at a price less than the NAV per share.

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Information about the Company

Financial Calendar

Financial year end	30th June
Final results announced	September
Half year end	December
Half year results announced	February
Interim Management Statements announced	May and November
Final dividend on Ordinary shares paid	November
Subscription share exercise dates	1st August 2009 to 31st July 2014
Annual General Meeting	November

History

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

Company Numbers

Company registration number: 2618994

Ordinary Shares

London Stock Exchange number: 0341895
ISIN: GB0003418950
Bloomberg code: JMG LN

Subscription Shares

London Stock Exchange number: B3V4X02
ISIN: GB00B3V4X029
Bloomberg code: JMGS

Market Information

The Company's net asset value ('NAV') is published daily via the London Stock Exchange. The Company's Ordinary shares are listed on the London Stock exchange and quoted daily in the Financial Times, The Times, the Daily Telegraph, The Scotsman, The Independent and on the J.P. Morgan website at www.jpmemergingmarkets.co.uk, where the Ordinary share price is updated every fifteen minutes during trading hours.

The Company's Subscription share price is listed on the London Stock Exchange and quoted daily in the Financial Times and on the J.P. Morgan website at www.jpmemergingmarkets.co.uk, where the Subscription share price is updated every fifteen minutes during trading hours.

Website

www.jpmemergingmarkets.co.uk

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

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

aic
The Association of Investment Companies

A member of the AIC

Company's Registered Office

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20 Finsbury Street
London EC2Y 9AQ
Telephone: 020 7742 4000

For company secretarial and administrative matters, please contact Jonathan Latter.

Custodian

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Canary Wharf
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Registrars

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Reference 1081
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Calls to this number cost 8p per minute from a BT landline. Other providers' costs may vary. 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 1081.

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Brokers

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

J.P. Morgan Helpline
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Your telephone call may be recorded for your security

www.jpmemergingmarkets.co.uk