The Fleming

Emerging Markets

Investment Trust plc

Capital growth from emerging markets worldwide

Annual Report & Accounts

Year ended 30th June 1998

Objective

Capital growth from emerging markets worldwide.

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.

Benchmark

The IFC Emerging Markets Composite Index.

The Fleming
Emerging Markets
Investment Trust plc

Financial Highlights for the Year

	1998	*1997*	*% change*
Undiluted net asset value per share	**129.6p**	192.9p	–32.8
Fully-diluted net asset value per share	**125.3p**	177.5p	–29.4
Share price	**105.3p**	143.5p	–26.6
Warrant price	**15.3p**	46.0p	–66.7
Total dividend	**—**	0.4p	
IFC Emerging Markets Composite Index in sterling	**163.34**	272.39	–40.0

Annual General Meeting

The Annual General Meeting of The Fleming Emerging Markets Investment Trust plc will be held at 25 Copthall Avenue, London EC2 at 3.30 pm on Thursday 22nd October 1998.

Contents

Chairman's Statement

"The Company's managers have maintained a consistent approach in very difficult conditions. It is disappointing that the outperformance of the benchmark has taken place against a background of sharply falling asset prices."

Roger Murray

Market Environment

This has been a year during which emerging markets around the world suffered a series of major macro-economic reverses, which have been exacerbated by the events which took place immediately following our year end, making it truly an *annus horribilis*. As such, it has been, for me, a most challenging year in which to take over as Chairman of your Company.

The impact of these events has not been restricted to the countries in which they have occurred and contagious effects have led to a major loss of confidence in emerging markets generally, pushing them down to levels at or below those which prevailed prior to the launch of your Company in 1991 and the good years which followed.

Against this background, and although an additional £4 million of gearing was drawn down during the period, shareholders may draw some comfort from the fact that your Managers have succeeded in mitigating these effects somewhat. While the benchmark index declined by 40 per cent during the period, our fund lost 33 per cent in value. It also performed better than most of our peer group.

At the end of June 1998, the price of your Company's shares was 105.3p, compared with 143.5p a year earlier; the discount to net asset value narrowed to 16% during the financial year, and therefore the fall in the share price at 26.6% was less than the fall in the underlying asset value.

Earnings and Dividend

You will have read in last year's annual report that the Directors did not expect that the Company would declare a dividend in 1998: this is indeed the case. The Company recorded a loss of 0.41 pence per share, and accordingly no dividend will be payable.

Management Issues

Your Board authorised a warrant repurchase programme and some 2,605,000 warrants have been purchased for cancellation. At an EGM in June 1998, the Directors were authorised by shareholders to repurchase, at their discretion, up to 14.99 per cent of the

Company's shares for cancellation. Both these measures may in due course improve the discount to net asset value at which the shares of your Company trades. The share repurchase will, in any event, modestly enhance the net asset value for each of the remaining shares, to the benefit of those shareholders who choose to retain their shares.

Our Investment Managers have maintained a consistent approach to the management of the Company's assets, and have made no major switches in their geographical allocation. Their primary effort continues to be directed at analysing and selecting stocks of well-managed and value-generating companies. This report gives further details of their activities.

There have been other changes in your Company during the past year which reflect recent trends in the investment trust sector in the United Kingdom.

The resignation of Kenneth Inglis from the Board reduces the number of Flemings-related Directors on your Board to one. This change reflects a move to greater and more explicit independence of investment trust boards from the companies which manage their assets. We wish to thank Kenneth, whose efforts have contributed considerably to our investment activities.

During the year we agreed with Flemings to reduce the notice period for their contract as Managers from two years to one.

Prospects

As for the Company's prospects, we must expect the current market conditions to continue for some time. In spite of the real value represented by current price levels we are still faced with many uncertainties in emerging country economies.

Where pessimism abounds, however, major opportunities usually exist. Markets already reflect investors fears to a significant degree, while restructuring, acquisitions and new capital are already having their effect in some markets. Your Company has been targeting for investment sound businesses which are resilient and successful in their market places, with the object of drawing future advantage from the extremely adverse conditions which currently prevail.

We must ask for patience that we will eventually be rewarded for our perseverance with such selections.

Roger Murray
Chairman

17th September 1998

Company Performance

Summary of Results

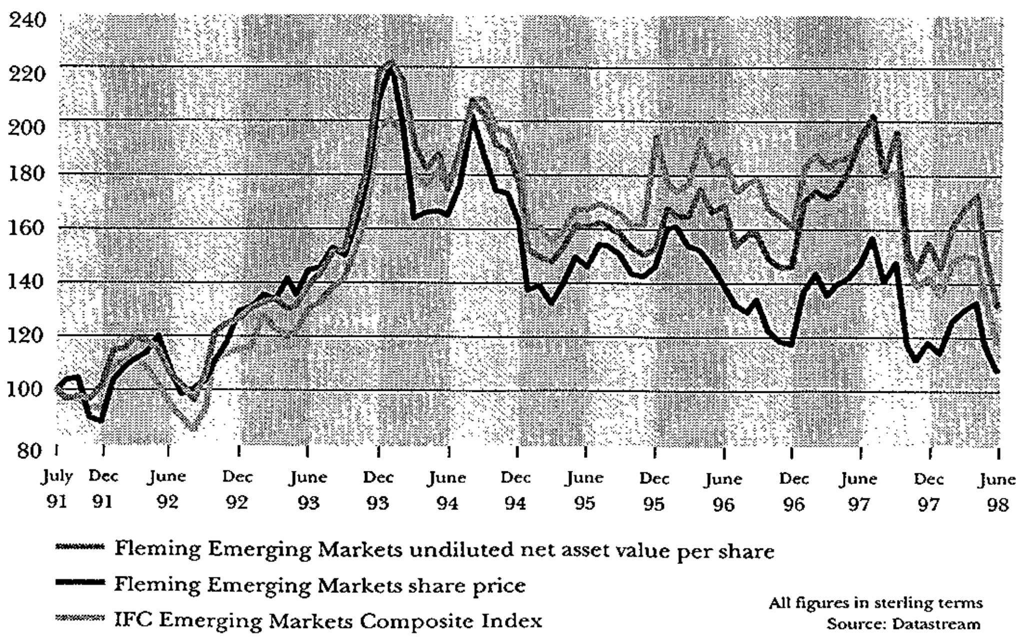
	1998	*1997*	*% change*
Assets *at 30th June*			
Net assets for shareholders (£'000)	**125,528**	186,689	–32.8
Undiluted net asset value per share	**129.6p**	192.9p	–32.8
Fully-diluted net asset value per share	**125.3p**	177.5p	–29.4
Share price	**105.3p**	143.5p	–26.6
Warrant price	**15.3p**	46.0p	–66.7
Discount of share price to fully diluted net asset value	**16.0%**	19.2%	
Revenue *for the year ended 30th June*			
Gross revenue (£'000)	**4,371**	4,480	–2.4
Net revenue return after tax (£'000)	**(398)**	856	
(Loss)/Earnings per share	**(0.41)p**	0.88p	
Dividend per share	**—**	0.40p	
Indices *at 30th June*			
IFC Emerging Markets Composite Index in sterling[1]	**163.34**	272.39	–40.0
MSCI World Index in sterling	**159.50**	139.40	+14.4
FTSE Actuaries All-Share Index	**2743.46**	2,184.52	+25.6
Total Expense Ratio[2]	**1.38%**	1.18%	

[1] *Source: Datastream. Exchange rates used from Financial Times.*

[2] *Takes into account the annual management fee paid to the manager and all other operating expenses. Where appropriate, tax relief allowable on expenses has been included. The figure shown represents the total net deductions (excluding interest payments) as a percentage of the Company's average assets over the year.*

Performance

Figures have been rebased to 100 at 31st July 1991



All figures in sterling terms
Source: Datastream

Investment Managers' Report

Austin Forey

Clive Lloyd

This has been a most difficult year for investment in emerging markets, and since your Company's year fiscal end in June, conditions have deteriorated further. In this report we try to address three basic questions: what has happened in the last fifteen months, what have we done as Managers and what do we think the future holds for emerging markets?

What has happened?

Problems began in Asia in July 1997, when currency devaluations hit Thailand and then other South East Asian economies. After years of stable exchange rates, many companies in that region had expanded their debts enormously, often taking on borrowings in foreign currencies on the assumption that exchange rates would remain fixed. When devaluations occurred, their debt burden escalated at the same time that economic activity was contracting, pushing many companies towards insolvency. The most dramatic effects were visible in the banking systems, where a major crisis has developed because of huge problems with non-performing loans. This pattern was seen in Indonesia, Malaysia, and Korea as well as Thailand, and in all these countries political structures proved unable to deal swiftly with the economic problems. In the most severe case, Indonesia, a major political change followed, with the departure of the Suharto regime after three decades in power. While the root of these countries' problems lay with the corporate sector, their eventual effect was to raise perceptions of the risks for both equity and bond investors.

If this explains the severity of the crisis in Asia, why has it spread so far? In some areas there has been a direct effect in the real world: most tradable goods produced in Asia are now cheaper than they were for buyers elsewhere. This has depressed prices of commodities while demand from Asia itself has fallen and depressed prices further. Production and capital have begun to move to Asia in response, but not so far on a large enough scale to make a difference above the microeconomic level. If this were the end of the matter one might think that the developed world would be the main casualty rather than other emerging countries, but the other dramatic effect of the Asian crisis has been to raise the risk that investors perceive in emerging markets, and therefore the return that they seek when committing funds to those markets. This heightened perception of risk has had dramatic consequences, particularly in countries dependent on external capital to fund government borrowings and finance fiscal imbalances. For countries dependent on foreign capital, as many emerging markets are, it has pushed up interest rates, slowed growth, worsened government finances, and in some cases acquired a destructive momentum of its own. The most serious collapse of all occurred in Russia in July this year, when the government found itself unable to renew its domestic borrowings even by offering extreme rates of interest, and defaulted on its short-term domestic debt. In the wake of that event, the rouble has collapsed and inflation is rising strongly.

Investment Managers' Report *continued*

The recent fall in Latin American markets has had similar causes, although there is a considerable difference in degree. While there is a substantial pool of domestic capital in countries like Brazil, it has been flowing out of the country in recent weeks rather than funding government borrowings. In circumstances as extreme as these, the activity of capital markets directs rather than reflects the real economy, and becomes the more difficult to predict for that. However, it also becomes relatively indiscriminate, and therefore produces opportunities which, barring a complete collapse, will appear in retrospect to have been so large that investors will wonder why they could not see them at the time.

What did we do?

What have we, as Managers of the Company's assets, done against this background? This question can be taken in two ways. First, have we made any changes to our investment approach and secondly, what actual steps did we take in managing the portfolio, and with what results?

Our investment approach has not changed; specific decisions about individual companies remain the starting point of our investment process. We continue to look for companies whose shares have been significantly undervalued by the market, with a strong preference for certain key criteria – prudent finances, good management, competitive strengths, and the ability to grow over the long term. We constantly compare valuations around the world to make sure that the portfolio still stands up to scrutiny. We also meet companies to discuss the future, and to understand better their prospects and the factors which influence them. As a part of this process we consider the broader environment in which companies are operating; in the last year in particular, macro-economic conditions have played a large role in determining share prices, though this is a factor which we find is best assessed with reference to companies rather than in abstraction.

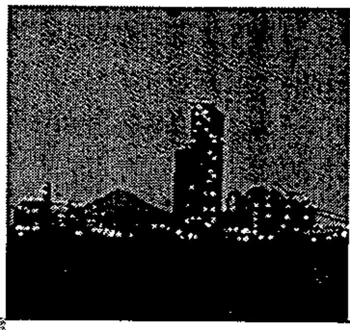
The main changes made to investment allocations can be read from the table on page 10, but these changes are perhaps less significant than the features which have stayed the same. Throughout the last fiscal year, we have maintained a bias towards Latin American markets, and away from Asian ones; within regions our most significant stock investments have seen little change. In Asia, India and Hong Kong have remained the most important investment destinations, and in Latin America, Mexico and Brazil still dominate the portfolio. Changes in the distribution of the portfolio have been driven largely by changes in prices, which is to be expected in a year in which such extremes of performance have occurred. Probably the most significant changes we have made to the assets have been an increase in the Company's holdings in South Africa, Greece, and Brazil, and a reduction in Taiwan and Turkey. We have not made any significant increase in the Company's weightings in Asia in spite of the market's collapse, except for purchases in Indonesia which we reversed later, and which did not significantly change our regional distribution of investments.

Features of the Portfolio

▶ Cemex

Value (£'000): 2,920
% of portfolio: 2.0

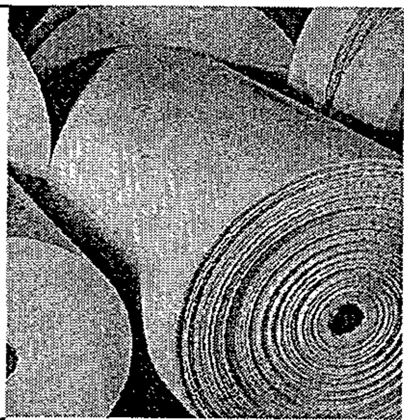
Cemex is one of the world's leading cement companies, with operations in Europe as well as Latin America. It has been looking for opportunities to expand its activities across the developing world as acquisition prices have fallen, and has taken initial steps in the last year into Asia.



▲ Yue Yuen Industrial (Holdings) Ltd

Value (£'000): 1,592
% of Portfolio: 1.1

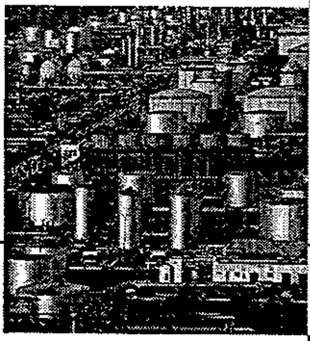
Yue Yuen is the world's largest manufacturer of athletic shoes, producing in China, Vietnam and Indonesia: as an exporter from Asia to the developed world, it has remained largely unaffected by the Asian crisis, and has continued to increase its share of the leading brands.



◀ Asia Pulp & Paper

Value (£'000): 2,905
% of portfolio: 2.0

During the year we invested in this leading producer of paper and forest products. Headquartered in Singapore, APP has the majority of its plantations in Indonesia, where growing conditions give it a significant competitive advantage; this has been increased by the fall in the Indonesian currency, which has made APP the world's lowest cost producer of internationally traded forest products.



▲ YPF Sociedad

Value (£'000): 3,061
% of Portfolio: 2.1

An integrated oil company, YPF was privatised by the Argentine government in 1990 and has since undergone a major improvement in productivity and profitability. It still has scope to increase its reserves at very competitive cost.

▲ Migros

Value (£'000): 1,613
% of Portfolio: 1.1

The leading supermarket retailer in Turkey, Migros has managed to grow at a high rate over a long period by increasing its share of a very fragmented market. Migros was purchased in the first year of the Company's life, and is one of the longest term holdings in the portfolio.

▲ Pyramid Brewery

Value (£'000): 1,995
% of Portfolio: 1.4

Pyramid Brewery is Egypt's only domestic brewer, and is expanding into soft drinks and other beverages. The catalyst for a programme of modernisation and growth has been the government's sale of the business to private investors, which has enabled the company to invest in new facilities and new products for the first time for many years, and thus exploit a very underdeveloped market.

Investment Managers' Report *continued*

As far as results are concerned, we have had successes, both in selecting companies and countries, and some notable failures. Analysis of our performance shows that we have added significant value overall against our benchmark index. We have invested in stocks which have outperformed, and been orientated towards the markets which have done better than the average. The Company's diluted net asset value has outperformed the benchmark by more than 10% during the fiscal year, though that is little comfort when absolute returns have been so bad. If the assets have performed relatively well, one cannot overlook the effect of gearing, which has been negative, since returns from the Company's investments have fallen short of the cost of borrowed funds. This has been particularly marked in recent weeks, though we have taken steps to moderate the level of gearing to levels which reduce the sensitivity of the asset value considerably.

What do we think now?

Emerging markets regularly swing between euphoria and despair. At present the latter emotion undoubtedly has the upper hand. Nevertheless, in the long term, we believe that the fundamental reasons for investment to flow into developing countries will be strengthened by reforms and changes currently occurring. In the short term, however, a return of confidence is badly needed to avert further collapses which would have serious consequences for the developed world as well as the developing one. In some places, conspicuous value can be found, and is likely to be realised over the long term. It would, however, be foolish to deny that the near-term risks for emerging markets are high: the recent introduction of capital controls in Malaysia is an indicator of a significant change in direction, and may prompt similar thinking elsewhere, which would be an adverse development. As far as share prices are concerned, over the next year the fate of emerging markets is likely to depend in large part on developments in the world's leading economies, especially the United States.

Although the focus on risk is understandable in the present climate, investors should also consider the potential rewards available to those patient enough to look beyond the short term. Valuations have dropped to levels last seen a decade ago and there has been little discrimination between good and poor quality stocks. When panic no longer prevails the earnings potential of well managed companies with strong balance sheets will again be recognised. We shall continue to seek out such investments and thereby expect to add significant value over time.

Austin Forey
Clive Lloyd
Investment Managers *11th September 1998*

Ten Largest Investments

Company	Country	30th June 1998 Value £'000	30th June 1998 % of Portfolio
Telebras The state holding company for the Brazilian telecommunications industry, including local and long distance operators.	*Brazil*	9,846	6.8
Unibanco Unibanco is a private sector commercial bank in Brazil, active in all areas of financial services.	*Brazil*	4,068	2.8
Persetel Q Data A South African information technology services company with a leading position in its domestic market, and a significant presence in western European markets.	*South Africa*	3,405	2.4
Pao De Acucar Pao de Acucar is one of the leading supermarket chains in Brazil, with a particular focus on the Sao Paolo region, Brazil's economic heartland.	*Brazil*	3,284	2.3
Jeronimo Martins One of the leading supermarket retailing groups in Portugal. Jeronimo also has food manufacturing interests and an expanding retail operation in Poland.	*Portugal*	3,282	2.3
Alpha Credit Bank Alpha Credit is the largest private sector bank in Greece, and operates in all areas of commercial and retail banking.	*Greece*	3,154	2.2
Ergo Bank Ergo Bank was established in the 1970's as a private sector bank in Greece, and has developed a particular focus in the mid-market sector.	*Greece*	3,153	2.2
Petrobras Petrobras is the Brazilian national oil company, active in all stages of the oil industry from exploration to refining and distribution.	*Brazil*	3,125	2.2
YPF Sociedad A integrated oil company with activities ranging from exploration and production to refining and distribution of petroleum products.	*Argentina*	3,061	2.1
Super-sol Super-sol is the largest supermarket company in Israel.	*Israel*	2,970	2.1

Investment Activity and Financial Record

Investment Activity and Analysis of Portfolio by Country

during the year ended 30th June 1998

	Value at 30th June 1997 £'000	%	*Purchases* £'000	*Sales* £'000	*Changes in value* £'000	*Value at 30th June 1998* £'000	%
Brazil	32,930	16.8	10,867	3,424	(8,015)	32,358	22.5
Mexico	22,140	11.2	7,489	8,552	(2,428)	18,649	13.0
South Africa	12,335	6.3	10,748	2,140	(6,194)	14,749	10.3
Portugal	5,010	2.6	2,260	2,546	3,594	8,318	5.8
India	13,404	6.9	665	428	(5,454)	8,187	5.7
Hong Kong	10,803	5.5	4,598	1,154	(6,195)	8,052	5.6
Argentina	7,189	3.7	3,573	2,473	(559)	7,730	5.4
Greece	2,109	1.1	2,360	—	1,838	6,307	4.4
Egypt	4,038	2.1	295	308	749	4,774	3.3
Peru	4,424	2.3	1,373	—	(1,224)	4,573	3.2
South Korea	9,784	5.0	1,462	1,230	(6,338)	3,678	2.6
Poland	2,455	1.3	2,648	1,665	(198)	3,240	2.3
Russia	7,548	3.9	1,022	1,644	(3,721)	3,205	2.2
Indonesia	8,554	4.4	7,926	2,500	(10,953)	3,027	2.1
Israel	—	—	2,735	—	235	2,970	2.1
Philippines	4,730	2.4	314	473	(2,118)	2,453	1.7
Turkey	6,433	3.3	117	5,549	1,310	2,311	1.6
Malaysia	10,072	5.2	1,266	1,195	(8,209)	1,934	1.3
Chile	7,572	3.9	879	4,275	(2,245)	1,931	1.3
Hungary	1,938	1.0	59	117	(245)	1,635	1.1
Venezuela	2,859	1.5	67	352	(1,087)	1,487	1.0
Taiwan	10,096	5.2	263	9,234	286	1,411	1.0
Czech Republic	1,597	0.8	—	436	(532)	629	0.4
Pakistan	571	0.3	—	473	59	157	0.1
Thailand	4,735	2.4	1,194	4,214	(1,715)	—	—
Colombia	1,846	0.9	—	1,607	(239)	—	—
Total Portfolio	195,172	100.0	64,180	55,989	(59,598)	143,765	100.0

Financial Record

As at 30th June	*1992*	*1993*[1]	*1994*	*1995*	*1996*[2]	*1997*	*1998*
Ordinary shareholders' funds (£'m)	63.2	133.0	167.8	154.3	162.6	186.7	125.5
Undiluted net asset value per share (p)	105.4	137.6	173.5	159.6	168.1	192.9	129.6
Ordinary share price (p)	104.5	140.5	160.5	142.5	136.0	143.5	105.3
Year ended 30th June							
Gross revenue (£'000)	2,258	1,814	2,560	2,647	4,039	4,480	4,371
Earnings/(loss) per ordinary share (p)	1.22	0.34	(0.58)	(0.32)	1.14	0.88	(0.41)
Dividend per ordinary share (p)	—	—	—	—	0.24	0.40	—

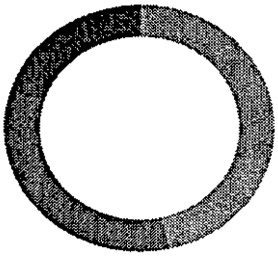
[1]*During the year to 30th June 1993 £48.9m was raised by a conversion share issue.*

[2]*Figures have been restated, where necessary, to reflect the change in accounting policy whereby income from investments are accounted for on an ex-dividend basis.*

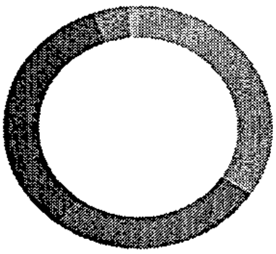
Portfolio and Shareholder Analyses

Portfolio Analysis

at 30th June 1998



Geographic	%
Latin America	46.4
Europe/Middle East/Africa	33.5
South Asia	14.9
East Asia	5.2



Sector	%
Services	34.3
Financials	26.1
General Manufacturers	17.8
Mineral Extraction	10.0
Consumer Goods	6.4
Utilities	4.2
Other	1.2

Shareholder Analysis

at 30th June 1998

Shareholders		*Class of shareholder*	*Ordinary shares held*	
Number	*% of total*		*Number*	*% of total*
6	0.1	Insurance companies	2,168,898	2.2
49	0.9	Pension funds	52,536,507	54.2
6	0.1	Unit and investment trusts	5,704,259	5.9
281	5.0	Other institutions	19,092,130	19.7
342	6.1	**Total institutions**	79,501,794	82.0
2,095	37.3	Named individuals	6,590,750	6.8
2,539	45.2	Named individuals in Fleming Investment Trusts Share Plan	5,957,427	6.2
279	5.0	Named individuals in Fleming Pension Accounts	738,351	0.8
363	6.4	Bank trustee and nominee accounts	4,056,886	4.2
5,276	93.9	**Total individuals**	17,343,414	18.0
5,618	100.0		96,845,208	100.0

Institutional nominee accounts have been allocated to their appropriate category.

List of Investments

at 30th June 1998

Company	£'000
Argentina	
YPF Sociedad	3,061
Telefonica de Argentina	2,913
Banco Frances	1,756
Total Argentina	**7,730**
Brazil	
Telebras	9,846
Unibanco	4,068
Pao de Acucar	3,284
Petrobras	3,125
Brahma	2,636
Banco Bradesco	2,537
Electrobras	2,512
Cemig	2,133
Telesp	1,550
Telesp Celular	545
Gerasul	122
Total Brazil	**32,358**
Chile	
Supermercados	978
Banco Santiago	953
Total Chile	**1,931**
Czech Republic	
Czech & Slovak Investment Corporation	629
Total Czech Republic	**629**
Egypt	
Pyramid Brewery	1,995
Egyptian International Pharmaceuticals	1,547
Suez Cement	1,232
Total Egypt	**4,774**
Greece	
Alpha Credit Bank	3,154
Ergo Bank	3,153
Total Greece	**6,307**

Company	£'000
Hong Kong	
Cheung Kong Holdings	2,741
HSBC Holdings	2,274
Yue Yuen Industrial	1,592
Swire Pacific	1,445
Total Hong Kong	**8,052**
Hungary	
Gedeon Richter	1,635
Total Hungary	**1,635**
India	
Punjab Tractors	1,774
Hindustan Petroleum	1,371
Reliance Industries	1,364
Mahanagar Telephone	1,136
State Bank of India	1,101
Bajaj Auto	1,017
HDFC	421
ICICI	3
Total India	**8,187**
Indonesia	
Asia Pulp & Paper	2,905
Hanjaya Mandala Sampoerna	120
Bank Panin Indonesia	1
Bank International Indonesia	1
Total Indonesia	**3,027**
Israel	
Super-sol	2,970
Total Israel	**2,970**
Malaysia	
Telekom Malaysia	728
Resorts World Berhad	605
Malayan Banking	601
Total Malaysia	**1,934**

Company	£'000
Mexico	
Cemex	2,920
Panamerican Beverages	2,662
Cifra	2,566
Kimberley Clark	2,473
Televisa	1,849
Sanluis	1,584
Grupo Banacci	1,548
Industrias Penoles	1,548
Grupo Carso	1,499
Total Mexico	18,649
Pakistan	
Equity International Modaraba	105
Equity International (Private)[1]	52
Total Pakistan	157
Peru	
Credicorp	2,495
Telefonica Del Peru	2,078
Total Peru	4,573
Philippines	
Philippine Long Distance Telephone	1,586
Benpres Holdings	867
Total Philippines	2,453
Poland	
Big Bank Gdanski	1,448
Agros	1,294
Bank Pekao	498
Total Poland	3,240
Portugal	
Jeronimo Martins	3,282
Banco Totta E Acores	2,700
Portugal Telecom	2,336
Total Portugal	8,318

[1] *Unquoted.*

Company	£'000
Russia	
Fleming Russia Securities Fund	1,031
Lukoil	884
Gazprom	774
Mosenergo	516
Total Russia	3,205
South Africa	
Persetel Q Data	3,405
Anglo American Corporation	1,966
Imperial Holdings	1,787
Liberty Life Africa	1,737
Sasol	1,432
South African Breweries	1,348
RMB	1,220
Barlow	1,100
Smith C.G.	754
Total South Africa	14,749
South Korea	
Samsung Electronics	1,817
Pohan Iron & Steel	957
SK Telecommunications	904
Total South Korea	3,678
Taiwan	
Cathay Life Insurance	1,411
Total Taiwan	1,411
Turkey	
Migros	1,613
Aksa	698
Total Turkey	2,311
Venezuela	
CANTV	1,487
Total Venezuela	1,487
Total Portfolio	143,765

The portfolio consists entirely of equity shares and includes 0.04% in unquoted investments.

Board of Directors

Roger Murray (Chairman)*†
Aged 62
Appointed a Director in 1994
He is a Board Member of the Commonwealth Development Corporation and Chairman of Fuerst Day Lawson Holdings Ltd. He was previously President of Cargill Europe with responsibility for a wide range of countries including East Europe, the Middle East and Africa.

Patrick Gifford
Aged 53
Appointed a Director in 1991
Joined Flemings in 1969 and has since been involved in investment management. He is chairman of Fleming Investment Trust Management Limited and a director of several of the investment trusts managed by Flemings.

Kenneth Inglis
Aged 54
Appointed a Director in 1994, retired 2nd September 1998
Joined Flemings in 1994 as Chairman and Chief Investment Officer of Fleming Investment Management Limited and is a director of Robert Fleming Asset Management Limited.

Roy Peters*†
Aged 54
Appointed a Director in 1994 and is chairman of the audit committee
He has been Head of Pension Funds Investment at BG plc since 1989. He is a director of the John Lewis Partnership Pensions Trust Limited and a director of the Blue Circle Pension Investments Limited.

Eugene Rotberg*†
Aged 68
Appointed a Director in 1991
He is a United States citizen. He is a lawyer by training and was Treasurer of the International Bank for Reconstruction and Development (the 'World Bank') from 1969 to 1987. Formerly an Executive Vice President of Merrill Lynch & Co., he has served since 1990 as a consultant to international lending and banking institutions.

* Members of the Audit Committee.
† Members of the Nomination Committee

The Fleming

Emerging Markets

Investment Trust plc

Directors' Report & Accounts

Year ended 30th June 1998

Directors' Report

Business of the Company
The Company carries on business as an investment trust and is an investment company within the meaning of the Companies Act 1985. It was approved by the Inland Revenue as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th June 1997. In the opinion of the Directors the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. 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 Managers' report on pages 5 to 8.

Investments
The investments were valued at £143,765,000 at 30th June 1998 and a list of them is shown on pages 12 and 13.

Revenue and Dividends
Gross revenue for the year totalled £4,371,000 and after deducting interest, management expenses and taxation there was a deficit of £398,000. No dividend has been declared.

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

Payment Policy
It is the Company's payment policy to settle terms before business is agreed, to ensure that suppliers are aware of them, and to pay bills in accordance with those terms. As at 30th June 1998, there were no outstanding trade creditors in respect of the Company.

Directors
The Directors of the Company at the end of the year together with their beneficial interests in the ordinary shares and warrants were:

Ordinary shares	*30th June 1998*	*30th June 1997*
Patrick Gifford	27,000	27,000
Roger Murray	5,853	5,853
Eugene Rotberg	8,000	8,000
Kenneth Inglis	10,000	10,000
Roy Peters	5,000	5,000

Warrants	*30th June 1998*	*30th June 1997*
Patrick Gifford	8,000	8,000
Roger Murray	43,000	8,000
Eugene Rotberg	1,600	1,600
Kenneth Inglis	—	—
Roy Peters	1,000	1,000

No change in the above holdings has been recorded to the date of this report.

Mr Kenneth Inglis retired from the Board on 2nd September 1998. The Director retiring by rotation is Mr Patrick Gifford. Mr Gifford is eligible and offers himself for re-election.

Management
The manager and secretary, Fleming Investment Trust Management Limited, is a wholly-owned subsidiary of Robert Fleming Holdings Limited which, through other subsidiaries, also provides dealing, banking and custodian and investment management services to the Company.

Mr Patrick Gifford is chairman of Fleming Investment Trust Management Limited. Mr Kenneth Inglis is chairman and chief investment officer of Fleming Investment Management Limited. Mr Gifford and Mr Inglis are both shareholders of Robert Fleming Holdings Limited.

Management Fee
The manager and secretary (Fleming Investment Trust Management Limited) is employed under a contract which is subject to one year's notice of termination. The fee is calculated and paid quarterly in arrears and is charged at a rate of 1.5% per annum of the Company's total assets less current liabilities, reducing to 1.0% on that part of the Company's assets invested in other closed-end investment companies, mutual funds, unit trusts or other forms of collective investment.

Funds managed or advised by Flemings or any of its associated companies are excluded from the calculation and therefore attract no direct management fee.

Notifiable Share Interests
As at the date of this report the Company had been notified of the following interests in excess of 3% of its issued ordinary share capital:

Shareholder	*Number of shares held*	%
Robert Fleming Holdings Limited[1]	24,897,643	25.7
Included within this are the following:		
Fleming Investment Trusts Share Plan[2]	6,654,646	6.8
The Fleming Overseas Investment Trust plc	4,060,416	4.2
BG Pension Funds	9,610,777	10.0
Scottish Widows Fund & Life Assurance	7,661,389	7.9
West Midland Pension Fund	3,099,500	3.2
President & Fellows of Harvard College	4,790,000	4.9
Fundacao Calouste Gulbenkian	3,415,000	3.5

[1]*Held non-beneficially on behalf of various clients except for 959,078 shares which are held beneficially.*
[2]*Non-beneficial and held on behalf of Plan participants.*

Corporate Governance
To ensure the appropriate level of corporate governance, the Board have put in place arrangements which it believes are suitable for an investment trust and enable the Company to comply with the Code of Best Practice.

The Board consists solely of non-executive Directors, the majority of whom are independent of the Company's managers.

A management agreement between the Company and Fleming Investment Trust Management Limited sets out the matters over which the manager has authority. All other matters are reserved for the approval of the Board of non-executive Directors. The Audit Committee reviews the terms of the management agreement annually.

To ensure its independence from the manager, the Audit Committee excludes from membership all Directors who are employed by Robert Fleming Holdings Limited or any of its subsidiaries.

The Directors' statement on the Company's System of Internal Financial Control can be found below and the Report of the Auditors to the Directors on Corporate Governance matters is set out on page 19.

System of Internal Financial Control
The Directors are responsible for the Company's system of internal financial 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 provide reasonable but not absolute assurance against material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by subsidiaries of Robert Fleming Holdings (Flemings), the Company's system of internal financial control mainly comprises monitoring the services provided by Fleming Investment Trust Management, the manager, and its associates, including the operating controls established by them to ensure they meet the Company's business objectives.

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

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

Management Agreement – Appointment of a manager regulated by IMRO and a custodian regulated by the SFA, whose responsibilities are clearly defined in a written agreement.

Management Systems – Inclusion in the manager's system of internal financial control of organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by Flemings' Internal Audit Department. Flemings' Compliance Department regularly monitors compliance with IMRO rules.

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

Directors' Report *continued*

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

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from both Flemings' Internal Audit and Compliance Departments;
- the Directors review the self-certification provided by the manager on their compliance with documented controls; and
- the Directors review annually the report on the internal controls and the operations of its custodian (Robert Fleming & Co. Limited), which is independently audited.

The Company's Auditors have reported to the Board on corporate governance matters and their report is set out on the opposite page.

Company's ability to buy back shares

At an extraordinary general meeting held on 27th July 1998, the Company passed a special resolution authorising the Company to make market purchases for up to 14.99% of the Company's shares. These repurchases are subject to certain criteria to ensure that any such repurchase will result in an increase in the assets underlying the remaining shares and thus to the benefit of the remaining shareholders.

Year 2000

Some computer systems express dates using only the last two digits of the year and require modification or replacement before the Year 2000 to avoid malfunctions.

Most of the computer systems used for the Company's business are provided by the Fleming Group. The Board of the Company has received assurance from Flemings that their Year 2000 project is being given the highest priority and that their computer systems are being modified, enhanced or changed as necessary and tested so as to be Year 2000 compliant. The Company is therefore unlikely to incur significant costs in respect of the Year 2000 issue.

In instances where the Company depends on third party suppliers, the Board has received assurance that Flemings are seeking to ensure that all such suppliers are Year 2000 compliant.

The Board has also been assured by Flemings that they are devoting sufficient resources to this issue.

While the Board believes that Flemings will achieve an acceptable state of readiness, it is not possible, given the complexity of the problem, for any organisation to guarantee Year 2000 compliance.

Auditors

Our auditors Price Waterhouse have merged with Coopers & Lybrand. Accordingly on 2nd September Price Waterhouse resigned as auditors of the Company. On the same day, the Directors appointed PricewaterhouseCoopers to fill the resulting casual vacancy. PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board
Fleming Investment Trust Management Limited,
Secretary
L Field
17th September 1998

Directors' Responsibilities in Respect of the Accounts

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

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

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

Auditors' Reports

Report by the Auditors

to the members of The Fleming Emerging Markets Investment Trust plc

We have audited the accounts on pages 20 to 30, which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on page 23.

Respective Responsibilities of Directors and Auditors
As described on page 18, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the accounts give a true and fair view of the state of the affairs of the Company as at 30th June 1998 and of its total return and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors — *London, 22nd September 1998*

Report by the Auditors on Corporate Governance

to the Directors of The Fleming Emerging Markets Investment Trust plc

In addition to our audit of the accounts, we have reviewed the directors' statements on pages 16, 17 and 18 on the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and on the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with the Listing Rules 12.43(j) and 12.43(v), if not otherwise disclosed.

Basis of Opinion
We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's system of internal financial control or corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion
In our opinion, the directors' statements on internal financial controls on pages 17 and 18 and on going concern on page 16 have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion based on enquiry of certain directors and officers of the Company and examination of relevant documents, the directors' statements on page 17 appropriately reflect the Company's compliance with the other aspects of the Code specified for our review by the Listing Rule 12.43(j).

PRICEWATERHOUSECOOPERS
Chartered Accountants — *London, 22nd September 1998*

Statement of Total Return

for the year ended 30th June 1998

	Notes	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000
Realised losses on investments	8	—	(14,018)	(14,018)	—	(2,560)	(2,560)
Net change in unrealised (losses)/appreciation	8	—	(45,580)	(45,580)	—	26,442	26,442
Currency losses on cash and short-term deposits held during the year	14	—	(274)	(274)	—	(311)	(311)
Repurchase of warrants	14	—	(87)	(87)	—	—	—
Income from investments	1	4,215	—	4,215	4,328	—	4,328
Other income	1	156	—	156	152	—	152
Net return before expenses and taxation		4,371	(59,959)	(55,588)	4,480	23,571	28,051
Management fee	2	(2,792)	—	(2,792)	(2,409)	—	(2,409)
Other administrative expenses	3	(345)	—	(345)	(376)	—	(376)
Interest payable	4	(1,574)	—	(1,574)	(323)	—	(323)
Net return before taxation		(340)	(59,959)	(60,299)	1,372	23,571	24,943
Taxation	5	(58)	(30)	(88)	(516)	—	(516)
Return attributable to ordinary shareholders		(398)	(59,989)	(60,387)	856	23,571	24,427
Dividends payable on ordinary shares	6	—	—	—	(387)	—	(387)
Transfer (from)/to reserves		(398)	(59,989)	(60,387)	469	23,571	24,040
(Loss)/return per ordinary share:							
Undiluted	7	(0.41)p	(61.95)p	(62.36)p	0.88p	24.35p	25.23p

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

The notes on pages 23 to 30 form part of these accounts.

Balance Sheet

at 30th June 1998

	Notes	*1998* *£'000*	*1997* *£'000*
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	8	143,765	195,172
Current assets			
Debtors	9	1,558	2,741
Cash and short-term deposits		1,069	7,020
		2,627	9,761
Current liabilities			
Creditors: amounts falling due within one year	10	834	2,041
Net current assets		1,793	7,720
Total assets less current liabilities		145,558	202,892
Creditors			
Amounts falling due after more than one year	11	20,000	16,000
Provision for liabilities and charges			
Deferred taxation	12	30	203
Total net assets		125,528	186,689
FINANCED BY			
Capital and reserves			
Called-up share capital	13	24,211	24,200
Share premium account	14	77,283	77,233
Warrant reserve	14	5,210	6,045
Capital reserve – realised	14	28,294	32,194
Capital reserve – unrealised	14	(9,995)	46,094
Revenue reserve	14	525	923
Total shareholders' funds (all equity)		125,528	186,689
Net asset value per share	15		
Undiluted		129.6p	192.9p
Fully-diluted		125.3p	177.5p

The accounts on pages 20 to 30 were approved by the Directors on 22nd September 1998 and are signed on their behalf by:

P.A.F. Gifford

PAF Gifford
Director

The notes on pages 23 to 30 form part of these accounts.

Cash Flow Statement

for the year ended 30th June 1998

	Note 17	*1998* *£'000*	*1997* *£'000*
Operating activities			
Cash received from investments		3,183	2,574
Deposit interest received		119	152
Stock lending fees received		31	—
Management fee paid		(2,759)	(2,302)
Directors' fees paid		(46)	(52)
Other cash payments		(426)	(469)
Net cash inflow/(outflow) from operating activities		102	(97)
Returns on investments and servicing of finance			
Interest paid		(1,126)	(11)
Net cash outflow from returns on investments and servicing of finance		(1,126)	(11)
Taxation			
Advance corporation tax paid		(31)	—
Taxation recovered		604	498
Net tax recovered		573	498
Capital expenditure and financial investment			
Purchases of investments		(65,015)	(88,872)
Sales of investments		57,037	73,234
Net cash outflow from capital expenditure and financial investment		(7,978)	(15,638)
Equity dividends paid			
Dividends paid to ordinary shareholders		(387)	(232)
Total equity dividends paid		(387)	(232)
Net cash outflow before financing		(8,816)	(15,480)
Financing			
Issue of ordinary shares		46	37
Increase in debt due after more than one year		4,000	16,000
Repurchase of warrants		(907)	—
Net cash inflow from financing		3,139	16,037
(Decrease)/increase in cash in the year		(5,677)	557

The notes on pages 23 to 30 form part of these accounts.

Notes to the Accounts

at 30th June 1998

A SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES, ALL OF WHICH HAVE BEEN APPLIED CONSISTENTLY THROUGHOUT THE YEAR IS SET OUT BELOW.

i. Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial statements of investment trust companies' (the 'SORP').

ii. Valuation of investments

Quoted investments are valued at middle market prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Where premiums are payable by foreign investors, the market value, for the purpose of the accounts, includes the premium. Unquoted investments are valued by the Board. In making their valuations, the Board have taken into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors. Where investments are priced in foreign currencies, the valuations are determined using the year-end exchange rate.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve – realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve – unrealised.

iii. Income

Income from equity shares is included in the revenue account on an ex-dividend basis.

Income in foreign currencies is converted at the rates ruling when accrued. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital reserves.

iv. Expenses and interest payable

All expenses and interest payable are accounted for on an accruals basis. Expenses and interest payable are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

v. Taxation

Advance corporation tax ('ACT') payable on dividends paid or provided for in the year is written off, except when recoverability is considered to be reasonably certain and foreseeable.

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

vi. Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account, depending on whether the gain or loss is of a capital or revenue nature.

Notes to the Accounts *continued*

at 30th June 1998

	1998 £'000	1997 £'000
1. Income		
Income from investments		
Franked investment income	37	46
Overseas dividends	3,846	3,729
Overseas interest	2	24
Scrip dividends	330	529
	4,215	4,328
Other income		
Deposit interest	119	152
Stock lending fees (net)	37	—
	156	152
Total income	4,371	4,480
Total income comprises:		
Dividends	4,213	4,304
Interest from investments	2	24
Other income	156	152
	4,371	4,480
Analysis of income from investments:		
Listed UK	37	46
Listed overseas	4,178	4,276
Unlisted overseas	—	6
	4,215	4,328

	1998 £'000	1997 £'000
2. Management fee		
Management fee[1]	2,759	2,302
Irrecoverable VAT thereon	33	107
	2,792	2,409

[1]The management fee is based on a formula, details of which are given under 'Management Fee' in the Report of the Directors on pages 16 and 17.

	1998 £'000	1997 £'000
3. Other administrative expenses		
Other management expenses	282	298
Directors' fees[1]	46	52
Auditors' remuneration	16	16
Irrecoverable VAT	1	10
	345	376

[1]Emoluments in respect of the Chairman were £12,000 (1997: £12,000). This was apportioned between the retiring Chairman and the new Chairman on a pro-rata basis, with the retiring Chairman receiving £3,493 for the year. The new Chairman also received £2,326 in respect of previous duties as a Director. Four other Directors received emoluments of £8,000 (1997: same). The total Directors fees of £46,000 (1997: £52,000) comprise £30,000 (1997: £36,000) in respect of aggregate emoluments paid to Directors and £16,000 (1997: same) paid to third parties for making available the services of two of the Directors (1997: two Directors).

	1998 £'000	1997 £'000
4. Interest payable		
On bank loans and overdraft repayable on demand	26	—
On bank loan repayable within 5 years, but not by instalments	1,548	323
	1,574	323

	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000
5. Taxation						
Tax on franked investment income	7	—	7	9	—	9
Deferred taxation	(203)	30'	(173)	203	—	203
Overseas taxation	234	—	234	304	—	304
Corporation tax	—	—	—	39	—	39
Advance corporation tax written off	21	—	21	—	—	—
Prior year adjustment	(1)	—	(1)	—	—	—
	58	30	88	555	—	555
Relief relating to overseas taxation	—	—	—	(39)	—	(39)
	58	30	88	516	—	516

'Provision for capital gains tax potentially payable in the country of origin of certain investments within the portfolio.

	1998 p	1997 p	1998 £'000	1997 £'000
6. Dividend				
Dividend payable on ordinary shares	—	0.40	—	387

	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000
7. Return per ordinary share						
Attributable to ordinary shareholders	(398)	(59,989)	(60,387)	856	23,571	24,427
Return per ordinary share						
Undiluted	(0.41)p	(61.95)p	(62.36)p	0.88p	24.35p	25.23p
Fully diluted	—	—	—	1.64p	21.91p	23.55p

The return per ordinary share is based on the revenue on ordinary activities after taxation and on 96,825,771 (1997: 96,783,390) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The capital return per ordinary share is based on net capital returns and on 96,825,771 (1997: 96,783,390) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The fully diluted return in 1997 was calculated on the assumption that the outstanding warrants were exercised and the proceeds invested in 2½% Consolidated Stock. As returns for 1998 are negative, no fully diluted returns per share are shown.

	1998 £'000	1997 £'000
8. Investments		
Investments listed on a recognised investment exchange	143,713	195,113
Unlisted investments	52	59
	143,765	195,172

(a) Analysis of investments	Listed overseas £'000	1998 Unlisted £'000	Total £'000
Opening book cost	148,993	85	149,078
Opening unrealised appreciation/(depreciation)	46,120	(26)	46,094
Opening valuation	195,113	59	195,172
Movements in the year:			
Purchases at cost	64,180	—	64,180
Sales – proceeds	(55,989)	—	(55,989)
– realised losses on sales	(14,018)	—	(14,018)
Decrease in unrealised appreciation	(45,573)	(7)	(45,580)
	143,713	52	143,765
Closing book cost	153,675	85	153,760
Closing unrealised depreciation	(9,962)	(33)	(9,995)
	143,713	52	143,765

During the year £10,509,000 of prior year unrealised appreciation has been transferred to realised as disclosed in note 14.

(b) Stock lending details	1998 £'000	1997 £'000
Fee income (net) from stock lending during the year	37	—

The aggregate value of securities on loan as at 30th June 1998 amounted to £9,486,000 and the maximum value of stock on loan during the year ended 30th June 1998 was £13,718,000. Collateral, with a value equivalent to a minimum of 105% of the outstanding value of stocks on loan, is obtained by Robert Fleming & Co. Limited as agent to the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds.

	1998 £'000	1997 £'000
9. Debtors		
Securities sold for future settlement	29	1,077
Advance corporation tax recoverable	69	155
Income tax recoverable	671	604
Foreign tax recoverable	19	—
Dividends and interest receivable	562	790
Stock lending fees	5	—
Other debtors	203	115
	1,558	2,741

	1998 £'000	1997 £'000
10. Creditors		
Amounts falling due within one year:		
Securities purchased for future settlement	—	1,165
Advance corporation tax payable	—	97
Other creditors	74	80
Dividends payable	—	387
Interest on loan	760	312
	834	2,041

11. Creditors

Amounts falling due after more than one year:		
3 year loan at 7.51% maturing 7.1.2000	20,000	16,000

The loan agreement is with Robert Fleming & Co. Limited. In addition the Company has entered into an interest swap agreement based on an amount of £20 million, also with Robert Fleming & Co. Limited, which effectively fixes the interest rate payable at 7.51% over the life of the loan.

12. Provision for liabilities and charges

These are in respect of deferred taxation, and comprise:		
Timing differences related to revenue income and provision for capital gains tax	30	203
The movement on deferred taxation comprises:		
Opening balance	203	—
Charged in respect of revenue	(203)	203
Provision for capital gains tax	30	—
Closing balance	30	203

13. Called-up share capital

Issued and fully-paid share capital:		
Ordinary shares of 25p each		
At beginning of year (96,798,382 shares 1997: 96,761,258)	24,200	24,191
Issued during the year on exercise of warrants (46,826 shares 1997: 37,124)	11	9
At end of year (96,845,208 shares 1997: 96,798,382)	24,211	24,200

Warrants:

During the year 46,826 ordinary shares were issued as a result of the exercise of warrants and 2,605,000 warrants were bought back by the Company. At 30th June 1998 16,547,575 warrants remain outstanding. Each warrant confers the right to subscribe for one ordinary 25p share at 100p on 1st December 1998.

Authorised share capital:		
296,000,000 ordinary shares of 25p each	74,000	74,000

Notes to the Accounts *continued*

at 30th June 1998

	Share premium account £'000	*Warrant reserve £'000*	*Capital reserve – realised £'000*	*Capital reserve – unrealised £'000*	*Revenue reserve £'000*
14. Reserves					
Beginning of year	77,233	6,045	32,194	46,094	923
Net loss on currency transactions	—	—	(274)	—	—
Realised losses on investments	—	—	(14,018)	—	—
Transfer on disposal of investments	—	—	10,509	(10,509)	—
Premium on exercise of warrants	35	—	—	—	—
Realised warrant premium	15	(15)	—	—	—
Repurchase of warrants	—	(820)	(87)	—	—
Capital gains tax	—	—	(30)	—	—
Decrease in unrealised appreciation	—	—	—	(45,580)	—
Revenue deficit for the year	—	—	—	—	(398)
	77,283	5,210	28,294	(9,995)	525

15. Net asset value per share

The net asset value per share at the year end is as follows:

	Net asset value per share		*Net assets attributable*	
	1998	*1997*	*1998*	*1997*
	p	*p*	*£'000*	*£'000*
Ordinary shares:				
Undiluted[1]	129.6	192.9	125,528	186,689
Fully-diluted[2]	125.3	177.5	142,076	205,888

[1]Undiluted net asset value per ordinary share is based on net assets at the year end and on 96,845,208 (1997: 96,798,382) ordinary shares, being the number of ordinary shares in issue at the year end.

[2]The fully-diluted net asset value per ordinary share is calculated on the assumption that 16,547,575 (1997: 19,199,401) warrants, being the number outstanding at the year end, are exercised and converted into ordinary shares of 25p at an exercise price of 100p per share.

	1997 £'000	1996 £'000
16. Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	186,689	162,612
Total recognised (losses)/gains for the year	(60,387)	24,427
Proceeds from exercise of warrants	46	37
Dividend paid	—	(387)
Repurchase of warrants – warrant reserve movement	(820)	—
Closing shareholders' funds	125,528	186,689

17. Cash flow statement

	1997 £'000	1996 £'000
Reconciliation of revenue to net cash inflow from operating activities		
Income before interest payable and taxation	1,234	1,694
Scrip dividends received as income	(330)	(529)
Decrease/(increase) in accrued income	223	(320)
Increase in other debtors	(88)	(16)
Decrease in other creditors	(6)	(22)
Tax on franked investment income	(7)	(9)
Tax on unfranked investment income	(924)	(895)
	102	(97)
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash for the year	(5,677)	557
Cash inflow from increase in debt	(4,000)	(16,000)
Change in net debt resulting from cash flows	(9,677)	(15,443)
Effect of changes in foreign exchange rates	(274)	(311)
Movement in net debt for the year	(9,951)	(15,754)
Net debt at beginning of the year	(8,980)	6,774
Closing net debt	(18,931)	(8,980)

	At 30th June 1997	*Cash flow*	*Exchange movement*	*At 30th June 1998*
Analysis of net debt				
Cash at bank and in hand	7,020	(5,677)	(274)	1,069
Debt due after one year	(16,000)	(4,000)	—	(20,000)
Closing balance	(8,980)	(9,677)	(274)	(18,931)

Notes to the Accounts *continued*

at 30th June 1998

18. Transactions with Flemings

Details of the management contract are set out on page 16. The terms make allowance for the exclusion of management charges on investments held in funds managed by Flemings. There were no amounts due to FITM at the year end (1997: nil). The management fee paid to FITM for the year can be found on note 2, page 24. In addition, FITM was paid £43,000 for the marketing of 'wrapper' products i.e. Share Plan and Pension Plan (1997: £40,000). Other management expenses, as shown in note 3 on page 24, include safe custody fees of £125,000 (1997: £140,000) of which £25,000 (1997: £31,000) was outstanding at the year end. These fees were paid to third party custodians by Robert Fleming & Co. Limited, on behalf of the Company. FITM carries out some of its dealing transactions through Robert Fleming & Co. Limited, a fellow subsidiary of Robert Fleming Holdings. These transactions are carried out at arms' length. The commission paid in the year was £12,000 (1997: £20,000).

The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

The Company has loan agreements and a swap agreement with Robert Fleming & Co. Limited as set out in note 11 on page 27. The charge for the year was £1,570,000 (1997: £323,000) of which £760,000 was outstanding at the year end (1997: £312,000).

The Company holds investments in funds managed by Fleming Investment Management Limited. At 30th June 1998 these were valued at £1.7m (1997: £3.8m) and represented 1.2% of the Company's investment portfolio (1997: 1.9%). During the year the Company made purchases in such investments of £0.3m and made sales with a total value of £0.6m. No investment income was received from these funds (1997: nil).

Notice of Meeting

Notice is hereby given that the seventh Annual General Meeting of The Fleming Emerging Markets Investment Trust plc will be held at 25 Copthall Avenue, London EC2R 7DR at 3.30 pm on Thursday 22nd October 1998 for the following purposes.

1 To receive and adopt the Directors' report, the annual accounts and the Auditors' report for the year ended 30th June 1998.

2 To re-elect Mr P Gifford a Director of the Company.

3 To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution:

THAT PricewaterhouseCoopers be reappointed auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Price Waterhouse), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

By order of the Board
Fleming Investment Trust Management Limited,
Secretary.
Registered Office: 20 Finsbury Street, London EC2Y 9AQ.

22nd September 1998

Notes

1 A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if he so wishes.

2 Any instrument appointing a proxy, to be valid, must be lodged at the Company's Registrar not less than 48 hours before the time of the meeting.

3 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at Monday 13th October 1997 at 6.00 pm ('the specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

Information about the Company

History

Your Company was launched in July 1991 with assets of £60 million. It has been managed by Flemings since that date. In March 1993 the Company raised a further £50 million by an issue of conversion shares.

Financial Calendar

Financial year end	30th June
Interim results announced	February
Final results announced	September
Annual General Meeting	October

Company Number

2618944

Market Information

The Company's shares and warrants are listed on the London Stock Exchange. The market price of the shares is shown daily in the Financial Times, The Times and The Daily Telegraph. The price of the warrants is shown daily in the Financial Times.

Share Transactions

The shares and warrants may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the Fleming Investment Trusts Share and Personal Equity Plans.

Manager, Secretary and Registered Office

Fleming Investment Trust Management Limited	Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ Telephone number: 0171 638 5858 *Please contact Linda Field for administrative matters.*

Auditors

PricewaterhouseCoopers	Southwark Towers, 32 London Bridge Street, London SE1 9SY.

Registrars

Lloyds Bank Registrars	Reference 1081, The Causeway, Worthing, West Sussex, BN99 6DA. Telephone number: 01903 502 541 *If you have a query about a certificated holding in a Fleming investment trust.*

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

Information about the Manager

Flemings has a range of "wrapper" products available which enable investors to purchase Fleming investment trusts as follows:

Share Plan

The Fleming Investment Trusts Share Plan is a savings plan allowing investments in any of the Flemings trusts, as shown on page 34. The minimum investment is £40 per month or a lump sum of £400. There are no charges on share purchases and switches. There is a 1% brokerage charge on sales. The normal spread between buying and selling prices applies.

Personal Equity Plan

The Company is a non-qualifying trust for PEP purposes. This means that under current regulations, only £1,500 of the annual allowance of £6,000 for a general PEP can be invested in its shares.

The Company's shares are available in the Fleming Investment Trusts Personal Equity Plan. The PEP allows investment in the qualifying Fleming Trusts, as shown below. Shares held in the PEP are free of income tax and capital gains tax. The minimum investment is £100 per month or a lump sum of £1,000, subject to a maximum of £6,000 per person per tax year. The existing tax benefits of PEPs will remain unchanged until April 1999, after which a new tax-privileged vehicle, the Individual Savings Account (ISA), will be introduced. PEPs will no longer be available after this time although existing Plans can continue to be held as PEPs.

Pension Account

Fleming Pension Accounts are suitable for the self-employed, employees not currently members of a company scheme and employees wishing to make additional voluntary contributions. Under current regulations tax relief is available on all contributions and investments grow free of all income and capital gains tax. The minimum investment is £100 gross per month or £1,000 gross lump sum.

Fleming Brochureline

Freephone 0500 500 161 or 0171 382 8989

If you would like to receive PEP, Pension Accounts or Share Plan literature and/or annual reports of the Fleming investment trusts.

Fleming Helpline

Freephone 0500 500 324 or 0171 382 8800

If you have any general queries about Fleming trusts or any of their products.

Account Queries

If you have an account query and your Fleming investment trust shares are held in one of Fleming's "wrapper" products please call the appropriate department:

The Fleming Investment Trusts Share Plan	**Freephone 0800 136 666** or 01708 713 380
The Fleming Investment Trusts PEP	**Freephone 0800 829 100** or 01708 713 317
Fleming Investment Trusts Pension Accounts	**Freephone 0800 413 176** or 01722 414 888

You may also contact Flemings via the internet on
http://www.flemings.com/fitm

The Range of Fleming Investment Trusts

Fleming American[2]
Capital growth from North American investments

Fleming Asian[2]
Capital growth from Asian investments, excluding Japan

Fleming Chinese
Capital growth from China-related investments

Fleming Claverhouse[1]
Capital and income growth from UK investments

Fleming Continental European[1]
Capital growth from Continental European investments

Fleming Emerging Markets[2]
Capital growth from emerging markets worldwide

Fleming Enterprise[1]
Capital growth from medium-sized UK companies

Fleming European Fledgeling[1]
Capital growth from smaller Continental European companies

Fleming Geared Growth[1]
Growth of income and capital from a UK portfolio

Fleming Income & Capital[1]
Income and capital growth from UK investments through a split-capital structure

Fleming Income & Growth[1]
Income and capital growth from higher-yielding investments through a split-capital structure

Fleming Indian
Capital growth from investment in India

Fleming Japanese[2]
Capital growth from Japanese investments

Fleming Mercantile[1]
Capital growth from a portfolio of medium and smaller UK companies

Fleming Natural Resources[2]
Capital growth from commodity and energy shares worldwide

Fleming Overseas[2]
Capital growth from overseas markets

Fleming Smaller Companies[1]
Capital growth from UK smaller companies

Fleming US Discovery[2]
Capital growth from investing in US micro cap companies

Fleming Worldwide Income[1]
High income with capital growth through a split-capital structure from a portfolio of equities and bonds with international exposure

---

Electra Investment Trust PLC *which is independently managed by Electra Fleming Limited is also available in the Fleming Share Plan and Pension Accounts. It invests in a wide variety of private equity situations. Further details are available on request.*

[1] *Trusts eligible for £6,000 investment in the Fleming PEP.*

[2] *Trusts eligible for £1,500 investment in the Fleming PEP.*

Please remember that the value of shares and the income from them can fall as well as rise and investors may not get back the full amount invested. Past performance is not necessarily a guide to the future. For trusts investing in emerging markets the risk to your capital may be greater. Exchange rate changes may cause the value of overseas investments to rise or fall. Unquoted investments may be illiquid and difficult to value and may be more volatile. The existing tax benefits of PEPs will remain unchanged until April 1999, after which a new tax-privileged vehicle, the Individual Savings Account (ISA), will be introduced. PEPs will no longer be available after this time although existing Plans can continue to be held as PEPs. Issued by Fleming Investment Trust Services Limited, which is regulated by the Personal Investment Authority and is a member of the Fleming Asset Management marketing group, which only sells unit trusts, recognised collective investment schemes, investment trust saving schemes, PEPs, life assurance and pension products.