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TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC

ANNUAL REPORT AND AUDITED ACCOUNTS

30 APRIL 2007

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SHAREHOLDER INFORMATION

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HOW TO INVEST

For information on investing in TEMIT with a lump sum regular savings plan and gifts, see inside back cover

Other Sources of Information
Please consult the Company's website (www temit co uk)

Stock Exchange Codes and Net Asset Value Publication
The Stock Exchange Code for TEMIT s listed securities is TEM The net asset value per share is published daily on the Company's website

Frequency of Net Asset Value publication
The NAV is released every day through the London and New Zealand Stock Exchanges

Company Announcements
Copies of announcements made by the Company are available on the Company's website (www temit co uk) Shareholders who would like to receive copies of Company Announcements by email should send their request to enquiries@franklintempleton co uk

FINANCIAL SUMMARY
2006 2007

	Year ended 30 April 2007	*Year ended 30 April 2006*
Net Assets and Shareholders' Funds (£ million)	1,925 48	1,866 20
Net Asset Value (pence per Ordinary Share)	359 24	348 18
Total Expense Ratio*	1 32%	1 41%
Number of Ordinary Shares in Issue	535,981,593	535,981,593
Movement in Net Assets and Shareholders' Funds	3 18%	75 07%
Benchmark 1		
MSCI Emerging Markets Index	7 46%	71 14%
Benchmark 2		
S&P/IFCI Composite Index	8 95%	73 48%
Share Price (pence)	327 25	310 25
Year – High (pence)	338 50	314 00
Year – Low (pence)	265 55	170 75
Dividend (pence per Ordinary Share)†	2 76	2 67
Revenue Earnings (pence per Ordinary Share)‡	4 16	3 65
Total Earnings (pence per Ordinary Share)‡	13 82	151 97
Share Price Discount to Net Asset Value	8 90%	10 89%

Indices above are shown on a total return basis in GBP Source Franklin Templeton Investments and Datastream

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRS') for the year ended 30 April 2007 and 30 April 2006

*The Total Expense Ratio represents the annualised total expenses of the Company divided by the monthly average net assets of the Company for the year

†Under IFRS only dividends paid during the year are reflected in the financial statements The ordinary dividend of 2 76 pence is the actual dividend per share paid to shareholders on 4 October 2006 and subsequently reflected in the results for the year ended 30 April 2007

‡The Revenue Earnings per Ordinary Share figure is based on the earnings shown in the 'Revenue' column in the Income Statement on page 46 and Note 5 of the Notes to the Financial Statements

TEN YEAR RECORD
1998 2007

Year ended 30 April	1998	1999	2000	2001	2002	2003	2004	2005*	2006	2007
Total Net Assets and Shareholders Funds (£ 000)	686 583	721 571	749 906	619 031	666 217	595 486	778 457	1 065 957	1 866 199	1 925 484
NAV Basic (pence)	145 86	153 29	159 25	135 66	146 24	130 82	171 01	198 88	348 18	359 24
NAV Diluted (pence)	143 74	149 95	154 93	135 21	144 00	N/A	164 58	N/A	N/A	N/A
Price – Ordinary (pence)	120 25	129 00	116 25	113 50	125 00	107 25	144 00	167 25	310 25	327 25
Price – Warrants (pence)	29 50	37 00	22 00	17 00	17 50	3 75	13 25	N/A	N/A	N/A
Discount (pence)	25 61	24 29	43 00	22 16	21 24	23 57	27 01	31 63	37 93	31 99
Discount (%)	17 6	15 8	27 0	16 3	14 5	18 0	15 8	15 9	10 9	8 9
Revenue Earnings per share Undiluted (pence)	1 43	1 68	1 34	1 36	1 82	1 70	2 89	3 42	3 65	4 16
Revenue Earnings per share Diluted (pence)	1 19	1 40	1 12	1 13	1 51	N/A	2 88	N/A	N/A	N/A
Net Dividends per Ordinary Share (pence)	1 10	1 10	1 10	1 25	1 25	1 25	1 25	2 25	2 67	2 76

*Prior to April 2005 the total net assets and shareholders funds have been prepared in accordance with UK GAAP
The results for the year ended 30 April 2005 have been restated in accordance with IFRS

The main differences as a result of adopting IFRS are

- Investments are valued on a bid basis, as opposed to a mid basis, and
- Only dividends paid during the year are reflected in the Financial Statements A dividend of 3 13p on the profits of 2007 has been proposed

CHAIRMAN'S STATEMENT

18.8%

The Company's share price rose by 18.8% during the second half of the year, ending at 327.25 pence.

Proposed Capital Reorganisation

At the EGM held on 27 July 2007, the proposals for the capital reorganisation did not achieve the 75% vote required for approval although there was a majority (approximately 64%) in favour Accordingly, the proposals set out in the Circular to Shareholders dated 3 July 2007 will not be implemented Shareholders did however vote (approximately 94%) in favour of granting authority to the Company to purchase up to 14 99% of the Ordinary Shares in issue on 26 July 2007, the authority to expire no later than the Annual General Meeting in 2008

The Board whilst disappointed that the capital reorganisation will not now take place welcomes the clear majority in favour of its proposals In the circumstances it does not intend to bring forward new proposals to Shareholders but will continue its new share buy back policy

In the Circular to Shareholders proposing the capital reorganisation, the costs were estimated at £5 million, the actual costs incurred will be under £600,000 The difference is because the estimate included costs to completion and success fees

Performance

At 30 April 2007, your Company had total assets of £1,925 million, compared with £1 866 million at 30 April 2006

The stated objective of the Company is to provide long term capital appreciation for its investors Since launch in 1989, the net asset value of the Company has risen by 1,071 37% in sterling terms compared with a rise of 611 34% for the MSCI Emerging Markets Index and 609 58% for the S&P/IFC Investable Composite Index

As explained in the Manager s Report, the first half of the current year was particularly challenging However performance rallied in the second half of the year From a low of 314 02 pence at the end of October 2006 the net asset value per share rose by 14 4% to close at 359 24 pence The closing net asset value compares favourably to the 348 18 pence value at the beginning of the financial year The total assets at the year end were £1 925 million compared to £1,683 million at the half year The total return for the Company for the year was 4 22% Over the year the MSCI Emerging Markets

Index and the S&P/IFC Investable Composite Index both increased by 7 46% and 8 95% respectively

The share price at 30 April 2007 was 327 25 pence compared with 310 25 pence at the beginning of the financial year an increase of 5 48% The Company's share price rose by 18 8% during the second half of the year The Company's discount narrowed by 18% during the year dropping from 10 9% initially to 8 9% by the end of the year

The Manager s Report and Portfolio Review on pages 20 to 24 gives a detailed analysis of the Company s performance over the year The portfolio is managed using the value style of investing This requires a detailed research of stocks and the Manager purchases only those trading at less than their assessed value

Since the year end, investment performance has improved further On 9 August 2007, the net asset value per Ordinary Share had risen by 15 1% to 413 42 pence and the share price by 15 5% to 378 00 pence

Asset allocation

At the year end 98 7% of the Company's total assets were invested in equities, with the remaining 1 3% being held in liquid assets The general policy of the Board is to be fully invested

Revenue and Dividend

Gross revenue rose by 8 3% from last year This is due, in the main, to the increase in the size of your Company The Board s policy is to maintain investment trust status To this end the Board of Directors has proposed a cash dividend of 3 13 pence per Ordinary Share (2006 2 76 pence) This represents a distribution of 90% of gross revenues The dividend will be paid on 3 October 2007 to Shareholders on the register at the close of business on 31 August 2007, subject to the approval of Shareholders at the Annual General Meeting, which will be held on 27 September 2007

Discount

During the year, the Board has kept the discount under continual review and retained its right to buy back shares when it believed that this was in Shareholders' best interests having regard to the Company's investment objective No buy backs were executed during the year As noted above, the discount at the year end had narrowed to 8 9% comparing favourably with a 10 9% discount at 30 April 2006 Since the year end the Board has adopted a more active share buy back programme following consultation with Shareholders on discount control measures

The Board and the AGM

The Board welcomed Neil Collins to the Board on 28 September 2006 Peter Godsoe Andrew Knight and Peter Smith retire by rotation and offer themselves for re election at the AGM In addition, Charles Johnson and I, being over the age of 70, retire and offer ourselves for re election The Board continually evaluates its performance and following the annual Directors' appraisal process, and on the recommendation of the Nomination Committee, the Board has approved all these Directors standing for re election

Finally, I would like to invite you to the AGM which will be held in London at the RAC Club on 27 September 2007 at 12 noon I hope that you will be able to attend this meeting at which the Manager will make a short presentation and, with my fellow Directors, I look forward to the opportunity of meeting you

Sir Ronald Hampel

14 August 2007

Indices above are shown on a total return basis in GBP Sources Franklin Templeton Investments and Standard & Poors

BOARD OF DIRECTORS

SIR RONALD HAMPEL

Sir Ronald Hampel (75), Chairman of the Board of Directors from 22 September 2004 and member of the Nomination & Remuneration Committee from 6 December 2004, appointed to the Board on 15 December 2003

Sir Ronald Hampel retired as Chairman of United Business Media plc in November 2002 He previously spent 44 years with ICI, where he joined the Board in 1985, became Chief Operating Officer in 1991, Chief Executive Officer in 1993 and was Chairman from 1995 until 1999

Sir Ronald read Modern Languages and Law at Cambridge and is an Honorary Fellow of Corpus Christi College He was knighted in the 1995 New Years Honours Sir Ronald was Chairman of the Committee on Corporate Governance from 1995 until 1998, which was responsible for producing the Hampel Report

He was formerly a member of the Steering Committee of the European Round Table, of the UK Advisory Board of INSEAD, of the Listed Companies Advisory Committee of the London Stock Exchange, and of the Nomination Committee of the New York Stock Exchange

Sir Ronald was a Non Executive Director of Powell Duffryn PLC from 1983 until 1988, of Commercial Union PLC from 1987 until 1995, of BAE Systems PLC from 1989 until 2002, of Alcoa from 1996 until 2005 and Chairman of United Business Media from 1999 until 2002 He was a Member of the Executives Committee of the British North American Committee from 1987 until 1995, and a Director of the American Chamber of Commerce from 1988 until 1991 From 1997 until 2001 he was a member of the Advisory Committee of the Karlpreis Aachen (Charlemagne Prize) He was a member of the Council of Action on Addiction from 1994 until 1999

He is an independent Director

Left to right Neil A Collins, Andrew S B Knight, Peter C Godsoe, Sir Ronald Hampel, Peter A Smith, Charles B Johnson and Sir Peter Burt

SIR PETER BURT

Sir Peter Burt (63) member of the Audit Committee since 6 December 2004 and member of the Nomination and Remuneration Committee from 28 September 2006 appointed to the Board on 1 October 2004

Sir Peter Burt is Chairman of Promethean PLC and of Gleacher Shacklock LLP, and a Non Executive Director of Royal Dutch Shell PLC until 16 May 2006 and Chairman of ITV PLC until 8 January 2007

He graduated MA from St Andrews University with a 1st class Honours in Modern History and Political Economy and MBA from the University of Pennsylvania's Wharton School where he was a Thouron Scholar

He worked in the electronics and computer industry for six years initially with Hewlett Packard in Palo Alto, before turning to banking He joined the Bank of Scotland in 1975 and became head of its International Division in 1985 He was appointed Chief General Manager of the Bank in 1988 and Group Chief Executive in 1996 He initiated the Bank's 2001 merger with the Halifax becoming Executive Deputy Chairman of the combined business before he retired in January 2003 Sir Peter is a former Chairman of Dyslexia Scotland

He is an independent Director

NEIL A COLLINS

Neil A Collins (60), member of the Audit Committee since 28 September 2006 appointed to the Board on 28 September 2006

Neil Adam Collins, who is 60, has spent most of his career in financial journalism and was City Editor of *The Daily Telegraph* for nearly 20 years until he retired from the position in 2005 In February 2006 he was awarded the Freedom Award by the Institute of Economic Affairs He was voted Financial Journalist of the Year in 2002 Prior to that he had been City Editor of the London Evening Standard and The Sunday Times He is currently a columnist on the London Evening Standard, writing a weekly column, plus occasional contributions elsewhere Educated at Uppingham School, he graduated from Selwyn College, Cambridge in 1968 with an Honours degree in Mechanical Sciences, and spent two years as a graduate trainee with Hoare & Co, Stockbrokers From 1999 to 2003 he served as a Governor on the Board of St Andrew's School, Eastbourne

Mr Collins is a Director of Dyson James Limited

He is an independent Director

BOARD OF DIRECTORS
CONTINUED

PETER C GODSOE

Peter C Godsoe, O C (69) member of the Audit Committee since 23 February 2004, appointed to the Board on 15 December 2003

Peter Godsoe is currently an independent Director of several companies in Canada, the United States and the United Kingdom

He graduated from the University of Toronto with a Bachelor of Science degree in Mathematics and Physics in 1961 He then joined Price Waterhouse and obtained his Chartered Accountant designation prior to going to Harvard Business School where he earned his Master of Business Administration in 1966

Mr Godsoe joined Scotiabank in Toronto in 1966 After working in Ottawa Montreal and New York he returned to Toronto in 1971 to coordinate the Bank's US activities as General Manager of the International Division In 1974, he formed the Western Hemisphere International Regional Office, which includes the United States and Latin America, as well as the Bank's treasury operations

Mr Godsoe was appointed an Executive Vice President in 1980 of Scotiabank and Vice Chairman and member of the Board of Directors in 1982 In 1992 Mr Godsoe was named President and Chief Operating Officer He became Chief Executive Officer in 1993 and Chairman of the Board in 1995

During his tenure as Chief Executive Officer of Scotiabank, the Bank rose from being Canada's fifth largest bank to being its second largest by market capitalisation and in fact, Canada's second largest company Equally over this period of close to twelve years shareholder returns increased by over ten times

In 2002, Mr Godsoe was named an Officer of the Order of Canada and was introduced into the Canadian Business Hall of Fame for outstanding achievement in business and his contribution to the Canadian way of life

He is an independent Director

CHARLES B JOHNSON

Charles B Johnson (74), appointed to the Board on 18 January 1994

Charles B Johnson is Chairman and Director of Franklin Resources, Inc , and Chairman and Director of various Franklin Templeton funds The Investment Manager of TEMIT Templeton Asset Management Ltd and the Secretary and Administrator, Franklin Templeton Investment Management Limited are subsidiaries of Franklin Resources Inc

Mr Johnson received a BA degree from Yale University in 1954 in economics and political science He served in the US Army from 1955 until 1957 as a First Lieutenant, Army Artillery

He joined Franklin Distributors, Inc , as President and Chief Executive Officer in 1957 and assumed those positions with Franklin Resources, Inc , when it was incorporated in 1968 Mr Johnson served as CEO of Franklin Resources, Inc until December 2003

He is a member of the New York Society of Security Analysts

In 1992 he was elected Chairman of the National Association of Security Dealers (NASD) and served on various committees and boards of the NASD (including Nasdaq) from 1988 until 2002 He served on the Board of Governors of the Investment Company Institute (ICI) from 1973 until 1988

Mr Johnson also serves as a member of the Board of Overseers of the Hoover Institution at Stanford University He has served as a board member of the San Francisco Symphony, Bay Area Council and other Bay Area civic organisations He served as Northern California Chairman of the US Olympic Committee in 1992, on the boards of Peninsula Community Foundation from 1986 until 1996 and the Commonwealth Club of California from 1994 until 1997, and as a trustee of Crystal Springs Uplands School from 1985 until 1993

ANDREW S B KNIGHT

Andrew S B Knight (67) appointed to the Board on 15 December 2003

Andrew Knight was educated at Ampleforth College and Balliol College, Oxford (M A Modern History)

He was Editor of *The Economist* from 1974 until 1986, Chief Executive and Editor in Chief of the London Daily Telegraph group from 1986 until 1989, Executive Chairman of News International plc from 1990 until 1994

He is a Director of News Corporation Limited and of Rothschild Investment Trust (RITCP) member of the Advisory Board of the Centre of Economic Policy Research at Stanford University California, member of the Advisory Council of the Institute of International Studies, Stanford University, Governor (and member of the Council of Management) of the Ditchley Foundation, Chairman of the Harlech Scholar's Trust, Director of Anglo Russian Opera and Ballet Trust (Marinsky Theatre Trust)

He was also formerly Chairman of the Ballet Rambert, Trustee of the Victoria & Albert Museum, Governor of Imperial College of Science & Technology, Council member of the Royal Institute of International Affairs (Chatham House), member of the Board of Overseers at Hoover Institution, Stanford University, member of the Steering Committee, Bilderberg Meetings, Council member of Templeton College, Oxford non executive Director of Reuters Holdings PLC and of Tandem Computers Inc, Chairman of the Jerwood Charity and Shipston Home Nursing

He is an independent Director

PETER A SMITH

Peter A Smith (61), Chairman of the Audit Committee since 17 May 2004 and Senior Independent Director, appointed to the Board on 17 May 2004

Peter Smith is Chairman of Savills PLC He is also a Non executive Director of N M Rothschild & Sons Limited, The Equitable Life Assurance Society and Associated British Foods PLC

Until June 2000, he was Senior Partner of PricewaterhouseCoopers (PwC') in the UK Prior to the formation of PwC from the merger of Price Waterhouse and Coopers & Lybrand, Peter was the Chairman of Coopers & Lybrand in the UK a position he held from May 1994 until June 1998

For the two years to December 1996, he was Chairman of Coopers & Lybrand International and from 1998 until 2000 was a member of PwC's global management team

From 2002 until 2004 he was a Non executive Director of Safeway PLC and from 2003 to 2005, Chairman of RAC PLC

Mr Smith is a member of the Board of the Confederation of British Industry and sits on the Advisory Council Global Corporate Governance Initiative, at Harvard Business School He was a member of the UK's Committee on Corporate Governance from 1996 until 1998

Mr Smith was educated at Mill Hill School and Southampton University, where he graduated in Economics He has attended the Advanced Management Program at Wharton School of the University of Pennsylvania

Mr Smith was appointed Chairman of the Audit Committee on 17 May 2004 and Senior Independent Director on 21 September 2004

He is an independent Director

All of the Directors are non executive

BUSINESS REVIEW

THE DIRECTORS OF THE COMPANY HAVE PLEASURE IN PRESENTING TO THE SHAREHOLDERS THEIR BUSINESS REVIEW FOR THE YEAR ENDED 30 APRIL 2007.

To the extent that any parts of this Business Review provide forward looking information on the Company, Shareholders should be aware that it is difficult to make any assumptions on future performance based on this information particularly as the Company invests in emerging markets.

Further information on the performance of the Company is provided in the Chairman's Statement on pages 4 and 5 and in the Manager's Report and Portfolio Review on pages 20 to 24.

NATURE OF THE BUSINESS

The Company was established on 18 May 1989 as an investment trust whose principal objective is to provide long term capital appreciation for its investors through investment in companies operating in emerging markets or whose stocks are listed on the stock markets of such countries. The Board views long term for emerging markets to be at least five years. The Board has appointed Templeton Asset Management Ltd ("TAML") as the Investment Manager of the Company to carry out day to day investment management services for the Company. The Investment Manager reviews the portfolio allocation and performance with the Board at each quarterly Board Meeting.

The Company is listed on both the UK and New Zealand Stock Exchange, however the majority of its Shareholders are based in the UK.

TEMIT is the largest emerging markets investment trusts in the UK with a market capitalisation of £1,754 million as at 30 April 2007. The top five markets invested in are Brazil, China, South Korea, Russia and Turkey.

Mark Mobius works with some of his senior analysts

£1,754m

TEMIT is the largest emerging markets investment trusts in the UK with a market capitalisation of £1,754 million as at 30 April 2007.

INVESTMENT PROCESS

Management Company

The Board has appointed Templeton Asset Management Ltd. (TAML) as Investment Manager of the Company.

TAML has over 20 years of investment experience in emerging markets and approximately US$34 billion in assets under management. TAML is part of the Franklin Templeton Group which has $601.1 billion in assets under management as of 30 April 2007.

TAML currently has 56 employees consisting of 34 portfolio managers/analysts from 20 nationalities who between them speak 19 different languages. They are located in 13 offices: Moscow (Russia), Warsaw (Poland), Vienna (Austria), Dubai (United Arab Emirates), Istanbul (Turkey), Johannesburg (South Africa), Hong Kong (China), Singapore, Shanghai (China), Seoul (South Korea), Mumbai (India), Rio de Janeiro (Brazil), and Buenos Aires (Argentina). TAML's Managing Director is Mark Mobius who has spent over thirty years working in Asia and other emerging markets.

TAML's Emerging Markets Team receives support from the employees of Franklin Resources Inc., its ultimate parent company and its subsidiaries.

Investment Style

The Investment Manager employs a bottom up, value oriented, long term approach to investing. It focuses on the market price of a company's securities relative to the Investment Manager's evaluation of the company's long term earnings, asset value and cash flow potential. As it looks for investment, it focuses on specific companies and undertakes in depth research to construct an action list from which it makes its buy decisions. Before a purchase is made, it looks at the company's potential earnings and growth over a five year horizon. During its analysis, it also considers the company's position in its sector, the economic framework and political environment.

The portfolio will frequently be over weight or under weight against the indices. This is consistent with its investment approach of long term value investing. The Investment Manager evaluates investment opportunities with updated financial ratios on a daily basis, and adjusts the portfolio to seek optimal exposures to stocks which are assessed to be best bargains in global emerging markets.

TAML's Emerging Markets Team

BUSINESS REVIEW
CONTINUED

The Investment Manager searches for well managed companies assessed as under valued, especially those that are out of favour among investors On the other hand the Investment Manager sells companies that, in its opinion, are over valued, typically when the earnings prospects or underlying net asset values are fully recognised by other investors

The Investment Manager's investment research and portfolio construction processes may be summarised in five steps

(1) Identify Opportunities – A master list is compiled which is screened for securities that meet certain market capitalisation and liquidity criteria as determined by the Investment Manager,

(2) Analyse Companies – A detailed analysis of the stock's industry and financial accounts is undertaken along with a visit to the company to interview management, assess its quality of product or services, analyse customers and competitors and ascertain competitive advantage

(3) Construct Action List – Each stock on this list has a specified buy and sell target This selection list is a dynamic list that is monitored continually,

(4) Allocate Portfolio – On a weekly basis, the portfolio is reviewed for consistency and to ensure that it complies with investment committee guidelines, and

(5) Evaluate and Monitor Portfolio – Once the portfolio has been constructed, each investment within the portfolio is reviewed against price targets set for the securities These targets are continually updated, with comparisons made with the sector that the security operates in Contact is also maintained with the company and its suppliers and staff

As a result of detailed research and investigation TAML has created a master list of securities Compiled by the emerging markets team over the past nine years, this list is a proprietary database of over 17,000 emerging market companies and forms the basis of the decision as to whether to invest in these companies The fact that TAML's country and sector analysts are based in many of the emerging market countries in which the Company directly invests, should offer distinct competitive advantage This creates both country and sector specialists Before investing in any company, the financial details of that company are subject to a rigorous review The analysts also visit the company to conduct an on site tour enabling them to interview management, assess quality of products or services, analyse customers and ascertain whether the company has any distinct competitive advantage

The Company's top ten holdings as at 30 April 2007 are disclosed on page 31

Investment Outlook

Emerging markets continue to report strong macroeconomic growth and are implementing structural reforms Taking a long term view, emerging markets continue to offer investors an attractive investment destination The role of emerging markets in the global economy has grown significantly in recent years These countries have made fundamental improvements to their economies These developments mean that emerging markets investments contain good opportunities In addition to the traditional emerging markets, the larger frontier markets, such as Slovenia, Romania and the Ukraine, are also beginning to look interesting although no one can predict the market direction and a bear market could start at any time However the good news is that bear markets have been shorter in duration than bull markets and bear markets have gone down a smaller percentage than bull markets increase In general, the strong fundamental outlook for emerging markets remains intact and we expect long term investors to be well rewarded

The Manager continues to emphasize four major themes in our investments – the "four Cs" These are Consumer, Commodities, Convergence, and Corporate Governance Sectors that are geared towards direct consumption will continue to benefit from the higher disposable income per capita in emerging markets With commodity prices at relatively high levels, there will be many opportunities for good profits for companies supplying them Convergence between Asia and China will continue to provide good opportunities for companies Finally Corporate Governance is very important in investing We want to invest in companies that treat investors fairly

KEY PERFORMANCE INDICATORS

The Investment Manager employs a value investing strategy and purchases stocks trading at less than their assessed value The TEMIT portfolio may therefore differ significantly from the benchmark indicies

The following are considered to be key performance indicators for the Company

MSCI Emerging Markets Index

The MSCI Emerging Markets Index ('MSCI' Index) is a free float adjusted market capitalisation index that is designed to measure equity market performance in the global emerging markets As of May 2007 the MSCI Index consisted of the following 26 emerging market country indices Argentina, Brazil, Chile, China, Colombia Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia South Africa, Taiwan, Thailand, Turkey and Venezuela

The objective of MSCI, with respect to its Equity Index Series is to construct global benchmark indices that contribute to the investment process by serving as relevant and accurate performance benchmarks and effective research tools and as the basis for various investment vehicles Price indices measure market price performance only and are calculated at least on a daily basis Each index measures the sum of the market capitalisation weighted returns of all its constituents on a given day

In constructing these indices, MSCI consistently applies its equity index construction and maintenance methodology across regions and developed and emerging markets This consistency of approach makes it possible to aggregate individual country and industry indices to create meaningful regional and composite benchmark indices This has resulted in it becoming a well recognised industry benchmark, which is widely used by the institutional investor

TEMIT underperformed the MSCI Index (+4 22% vs +7 16%) during the year Since inception, the net asset value of TEMIT has risen by 1,071 4%, compared with a rise of 611 3% for the MSCI Index

S&P/IFCI Composite Index

The S&P/IFCI indices are designed to measure the type of returns foreign portfolio investors might receive from investing in emerging market stocks that are legally and practically available to them Constituents for the S&P/IFCI series are drawn from the S&P/IFCG stock universe based on size, liquidity, and their legal and practical availability to foreign institutional investor

The S&P Emerging Market Indices are calculated daily using data received from correspondents in local markets and are widely recognized as one of the most comprehensive and reliable measures of the world's emerging markets The indices and their underlying database, which Standard & Poor's acquired from International Finance Corporation (IFC) in 2000, have been maintained since 1975 As a result, the indices contain a very comprehensive history for the Company's benchmarking purpose TEMIT underperformed the S&P/IFCI Index (+4 22% vs +8 95%) during the year Since inception, the net asset value of TEMIT has risen by 1,071 4% compared with a rise of 609 6% for the S&P/IFCI Index in the same period

The performance attribution is explained in more detail in the Manager's Report on page 20

Shown below is TEMIT's NAV movement in comparison to its benchmarks

TOTAL RETURN

BUSINESS REVIEW
CONTINUED

Share Price Discount

For the year to 30 April 2007, global emerging markets have continued to perform strongly During this time period the Company's NAV gained 3 18% The Company's share price gained 5 48% over the 12 months, which reflected a narrowing of discount over the year The discount has narrowed from 10 9% at 30 April 2006 to 8 9% at 30 April 2007

Shown below is the Company's share price discount over the past five years

SHARE PRICE DISCOUNT TO NET ASSET VALUE

The Company's share price gained 5 48% over the 12 months

PRINCIPAL RISKS AND UNCERTAINTIES

The historic performance of TEMIT and the markets in which it invests can provide no guarantee of future performance. Although the number and spread of investments in TEMIT's portfolio is intended to reduce the degree of risk, investors should be aware of the risk associated with TEMIT's investment objectives. Many of the companies in which TEMIT does or may invest are by reason of the locations in which they operate, exposed to the risk of political or economic change. In addition, exchange control, tax or other regulations introduced in any country in which TEMIT invests may affect its income and the value and marketability of its investments. Currency fluctuations may also affect the value of its investments and the income derived therefrom and investors in emerging markets can face settlement and custodial problems. Furthermore, companies in emerging markets are not always subject to accounting, auditing and financial standards which are equivalent to those applicable in the United Kingdom and there may also be less government supervision and regulation. These risks can increase the potential for losses in Company and affect its share price. For these reasons, a long term approach to investing in emerging markets is taken.

In addition, the Company may invest a greater portion of its assets in the securities of one issuer, securities domiciled in a particular country, or securities within one industry group than other types of fund investments. As a result, it may be more sensitive to economic, business, political or other changes affecting similar issues or securities, which may result in greater fluctuation in the value of the portfolio.

It is important to recognise the effect of currency movements on TEMIT's performance. In general, if the value of sterling increases compared with a foreign currency, an investment traded in that foreign currency will decrease in value because it will be worth fewer UK pounds. This can have a negative effect on fund performance. Conversely, when, in general, sterling weakens in relation to a foreign currency investment traded in that foreign currency will increase in value, which can contribute to an improvement in the Company's performance.

It is also worth noting that the Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 842 of the Income and Corporation Taxes Act 1988 would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations such as the UKLA Listing Rules, could lead to a number of detrimental outcomes and reputational damage.

The Directors have adopted have a robust framework of controls which is designed to monitor the principal risks facing the Company, and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible.

The information in this report reflects analysis, opinions and portfolio holdings as of 30 April 2007, the end of the reporting period. The way the Investment Manager implements TEMIT's main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions.

These opinions may not be relied on as investment advice or an offer for potential security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Company. Statements of fact are from sources considered reliable but the Company and the Investment Manager make no representation or warranty as to their completeness or accuracy.

Further information on the risks that TEMIT is subject to is also detailed in Note 17 of the Notes to the Financial Statements.

BUSINESS REVIEW
CONTINUED

£1,925m

As at 30 April 2007, the net assets of the Company were £1,925 million, compared with £1,866 million at 30 April 2006.

FINANCIAL POSITION OF THE BUSINESS

Financial Results

As at 30 April 2007, the net assets of the Company were £1,925 million, compared with £1,866 million at 30 April 2006 an increase of 3 18% The majority of this increase can be attributed to market appreciation of securities held during the year The following points should also be noted

- Investment income has increased by 8 4% over the same period last year as a result of the income being earned on an increased portfolio
- The Total Expense Ratio has fallen from 1 41% at 30 April 2006 to 1 32% at 30 April 2007 This is due, in part to an increase in the size of the Company and also due to the reduction in administration fees from 0 25% to 0 20% effective January 2006, and a reduction in custody charges negotiated with JP Morgan during the year
- Sales of investments during the period crystallised realised net gains of £143 9 million Invested portfolio funds at 30 April 2007 had a value of £1 900 million against a cost of £960 million
- The Company has not geared its portfolio

Cash Flows

As at 30 April 2007, the Company held £25 9 million in cash, representing 1 3% of total net assets It is the general policy of the Board to be fully invested For the period to 30 April 2007 the Company had the following significant cash inflows and outflows

- Payment of annual dividend totalling £14 8 million
- Purchases of securities for the period were £361 million,
- Sales of securities for the period were £365 million

INVESTMENT PHILOSOPHY
TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC

THE INVESTMENT OBJECTIVE OF TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC (''TEMIT'' OR THE ''COMPANY'') IS TO PROVIDE LONG TERM CAPITAL APPRECIATION FOR ITS INVESTORS THROUGH INVESTMENT IN COMPANIES OPERATING IN EMERGING MARKETS OR WHOSE STOCKS ARE LISTED ON THE STOCK MARKETS OF SUCH COUNTRIES.

Where possible, investment will generally continue to be made directly in the stock markets of emerging countries However, investments in companies listed on more developed stock exchanges may also be made where those companies derive a significant source of their revenue from emerging markets Where appropriate, for example to gain access to markets closed to foreign investors, investments may be made in emerging markets through collective investment schemes but such indirect investment is not likely to be substantial

In any event Templeton Asset Management Ltd ("TAML or the "Investment Manager") as the Investment Manager to the Company, will invest directly only in countries where it is satisfied that acceptable custodial and other arrangements are in place to safeguard TEMIT's investments and in companies with perceived satisfactory procedures

TEMIT's funds are normally invested in equity securities, although the Investment Manager may invest in equity related investments (such as convertibles) when there are perceived to be advantages In addition, in response to market conditions funds may be held temporarily in non equity related securities or cash The Board has agreed that in exceptional circumstances, TEMIT may borrow up to 10% of its net assets

TEN LARGEST INVESTMENTS
AS AT 30 APRIL

HYUNDAI DEVELOPMENT

One of the leading residential property developers in Korea

Source Franklin Templeton Investments

UNIBANCO

One of Brazil's largest financial conglomerates, providing a full range of banking and financial services

Source Franklin Templeton Investments

VALE RIO DOCE

This Brazilian based company is one of the world's largest iron ore producers that is also engaged in various mining activities

Source Franklin Templeton Investments

SK CORP

A major player in South Korea's oil refining industry

Source Franklin Templeton Investments

AKBANK

One of Turkey's largest privately owned commercial banks providing a full range of banking and financial services

Source Franklin Templeton Investments

Far left Mark Mobius and the SK Corp team

Left Rajesh Sehgal, Steve Choe, Jay Choi and Marcus Mundim visit Petrobras

BCO BRADESCO

One of Brazil s largest financial conglomerates, providing a full range of banking and financial services

Source Franklin Templeton Investments

CHINA PETROLEUM AND CHEMICAL CORP

One of the largest integrated energy companies in China

Source Franklin Templeton Investments

PETROCHINA

China s largest oil and gas company in terms of reserves The company is also diversifying into marketing and downstream activities

Source Franklin Templeton Investments

PETROBRAS

Brazil's national oil and gas company

Source Franklin Templeton Investments

GAZPROM

Gazprom is the largest producer of natural gas in the world in terms of reserves and production

Source Franklin Templeton Investments

MANAGER'S REPORT & PORTFOLIO REVIEW
30 APRIL 2007

OVERVIEW

Most emerging markets recorded positive performances during the reporting period. A favourable macroeconomic environment coupled with significant liquidity drove equity prices up. Latin American markets were the top performers as they benefited from relatively strong commodity prices, growing foreign reserves, lower interest rates and solid domestic demand in the region's major economies. In Europe, however, Russia and Turkey underperformed their regional peers. Political uncertainty led to some short term selling in Turkey towards the end of the period. Asian markets, on the other hand, recorded mixed performances with strong gains seen in China while South Korea and Thailand experienced declines. In Thailand, a military coup, capital controls, bomb blasts and new restrictions on foreign ownership in listed companies in selective sectors rattled investor confidence in equity investments. In South Africa, a consumer boom, propelled by low borrowing rates and greater domestic demand, led to higher corporate earnings in related companies. However, a weaker Rand eroded the market's GBP gains.

While there were substantial downturns in May/June 2006 and February/March 2007, most markets rebounded as investors used the correction as an opportunity to build positions at more attractive prices. In a bull market that has run for nearly four years with few interruptions, corrections such as these can be expected.

PERFORMANCE ATTRIBUTION

The Company's performance, relative to the MSCI Emerging Markets Index, benefited from underweight positions in Taiwan and Russia as well as an overweight exposure to Croatia. Good stock selection in Taiwan, Russia and South Korea further enhanced relative performance. A zero weighting in Israel also supported performance as that market underperformed the benchmark index during the period. In Taiwan, the largest contributors to performance were the Company's absence from stocks such as High Tech Computer and United Microelectronics and underweight holdings in Taiwan Semiconductor. In Russia, underweight exposures to Gazprom and Surgutneftegaz (no holdings) as well as an overweight exposure to Norilsk Nickel contributed to relative performance. In South Korea, an underweight position in Samsung Electronics and an overweight position in SK Corporation helped the portfolio. By sector, underweight exposures to the semiconductor and technology hardware and equipment industries as well as good stock selection in automobile stocks helped performance.

As regards negative impacts on the portfolio, an overweight exposure to Hungary and underweight position in Mexico resulted in negative attribution effects. The Company's holdings in India and Poland also had an adverse impact on relative performance. Overweight positions in PKN Orlen, Gedeon Richter and MOL detracted from relative performance because the stocks

underperformed the MSCI Emerging Markets Index The Company continued to favour these stocks due to their strong market positions and attractive valuations In India and Mexico zero exposure to outperforming stocks such as America Movil, Reliance Industries and Infosys Technologies had a negative impact on performance relative to the benchmark index These stocks were not held in the portfolio due to the availability of more attractive stocks in the emerging market universe
By industry, holdings in capital goods companies and utilities underperformed

PORTFOLIO CHANGES & INVESTMENT STRATEGIES

During the reporting period, the Company made significant investments in Russia and Turkey Russian purchases included Gazprom, the largest natural gas company in the world by reserves and production Norilsk Nickel, which is among the largest platinum companies and nickel producers in the world, and Lukoil a major integrated oil and gas company in Russia In Turkey, the Company added Turkcell, a leading provider of mobile communications services, Akbank one of the largest commercial banks in Turkey, and Tupras, the country's largest industrial company with a dominant market share in oil refining Additional purchases were also made in Pakistan, India, Poland, Indonesia and Brazil as the Company continued to search for companies trading at attractive valuations

Exposure to the oil and gas, coal aluminium, diversified metals and mining and precious metals and minerals sectors was increased as these stocks are expected to benefit from greater revenues and earnings as a result of relatively high commodity prices The interim correction in commodity prices during the period provided the Company with an opportunity to build positions at lower prices In addition to the Russian and Turkish additions the Company added Vale Do Rio Doce, one of the world's largest iron ore producers that is also engaged in various mining activities, Aluminum Corporation of China (Chalco), China's leading producer

MANAGER'S REPORT & PORTFOLIO REVIEW
CONTINUED

of alumina and primary aluminium products, PTT, a major integrated gas company in Thailand and Yanzhou Coal, one of the most profitable coal producers in China

One of the largest sales during the year was in Pliva, a Croatian pharmaceutical company which was the subject of a takeover battle with the price going far higher than the Company's sell limit This subsequently eliminated exposure to the Croatian market The Company also divested its holdings in LG Card, a consumer finance company in South Korea following a tender offer, during the reporting period

Because certain stocks approached their sell targets exposure to South Korea, South Africa and Taiwan was reduced during the period The Company's investments in the packaged foods and meats, chemicals and construction industries were trimmed via the sale of CJ Corporation, a food producer in South Korea LG Petrochemical, a commodity chemical producer engaged in manufacturing of ethylene and ethylene derivative products, and Daewoo Shipbuilding, a South Korean shipbuilder In South Africa and Taiwan, key sales included Nedbank a South African bank with operations in commercial banking, investment banking and asset management and President Chain Stores, a major retail chain operator in Taiwan

ASIA

China was among the strongest performing markets globally as strong fund flows and continued investor interest in one of the world's fastest growing economies propelled stock prices China's Gross Domestic Product ("GDP") accelerated to 11 1% in the first quarter of 2007 heightening concerns that the Chinese government would implement additional tightening measures Soon after in April, the People's Bank of China raised the reserve requirement ratio by 50 basis points to 10 5% as efforts to curb liquidity continued This was the sixth increase in the last ten months In comparison GDP grew 10 7% in 2006 A clear indication of China's robust trade sector and attraction to foreign investors is its growing foreign exchange reserves The world's largest reserves increased by US$135 7 billion to US$1 2 trillion in the first quarter China also signed a free trade agreement covering 60 service industries within the ASEAN bloc The agreement came into effect on 1 July 2007

The South Korean economy grew 4 0% in the first three months of the year mainly due to strong exports, capital investment and consumer expenditure GDP grew 5 0% in 2006 with the South Korean government expecting 2007 GDP growth to be 4 5% Moreover, inflation remained benign in 2007, allowing the central bank to leave interest rates unchanged during the first three months of the year While there have been some concerns over the strengthening Won and its impact on the country's export competitiveness, the Free Trade Agreement (FTA) reached between South Korea and the US could provide exporters with a competitive edge However, the FTA has yet to be ratified by the US Congress and the Korean National Assembly

The Thai economy grew 4 2% in the fourth quarter of 2006 as political uncertainty and weak domestic demand slowed economic recovery While GDP grew 5 0% in 2006, it is expected to slow down this year due to reduced export growth and sluggish private investment The Thai government also remained concerned about the strengthening Baht which could adversely impact export demand Japan and Thailand signed a free trade agreement in early April 2007 which will cut tariffs on a wide range of goods The Thai Cabinet has ratified the deal and approval from Japan's parliament is expected shortly With a new, unelected interim government more policy surprises can be expected which could lead to further bouts of volatility in the stock market during 2007

LATIN AMERICA

International confidence in the region, especially Brazil, was high A loosening monetary policy, growing foreign reserves and implementation of fiscal incentives aimed at boosting economic growth and investment led investors to remain positive on the country's prospects International reserves totalled US$121 8 billion at the end of April 2007 due to stronger inflows in foreign direct investment (FDI), portfolio investments and short term accounts The economy grew a revised 3 7% year on year in 2006, higher than 2005's adjusted 2 9% growth Key drivers included robust domestic demand, particularly, household consumption and investment

SOUTHERN/EASTERN EUROPE

In Europe, the Russian market lagged its regional counterparts as a correction in oil prices during the period led investors to adopt a more cautious approach and lock in gains made in the last few years However, a recovery in oil prices towards the end of the period provided investors with some comfort Moreover, the country continued to report strong economic data including a 6 7% GDP growth in 2006 together with US$31 billion in foreign direct investment, more than double the amount received in 2005 The benefits of this could bode well for the stock market in the longer term

Turkey's GDP grew 6 1% year on year in 2006 mainly due to robust external demand The current account and trade deficit numbers improved in 2006, evidence of the country's successful structural reforms over the last few years FDI inflows totalled US$20 2 billion in 2006 more than double the US$9 8 billion in the preceding year In politics, given the ruling Justice and Development Party (AKP)'s majority in parliament, it was almost a certainty that its nominated Foreign Minister, Abdullah Gul, would emerge as the new president However, the opposition party's boycott of the elections, led the Constitutional Court to annul the results The ruling party is now pushing for a constitutional amendment to allow the public as opposed to the parliament to elect the new president

MANAGER'S REPORT & PORTFOLIO REVIEW
CONTINUED

Taking a long-term view, emerging markets continue to offer investors with an attractive investment destination.

OUTLOOK

Emerging market sovereign spreads have declined to near all time lows reflecting investors' assessments that the fundamentals of emerging markets are strong In a bull market that has run for about four years with only one major correction in 2006, fund inflows can be expected and are, in fact healthy The Manager continues to monitor the markets and look to possibly increase the Company's investments in stocks which the Manager deems to be oversold due to poor market sentiment rather than weak fundamentals Taking a long term view, emerging markets continue to offer investors with an attractive investment destination Moreover, these markets continue to report strong macroeconomic growth and are implementing structural reforms

The role of emerging markets in the global economy has grown significantly in recent years These countries have made fundamental improvements to their economies and these changes are here to stay In addition to the traditional emerging markets, the larger frontier markets are also beginning to look interesting

In general, the strong fundamental outlook for emerging markets remains intact Investors should expect volatility, as is the nature of these markets, but the Manager expects long term investors to be well rewarded Finally, as value investors the Manager continues to focus on those companies that have the best earnings and dividends in relation to their prices

J Mark Mobius, Ph D
Templeton Asset Management Ltd

14 August 2007

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PORTFOLIO SUMMARY
PORTFOLIO DISTRIBUTION AS AT 30 APRIL 2007

All figures are in %

	Brazil	South Korea	China	Turkey	Thailand	Russia	Hungary	South Africa	Taiwan	Poland	India	Singapore	Austria	Malaysia	Croatia	Mexico	Other	Liquid Assets	2007 Total	2006 Total
Energy	4 4		7 4	–	1 9	5 3	2 1				1 6		1 7	0 3	–		–	–	24 7	27 1
Financials	8 3	0 4	–	3 6	3 9		–	0 4	–						–		2 2	–	18 8	21 3
Industrials		5 7	2 1	0 3			–	–	–				–			–			8 1	12 1
Materials	4 5		2 4	0 2	1 6	2 4	–	1 2			1 5			–		–	2 0		15 8	11 6
Consumer Staples	0 9	–		0 2		–	–	0 2		–	–	1 8	–	–			0 7	–	3 8	8 2
Telecommunications Services		0 3	1 2	1 4		1 2	–		0 6	–	–	–	–	1 7	–	0 4	0 6	–	7 4	4 5
Healthcare						–	2 2		–	–	–		–	–				–	2 2	4 1
Utilities	1 6	3 9	–	2 1	–	–				2 5	0 4	–	–		–			–	10 5	4 1
Consumer Discretionary		1 9	1 4	0 4	–			1 3	0 2	–				–		0 7		–	5 9	4 1
Information Technology	–		–	–	–			–	1 5										1 5	2 1
Total Equities		–	–	–	–	–	–	–							–			–	98 7	99 2
Liquid Assets		–						–				–			–	–	–	1 3	1 3	0 8
2007 Total	19 7	12 2	14 5	8 2	7 4	8 9	4 3	3 1	2 3	2 5	3 5	1 8	1 7	2 0	0 0	1 1	5 5	1 3	100	100
2006 Total	19 5	17 2	13 8	7 4	6 4	5 3	5 2	4 8	3 8	2 6	2 5	2 2	2 0	1 5	1 4	1 4	2 2	0 8	100	100

PORTFOLIO HOLDINGS
BY GEOGRAPHY

Geographical analysis (by country of incorporation)

As at 30 April 2007

Country	*Fair Value (a)* *£ 000*
AUSTRIA	
OMV AG‡	32,518
	32,518
BRAZIL	
Banco Bradesco SA, ADR, pfd *†	71,456
Centrais Eletricas Brasileiras SA	31,643
Companhia Paranaense de Energia Copel, ADR, pfd *†	33,903
Companhia Vale do Rio Doce ADR, pfd , A*†	88,011
Petroleo Brasileiro SA ADR, pfd *†	52,909
Souza Cruz SA	16,516
Unibanco – Uniao de Bancos Brasileiros SA GDR pfd *†	92,250
	386,688
CHINA	
Aluminum Corp of China Ltd , H	47,704
Brilliance China Automotive Holdings Ltd	5 167
China International Marine Containers (Group) Co Ltd ,	5,457
China Merchants Holdings International Co Ltd	25,261
China Mobile (Hong Kong) Ltd	23,247
China Petroleum and Chemical Corp H	66,917
Cosco Pacific Ltd	9,654
Denway Motors Ltd	20,464
PetroChina Co Ltd , H	60,667
Yanzhou Coal Mining Co Ltd	19,494
	284,032
GREECE	
Titan Cement Co	3,290
	3,290
HUNGARY	
Gedeon Richter Ltd	45,002
MOL Magyar Olaj es Gazipari Rt	42,293
	87,295

PORTFOLIO HOLDINGS
BY GEOGRAPHY CONTINUED

Country	Fair Value (a) £'000
INDIA	
Gail India Ltd	7,373
Hindalco Industries Inc	14,838
Indian Oil Corp Ltd	532
Oil & Natural Gas Corp Ltd	30,782
National Aluminium Co Ltd	12,753
	66,278
INDONESIA	
Bank International Indonesia	2,802
PT Bank Danamon Indonesia Tbk	6,825
PT Astra International Tbk	12 236
	21,863
MALAYSIA	
Maxis Communications Bhd	32,541
Tanjong PLC	5,738
	38,279
MEXICO	
Kimberly Clark de Mexico SA de CV, A	13,831
Telefonos de Mexico SA de CV, ADR*	7 854
	21,685
PAKISTAN	
Faysal Bank	9,521
MCB Bank Ltd	15,937
Pakistan Telecommunications Corp PTC	11,836
	37,294
PHILIPPINES	
San Miguel Corp B	9,352
	9,352
POLAND	
DOM Development SA	542
Grupa Lotos SA	16,265
Polski Koncern Naftowy Orlen SA	35,548
	52,355

Country	*Fair Value (a)* *£'000*
RUSSIA	
Gazprom	50,745
LUKOIL ADR*	48,200
Mining and Metallurgical Co Norilsk Nickel, ADR	47,285
Mobile Telesystems, ADR*	22 495
OAO TMK	5,546
	174,271
SINGAPORE	
Dairy Farm International Holdings Ltd	35,038
	35,038
SOUTH AFRICA	
Anglo American PLC	23 536
Old Mutual PLC	7,562
Remgro Ltd	24,943
Tiger Brands Ltd	3 984
	60,025
SOUTH KOREA	
Daelim Industrial Co	3,370
Hana Financial Group Inc	6,724
Hyundai Development Co	107,294
Kangwon Land Inc	37,115
LG Card Co Ltd	1,582
SK Corp	76 668
SK Telecom Co Ltd	6,282
	239,035
SWEDEN	
Oriflame Cosmetics SA, SDR‡	4,499
	4,499
TAIWAN	
Chunghwa Telecom Co Ltd	5,434
Lite On Technology Corp	9 532
MediaTek Inc	9,490
Tainan Enterprises Co Ltd	4,528
Taiwan Mobile Co Ltd	5 852
Taiwan Semiconductor Manufacturing Co Ltd	8,721
	43,557

PORTFOLIO HOLDINGS
BY GEOGRAPHY CONTINUED

Country	Fair Value (a) £'000
THAILAND	
Bangkok Bank Public Co Ltd , fgn	8,697
Kasikornbank Public Co Ltd , fgn	23 692
Kiatnakin Bank Public Co Ltd , fgn	8,965
Land and Houses Public Co Ltd , fgn	10,259
PTT Exploration and Production Public Co Ltd , fgn	18,362
PTT Public Co Ltd	18,033
Siam Cement Public Co Ltd , fgn	21,816
Siam Commercial Bank Public Co Ltd , fgn	34,275
True Corp Public Co Ltd , rts , 3/28/08	0
	144,099
TURKEY	
Akbank TAS	74,121
Arcelik AS Br	6,942
KOC Holding AS	4 984
Migros Turk TAS	3,091
Trakya Cam Sanayii AS	2,934
Tupras Turkiye Petrol Rafinelen AS	42,057
Turkcell Iletisim Hizmetleri AS	27,464
	161,593
TOTAL INVESTMENTS	**1,903,046**
OTHER NET ASSETS	**22,438**
TOTAL NET ASSETS	**1,925,484**

All investments are equity shares unless otherwise indicated

*US listed stocks
+pfd preferred shares
‡These companies have significant exposure to operations in emerging markets

(a) Fair value represents the bid value of a security as required by International Financial Reporting Standards

PORTFOLIO HOLDINGS
BY VALUE

Ten largest portfolio holdings
As at 30 April 2007

Number of Shares	*Issuer*	*Principal Country of Issue/ Listing*	*% of Issued Share Capital Held*	*% of Total Net Assets*	*Market Value £000*
	EQUITY INVESTMENTS				
3 705 290	**Hyundai Development Co** One of the leading residential property developers in Korea	South Korea	4 92%	5 57	107 294
1 903,100	**Unibanco Uniao de Bancos Brasileiros SA, GDR, pfd** One of Brazil s largest financial conglomerates, providing a full range of banking and financial services	Brazil	1 60%	4 79	92,250
5,164,090	**Companhia Vale do Rio Doce, ADR, pfd , A** This Brazilian based company is one of the world's largest iron ore producers that is also engaged in various mining activities	Brazil	0 54%	4 57	88 011
1 405 990	**SK Corp** A major player in South Korea's oil refining industry	South Korea	1 09%	3 98	76 668
19 443 465	**Akbank TAS** One of Turkey's largest privately owned commercial banks providing a full range of banking and financial services	Turkey	0 84%	3 85	74,121
6,749,476	**Banco Bradesco SA, ADR, pfd** One of Brazil s largest financial conglomerates, providing a full range of banking and financial services	Brazil	0 67%	3 71	71,456
152,584 000	**China Petroleum and Chemical Corp , H** One of the largest integrated energy companies in China	China	0 91%	3 48	66,917
106,506,000	**PetroChina Co Ltd , H** Chinas largest oil and gas company in terms of reserves The company is also diversifying into marketing and downstream activities	China	0 50%	3 15	60,667
1 186 759	**Petroleo Brasileiro SA, ADR, pfd *†** Brazil's national oil and gas company	Brazil	0 06%	2 75	52,909
2 540,595	**Gazprom** Gazprom is the largest producer of natural gas in the world in terms of reserves and production	Russia	0 01%	2 64	50 745
	Top 10 Holdings – 38 49% of Net Assets				**741,038**

*US listed stocks
†pfd preferred shares

DIRECTORS' REPORT

THE BUSINESS

Principal Activity and Investment Status

The Company is registered as a Public Limited Company in terms of the Companies Act 1985 The Company is an investment company under Section 266 of the Companies Act 1985

In the opinion of the Directors the Company has directed its affairs so as to be able to seek approved investment status from the HM Revenue & Customs under section 842 Income and Corporation Taxes Act 1988 for the accounting year ended 30 April 2007 and subsequently Approval, as an investment trust, has been received from HM Revenue & Customs for all accounting periods to 30 April 2004 contained in the Taxation of Capital Gains Act 1992 which exempts approved investment trusts from corporation tax on their chargeable gains

Business Review

A fair review of the development and performance of the business of the Company, the position of the Company at the year end, and a description of the principal risks and uncertainties facing the Company is contained in the Business Review on pages 10 to 16 Further detailed information is provided in the Chairman s Statement on pages 4 and 5 in the Investment Manager's Report and Portfolio Review on pages 20 to 24

FINANCIAL

Share Capital

Changes in the share capital of the Company are set out in Note 10 of the Notes to the Financial Statements

Net Asset Value

The net asset value of the Ordinary Shares as at 30 April 2007 was 359 24 pence per share

Going Concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and, as such, a going concern basis is appropriate in preparing the Financial Statements

Dividend Policy

Section 842 of The Income and Corporation Taxes Act requires that TEMIT must not retain in excess of 15% of gross taxable income from shares and securities It is the Company's policy to distribute 90% of gross taxable income from shares and securities when possible, and retain 10% and aim for a sustainable dividend This policy is consistent with TEMIT s investment objective of long term capital appreciation

The Directors propose an ordinary dividend of 3 13 pence per Ordinary Share making a total dividend for 2007 of £16 78 million If approved, this will be payable on 3 October 2007 to ordinary shareholders on the register at close of business on 31 August 2007

Creditor Payment Policy

Investment transactions are settled by the Company in accordance with the terms and conditions of the relevant market While the Company follows no formal code, its policy is to agree the terms of payment at the start of business and ensure that the supplier is aware of the terms of payment Payment is made in accordance with these terms provided that the supplier is also complying with all relevant terms and conditions For the year ended 30 April 2007 the number of trade (brokers) creditors days was 1 day (2006 1 day)

Auditors

RSM Robson Rhodes LLP have merged their practice with that of Grant Thornton UK LLP, with the successor firm being Grant Thornton UK LLP RSM Robson Rhodes LLP have resigned as auditors and Grant Thornton UK LLP expressed their willingness to be appointed The Directors have appointed Grant Thornton UK LLP as auditors prior to the Annual General Meeting and accordingly a resolution for the re appointment of Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware there is no relevant audit information of which the Company's auditors were unaware and that each Director had taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors were aware of that information

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and regulations

Company law requires the Directors to prepare the financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with IFRS as adopted by the EU

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Company and the performance for that period The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing the financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRS, as adopted by the EU, and
- prepare the financial statements on a 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 disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985 They are also responsible for the system of internal control, 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 the Corporate Governance Statement that comply with that law and those regulations

The Annual Report is available on the Company's website (www temit co uk) The maintenance and integrity of the Company's website is the responsibility of the Directors 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 information contained in the financial statements since they were initially presented on the website

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions

DIRECTORS' REPORT
CONTINUED

DIRECTORS

Directors

The Board currently comprises seven Non Executive Directors, six of whom are independent from Franklin Templeton Investments the group of companies associated with the Company's Investment Manager The Chairman is Non Executive and independent from the Investment Manager The Directors' biographies are set out on pages 6 to 9

The following were Directors during the year to 30 April 2007

Sir Ronald Hampel
Peter A Smith
Charles B Johnson
Sam L Ginn (resigned 28 September 2006)
Neil A Collins (appointed 28 September 2006)
Sir Peter Burt
Peter C Godsoe OC
Andrew S B Knight

Mr Johnson is a Director and shareholder of Franklin Resources, Inc He is also a Director of Templeton Worldwide Inc the parent company of TAML He is therefore not an independent Director

The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next Annual General Meeting and Directors are then subject to re election at intervals of no more than three years The Company's Articles of Association also provide that Directors, upon attainment of 70 years of age should retire from office and may offer themselves for re election at each Annual General Meeting This is in accordance with the AIC Code of Corporate Governance, which recommends that Directors over the age of 70 should offer themselves for re election every year All Directors serving longer than nine years must offer themselves for annual re election

Sir Ronald Hampel (75) and Charles B Johnson (74) offer themselves for re election as Directors as they are over 70 years of age Charles B Johnson is also standing for re election by virtue of the Listing Rules' requirement for non independent Directors to be re elected annually The Board recommends the re election of Sir Ronald Hampel and Charles B Johnson whose biographies are set out in this Annual Report as they continue to provide the Company with valuable guidance, experience and support

Each Director has a letter of appointment from the Company Other than previously stated, no Director was a party to or had an interest in any contract or arrangement with the Company at any time during the year

The Directors meet quarterly and retain full and effective control over the Company through the monitoring of the management team of TAML (the Investment Manager) and FTIML (the Secretary and Administrator) The Board is responsible for investment policy and has a schedule of matters reserved for the resolution of the Directors for safeguarding shareholders' investment and the Company's assets

The primary focus of the Directors at the quarterly board meetings is a review of the investment performance of the Company and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues The Board also reviews the investment mandate and long term investment strategy and performance of the Company and the appropriate guidelines within which the Investment Manager should operate

The table below lists the number of Board and Committee meetings attended by each Director During the year there were 5 Board Meetings, 3 Audit Committee Meetings and 1 Nomination and Remuneration Committee Meeting

Director	*Board Meetings Attended*	*Audit Committee Meetings Attended*	*Nomination and Remuneration Committee Meetings Attended*
Sir Ronald Hampel	5	N/A	1
Sir Peter Burt	5	3	N/A
*Sam L Ginn	1	N/A	1
Peter C Godsoe, OC	5	3	N/A
Charles B Johnson	5	N/A	N/A
Andrew S B Knight	4	N/A	N/A
†Neil A Collins	3	1	N/A
Peter A Smith	5	3	N/A

*Sam L Ginn resigned on 28 September 2006
†Neil A Collins was appointed on 28 September 2006

Nomination and Remuneration Committee

The Board established a Nomination & Remuneration Committee in February 2002, which currently comprises Sir Ronald Hampel (Chairman) and Sir Peter Burt (appointed 28 September 2006) Sam L Ginn was a member until his resignation from the Board on 28 September 2006 The role of the Nomination & Remuneration Committee is to review regularly the Board structure size and composition and make recommendations to the Board with regard to any adjustments that seem appropriate, to consider the rotation and renewal of the Board, approve the candidate specification for all Board appointments, approve the process by which suitable candidates are identified and short listed and to nominate candidates for consideration by the full board, whose responsibility it is formally to make appointments

In addition, the Committee reviews the level of Directors fees periodically relative to other comparable companies and in the light of the Directors responsibilities

A copy of the terms of reference of the Nomination and Remuneration Committee is available to shareholders on request via Client Dealer Services at Franklin Templeton Investment Management Limited using the contact details provided on page 1

Performance Evaluation

The Board has undertaken a formal evaluation of its own performance and that of its Committees and individual Directors including the Chairman The Board has also considered the independence of each Director The evaluation of the Board, of its Committees, and the performance of individual Directors, is carried out first through discussions between the Chairman and each Director on an individual basis The Chairman has been evaluated by his fellow Directors, led by Peter Smith the Senior Independent Director Thereafter the Board meets as a group to review the findings The performance and cost of service providers are considered as regular items annually on the Board's agenda

Information and Professional Development

The Board is supplied, via the Company Secretary, with regular information to enable the Directors to discharge their duties The Company Secretary provides the Board with regular updates on regulatory issues and on the latest corporate governance rules and guidelines

Remuneration

Details of the remuneration policy are set out in the Directors' Remuneration Report The Board's policy is that the remuneration of Non Executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts similar in size, capital structure and investment objective

DIRECTORS' REPORT
CONTINUED

The fees for the Non Executive Directors are currently determined within the limits set out in the Company's Articles of Association, and they are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits in accordance with other long standing investment trusts

The Company's policy on Directors' remuneration, together with details of the remuneration of each Director who served in the year is detailed in the Directors' Remuneration Report on page 42

Apart from the Directors TEMIT itself has no employees and therefore no retirement or health scheme obligations, or policies in respect of employment, including the employment of disabled persons

No Director had notified the Company of any beneficial interest (including any family interest) existing either at the beginning or at the end of the year to 30 April 2007 in the Company's Ordinary Shares save for the following Directors

	30 April 2007	*30 April 2006*
Sir Ronald Hampel		
Ordinary Shares	21,618	21,618
Sir Peter Burt		
Ordinary Shares	4,000	4,000
Andrew S B Knight		
Ordinary Shares	11 000	11,000
Neil A Collins (appointed 28 September 2006)		
Ordinary Shares	7 000	N/A

The Company has not received notification of any changes in the above interests as at 9 August 2007

Substantial Shareholdings
As at 9 August 2007 the Company had been notified that the following were interested in 3% or more of the issued share capital of the Company

Name	*Number of Ordinary Shares*	*Percentage of issued Share Capital*
City of London	73,122,793	14 64
Carrousel Capital Limited	25,642 075	5 20
Legal & General Investment Management	20 348 635	4 12
Lazard Asset Management LLC Group	19,810 236	4 02
Lloyds TSB Group plc	18,108,611	3 67
Rensberg Sheppards Investment Management Limited	15,515,694	3 15

SERVICE PROVIDERS

Investment Manager

During the year, Templeton Asset Management Ltd ("TAML") acted as Investment Manager to the Company under an investment management agreement and received from the Company a monthly fee at an annual rate of 1 00% of the trading net assets of the Company

The investment management agreement between the Company and TAML is of an unlimited duration and may be terminated by either party but in certain circumstances the Company may be required to pay compensation to TAML of an amount up to one year's management fee Compensation is not payable if at least one year's notice of termination is given

The Board keeps under review the performance and contractual arrangements of TAML as Investment Manager to the Company In the opinion of the Directors, the continuing appointment of TAML on the agreed terms is in the best interests of the shareholders as a whole The Directors believe that TAML is well positioned to act as Investment Manager to the Company and well resourced to identify attractive investment opportunities

Secretarial and Administration Managers

During the year FTIML acted as secretary and administrator of the Company The fee paid to FTIML for this is an annual rate of 0 20% of the trading total net assets of the Company, payable monthly

The agreement between the Company and FTIML may be terminated by either party but in certain circumstances the Company may be required to pay compensation to FTIML of an amount up to one year's secretarial and administration fee Compensation is not payable if at least one year's notice of termination is given The Directors also keep under annual review the performance of FTIML as Secretarial and Administration Managers

Custodian

JP Morgan Chase Bank acts as global custodian to the Company and receives a fee for the provision of custody and nominee services to the Company under a custody agreement (which contains provision for the exclusion or limitation of liability as set out in the custody agreement) The custody agreement may be terminated by either party giving the other 60 days notice

Corporate Governance

The Company is committed to high standards of corporate governance The Board is accountable to the Shareholders for good governance and this statement describes how the Company applies the principles identified in the Combined Code on Corporate Governance 2003 It also makes reference to the Company's adherence to the Code of Corporate Governance of the Association of Investment Companies ("AIC")

Compliance with the Combined Code on Corporate Governance 2003

The Board considers that the Company has complied with the relevant provisions of Section 1 of the Combined Code on Corporate Governance 2003 throughout the year ended 30 April 2007

AIC Code of Corporate Governance

The Company is a member of the AIC The Board considers that the Company adheres to the principles and follows the recommendations of the AIC Code of Corporate Governance and where appropriate, it provides explanations why and/or detailed the steps it intends to take to bring the Company into line in the future By reporting against the AIC Code and by following the AIC's Corporate Governance Guide for Investment Companies (the 'AIC Guide'), the Company is meeting its obligations under the Combined Code and paragraph 9 8 6 of the Listing Rules and as such the Company is not required to report further on issues contained in the Combined Code which are not relevant to the Company as explained in the AIC Guide

DIRECTORS' REPORT
CONTINUED

Additional Information for New Zealand Shareholders
As a result of a new requirement for Overseas Issuers listed on the New Zealand Stock Exchange, the following should be noted by New Zealand Shareholders –

(a) The corporate governance rules and principles in TEMIT's home exchange jurisdiction in the United Kingdom may materially differ from the New Zealand Stock Exchange corporate governance rules and the principles of the Corporate Governance Best Practice Code

(b) Investors may find more information about the corporate governance and principles of TEMIT's home exchange in the United Kingdom in the above Corporate Governance statement and online at www frc org uk/corporate/combinedcode cfm

Schedule of Reserved Matters
The Board has formally adopted a Schedule of Reserved Matters which details the matters which the Board has agreed are specifically reserved to them for their collective decision These matters include, *inter alia*, approval of the interim and financial statements, recommendation of the final dividend, approval of any preliminary announcements of the Company, approval of any changes to the Company's investment objective and/or policy, appointment or removal of the Company's Investment Manager or its Secretary and Administrator, Board membership and Board committee membership and any major changes to the investment objective, philosophy or policy of the Company, other than any such changes delegated to the Investment Manager under the Investment Management Agreement

The day to day investment management of the portfolio of the Company is delegated to the Investment Manager who manages the portfolio in accordance with the investment objectives of the Company as set by the Board

Social, Environmental & Ethical Policy
As an investment trust, the Company has no direct social or environmental responsibilities Its ethical policy is focused on ensuring that its funds are properly managed and invested within the guidelines approved by the Board The Board receives regular reports on the policies and controls in place

The Investment Manager invests in companies that it considers to be well managed and subject to appropriate corporate governance A well managed company is considered to be one which complies with all the relevant legislation and which meets the social and environmental requirements of the country in which it operates It is important to recognise that local laws and requirements of emerging markets do not necessarily equate with those of developed countries

Institutional Shareholder Voting Policy
As an institutional investor, the Company recognises its responsibility that the companies in which it invests should aspire to appropriate levels of corporate governance As a matter of policy, the Company aims to utilise its votes in shares held in the relevant underlying portfolio companies at the annual general meetings of these companies

Contact with Shareholders
The Chairman of the Company is available for any shareholder questions and he has regular meetings with the Company's major shareholders Furthermore the members of the Board are available during the year for any significant matters arising and are usually present in person at the Annual General Meeting At each Annual General Meeting of the Company, Dr Mark Mobius, the investment manager briefs shareholders on the investment outlook of the Company In addition, on behalf of the Board, he has periodic meetings with the Company's major shareholders to discuss aspects of the Company's performance Shareholders may contact the members of the Board via Client Dealer Services at FTIML using the contact details provided on page 1

Accountability and Audit
In 1994 the Board established an Audit Committee, which currently comprises Peter A Smith (Chairman), Sir Peter Burt, Peter C Godsoe and Neil Collins The Audit Committee plays an important role in the appraisal and supervision of key aspects of the Company's business including financial reporting and internal controls The Chairman of the Audit Committee will attend the Company's Annual General Meeting and will be prepared to respond to questions which may be raised by Shareholders on matters within the Audit Committee s responsibilities

The Company's Audit Committee meets representatives of the Investment Manager and its Compliance Officer, who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate The Company s external auditors also attend the Committee at its request, at least once a year, and report on their work procedures, the quality of the Company s accounting procedures and their findings in relation to the Company s statutory accounts The responsibilities of the Audit Committee include review of the internal financial controls, accounting policies, financial statements, the management contract, the auditors' appointment and remuneration

The terms of reference of the Audit Committee reflect the recommendations of the Combined Code on Corporate Governance 2003 A copy of the terms of reference of the Audit Committee is available to shareholders on request via Client Dealer Services at Franklin Templeton Investment Management Limited using the contact details provided on page 1

Non audit work undertaken by Grant Thornton UK LLP for the year ended 30 April 2007 on behalf of TEMIT includes assistance with the adoption of IFRS, calculation of the year end corporation tax liability, and review of the October 2006 Interim Report An engagement letter is issued for all non audit work and subsequently reviewed by the Audit Committee to ensure that the independence and objectivity of the auditors is safeguarded

Risk Management Objectives and Policy

The Company invests in equities and other investments for the long term so as to secure its investment objectives as stated on page 17 This creates potential exposure to the following risks Market Price, Foreign Currency, Interest Rate Liquidity and Fair Value risks The Company s policy and objectives in relation to such risks is disclosed in Note 17 of the Notes to the Financial Statements

Internal Control
The Board is ultimately responsible for ensuring that a sound system of internal controls of the Company is maintained to safeguard Shareholders investment and the Company s assets

The Audit Committee undertakes an annual review of the effectiveness of the Company's system of internal controls and the Directors believe that an appropriate framework is in place to meet the requirement of ensuring that a sound system of internal controls is in place by the Company

The Board has an ongoing process for identifying evaluating and managing risks that the Company is exposed to This process is conducted throughout the year and has been conducted up to the date of signing of this report The Board has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as areas for the extended review and, if relevant, necessary actions have been or are being taken to remedy any significant failings or weaknesses identified It has, however, to be understood that systems of internal control, however carefully designed, operated and supervised, can provide only reasonable and not absolute assurance against material misstatement or loss

The Company does not have its own internal audit function but places reliance on the internal audit, compliance and other control functions of its service providers

DIRECTORS' REPORT
CONTINUED

Authority to Purchase Own Shares
At the Annual General Meeting of the Company held on 28 September 2006, a Special Resolution was passed authorising the Company to purchase its Ordinary Shares in the market This authority will expire at the conclusion of the forthcoming Annual General Meeting

Prior to 21 May 2007, no Ordinary Shares were purchased by the Company during periods when the Company would be prohibited from doing so by the rules of the UK Listing Authority However, following the announcement of the Capital Reorganisation on 21 May 2007, the Company received a dispensation from the UK Listing Authority permitting Ordinary Shares to be bought during the close period and has since operated an active buy back policy such that in the period from 22 May 2007 to 9 August 2007, the Company bought back and cancelled 43,119,258 Ordinary Shares

At the Extraordinary General Meeting of the Company held on 27 July 2007, a Special Resolution was passed authorising the Company to purchase its Ordinary Shares in the market up to the conclusion of the Annual General Meeting in 2008

Purchases will only be made for cash at a cost which is below the prevailing net asset value per share Under the rules of the UK Listing Authority, the maximum price which may be paid is the higher of (a) 5% above the average market value of the shares for the five business days before the purchase is made and (b) that stipulated by Article 5(1) of the Buy back and Stabilisation Regulation The minimum price payable for the Ordinary Shares will be 25 pence per share

Purchases will be funded either by using available cash resources, by selling investments in the portfolio or by borrowing The authority to purchase shares will only be exercised if to do so would be in the best interests of Shareholders generally Other than in accordance with a dispensation from the UK Listing Authority, no shares will be purchased by the Company during periods when the Company would be prohibited from making such purchases by the rules of the UK Listing Authority

The Directors envisage seeking the renewal of the relevant authority in 2008 and in each succeeding year

ANNUAL GENERAL MEETING

Ordinary Business
Grant Thornton UK LLP will be re appointed as Auditors This follows its appointment to fill a casual vacancy created by the resignation of RSM Robson Rhodes LLP on 23 July 2007 RSM Robson Rhodes LLP resigned due to the merger of its audit operations with Grant Thornton UK LLP

Special Business
The Special Business to be dealt with at the forthcoming Annual General Meeting of the Company relates to amendments to the Company's Articles of Association

Amendments to Articles of Association
Your Directors have been reviewing the Company's Articles of Association in light of general legislative developments A special resolution is to be proposed at this year's Annual General Meeting to adopt changes to the existing Articles of Association to allow electronic communications with Shareholders, to provide that Scottish courts will have exclusive jurisdiction in the event of litigation and disputes, to update the insurance and indemnity provisions in light of the Companies (Audit, Investigation and Community Enterprise) Act 2004 and to adopt such other changes to the Articles of Association in light of the provisions of the Companies Act 2006 (in force to date)

The results of the votes on the resolutions at the Annual General Meeting will be published on the Company's website (www temit co uk)

Recommendation

The Directors believe all the Resolutions proposed are in the best interests of the Company and the shareholders as a whole and recommend all shareholders to vote in favour of all the Resolutions, as they intend to do so in respect of their own shares

By Order of the Board

Registered Office
5 Morrison Street
Edinburgh EH3 8BH
UK

Sara A MacIntosh

for and on behalf of

Franklin Templeton Investment Management Limited

Secretary

14 August 2007

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985 An Ordinary Resolution for the approval of this report will be put to the Shareholders at the forthcoming Annual General Meeting

The law requires your 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 pages 44 and 45

Nomination and Remuneration Committee
The Board has appointed a Nomination and Remuneration Committee whose role is more fully explained on page 35 of the Directors' Report

Policy on Directors' fees
The Board's policy is that the remuneration of Non Executive Directors should reflect the responsibilities of the Board, the experience of the Board as a whole and be fair and comparable to that of other investment trusts similar in size, capital structure and investment objective It is understood that this policy will continue for the year to 30 April 2008 and subsequent years

Non Executive Directors are not eligible for bonuses pension benefits share options long term incentive schemes or other benefits in accordance with other long standing investment trusts

Directors' emoluments for the year (audited)
The Directors who served in the year received the following emoluments in the form of fees

	2007	2006
Sir Ronald Hampel (Chairman)	£50 000	£35 000
Sir Peter Burt	£30,000	£22,500
Sam I Ginn (Resigned 28 September 2006)	£12,500	£22 500
Peter C Godsoe OC	£30,000	£22 500
Andrew S B Knight	£30,000	£22,500
Geoffrey Langlands (Resigned 27 September 2005)	–	£9 833
Peter A Smith †	£40,000	£28 750
Neil A Collins (Appointed 28 September 2006)	£17,500	–
Charles B Johnson *	–	–
Total	**£210,000**	**£163,583**

* Mr Johnson is remunerated by Franklin Resources, Inc in his capacity as Chairman and Director of Franklin Resources Inc

† Chairman of Audit Committee

Directors' appointment letters
Each of the Directors has an appointment letter with the Company The terms of their appointment provide that a Director will be subject to re election at the first annual general meeting after their appointment, and at least every three years after that The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office

Company's Performance
The Company's performance is shown on the Total Return graph within the Business Review on page 13 The MSCI Emerging Markets Index and S&P/IFCI Composite Index are used for comparison purposes as they are the benchmark used for investment performance measurement purposes

Approval
The Directors Remuneration Report on pages 42 and 43 was approved by the Board of Directors on 14 August 2007 and signed on its behalf by

By Order of the Board

Registered Office
5 Morrison Street
Edinburgh EH3 8BH
UK

Sara A MacIntosh
for and on behalf of
Franklin Templeton Investment Management Limited
Secretary
14 August 2007

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC

We have audited the financial statements of Templeton Emerging Markets Investment Trust PLC for the year ended 30 April 2007 which comprises the principal accounting policies, the income statement, the balance sheet, the statement of changes in equity the cash flow statement, the principal accounting policies and notes 1 to 18 These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed

Respective responsibilities of Directors and Auditors

The Directors responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors Report includes that specific information presented in the Chairman s Statement, the Investment Manager's Report and the Portfolio Review that is cross referred from the Business Review section of the Directors' Report

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors Remuneration Report to be audited It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, 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 parent company financial statements and the part of the Directors Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors Remuneration Report to be audited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 30 April 2007 and its profit for the year then ended,
- the financial statement and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

As explained in Accounting Policies for the financial statements, the Company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Company's affairs as at 30 April 2007 and of its profit for the year then ended

Grant Thornton UK LLP

Grant Thornton UK LLP

Registered Auditor
Chartered Accountants

London

14 August 2007

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2007

	Note	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £ 000	2006 Capital £'000	2006 Total £'000
Gains on investments and exchange							
Gains on investments at fair value	6	–	52,513	52 513	–	795,513	795,513
Losses on foreign exchange		–	(739)	(739)	–	(535)	(535)
Revenue							
Dividends	1	52 883	–	52,883	49 221	–	49,221
Bank Interest	1	1,192	–	1,192	676	–	676
		54 075	51,774	105,849	49,897	794,978	844,875
Expenses							
Investment management fee	2	(17,328)	–	(17,328)	(15,203)	–	(15,203)
Other expenses	3	(5,715)	–	(5,715)	(6,222)	–	(6,222)
Profit before taxation		**31,032**	**51,774**	**82,806**	**28,472**	**794,978**	**823,450**
Tax Expense	4	(8,727)	–	(8 727)	(8,897)	–	(8,897)
Profit for the financial year		**22,305**	**51,774**	**74,079**	**19,575**	**794,978**	**814,553**
Profit attributable to equity holders of the Company		**22,305**	**51,774**	**74,079**	**19,575**	**794,978**	**814,553**
Basic earnings per Ordinary Share	5			13 82p			151 97p
Expense Ratio				1 32%			1 41%

The Total column is the Income Statement of the Company
The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies
The accompanying notes are an integral part of this statement
All items in the above statement derive from continuing operations

BALANCE SHEET
AS AT 30 APRIL 2007

	Note	2007 £'000	2006 £'000
ASSETS			
Non current assets			
Investments	6	1,903,046	1,851,594
Current assets			
Trade and other receivables	7	9,010	9,290
Cash and cash equivalents		25,915	25,764
		34,925	35,054
LIABILITIES			
Current liabilities			
Trade and other payables	8	(7,853)	(15,440)
Current tax payable		(2,248)	(3 309)
		(10 101)	(18 749)
Non current liabilities			
Deferred tax liabilities	9	(2,386)	(1,700)
NET ASSETS		**1,925,484**	**1,866,199**
ISSUED SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY SHAREHOLDERS			
Equity Share Capital	10	133,995	133,995
Share Premium Account		375,327	375,327
Capital Redemption Reserve		6,893	6,893
Capital Reserve – Realised		414,900	271,724
Capital Reserve – Unrealised		943,605	1 035,007
Revenue Reserve		50,764	43,253
SHAREHOLDERS' FUNDS		**1,925,484**	**1,866,199**
Net Asset Value per Ordinary Share (in pence)	11	359 24	348 18

These Financial Statements were approved for issue by the Board and signed on 14 August 2007

Sir Ronald Hampel
Chairman

Peter A Smith
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2007

	Ref	*Share Capital £000*	*Share Premium £000*	*Capital Redemption Reserve £000*	*Capital Reserve Realised £000*	*Capital Reserve – Unrealised £000*	*Revenue Reserve £000*	*Total £000*
Balance at 30 April 2005		133 995	375 327	6 893	183 656	328 097	37,989	1,065 957
Profit for the period					–		814 553	814 553
Equity dividends					–	–	(14 311)	(14,311)
Transfer to capital reserves					86 068	706 910	(794 978)	
Balance at 30 April 2006		133 995	375 327	6 893	271 724	1 035 007	43 253	1 866 199
Profit for the period		–	–	–		–	74 079	74 079
Equity dividends	a			–		–	(14 794)	(14 794)
Transfer to capital reserves		–	–	–	143 176	(91 402)	(51 774)	
Balance at 30 April 2007		133 995	375 327	6,893	414 900	943 605	50 764	1 925 484

a The equity dividend in respect of the year ended 30 April 2006 was paid on 4 October 2006

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2007

	2007 £'000	2006 £'000
Cash flows from operating activities		
Profit before taxation	82,806	823,450
Adjustments for		
Gains on investments at fair value	(52,513)	(795,513)
Losses on foreign exchange	739	535
(Increase)/decrease in debtors	(439)	598
(Increase)/decrease in accrued income	(56)	16
(Decrease)/increase in creditors	(203)	1,884
Cash generated from operations	**30,334**	**30,970**
Taxation paid	(8,878)	(6,892)
Net cash inflow from operating activities	**21,456**	**24,078**
Cash flows from investing activities		
Purchases of non current financial assets	(371,610)	(198,399)
Net proceeds from the sale of non current financial assets	364,806	190,402
	(6,804)	**(7,997)**
Cash flows from financing activities		
Equity dividends paid	(14,793)	(14,311)
	(14,793)	**(14,311)**
Net (decrease)/increase in cash	**(141)**	**1,770**
Cash and cash equivalents at start of year	25,764	24,294
Exchange gains/(losses) on cash	292	(300)
Cash and cash equivalents at end of year	**25,915**	**25,764**

ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and where appropriate, International Accounting Standards ("IAS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee ("IASC") that remain in effect, to the extent that they have been adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in January 2003, revised December 2005, is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

All financial assets and financial liabilities are recognised (or de-recognised) on the date of the transaction by the use of "trade date accounting".

As the Company is a UK investment trust, whose share capital is issued in the UK and denominated in Pounds Sterling, the Directors have deemed that the functional currency of the Company is Pounds Sterling.

(b) Presentation of income statement

In order to reflect better the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented within the income statement. In accordance with the Company's status as an investment trust, net capital profits may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 of the Taxes Act 1988.

(c) Revenue

Dividends on equity investments are credited to the revenue section of the Income Statement when they are quoted ex dividend or as soon as entitlement has been established, if later.

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 is recognised in the income section of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital section of the Income Statement.

Interest receivable on bank deposits is recognised on an accruals basis.

(d) Expenses

Transaction costs arising on the purchase of investments are included in the capital section of the Income Statement. They are also included in the transfer to "Capital Reserve – Realised", in the Statement of Changes in Equity.

All other operating expenses are accounted for on an accruals basis and are charged through the revenue section of the Income Statement. Expenses relating to the disposal of an investment, are deducted from the sales proceeds.

(e) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the period Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis Under this basis if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred to the capital return column

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Balance Sheet liability method Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

Investment Trusts which have approval under Section 842 Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains

The carrying amount of deferred tax assets is reviewed as each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period where the liability is settled or the asset is realised Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

(f) Non current asset 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 about the portfolio is provided internally on that basis to the Company s Directors and other key management personnel Accordingly, upon initial recognition all of the Company's non current asset investments are designated as being "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 the acquisition which are written off in the capital section of the Income Statement at the time of acquisition) Subsequently, the investments are valued at "fair value", which is measured as follows

(i) Securities which are listed on a stock exchange or traded on any other organised market are valued at the last bid price on such exchange or market which is normally the principal market for each security and these securities dealt in on an over the counter market are valued in a manner as near as possible to that for quoted securities

(ii) Unquoted investments where there is not an active market are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date

Gains and losses on non current asset investments are included in the Income Statement as capital

ACCOUNTING POLICIES
CONTINUED

(g) *Foreign currencies*

Transactions involving foreign currencies are translated to Sterling (the Company's functional currency) at the spot exchange rate ruling on the date of the transaction Assets and liabilities in foreign currencies are translated at the rate of exchange at the balance sheet date Foreign currency gains and losses are included in the Income Statement and allocated as capital or income dependent on the nature of the transaction giving rise to the gain or loss Foreign currency gains and losses allocated as capital are included in the transfer to 'Capital reserve – realised' or Capital reserve – unrealised' (as appropriate) in the Statement of Changes in Equity

(h) *Cash and cash equivalents*

Cash and cash equivalents comprises cash at bank and in hand

(i) *Reserves*

Share Premium Account – represents the amount paid on the share capital in excess of the shares' nominal value

Capital Redemption Reserve – represents the nominal value of shares repurchased

Capital reserves – the Company's Articles of Association preclude it from making any distribution of capital profits

Revenue Reserve – represents net revenue income earned during the period that has not been distributed to shareholders

Income recognised in the Income Statement is allocated to applicable reserves in the Statement of Changes in Equity

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2007

1 Income	2007 £'000	2006 £'000
Income from investments		
UK dividends	176	399
Other EU dividends	2,649	3,225
Other overseas dividends	49,614	43,954
Scrip dividends	444	1,643
	52,883	**49,221**
Other income		
Deposit interest	1,192	676
Total income	**54,075**	**49,897**
Total income comprises		
Dividends	52,883	49,221
Interest	1,192	676
	54,075	**49,897**
Income from investments		
Listed overseas	52,707	48,822

2 Investment management fee	2007 £'000	2006 £'000
Variable Expense		
Investment management fee	17,328	15,203

The Company's Investment Manager is Templeton Asset Management Ltd ('TAML')

The contract between the Company and TAML may be terminated at any date by either party giving one year's notice of termination. TAML receives a fee paid monthly in arrears at an annual rate of 1.00% of the monthly trading total net assets of the Company. As at 30 April 2007, £3,176,752 (30 April 2006: £3,066,011) in fees were payable and outstanding to TAML. In addition to the investment management fee above, the Company obtains secretarial and administration services from FTIML pursuant to a secretarial and administration agreement (which is terminable by either party giving one year's notice to the other). The fee in respect of secretarial and administration services is recorded within other expenses (note 3).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3 Other expenses	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Variable expenses				
Secretarial and administration expenses	3,466		3 629	
Custody fees	1,215		1,651	
		4,681		5,280
Fixed expenses				
Directors emoluments	223		178	
Fees payable to the Company's auditor for the audit of the annual financial statements	28		26	
Fees payable to the Company's auditor and its associates for other services				
– Tax services	3		6	
– Review of interim financial statements	4		6	
Registrar fees	219		203	
Other administration expenses	557		523	
		1,034		942
Total Other expenses		5,715		6 222

Fees in respect of services as Directors are paid by the Company only to those Directors who are independent of Franklin Templeton Investments

As at 30 April 2007 £635 350 (30 April 2006 £537,930), in fees were payable and outstanding to FTIML

A recent European Court of Justice case has found that the management fees of Investment Trust companies should be exempt from VAT This decision has still to be accepted by HM Revenue & Customs and therefore still awaits final ratification from the referring UK court In light of the ongoing case, the Company previously lodged protective claims with HMRC to recover monies already paid No credit has been taken in these accounts for any amounts that may be recoverable

4 Tax on ordinary activities	2007 £'000	2006 £ 000
Corporation tax charged at 30%	7,540	7,767
Prior year adjustments	4	5
	7,544	7,772
Irrecoverable overseas tax	3 427	3,425
Adjustment in respect of prior periods	54	561
	11,025	11,758
Relief for overseas tax	(2,984)	(2,590)
Current tax	8,041	9,168
Deferred tax – current year	789	(271)
– prior year	(103)	–
	8,727	**8,897**

4 Tax on ordinary activities (continued)

Taxation

The current taxation change for the year is different from the standard rate of corporation tax in the UK (30%) The differences are explained below	*2007* *£'000*	*2006* *£'000*
Profit on ordinary activities before taxation	31 032	28,472
Theoretical tax at UK corporation tax rate of 30%	9,310	8,542
Effects of		
– Prior year adjustments to Corporation Tax	4	5
– Prior year adjustments to irrecoverable overseas tax	54	561
– Other timing differences	–	59
– Stock dividends	(133)	–
– Current year foreign exchange loss	–	(17)
– UK dividends not subject to Corporation Tax	(53)	(120)
– Other EU dividends not subject to Corporation Tax	(795)	(967)
– Irrecoverable overseas tax	443	834
– Income taxable in different periods	(103)	–
Actual tax charge	8 727	8,897

The Company is exempt from corporation tax on capital gains because it is an Investment Trust

Due to a recent decision in the European Court of Justice the taxation of overseas dividends in the UK has been subject to review In response to decisions from the courts, the Government has issued a consultation paper on the future taxation of overseas dividends In light of this uncertainty the Company has not recognised the potential refund of UK corporation tax from treating this income as non taxable

5 Earnings per Ordinary Share

Earnings per Ordinary Share has been calculated on the following earnings

	2007 *Revenue* *£'000*	*2007* *Capital* *£'000*	*2007* *Total* *£ 000*	*2006* *Revenue* *£'000*	*2006* *Capital* *£'000*	*2006* *Total* *£'000*
Basic	22,305	51,774	74,079	19 575	794 978	814,553

Earnings per Ordinary Share

	2007 *Revenue* *p*	*2007* *Capital* *p*	*2007* *Total* *p*	*2006* *Revenue* *p*	*2006* *Capital* *p*	*2006* *Total* *p*
Basic	4 16	9 66	13 82	3 65	148 32	151 97

The earnings per Ordinary Shares is based on the profit on ordinary activities after tax and on the weighted average number of Ordinary Shares in issue during the year 535,981,593 (2006 535,981 593)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

6 Financial Assets – Investments at fair value through profit or loss	2007 £'000	2006 £'000
Opening investments as at 1 May	1,851,594	1,038,882
Movements in year		
Additions	364,226	209,114
Sales	(365,145)	(192,076)
Realised profits	143,922	88,748
Net (depreciation)/appreciation	(91,551)	706,926
Closing investments at valuation	**1,903,046**	**1,851,594**

All investments have been recognised at fair value through the Income Statement

Transaction costs for the year on purchases were £925 000 (2006 331,000) and transaction costs for the year on sales were £744 000 (2006 419,000) The aggregate transaction costs for the year were £1,669 000 (2006 £750,000)

	2007 £'000	2006 £'000
Realised and unrealised gains on investments comprise of		
Realised gain based on carrying value at 30 April 2006	143,922	88,748
Net movement in unrealised (depreciation)/appreciation	(91,551)	706,926
Indian Capital Gains Tax	142	(161)
Realised and unrealised gains on investments	52,513	795,513

7 Trade and other receivables	2007 £'000	2006 £'000
Dividends receivable	7,953	7 471
Sale of investments for future settlement	817	1 508
Other debtors	142	194
Accrued income	98	42
Corporation tax recoverable	–	21
Overseas tax recoverable	–	54
	9,010	9,290

8 Trade and other payables

	2007 £'000	2006 £'000
Accrued expenses	4,540	4 743
Purchase of investments for future settlement	3,311	10 694
Net losses on forward foreign exchange contracts	2	3
	7,853	**15,440**

9 Deferred tax

	2007 £'000	2006 £'000
Deferred tax provided		
Accrued income taxable on receipt	**2,386**	**1,700**

The movement in the provision is as follows	£'000	£'000
Provision at start of year	1,700	1,971
Deferred tax debit in Income Statement	686	(271)
	2,386	**1,700**

Deferred tax has been provided at 30% (2006 30%) because of uncertainty as to the average rate of tax that will apply when the underlying timing differences will reverse

Any changes in the provision for deferred tax have been recognised in the Income Statement under Tax Expense (see Note 4)

10 Called up share capital

	Authorised		*Allotted, issued & fully paid*	
	£'000	*Number*	*£'000*	*Numbe*
Ordinary Shares of 25p each				
Balance as at 1 May 2006 and 30 April 2007	340,605	1,362,419,366	133,995	535,981,593

The Company's Ordinary Shares have unrestricted voting rights at all general meetings, are entitled to all of the profits available for distribution by way of dividend, and are entitled to repayment of all of the Company's capital on winding up

During the year, no shares were bought back for cancellation 43,119,358 shares have been bought back between 30 April 2007 and 9 August 2007 at a cost of £160 3 million

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

11 Net asset value per share

The net asset value per share and the net asset value attributable to the Ordinary Shares at the year end were as follows

	Net asset value per share		*Net asset value attributable*	
	2007	*2006*	*2007*	*2006*
	p	*p*	*£'000*	*£'000*
Ordinary Shares	359 24	348 18	1,925,484	1,866,199

12 Dividend

	2007		*2006*	
	Rate (p)	*£'000*	*Rate (p)*	*£'000*
Declared and paid in the year				
Equity dividend on Ordinary Shares				
Final dividend for year ended 30 April 2006 (2005 2 67p)	2 76	14,793	2 67	14,311
		14,793		14,311
Proposed for approval at the Company's AGM				
Equity dividend on Ordinary Shares				
Final dividend for year ended 30 April 2007 (2006 2 76p)	3 13	16,776		
		16,776		

Dividends are recognised when the shareholders right to receive payment is established In the case of the final dividend this means that they are not recognised until approval is received by shareholders at the Annual General Meeting

13 Related party transactions

The following are considered to be related parties

Templeton Asset Management Ltd ("TAML")

Franklin Templeton Investment Management Limited ("FTIML")

All material related party transactions, as set out in International Accounting Standard 24 Related Party Disclosures, have been disclosed in Note 2 and Note 3

14 Contingent liabilities
No contingent liabilities existed as at either 30 April 2007 or 30 April 2006

15 Financial commitments
There were no financial commitments at either 30 April 2007 or 30 April 2006

16 Post balance sheet events
The only post balance sheet event is in respect of the proposed dividend which has been disclosed in Note 12

17 Risk management
In pursuing the investment objectives set out on page 17 of this Report the Company holds a number of financial instruments

These comprise

- Equity shares held in accordance with the Company's investment objectives and policies,
- Cash, liquid resources and short term debtors that arise directly from its operations, and
- Shareholders' funds, representing investors' monies, which are invested on their behalf

The main risks arising from the Company's financial instruments are market price, foreign currency, interest rate liquidity and credit risks The Investment Manager reviews policies for managing each of these risks and they are summarised below These policies have remained unchanged since the beginning of the year to which these financial statements relate

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

The Directors meet quarterly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objectives The Investment Manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet the risk/reward profile that is acceptable

The Investment Manager does not use derivative instruments to hedge the investment portfolio against market risk, as in its opinion the cost of such a process would result in an unacceptable reduction in the potential for capital growth

Foreign currency risk
Currency translation movements can significantly affect the income and capital value of the Company's investments as the majority of the Company's assets and income are denominated in currencies other than sterling, which is the Company's functional currency

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

17 **Risk management** (continued)

The Investment Manager has identified three principal areas where foreign currency risk could affect the Company

- movements in rates affect the value of investments, and
- movements in rates affect the income received

The Company does not hedge the sterling value of investments that are priced in other currencies

The Company may be subject to short term exposure to exchange rate movements, for instance where there is a difference between the date an investment purchase or sale is entered into and the date on which it is settled

The Company receives income in currencies other than sterling and the sterling values of this income can be affected by movements in exchange rates The Company converts all receipts of income into sterling on or near the date of receipt It, however, does not hedge or otherwise seek to avoid rate movement risk on income accrued but not received

Interest rate risk
The Company is permitted to invest in fixed rate securities Any change to the interest rates relevant to particular securities may result in either income increasing or decreasing, or the Manager being unable to secure similar returns on the expiry of contracts or the sale of securities In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held

In general if interest rates rise the income potential of the Company also rises, but the value of fixed rate securities will decline A decline in interest rates will have the opposite effect

Liquidity risk
The Company's assets comprise mainly of securities listed on the stock exchanges of emerging economies Liquidity can vary from market to market and some securities may take longer to sell As a closed ended investment trust, liquidity risks attributable to the Company are less significant than for an open ended fund

Securities held by the Company are valued at bid price Other financial assets and liabilities of the Company are included in the balance sheet at fair value

Credit risk
Certain transactions in securities that the Company enters into expose it to the risk that the counter party will not deliver the investment (purchase) or cash (in relation to sale or declared dividend) after the Company has fulfilled its responsibilities The Company only buys and sells through brokers which have been approved by the Investment Manager as an acceptable counter party In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time These limits are reviewed regularly

The amount of credit risk that the Company is exposed to is disclosed under Interest Rate Risk Profile

Fair Value
Fair value is not significantly different to the values in the financial statements

17 **Risk management** (continued)

Financial Assets at Fair Value	2007 £'000	2006 £'000
Financial assets at fair value through profit or loss		
Non current assets – investments	1 903 046	1,851,594
Loans and receivables		
Trade and other receivables	9,010	9,215
Cash	25,915	25,764

Financial Liabilities at Fair Value	2007 £'000	2006 £'000
Short term trade payables	(7,853)	(15,440)

All financial assets and financial liabilities balance sheet values are equivalent to the fair value

Financial Assets

The Company's financial assets comprise equity investments, short term trade receivables and cash balances

Currency cash flow profile of those financial assets are as follows

As at 30 April 2007

Currency	*Non current investments at fair value through profit or loss £'000*	*Short term trade receivables £'000*	*Cash £'000*	*Total £'000*
Argentine peso	–	–	45	45
Brazilian real	48,159	33	–	48,192
Euro	35,808	–	–	35,808
British pound sterling	7,562	239	25,870	33,671
Hong Kong dollar	284,032	1,882	–	285,914
Hungarian forint	87,295	–	–	87,295
Indian rupee	21,970	–	–	21,970
Indonesian rupee	66,171	–	–	66,171
Korean won	239,037	–	–	239,037
Mexican peso	13 831	–	–	13,831
Malaysian ringgit	38,279	–	–	38,279
Pakistan	37,294	351	–	37,645
Philippine peso	9,352	–	–	9,352
Polish zloty	52,356	–	–	52,356
Swedish krone	4,499	–	–	4,499
South African rand	52 463	334	–	52 797
Thailand baht	144,098	2 398	–	146,496
Turkish lira	161 593	–	–	161 593
New Taiwan dollar	43,556	–	–	43,556
United States dollar	555 691	3,773	–	559 464
	1,903,046	**9,010**	**25,915**	**1,937,971**

17 **Risk management** (continued)

As at 30 April 2006

Currency	*Non current investments at fair value through profit or loss £'000*	*Short term trade receivables £'000*	*Cash £'000*	*Total £'000*
Argentine peso	–	–	50	50
Brazilian real	82,410	431	–	82,841
Czech koruna	7,500	–	–	7,500
Euro	40,270	–	–	40,270
British pound sterling	15,680	(60)	15,471	31,091
Hong Kong dollar	258,291	1 784	–	260,075
Hungarian forint	97,809	–	–	97,809
Indian rupee	7,557	–	–	7,557
Indonesian rupee	46,375	–	–	46,375
Korean won	320,145	1 576	–	321,721
Mexican peso	12,091	–	–	12,091
Malaysian ringgit	28,031	64	–	28,095
Philippine peso	10,309	47	–	10 356
Polish zloty	49,294	1	–	49,295
Swedish krone	3,529	–	85	3,614
Singapore dollar	8 020	–	–	8 020
South African rand	80,566	465	–	81,031
Thailand baht	119,814	155	–	119,969
Turkish lira	138,518	–	–	138,518
New Taiwan dollar	71,742	421	173	72,336
United States dollar	453,643	4,331	9,985	467,959
	1,851,594	**9,215**	**25,764**	**1,886,573**

17 Risk management (continued)

Financial Liabilities

The Company finances its investment activities through its ordinary share capital and reserves The Company's financial liabilities comprise its short term trade payables

Currency	*Short term trade payables 2007 £'000*	*Short term trade payables 2006 £'000*
British pounds sterling	(4,540)	(4,543)
Hong Kong dollar	–	(213)
Indonesian rupee	(121)	–
Turkish lira	(3,192)	–
New Zealand dollar	–	(4)
United States dollar	–	(10,680)
	(7,853)	**(15,440)**

Interest rate risk profile

The majority of the Company's financial assets are non interest bearing

The carrying amount by the earlier of contractual re pricing or maturity date, of the Company's financial instruments was as follows

	In one year or less 2007 £'000	*In one year or less 2006 £'000*
Cash flow interest rate risk		
Cash	25,915	25,764
No interest rate risk		
Financial assets at fair value through profit or loss		
Non current assets – investments	1,903,046	1,851,594
Loans and receivables		
Short term trade receivables	9,010	9 215
Other financial liabilities		
Short term trade payables	(7,853)	(15,440)

Cash balances are held on call deposit and earn interest at the bank's daily rate

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

18 Significant holdings in investee undertakings

As at 30 April 2007 the Company held 3% or more of the issued share capital of the following companies

Name	*% of issued share capital 2007*	*% of issued share capital 2006*
Hyundai Development Co	4 92	4 92
Tainan Enterprises Co Ltd	4 36	4 44
Kiatnakin Bank Public Co Ltd fgn	4 09	2 72
Faysal Bank Ltd	3 99	–

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Templeton Emerging Markets Investment Trust PLC will be held at The RAC Club, 89 Pall Mall, London SW1Y 5HS on 27 September 2007 at 12 noon to transact the following business

To consider and if thought fit, to pass the following resolutions

Ordinary Business

Resolution No

1 To receive and adopt the Directors' and Auditors' Reports and Financial Statements for the year ended 30 April 2007

2 To declare a dividend

3 To re elect Sir Ronald Hampel as a Director

4 To re elect Charles B Johnson as a Director

5 To re elect Peter C Godsoe as a Director

6 To re elect Andrew S B Knight as a Director

7 To re elect Peter A Smith as a Director

8 To approve the Directors Remuneration Report for the year ended 30 April 2007

9 To re appoint Grant Thornton UK LLP as Auditors

10 To authorise the Directors to determine the Auditors' remuneration

Special Business

11 Special Resolution

That new Articles of Association of the Company be adopted in the form produced to the Annual General Meeting and initialled by the Chairman for the purposes of identification

By Order of the Board

Registered Office
5 Morrison Street
Edinburgh EH3 8BH

Sara A MacIntosh

for and on behalf of

Franklin Templeton Investment Management Limited

Secretary

14 August 2007

Please ensure that you read the notes to this Notice on page 66

NOTICE OF MEETING
CONTINUED

Notes

1 A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and on a poll vote thereat instead of him A proxy need not be a member of the Company

2 A proxy form is enclosed

3 A proxy form must be returned to the Company's registrar Lloyds TSB Registrars, Worthing West Sussex BN99 6DA to arrive not later than 12 noon on 25 September 2007

4 The Report and Financial Statements are circulated to Ordinary Shareholders Ordinary Shareholders are entitled to attend and vote at the Meeting

5 Copies of the letters of appointment of the Directors and the existing Articles of Association of the Company are available for inspection at the Company's registered office at 5 Morrison Street Edinburgh EH3 8BH and at the Annual General Meeting (for 15 minutes prior to the meeting and during the meeting)

6 ***The Dress Code of the RAC Club requires that gentlemen must wear a shirt with collar and tie No jeans or trainers are permitted and ladies must wear smart business attire***

Electronic proxy appointment for CREST members (for UK only)

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 27 September 2007 and any adjournment(s) thereof by using the procedures described in the CREST Manual CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf

In order for a proxy appointment or instruction made using the CREST service to be valid the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions as described in the CREST Manual The message regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must in order to be valid be transmitted so as to be received by the issuer's agent (ID7RA01) [numbers to be confirmed with Lloyds TSB] by the latest time(s) for receipt of proxy appointments specified in the notice of meeting For this purpose the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means

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

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

Electronic proxy appointment for non CREST members (for UK only)

Shareholders who prefer to register the appointment of their proxy electronically via the Internet can do so through the Lloyds TSB Registrars website at www sharevote co uk where full instructions on the procedure are given The personal reference number card ID and account number printed in the voting pack will be required to use this electronic proxy appointment system

Alternatively shareholders who have already registered with Lloyds TSB Registrar's on line portfolio service, Shareview can appoint their proxy electronically by logging on to their portfolio at www shareview co uk and clicking on Company Meetings A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 12 noon on 25 September 2007 Please note that any electronic communication found to contain a computer virus will not be accepted

KEY DATES
2007

The Company's eighteenth Annual General Meeting will be held on Thursday 27 September 2007 Notice of this meeting is given on pages 65 and 66

Significant events in the Company s year are expected normally to occur as follows

September 2007

Annual General Meeting held

October 2007

Dividend paid

December 2007

Interim results announced

Interim Report for the period to 31 October 2007 published

The Company pays no interim dividend

GENERAL INFORMATION
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REGISTRAR – NEW ZEALAND
Computershare Investor Services Limited
Private Bag 92119 Auckland 1142
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Takapuna North Shore City
NEW ZEALAND

HOW TO INVEST

There are two ways of purchasing shares in TEMIT

1 Through the Templeton Investment Plan

Through the Templeton Investment Plan, investors have a cost effective and straightforward route for investing in TEMIT The Plan currently has approximately 5,000 members The Plan is designed to accommodate the needs of an investor, whether he or she wishes to

- invest a regular monthly or quarterly amount – minimum £50 monthly or £150 quarterly
- make occasional lump sum investments – initial minimum £250, minimum subsequent investments £50

2 Directly in the stock market through a stockbroker

For more information contact your financial adviser or call us free on 0800 305 306 Alternatively, you can visit the Franklin Templeton Investments website at. www franklintempleton.co uk.

This report does not constitute or form part of any offer for shares or an invitation to apply for shares The price of shares and income from them can go down as well as up and you may not get back the full amount that you invested Past performance is no guarantee of future performance Currency fluctuations will affect the value of overseas investments Emerging Markets can be more risky than Developed Markets Please consult your professional adviser before deciding to invest

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Authorised and regulated by the Financial Services Authority

TEMIT AR RGB 04/07