

SC 118022

**TEMPLETON EMERGING MARKETS  
INVESTMENT TRUST PLC**  
ANNUAL REPORT AND AUDITED ACCOUNTS



**30 APRIL 2009**

# CONTENTS

<b>1 Company Summary</b>	<b>38 Directors' Remuneration Report</b>
<b>2 Financial Summary</b>	<b>40 Report of the Independent Auditor</b>
<b>3 Ten Year Record</b>	<b>42 Income Statement</b>
<b>4 Chairman's Statement</b>	<b>43 Balance Sheet</b>
<b>8 Board of Directors</b>	<b>44 Statement of Changes in Equity</b>
<b>11 Manager's Report &amp; Portfolio Review</b>	<b>45 Cash Flow Statement</b>
<b>16 Portfolio Summary</b>	<b>46 Accounting Policies</b>
<b>17 Portfolio Holdings by Geography</b>	<b>49 Notes to the Financial Statements</b>
<b>20 Ten Largest Investments</b>	<b>60 Notice of Meeting</b>
<b>23 Directors' Report</b>	<b>63 Key Dates</b>
<b>37 Statement of Directors' Responsibilities</b>	<b>64 General Information</b>
	<b>IBC Shareholder Information</b>

# COMPANY SUMMARY

## **Introduction**

Templeton Emerging Markets Investment Trust PLC ("TEMIT") is a closed ended investment trust whose shares are quoted on both the London and New Zealand Stock Exchanges; however the majority of its shareholders are based in the UK.

## **Objective**

The investment objective of TEMIT 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.

## **Assets**

TEMIT is the largest emerging markets investment trust in the UK, with total assets of £1.2 billion as at 30 April 2009, investing 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 revenue from emerging markets.

## **Management**

The Board of Directors is responsible for the overall strategy of the Company and monitoring performance of the Company.

The Board has appointed Templeton Asset Management Ltd. ("TAML" or the "Investment Manager") as the Investment Manager of the Company to carry out day-to-day investment management services for the Company. TAML has over 20 years of investment experience in emerging markets and approximately US\$19 billion in assets under management. TAML is part of the Franklin Templeton Group which has US\$421 billion in assets under management as of 30 April 2009.

## **Share Capital**

At 30 April 2009 the Company's authorised share capital consisted of 1,362,419,566 Ordinary Shares of 25p of which 330,446,352 were issued and fully paid. During the year the Company bought back 142,234,864 Ordinary Shares of 25p.

## **AIC**

The Company is a member of The Association of Investment Companies (AIC).

## **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 4,800 members. The Plan is designed to accommodate the needs of an investor, whether they wish 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](http://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.*

# FINANCIAL SUMMARY

## 2008-2009

	Ref.	Year ended 30 April 2009	Year ended 30 April 2008	Change %
Net Assets and Shareholders' Funds (£ million)	a	1,208.3	2,291.4	
Net Asset Value (pence per Ordinary Share)		365.65	484.77	-24.6
Net Asset Total Return		-23.5%	35.7%	
Benchmark				
MSCI Emerging Markets Index Total Return		-23.4%	27.0%	
Share Price (pence)		340.50	438.00	-22.3
Share Price Total Return		-21.2%	34.6%	
Year – High (pence)		467.00	485.50	
Year – Low (pence)		207.50	324.75	
Ordinary Dividend (pence per Ordinary Share) – proposed		3.75	3.50	7.1
Special Dividend (pence per Ordinary Share) – proposed		2.50	–	
Total Dividend (pence per Ordinary Share) – proposed		6.25	3.50	78.6
Revenue Earnings (pence per Ordinary Share)	b	7.69	4.07	88.9
Share Price Discount to Net Asset Value		6.9%	9.6%	
Total Expense Ratio	c	1.34%	1.33%	
Total Expense Ratio excluding significant non recurring items	d	1.25%	–	

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 2009 and 30 April 2008.

<sup>a</sup> £611.2 million of the drop in net assets is in respect of the tender offer in June 2008.

<sup>b</sup> The Earnings per Ordinary Share figure is based on the earnings shown in the "Revenue" column in the Income Statement on page 42 and Note 5 of the Notes to the Financial Statements.

<sup>c</sup> The Total Expense Ratio represents the annualised total expenses of the Company divided by the monthly average trading net assets of the Company for the year.

<sup>d</sup> As stated in Note 3, expenses of £1.3 million associated with the tender offer have been charged as a revenue expense in other expenses; and VAT recovered together with associated interest totalling £2.4 million has been credited to revenue.

# TEN YEAR RECORD

## 1999-2009

Year ended 30 April	1999	2000	2001	2002	2003	2004	2005*	2006	2007	2008	2009
Net Assets and Shareholders' Funds (£m)	721.6	749.9	619.0	666.2	595.5	778.5	1,066.0	1,866.2	1,925.5	2,291.4	1,208.3
NAV Basic (pence)	153.29	159.25	135.66	146.24	130.82	171.01	198.88	348.18	359.24	484.77	365.65
NAV Diluted (pence)	149.95	154.93	135.21	144.00	N/A	164.58	N/A	N/A	N/A	N/A	N/A
Price – Ordinary (pence)	129.00	116.25	113.50	125.00	107.25	144.00	167.25	310.25	327.25	438.00	340.50
Price – Warrants (pence)	37.00	22.00	17.00	17.50	3.75	13.25	N/A	N/A	N/A	N/A	N/A
Discount	15.8%	27.0%	16.3%	14.5%	18.0%	15.8%	15.9%	10.9%	8.9%	9.6%	6.9%
Revenue Earnings per share – Undiluted (pence)	1.68	1.34	1.36	1.82	1.70	2.89	3.42	3.65	4.16	4.07	7.69
Revenue Earnings per share – Diluted (pence)	1.40	1.12	1.13	1.51	N/A	2.88	N/A	N/A	N/A	N/A	N/A
Ordinary Dividends per Ordinary share (pence)	1.10	1.10	1.25	1.25	1.25	2.25	2.25	2.67	3.13	3.50	3.75
Special Dividends per Ordinary share (pence)	–	–	–	–	–	–	–	–	–	–	2.50
Total Expense Ratio	1.18%	1.57%	1.61%	1.34%	1.49%	1.48%	1.50%	1.41%	1.32%	1.33%	1.34%

\*Prior to April 2005 the results were 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. An ordinary dividend of 3.75p per share and a special dividend of 2.50p per share on the Company's profits of 2009 have been proposed.

**TOTAL RETURN – with dividends re-invested (£100 invested in April 1999)**

# CHAIRMAN'S STATEMENT

**Market downturns have historically been shorter than the periods of strong capital growth that have followed.**

Peter A Smith (Chairman)

## *Background*

This year Templeton Emerging Markets Investment Trust PLC ("TEMIT" or the "Company") celebrates the 20th anniversary of its flotation in 1989. These two decades have seen periods of major market volatility but, throughout these cycles, Templeton Asset Management Limited ("the Investment Manager") has remained consistent in its investment approach focused on investing for long-term growth, in good quality, undervalued emerging market companies.

The deepening recession, which started in the US in 2008, rapidly spread across the world and has provided significant challenges for both developed and emerging market investors. The dramatic falls in developed markets resulted in investors becoming much more risk averse and consequently nearly all emerging markets suffered as investors moved their assets to perceived safe havens. Over the Company's financial year the MSCI Emerging Markets Index total return fell (in sterling terms) by 23.4%, while the UK (as measured by the FTSE All-Share Index) fell by 26.9% (in sterling terms) and the US (as measured by the S&P 500 Index) fell by 35.3% (in dollar terms).

However daunting the current environment may seem, market downturns have historically been shorter than the periods of strong capital growth that have followed. Your Board believes that the current market volatility offers

exciting opportunities for the Investment Manager to buy into good quality companies at attractive prices, to the long term benefit of shareholders. The Manager's Report and Portfolio Review on pages 11 to 15 sets out more detail about the historic performance and future opportunities available.

## *Performance*

Against this background described above, TEMIT's Net Asset Value (NAV) declined in sterling terms from 484.8 pence at 30 April 2008 to 365.7 pence at 30 April 2009, a decrease of 24.6%. The decline took place in the first half of the financial year, with a fall of 42.1% being reported in our interim accounts. The low point was in October and since 31 October 2008 the NAV has risen by 30.3%.

The TEMIT share price at 30 April 2009 was 340.5 pence, compared with 438.0 pence at the beginning of the financial year, a decrease of 22.3%.

The NAV total return for the Company for the financial year, including dividends re-invested, was a decrease of 23.5%. Over the same period, the MSCI Emerging Markets Index fell by 23.4% (in sterling terms). Exchange rates in two of the largest currency exposures, US dollar and Hong Kong dollar, appreciated nearly 30% against sterling over the period which benefited overall performance.

Pleasingly, the portfolio has recovered strongly since the year end and by 5 June 2009, the NAV per share had risen by 15.3% to 421.6 pence and the share price rose by 14.2% to 388.75 pence.

TEMIT's total assets at the year end were £1,208 million compared to £2,291 million at 30 April 2008 a fall of £1,083 million. £611.2 million of the reduction resulted from the return of capital to shareholders during the year through the tender offer.

The Company's discount narrowed during the year, decreasing from 9.6% initially to 6.9% at the end of the year. Since the completion of the tender, the discount has generally been in the range of 3% to 9%.

Even though this has been a very challenging year, I am pleased that TEMIT's record has again been recognised by independent financial publications, winning the Investment Week Investment Trust of the Year Award 2008 in the emerging markets category and being Highly Commended in the emerging markets category for both the Money Observer 2008 and the Moneywise 2009 Investment Trust Awards.

Investment in emerging markets is a long-term financial commitment. Over the five years to 30 April 2009, the total return of the Company, in sterling terms with dividends re-invested, was 146%, compared with a rise in the MSCI Emerging Markets Index of 106% (in sterling terms). Indeed, over the twenty years since launch, in June 1989, the figures are even more impressive with the total return of the Company, in sterling terms with dividends re-invested, being 1,089% compared with a rise of 585% for the MSCI Emerging Markets Index (in sterling terms). The continuing long-term out-performance of your Company is a major reason we believe it remains an attractive vehicle for investment in this asset class.

#### **Continuation vote**

In accordance with the terms of the Company's Articles of Association, every five years your Board must seek shareholders' approval for TEMIT to continue as an investment trust. The continuation vote will take place at the AGM on 17 July 2009.

You can vote for or against the continuation by completing the relevant proxy form, voting on-line or attending the AGM in person. If you are voting by proxy or on-line, your votes must be received by 12 noon on

15 July 2009 and by 4 p.m. on 14 July 2009 (NZ time) for NZ shareholders.

There are strong reasons for the continuation of your Company:

- TEMIT is the UK's largest emerging markets investment trust, offering shareholders an easy and relatively liquid means of investing in emerging markets.
- Emerging markets still offer investors strong long-term growth potential. Countries like India and China are delivering strong economic growth and new investment opportunities are continually becoming available, as markets expand and new countries open for investment.
- The Company's Investment Manager, Templeton Asset Management Limited, is large and experienced, with an enviable track record of managing emerging market investments for long-term growth. For example, over the five year period to 30 April 2009 TEMIT returned 146% compared to a rise in the MSCI Emerging Markets Index of 106% and the UK FTSE All-Share Index of 15.5% (figures are based in sterling, including dividends reinvested).
- The discount on the Company's shares has stabilised since the tender offer last June, trading generally in a range of 3% to 9%.

**Your Board believes that it is in the best interests of shareholders to vote in favour of the continuation of TEMIT for a further five years and recommends all shareholders do so. The Directors intend to vote in favour of continuation in respect of their own shareholdings.**

Please see the letter accompanying this Report for more information.

#### **Asset allocation**

At the year end, 98% of the Company's total assets were invested in equities, with the remaining 2% being held in liquid assets. The general policy of the Board is to be fully invested.

#### **Share buy-backs**

During the year, the Board has kept the Company's discount under continual review and exercised its right to buy back shares when it believed that this was in shareholders' best interests. 141.8 million shares were

# CHAIRMAN'S STATEMENT

## CONTINUED

**The Company's AGM will take place on 17 July 2009.**

bought back and cancelled through the tender offer (representing 30.0% of the shares in issue at 30 April 2008) for a total cost to the Company of £611.2 million. During the year a further 0.4 million shares were bought back for a total cost to the Company of £1.4 million. Together, these contributed to an uplift to the NAV per share of 1.7%.

### **VAT**

Following the outcome of a recent European Court of Justice case, HM Revenue & Customs accepted that management fees charged to investment trusts should be exempt from VAT. The Company had lodged protective claims to recover VAT historically overcharged, and I am pleased to report that we have now received £2.4 million of VAT and associated interest. This has been credited to Revenue, contributing to an uplift in Revenue profits. The Company may receive some additional repayments but, as the amounts and likely repayment dates are currently uncertain, no account of any credit for them has yet been taken.

### **Dividend**

Although TEMIT is primarily a vehicle for capital growth, the Board's policy is to have a relatively full distribution of the Company's revenues. To this end, the Board has proposed an ordinary dividend of 3.75 pence per Ordinary Share (2008: 3.50 pence). This represents an increase of 7.1% on 2008. In addition, the Board proposes to pay a special dividend of 2.50 pence per Ordinary Share. This special dividend includes the income accrued from the start of the period under review up to the tender offer date and attributable to the tendered shares then cancelled through the tender offer. The special dividend also includes the VAT and related interest recovered in the year, as a result of the European Court of Justice case.

### **Next Annual General Meeting (AGM)**

With a view to providing shareholders with more timely information, your Board has decided to bring forward the date of the Company's AGM to Friday 17 July 2009. This allows the meeting to take place much closer to the publication of the Annual Report and Accounts than in previous years. As in previous years, the meetings will include a presentation by

Dr Mark Mobius and team on emerging markets investment and the current outlook.

This year's meeting will be held in the Mountbatten Room, the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS at 12.00 noon. More details of this meeting can be found on page 60 of this Report.

### **The Board**

As previously announced, we welcomed Hamish Buchan to the Board on 26 June 2008 with Peter Godsoe retiring as a Director on the same date. I thank Peter for his contribution to the Company over the past five years.

Neil Collins and Gregory Johnson will be recommended to shareholders for re-election at the AGM on 17 July 2009 and their biographies appear on pages 9 and 10.

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 both of the Directors standing for re-election.

### **Communication with Shareholders**

The Board aims to keep shareholders informed and up to date with information about the Company. We recognise that shareholders, especially those who hold their shares through nominee accounts, can find it difficult to find out the most up-to date news about TEMIT. We send you the annual and half year report and accounts and notices of any significant company events. We also release information to the stock exchanges, such as Interim Management Statements.

Our website ([www.temit.co.uk](http://www.temit.co.uk)) is updated with all the latest news, price and performance information, portfolio updates and also quarterly webconferences. Last year we also launched a subscribe by email service, enabling you to automatically receive updates when they appear on the website.

I encourage all shareholders to register on our website and make full use of the facilities and materials available to help you keep informed about your Company.

### **Outlook**

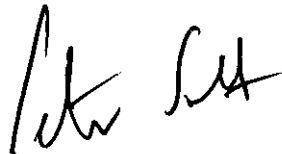
In sharp contrast to the developed world, many emerging economies are still growing, albeit at a slower rate than in recent years. In general, they are in a much stronger macroeconomic and financial position than their



developed market counterparts. They are frequently resource rich and their citizens are generally enjoying rising per capita incomes, resulting in expanding middle classes and increasing domestic consumption. Currently, equity valuations are far from stretched and good quality companies can be bought at attractive valuations. Your company is extremely well positioned to benefit from these considerations and your Board view the future with some confidence.

I hope that you will be able to attend our AGM at which the Manager will make a short presentation and, with some of my fellow Directors, I look forward to the opportunity of meeting you.

Peter A Smith  
12 June 2009

A handwritten signature in black ink, appearing to read 'Peter A Smith', written in a cursive style.

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

# BOARD OF DIRECTORS

## **PETER A SMITH (CHAIRMAN)**

Peter Smith (62) was appointed to the Board on 17 May 2004 and was appointed Chairman of the Board and a member of the Nomination and Remuneration Committee on 12 December 2007. He is Chairman of Savills PLC. He is also a non-executive director of Associated British Foods Plc, N M Rothschild & Sons Limited, Rothschild Bank AG and of The Equitable Life Assurance Society. He was Senior Partner of PricewaterhouseCoopers ("PwC") in the UK until 2000 and prior to the formation of PwC, from the merger of Price Waterhouse and Coopers & Lybrand, he had been the Chairman of Coopers & Lybrand in the UK since 1994. Previously, he was a non-executive director of Safeway PLC and Chairman of RAC PLC.

He is an independent Director.

Left to right: Hamish N Buchan, Gregory E Johnson, Christopher D Brady, Peter A Smith, Neil A Collins, Sir Peter Burt, Peter O Harrison.

### **CHRISTOPHER D BRADY**

Christopher Brady (54) was appointed to the Board on 12 December 2007. He is the founding partner and Chairman of The Chart Group. With over 25 years' experience in private equity, corporate finance and capital markets he focuses on identifying and building portfolio companies through his extensive industry relationships and perspective. Prior to Chart, he was a partner with Lodestar Group, a merger advisory and investment firm acquired by Societe Generale; and spent eleven years in the Corporate Finance and Capital Markets Departments of Lehman Brothers and Dillon Read. Mr. Brady is a director of Bitrage, SeaMobile, U.S. Helicopter, American Defense Systems, Miami International Holdings and several Chart investment companies and affiliates.

He is an independent Director.

### **HAMISH N BUCHAN**

Hamish Buchan (64) was appointed to the Board and a member of the Audit Committee on 26 June 2008. He is Chairman of JPMorgan American Investment Trust PLC. He is also a Director of Aberforth Smaller Companies Trust plc, Personal Assets Trust plc, Standard Life European Private Equity Trust plc, The Scottish Investment Trust plc, Community Foundation Network and Scottish Community Foundation. Mr Buchan has been involved in the investment trust sector for forty years, mainly as an investment trust analyst and is currently a Director and immediate past Chairman of the Association of Investment Companies.

He is an independent Director.

### **SIR PETER BURT**

Sir Peter Burt (65) was appointed to the Board on 1 October 2004 and has been a member of the Audit Committee since 6 December 2004. He was appointed the Senior Independent Director and Chairman of the Nomination and Remuneration Committee on 12 December 2007. He is Chairman of Promethean PLC. Previously, he was Chairman of ITV PLC and a Non-Executive Director of Royal Dutch Shell PLC. He joined the Bank of Scotland in 1975, becoming head of its International Division in 1985, Chief General Manager of the Bank in 1988 and Group Chief Executive in 1996. When the Bank merged with the Halifax in 2001, he became Executive Deputy Chairman of HBOS until he retired in 2003.

He is an independent Director.

### **NEIL A COLLINS**

Neil Collins (62) was appointed to the Board and the Audit Committee on 28 September 2006 and a member of the Nomination and Remuneration Committee on 26 June 2008. He is currently a columnist for Reuters. He 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. Prior to that he had been City Editor of the London Evening Standard and The Sunday Times. He is a Director of Finsbury Growth and Income Trust Plc.

He is an independent Director.

# **BOARD OF DIRECTORS**

## **CONTINUED**

### **PETER O HARRISON**

Peter Harrison (57) was appointed to the Board on 30 November 2007 and became Chairman of the Audit Committee on 12 December 2007. He was the UK Head of Financial Services at KPMG for three years and a member of the UK Management Team. He retired from full time work with KPMG in 2002 as a Senior Partner in the Financial Services Division having thirty years experience in the profession, twenty one of which was at KPMG with fourteen years as a partner. His client work included providing business advisory, audit and regulatory assistance to a number of global retail banks, fund managers and leasing businesses as well as an overseas Government Investment Agency. He is Chairman of the Saffron Building Society which he joined as a Non Executive Director in November 2003. He is also a Senior Advisor and consultant with KPMG. He is an independent Director.

### **GREGORY E JOHNSON**

Gregory Johnson (47) was appointed to the Board on 12 December 2007. He is President and Chief Executive Officer of Franklin Resources, Inc. and serves on the Board of Directors. He is also President of Templeton Worldwide, Inc., Chief Executive Officer and President of Templeton International, Inc. and serves as a Director for a number of subsidiaries of Franklin Resources, Inc. He is a member of a number of Franklin Templeton's international fund boards. Greg joined Franklin in 1986 after working as a senior accountant for Coopers & Lybrand. He has served as President and Chairman of the Board for Franklin Templeton Distributors, Inc., President of Franklin Investment Advisory, LCC, President of FT Trust Company, Vice President of Franklin Advisers, Inc., co-portfolio manager of Franklin Income Fund and Franklin Utilities Fund and as an investment analyst.

# MANAGER'S REPORT & PORTFOLIO REVIEW

30 APRIL 2009

## MANAGEMENT COMPANY

*The Directors have appointed Templeton Asset Management Ltd. ("TAML") as Investment Manager of the Company.*

TAML is part of Franklin Templeton Investments, one of the world's largest asset management companies. TAML is a pioneer of emerging market investment, having created one of the first dedicated emerging market mutual funds over 20 years ago. Today, the TAML Emerging Markets Team manages US\$19 billion in emerging markets assets for retail, institutional and professional investors across the globe.

The TAML Emerging Markets Team, headed by Dr Mark Mobius, is one of the largest of its kind. It includes 39 dedicated emerging markets portfolio managers, analysts and product specialists. Their on-the-ground presence in 15 countries, and years of relevant industry experience, greatly assists their understanding of the companies researched for inclusion in the TEMIT portfolio. Many of the senior members of the TEMIT team, including Allan Lam, Tom Wu, Dennis Lim, Carlos Hardenberg, and Gregorz Konieczny have worked alongside Mark Mobius for a number of years.

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

Mark Mobius and TAML's Emerging Markets team

## MARKET OVERVIEW

Global emerging markets experienced significant volatility in the past 12 months. Having started the period on a positive note, global equities, including emerging market companies, began a downward trend in June. Extreme risk aversion led to a drying up of liquidity, tight credit conditions, problems for highly leveraged companies, and high volatility in global stock markets.

Recognising the severity of the credit crunch, governments globally implemented fiscal stimuli to support their domestic economies and ease liquidity conditions. Markets subsequently started to recover in March 2009, as investors began to focus on the fundamentals and attractive valuations of individual companies, leading to positive inflows into emerging markets. This led markets to recuperate some of the losses recorded in the earlier part of the period. As at the end of April, 2009, the MSCI Emerging Markets Index had risen 32.6% from its low on 3rd March, 2009. For the 12-month period, however, it was still down 23.4% in sterling terms.

Eastern European markets were especially affected as investors became concerned about the financial state of European banks and their Eastern European subsidiaries. Asian markets outperformed their emerging market counterparts as regional economies continued to record relatively higher growth rates. Asia's high foreign reserves, huge consumer base and significant economic

# MANAGER'S REPORT & PORTFOLIO REVIEW

## CONTINUED

### PORTFOLIO DISTRIBUTION (%)

presence, provided investors with reasons to remain positive on the region's potential. In Latin America, the Brazilian market was adversely affected by lower commodity prices. However, the country's solid fiscal management policies, high foreign exchange reserves and vast natural resources of oil, iron ore and agricultural products lead us to maintain a positive view on the region's leading economy. **Mexico** also underperformed, due to its close economic ties with the US economy. **South Africa** was one of the best performing markets in sterling terms during the reporting period, in large part due to a stronger rand.

### PERFORMANCE ATTRIBUTION ANALYSIS

Year to 30 April 2009

	%
NAV total return for the year	-23.5
MSCI Index total return	-23.4
Relative return	-0.1
Sector allocation	-6.6
Stock selection	3.0
Total equities	-3.6
Currency	2.1
Buybacks	1.7
Expenses charged to capital	-0.3
Relative performance	-0.1

Source: Factset and Franklin Templeton

### PERFORMANCE ATTRIBUTION

The Company's performance, relative to the MSCI Emerging Markets Index, benefited significantly from good stock selection in **China**. Overweight positions and good stock selection in **Turkey** and **Indonesia** further enhanced relative performance. By sector, good stock selection in banks and overweight positions in automobile & components and food & staples retailing companies supported performance.

An overweight exposure to the Brazilian real and Hong Kong dollar contributed significantly to relative performance, due to their appreciation in the latter part of the period.

The largest contributors to performance in **Singapore** were overweight exposures to Dairy Farm, whose core businesses consist of supermarkets, hypermarkets as well as health & beauty, convenience and home furnishing stores, and in **China** Vtech Holdings, one of the world's major manufacturers and distributors of cordless telephones and other telecommunication products.

In **Turkey**, the Company's holdings in Akbank, one of the country's leading banks, and Turkcell, the major provider of mobile communications services, had the largest positive attribution effects.

In **Indonesia**, overweight positions in Astra, a major car and motorcycle company in the country, and Bank Central Asia, one of the country's biggest banks, as well

as our zero exposure to the underperforming Bumi Resources, an energy and mining company, contributed positively to performance. By sector, good stock selection in banks and overweight positions in automobile & components and food, staples and retailing companies supported performance.

Conversely, detractors to relative performance included underweight positions in **South Africa** and **Taiwan**, as well as overweight exposures to **Pakistan** and **Thailand**. By sector, holdings in materials companies were the largest detractors, while underweight positions in the semiconductors and pharmaceutical sectors also detracted from performance.

The Company's absence from outperforming stocks such as Remgro, an industrial conglomerate, and AngloGold Ashanti, a global gold producer, were the largest detractors in **South Africa**. TEMIT did not hold these two companies as it has already had exposure to the sector through its holding in Anglo American. While Anglo American was a detractor due to a correction in commodity prices during the period, the manager remained confident of its longer-term prospects. The company is well positioned to benefit from continuing demand for raw materials in emerging markets as well as a recovery in metal prices.

Underweight positions in Taiwan Semiconductor Manufacturing (TSMC), the world's biggest independent integrated circuit foundry, and Novatek Microelectronics, the largest LCD driver integrated circuit supplier in the country, also led to negative attribution effects.

An overweight exposure to the **Pakistani** Banks, Faysal Bank and MCB Bank, as well as the **Thai** companies, Land & Houses, a real estate developer in Bangkok and Chiangma, and PTT, **Thailand's** only fully-integrated gas company, resulted in the largest negative attribution effects in those markets. In **Taiwan**, the Company increased its holdings in Novatek during the period, while added exposure to Taiwan Semiconductor Manufacturing, because of the improved political situation and the continuing consolidation of the technology sector. Remaining confident of the long-term potential of its holdings in PTT, Land & Houses, Faysal Bank and MCB Bank, the Company increased its holdings in these stocks as recent market corrections providing an attractive buying opportunity.

## PORTFOLIO CHANGES & INVESTMENT STRATEGIES

The Company's search for undervalued stocks trading at attractive valuations led to selective investments in the diversified metals & mining, IT consulting, diversified banking and semiconductors sectors.

Despite being hurt by the decline in commodity prices, many raw material companies are still profitable at current price levels. While commodity prices have come down from their peaks, we believe commodities will trend upwards over the long term. This is, in part, because of continued demand from emerging markets (despite slower economic growth) and relatively inelastic supply. We believe that commodity companies should remain profitable and constitute attractive investment opportunities. Taking a long-term view, we continue to like the metals sector. Major purchases included Sesa Goa, a leading Indian iron ore miner and exporter, Anglo American, an international resources group, and Aluminum Corporation of China (Chalco), **China's** leading producer of alumina and primary aluminium products.

The continued liberalisation of the financial sector in emerging markets could unlock hidden value and allow banks to benefit from the growing financial needs of consumers in the region. Key purchases included Bank Danamon and Bank Central Asia in **Indonesia** and Faysal Bank and MCB Bank in **Pakistan**. These emerging markets banks focus mainly on their domestic businesses. While trade finance may be impacted by slower exports, they do not have any significant exposure to the sub-prime or collateralised debt obligation problems in the US. These banks benefit from the rapidly growing consumer credit business especially when their governments initiate efforts to encourage local consumption.

The continued trend of outsourcing of services to Indian consulting companies should lead to higher corporate earnings. Thus, exposure to the sector was increased via the purchase of Tata Consultancy and Infosys Technologies, two major IT consulting companies in **India**.

Selective additions were also made in consumer-related sectors such as consumer electronics, automobile manufacturing and food retail. In emerging markets the long-term outlook for consumerism remains attractive due to relatively higher per capita income growth and

continued demand for consumer goods and services. Key investments include Victory City Industrial Holdings, Vtech Holdings, Denway Motor, which has a joint venture with Honda Motor for the production and selling of Honda Accord sedans, Fit and Odyssey MPV, and Walmex, the largest retailer in Latin America.

The availability of more attractive stocks elsewhere in the investment universe and the attainment of target prices led to selective sales during the reporting period. This reduced the Company's investments in **Brazil**, the **Hong Kong**-listed "H" shares and **South Korea**. These sales reduced the Company's exposure to the electric utilities, coal & consumable fuels, oil & gas refining & marketing and wireless telecommunications services sectors. Major sales included Yanzhou Coal Mining, a major Chinese coal exporter, Copel, an integrated electric utility in **Brazil**, and Turkcell, a key provider of mobile communications services in **Turkey**.

On 30 April 2009, the cash component of the portfolio had increased to 2.5% from 1.0% at the beginning of the period. The Company strives to remain virtually fully invested to ensure that it is well positioned to benefit from the developments in emerging markets.

## OUTLOOK

In our opinion, the emerging markets' economies are in a position where economies, companies and individuals are relatively well placed to overcome the global crisis. We also believe that emerging markets will play a much greater role in the global economy going forward. They will emerge as leaders, due to their relatively stronger macroeconomic and financial positions.

Asia is the world's largest emerging market region. Asian countries are also growing relatively fast. They include countries like **China** and **India** with very large populations whose per capita income is still growing strongly, and whose capital markets are undergoing rapid development. Economic growth remains relatively high, valuations remain attractive and reforms continue, thus improving the region's business and investment environment.

Valuations in Eastern European markets are also attractive, indeed very attractive in markets such as **Hungary** and **Turkey** which are trading at single-digit P/E ratios. **Russia**, with its huge land mass, large population and abundant natural resources could become one of the world's fastest-developing economies in the longer-term.

Most Latin American economies are faring relatively well, taking into account the current global macroeconomic conditions. There are some countries which are more prone to the global downturn. **Mexico**, for example is one, but greater intra-regional trade has offset some of the adverse impact of lower export demand from the US. One of the region's main attractions is its huge consumer market with pent-up demand for goods and services and world-class companies that are at the same time under-leveraged and inexpensive. In addition, the region's



Mark Mobius with some of his senior team

**Emerging markets are still expected to grow at a much faster rate than developed markets.**

natural resources are among the largest in the world. **Mexico** is a net exporter of oil; **Brazil** is a major exporter of iron ore, and soft commodities such as soybeans and coffee. While commodity stocks have been negatively affected by the recent decline in commodity prices, many companies are still profitable at current price levels.

While overall global growth has slowed, emerging markets are still expected to grow at a much faster rate than developed markets. The accumulation of foreign exchange reserves also puts emerging economies in a much stronger position to weather external shocks with reserves, for example, in **China**, totalling nearly US\$2 trillion. Most importantly of all, for us as value investors, the current valuations of emerging markets are attractive and we continue to be able to identify companies whose share prices do not take full account of their long term potential. We believe the portfolio is extremely well positioned to capitalise on these undervaluations.

J Mark Mobius, Ph.D.  
Templeton Asset Management Ltd.

12 June 2009

# PORTFOLIO SUMMARY

## PORTFOLIO DISTRIBUTION AS AT 30 APRIL 2009 AND 30 APRIL 2008

All figures are in %.

	Austria	Brazil	China	Hungary	India	Indonesia	Mexico	Pakistan	Poland	Russia	Singapore	South Africa	South Korea	Sweden	Taiwan	Thailand	Turkey	Liquid Assets	2009 Total	2008 Total
Consumer Discretionary	1.2	-	5.3	-	0.3	1.8	-	-	-	-	-	-	-	-	-	0.6	-	-	9.2	6.9
Consumer Staples	-	-	-	-	-	-	0.9	-	-	-	3.8	-	-	-	-	-	-	-	4.7	3.7
Energy	-	5.1	6.0	1.1	1.9	-	-	-	-	4.7	-	-	3.6	-	-	1.6	-	-	24.0	27.6
Financials	-	11.0	-	-	-	3.4	-	1.0	-	-	-	-	-	-	-	4.3	4.9	-	24.6	21.0
Healthcare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.4
Industrials	-	-	0.5	-	-	-	-	-	0.4	-	-	-	4.6	-	-	-	-	-	5.5	5.5
Information Technology	-	-	-	-	2.6	-	-	-	-	-	-	-	-	-	1.7	-	-	-	4.3	1.1
Materials	-	5.6	3.3	-	3.7	-	-	-	-	1.6	-	2.0	-	-	-	0.9	-	-	17.1	19.3
Telecommunications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	2.3	-	-	-	-	-	-	1.1	-	-	-	-	0.5	-	-	-	3.9	3.6
Utilities	-	-	-	-	-	-	-	-	1.4	-	-	-	-	-	-	1.6	1.7	-	4.7	9.8
Total Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98.0	98.9
Liquid Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.0	1.1
2009 Total	1.2	21.7	17.4	1.1	8.5	5.2	0.9	1.0	1.8	7.4	3.8	2.0	8.2	-	2.2	9.0	6.6	2.0	100.0	100.0
2008 Total	1.7	26.2	14.5	2.6	6.0	1.9	0.4	1.6	2.7	9.9	2.0	1.3	10.3	0.3	0.7	9.0	7.8	1.1	100.0	100.0

## INVESTMENT CHANGES – GEOGRAPHICAL

Country	30 Apr 08 Market Value £m's	Purchases £m's	Sales Regular £m's	Sales Tender Offer £m's	Market Movement £m's	30 Apr 09 Market Value £m's	MSCI Index £ %
Brazil	604	-	(58)	(164)	(120)	262	(27.7)
China	334	56	(60)	(91)	(30)	209	(15.6)
Thailand	205	3	-	(51)	(48)	109	(25.8)
India	135	50	(5)	(36)	(40)	104	(31.5)
South Korea	237	-	(32)	(58)	(47)	100	(22.2)
Other	750	112	(65)	(192)	(205)	400	-
Liquid Assets	26	-	-	-	(2)	24	-
Total	2,291	221	(220)	(592)	(492)	1,208	

## INVESTMENT CHANGES – SECTOR

Industry	30 Apr 08 Market Value £m's	Purchases £m's	Sales Regular £m's	Sales Tender Offer £m's	Market Movement £m's	30 Apr 09 Market Value £m's	MSCI Index £ %
Financials	480	28	-	(125)	(87)	296	(23.8)
Energy	593	12	(35)	(173)	(107)	290	(30.2)
Materials	444	48	(5)	(121)	(157)	209	(34.8)
Consumer Discretionary	156	30	(46)	(32)	(11)	97	(17.1)
Utilities	264	2	(64)	(58)	(72)	72	(4.2)
Other	328	101	(70)	(83)	(56)	220	-
Liquid Assets	26	-	-	-	(2)	24	-
Total	2,291	221	(220)	(592)	(492)	1,208	

# PORTFOLIO HOLDINGS

## BY GEOGRAPHY

### Geographical analysis (by country of incorporation)

As at 30 April 2009

Country	Sector	Fair Value** £'000
<b>AUSTRIA</b>		
OMV AG†	Utilities	15,426
		<b>15,426</b>
<b>BRAZIL</b>		
Banco Bradesco SA, ADR, pfd. *†	Financial	59,879
Companhia Vale do Rio Doce, ADR, pfd., A *†	Materials	68,249
Itau Unibanco Banco Multiplo SA, ADR *	Financial	72,364
Petroleo Brasileiro SA, ADR, pfd. *†	Energy	61,663
		<b>262,155</b>
<b>CHINA</b>		
Aluminum Corp. of China Ltd., H	Materials	39,946
Brilliance China Automotive Holdings Ltd.	Consumer Discretionary	12,477
China International Marine Containers (Group) Co. Ltd.,	Industrials	5,475
China Petroleum and Chemical Corp., H	Energy	26,763
Denway Motors Ltd.	Consumer Discretionary	46,588
PetroChina Co. Ltd., H	Energy	45,273
Victory City International Holdings Ltd.	Consumer Discretionary	4,416
VTech Holdings Ltd.	Telecommunication Services	28,393
		<b>209,331</b>
<b>HUNGARY</b>		
MOL Hungarian Oil and Gas Nyrt.	Energy	12,938
		<b>12,938</b>
<b>INDIA</b>		
Infosys Technologies Ltd.	Information Technology	6,318
National Aluminium Co. Ltd.	Materials	13,995
Oil & Natural Gas Corp. Ltd.	Energy	23,296
Peninsula Land Ltd.	Consumer Discretionary	3,606
Sesa Goa Ltd.	Materials	31,052
Tata Consultancy Services Ltd.	Information Technology	25,459
		<b>103,726</b>

\*US listed stocks

†pfd: preferred shares

‡These companies have significant exposure to operations in emerging markets.

\*\*Fair value represents the bid value of a security as required by International Financial Reporting Standards.

# PORTFOLIO HOLDINGS

## BY GEOGRAPHY CONTINUED

<i>Country</i>	<i>Sector</i>	<i>Fair Value**</i> <i>£'000</i>
<b>INDONESIA</b>		
PT Astra International Tbk	Consumer Discretionary	21,647
PT Bank Central Asia Tbk	Financial	17,456
PT Bank Danamon Indonesia Tbk	Financial	23,490
		<u>62,593</u>
<b>MEXICO</b>		
Wal-Mart de Mexico SAB de CV, V	Consumer Staples	11,116
		<u>11,116</u>
<b>PAKISTAN</b>		
Faysal Bank Ltd.	Financial	2,817
MCB Bank Ltd.	Financial	8,705
		<u>11,522</u>
<b>POLAND</b>		
Polnord SA	Industrials	4,594
Polski Koncern Naftowy Orlen SA	Utilities	17,265
		<u>21,859</u>
<b>RUSSIA</b>		
Gazprom, ADR *	Energy	22,986
LUKOIL Holdings, ADR *	Energy	27,001
Mining and Metallurgical Co. Norilsk Nickel	Materials	4,612
Mining and Metallurgical Co. Norilsk Nickel, ADR *	Materials	15,069
Mobile TeleSystems, ADR *	Telecommunication Services	13,043
OAo TMK	Energy	6,423
		<u>89,134</u>
<b>SINGAPORE</b>		
Dairy Farm International Holdings Ltd.	Consumer Staples	45,517
		<u>45,517</u>
<b>SOUTH AFRICA</b>		
Anglo American PLC	Materials	24,099
		<u>24,099</u>

\*US listed stocks

†pfd: preferred shares

‡These companies have significant exposure to operations in emerging markets.

\*\*Fair value represents the bid value of a security as required by International Financial Reporting Standards.

<i>Country</i>	<i>Sector</i>	<i>Fair Value**</i> <i>£'000</i>
<b>SOUTH KOREA</b>		
Hyundai Development Co.	Industrials	55,786
SK Energy Co. Ltd.	Energy	43,750
		<u>99,536</u>
<b>TAIWAN</b>		
Compal Communications Inc.	Telecommunication Services	6,360
MediaTek Inc.	Information Technology	16,015
Taiwan Semiconductor Manufacturing Co. Ltd.	Information Technology	4,470
		<u>26,845</u>
<b>THAILAND</b>		
Kasikornbank Public Co. Ltd., fgn.	Financial	17,737
Kiatnakin Bank Public Co. Ltd., fgn.	Financial	5,293
Land and Houses Public Co. Ltd., fgn.	Consumer Discretionary	7,420
PTT Exploration and Production Public Co. Ltd., fgn.	Energy	19,190
PTT Public Co. Ltd., fgn.	Utilities	18,988
Siam Cement Public Co. Ltd., fgn.	Materials	11,245
Siam Commercial Bank Public Co. Ltd., fgn.	Financial	29,475
		<u>109,348</u>
<b>TURKEY</b>		
Akbank TAS	Financial	58,646
Tupras-Turkiye Petrol Rafinerileri AS	Utilities	20,105
		<u>78,751</u>
<b>TOTAL INVESTMENTS</b>		<u>1,183,896</u>
<b>LIQUID ASSETS</b>		24,397
<b>TOTAL NET ASSETS</b>		<u>1,208,293</u>

\*US listed stocks

†pfd: preferred shares

‡These companies have significant exposure to operations in emerging markets.

\*\*Fair value represents the bid value of a security as required by International Financial Reporting Standards.

# TEN LARGEST INVESTMENTS

IN ORDER OF MARKET VALUE AS AT 30 APRIL 2009

## ITAU UNIBANCO

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Brazil	6.0	72,364

One of Brazil's largest commercial banks providing a full range of banking and financial services. This was formed by a recent merger between Banco Itau and Unibanco.

## VALE RIO DOCE

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Brazil	5.7	68,249

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

## PETROBRAS

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Brazil	5.1	61,663

Brazil's national oil and gas company that specialises in off-shore exploration and production and maintains a substantial proven reserve of crude oil and natural gas.

## BANCO BRADESCO

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Brazil	5.0	59,879

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

## AKBANK

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Turkey	4.9	58,646

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

<sup>\*</sup>Source: Franklin Templeton Investments – as of last trade

## HYUNDAI DEVELOPMENT

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
South Korea	4.6	55,786

One of the leading residential property developers in Korea.

## DENWAY MOTORS

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
China	3.9	46,588

A major automobile manufacturer and distributor in China which maintains its own trademarks in addition to those franchised by the joint venture with Honda Motor of Japan, such as Accord, Odyssey, City and Fit.

## DAIRY FARM INTERNATIONAL

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Singapore	3.8	45,517

Dairy Farm's core businesses consist of supermarkets, hypermarkets as well as health & beauty, convenience and home furnishing stores.

## PETROCHINA

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
China	3.8	45,273

China's largest oil and gas company in terms of reserves. The company has gradually been diversifying into marketing and downstream activities.

## SK ENERGY

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
South Korea	3.6	43,750

A major company in South Korea's refining market.

\*Source: Franklin Templeton Investments – as of list trade

# FINANCIAL SUMMARY

<b>23</b>	<b>Directors' Report</b>
<b>37</b>	<b>Statement of Directors' Responsibilities</b>
<b>38</b>	<b>Directors' Remuneration Report</b>
<b>40</b>	<b>Report of the Independent Auditor</b>
<b>42</b>	<b>Income Statement</b>
<b>43</b>	<b>Balance Sheet</b>
<b>44</b>	<b>Statement of Changes in Equity</b>
<b>45</b>	<b>Cash Flow Statement</b>
<b>46</b>	<b>Accounting Policies</b>
<b>49</b>	<b>Notes to the Financial Statements</b>



# DIRECTORS' REPORT

The Directors submit their Annual Report together with the financial statements of the Company for the year ended 30 April 2009.

## BUSINESS REVIEW

### *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 833 of the Companies Act 2006.

In the opinion of the Directors, the Company has directed its affairs so as to be able to continue to seek approval as an investment trust from the HM Revenue & Customs under section 842 of the Income and Corporation Taxes Act 1988 each year.

### *Investment Policy*

The objective of the Company is to provide long-term capital appreciation for its shareholders through investment in companies operating in emerging markets or whose stocks are listed on the stock markets of such countries. No material change will be made to this policy without shareholder approval.

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.

Risk is spread by investing in a number of holdings, some of which themselves are diversified companies.

Where possible, investment will generally be made directly in the stock markets of emerging countries. Where the Investment Manager determines appropriate, for example to gain access to markets closed to foreign portfolio investors, investment may be made in emerging markets through collective investment schemes, although such investment is not likely to be substantial. In addition, investment in companies listed on more developed countries' stock exchanges may also be made where those companies have a significant source of their revenue from emerging countries. The Investment Manager does not anticipate investing a significant part of the Company's assets in such companies.

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.

It is intended that the Company's funds will normally be invested in equity investments; the Investment Manager may invest in equity-related investments (such as convertibles) where there are perceived to be advantages to so doing.

The portfolio will frequently be over-weight or under-weight against the index. 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.

The Investment Manager searches for well-managed companies assessed as undervalued, especially those that are out-of-favour among investors. On the other hand, the Investment Manager sells companies that, in its opinion, are overvalued, 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;

# DIRECTORS' REPORT

## CONTINUED

- (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 the Investment Manager's 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.

The general policy of the Board is to be fully invested. In response to market conditions, the Investment Manager may hold funds temporarily in cash or other appropriate assets.

### *Key Performance Indicators*

The following are considered key performance indicators for the Company:

- the return in net asset value per share compared to its benchmarks;
- the movement in share price and discount; and
- the total expense ratio.

### *Performance*

The Investment Manager employs a value investing strategy and purchases stocks trading at less than their assessed value.

In the year to 30 April 2009, the Company's net asset value per share produced a negative total return of 23.5%. This was broadly in line with the Company's benchmark, the MSCI Emerging Markets Index, which decreased by 23.4%.

The graph below shows the return of TEMIT's NAV and share price relative to the MSCI Emerging Markets Index over the last 10 years:

The Chairman's Statement on pages 4 to 7 and the Manager's Report on pages 11 to 15 include a review of the main developments during the year and the investment outlook.

## **SHARE PRICE DISCOUNT TO NET ASSET VALUE**

### ***Share Capital and Discount***

The Board is aware that discount volatility is unwelcome to many shareholders and has powers to buy back the Company's shares as a discount control mechanism when it is in the best interests of the Company's shareholders.

The share price of TEMIT decreased by 22.3% to 340.5p as at 30 April 2009 from 438.0p as at 30 April 2008. Since the completion of the tender offer in June 2008, the Company's discount has generally been in the range of 3% to 9%. During the year volatile market conditions have resulted in large short term fluctuations in the discount from a high of 14.1% to a premium of 3.3%. As at 30 April 2009, the discount had narrowed to 6.9% from 9.6% at 30 April 2008.

Following the tender offer, which was approved at the EGM on 13 June 2008, the Company bought back and cancelled 141.8 million Ordinary Shares of 25p each, 30% of the share capital, for a total cost of £611.2 million, at a discount of 4% to the NAV.

During the year a further 0.4 million Ordinary Shares of 25p each were repurchased and cancelled, representing 0.1% of the issued share capital, at a cost to the Company of £1.4 million.

In the period from 1 May 2009 to 5 June 2009, no shares were bought back and cancelled.

### ***Cancellation of Reserves***

The shareholders gave approval, subject to Court approval, at the AGM of the Company on 25 September 2008 to cancel the Company's share premium account and capital redemption reserve. The Court of Session subsequently gave its approval on 5 December 2008.

The cancellation of the Company's share premium account and capital redemption reserve has increased the Company's distributable reserves.

### ***Expense Ratio***

The Total Expense Ratio has risen from 1.33% at 30 April 2008 to 1.34% at 30 April 2009. This is due, in the main, to the additional expenses of £1.3 million, which were incurred as part of the June 2008 tender offer and were charged wholly to exiting shareholders. These expenses were deducted from tender proceeds paid to exiting shareholders. The Total Expense Ratio would have fallen to 1.25% if these exceptional, one-off tender offer costs are excluded. The reduction is due, in part, to the receipt of VAT and interest from HMRC for previously overcharged VAT.

### ***Results and Dividends***

The loss for the year was £458.9 million (2008: profit £626.3 million) but the revenue profit was £28.1 million (2008: £19.8 million). The full results for the Company are disclosed in the Income Statement on page 42.

The Directors propose an ordinary dividend of 3.75 pence per Ordinary Share (2008: 3.50p). This is an increase of 7.1% on the previous year's ordinary dividend. The Company has an obligation to retain no more than 15% of gross income to maintain Investment Trust status. Accordingly, the Directors propose an additional special dividend of 2.50 pence per Ordinary Share. This special dividend includes the income accrued from the start of the period up to the tender offer date attributed to the shares then cancelled. The tender payment was a return of capital only and the income was retained within the Company. The special dividend also includes the VAT and related interest recovered in the year, as a result of the European Court of Justice case. This makes a total dividend for 2009 of 6.25 pence per share (2008: 3.50 pence per share). If approved by shareholders at the AGM, to be held on 17 July 2009, the ordinary dividend and the special dividend will be payable on 22 July 2009 to shareholders on the register at close of business on 19 June 2009.

# DIRECTORS' REPORT

## CONTINUED

### *Gearing*

The Board has agreed that in exceptional circumstances, and for short periods, TEMIT may borrow up to 10% of its net assets.

During the period, the Company utilised a short term overdraft facility with JPMorgan. This was used during the tender offer to facilitate the settlement of trades and resulted in the Company being overdrawn on its sterling account. The maximum borrowing was £8.2 million in June 2008.

The company does not currently borrow to fund long term investments.

### *Principal Risks and Uncertainties*

The principal risks facing the Company are summarised below. The number and spread of investments in TEMIT's portfolio is intended to reduce the degree of risk. Nevertheless, investors should be aware of the risks associated with TEMIT's investment objectives.

The Board monitors market, investment and currency risk and information is provided on a quarterly basis as part of the Board papers. Specific information includes benchmark and performance attribution, risk analysis, contributors and detractors, major overweight and underweight's and portfolio information including purchases and sales.

#### *Market risk*

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 the Company and affect its share price. For these reasons, a long-term approach to investing in emerging markets is taken.

Emerging markets have, in the past, been subject to greater price volatility and rapid and severe re-pricing than developed markets. In periods of pronounced volatility, the differential between emerging market stocks, markets and countries decreases. In such times, the benefits that diversification generally provides are reduced.

#### *Investment risk*

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.

#### *Currency risk*

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, investments traded in that foreign currency will increase in value, which can contribute to an improvement in the Company's performance.

#### *Regulatory risk*

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.

#### *Key personnel*

The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of the Investment Manager and its ability to attract and retain suitable staff. The Company is also reliant upon the skills of its Directors and the loss of any of these individuals could reduce its ability to achieve its planned investment objectives. The Company and the Investment Manager have endeavoured to ensure that the principal members of their management teams are suitably incentivised, but the retention of such staff cannot be guaranteed.

#### *Operational risk*

Like many other investment trust companies, the Company has no employees. The Company therefore relies up on the services provided by third parties and is dependent upon the control systems of the Investment Manager and the Company's service providers. The security, for example, of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements depend on the effective operation of these systems. These are regularly tested and monitored and an internal control report, which includes an assessment of risks together with an overview of procedures to mitigate such risks, is prepared by the Secretary and Administrator and reviewed by the Audit Committee annually. The global custodian (JP Morgan) produces an annual SAS 70 report which is reviewed by its auditors and gives assurance regarding the effective operation of controls.

The Directors, on an annual basis, receive a risk and control report. This report identifies the areas of risk and the controls that have been put in place to mitigate these risks. Additionally, the Directors have sought to ensure that the Company's service providers have adopted an appropriate 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.

Further information on the risks that TEMIT is subject to is also detailed in Note 14 of the Notes to the Financial Statements.

## **FINANCIAL**

#### *Share Capital*

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

#### *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.

The Directors anticipate a successful outcome in the upcoming continuation vote following feedback from major shareholders and brokers. Therefore, the Directors see no reason to present this report other than on a going concern basis.

#### *Change of Financial Year End*

To allow shareholders to more readily compare the Company's performance with that of its peers, it is the Directors' intention to change the Company's financial year end to 31 March. The quarterly reporting periods would therefore end on 31 March, 30 June, 30 September and 31 December each year. The next full set of financial statements will be made up for the eleven months to 31 March 2010.

#### *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 the relevant terms and conditions. For the year ended 30 April 2009 the number of trade (broker) creditor days was 1 day (2008: 1 day).

# DIRECTORS' REPORT

## CONTINUED

### Auditors

During the year, the Audit Committee reviewed the position of auditors to the Company and sought competitive tenders for the appointment of auditors. Following this process and recognising the particular strengths of the Edinburgh based team of Deloitte LLP to provide a locally based service, the Directors approved the Audit Committee's recommendation for the appointment of Deloitte LLP as auditors in place of the retiring Grant Thornton UK LLP. A resolution proposing this appointment and authorising the Directors to determine Deloitte's remuneration will be submitted 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.

### 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 8 to 10.

The following were Directors during the year to 30 April 2009:

Peter A Smith	Sir Peter Burt
Neil A Collins	Peter O Harrison
Christopher D Brady	Gregory E Johnson
Peter C Godsoe OC (resigned 26 June 2008)	Hamish N Buchan (appointed 26 June 2008)

The Company identified suitable candidates for the Board after consultation with appropriate individuals operating in the investment trust industry. External search consultants were not appointed and no formal advertising was carried out.

Peter Godsoe resigned as a Director and a member of the Audit Committee on 26 June 2008 and Hamish Buchan was appointed as a Director and a member of the Audit Committee on 26 June 2008.

Gregory Johnson is President and Chief Executive Officer of Franklin Resources, Inc. He is also President of Templeton Worldwide Inc, the parent company of the Investment Manager. He is therefore not an independent Director.

As a non-independent Director, Gregory Johnson offers himself for re-election as required under UK Listing Rules and the AIC Code of Corporate Governance.

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. All Directors serving longer than nine years must offer themselves for annual re-election.

Neil Collins retires by rotation as a Director and offers himself for re-election as required under the Company's Articles of Association.

The Board recommends the re-election of Neil Collins and Gregory Johnson, whose biographies are set out in this Annual Report, as they will 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 the Investment Manager, and Franklin Templeton Investment Management Limited ("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, long-term investment strategy, performance of the Company and the appropriate guidelines within which the Investment Manager should operate.

The table below lists the number of scheduled Board and Committee meetings attended by each Director. During the year there were 5 Board Meetings, 3 Audit Committee Meetings and 2 Nomination and Remuneration Committee Meetings.

<i>Director</i>	<i>Board Meetings Attended</i>	<i>Audit Committee Meetings Attended</i>	<i>Nomination and Remuneration Committee Meetings Attended</i>
Peter A Smith	5	N/A	2
Christopher D Brady	5	N/A	N/A
Hamish N Buchan (appointed 26 June 2008)	3	2	N/A
Sir Peter Burt	4	3	2
Neil A Collins	5	3	N/A
Peter O Harrison	5	3	N/A
Gregory E Johnson	4	N/A	N/A
Peter C Godsoe OC (resigned 26 June 2008)	0	0	N/A

In addition to the scheduled Board and Committee meetings, there were a number of additional meetings of the Directors in relation to the tender offer proposals in 2008 and other matters.

#### ***Nomination and Remuneration Committee***

The Board has a Nomination and Remuneration Committee, which currently comprises Sir Peter Burt (Chairman of the Nomination and Remuneration Committee), Peter Smith and Neil Collins (appointed member of the Nomination and Remuneration Committee on 26 June 2008). The role of the Nomination and 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 the TEMIT website ([www.temit.co.uk](http://www.temit.co.uk)) or on request via Client Dealer Services at Franklin Templeton Investment Management Limited using the contact details provided on the inside back cover of this report.

# **DIRECTORS' REPORT**

## **CONTINUED**

### ***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, was carried out through questionnaires and discussions between the Chairman and each Director. The Chairman has been evaluated by his fellow Directors, led by Sir Peter Burt, the Senior Independent Director and such evaluations shall continue to take place at least annually. 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 Secretary and Administrator, with regular information to enable the Directors to discharge their duties. The Secretary and Administrator provides the Board with regular updates on regulatory issues and on the latest corporate governance rules and guidelines.

### ***Directors' Appointment Letters***

Each of the Directors has an appointment letter with the Company and such letters are available for inspection at the Company's registered office. 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.

### ***Director's Conflicts of Interest***

The Companies Act 2006 set out directors' general duties. The provisions largely codify the existing law, but with some changes. Under this Act, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Company's Articles give the Directors authority to approve such situations.

There are safeguards which apply when Directors decide whether to authorise a conflict or potential conflict. Firstly, only Directors who have no interest in the matter being considered are able to make the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up to date and the Directors annually complete an updated conflicts of interest questionnaire disclosing any conflicts or potential conflicts.

### ***Articles of Association***

Any amendments to the articles of association must be approved by a special resolution at the AGM.

### ***Indemnification and Insurance***

The Company entered into deeds of indemnity with each of the Directors prior to the date of this report. These are qualifying third party indemnity provisions and are in force as at the date of this report. This information is disclosed in accordance with sections 236(2) and 236(3) of the Companies Act 2006. The Company maintains appropriate insurance cover in respect of legal action against the Directors.



### **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.

The 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.

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 38.

TEMIT 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 2009 in the Company's Ordinary Shares save for the following Directors:

	30 April 2009	30 April 2008
<b>Sir Peter Burt</b>		
Ordinary Shares	4,000	4,000
<b>Neil A Collins</b>		
Ordinary Shares	7,000	7,000
<b>Hamish N Buchan</b> (appointed 26 June 2008)		
Ordinary Shares	15,000	N/A
<b>Peter A Smith</b>		
Ordinary Shares	10,000	nil

The Company has not received notification of any changes in the above interests as at 5 June 2009.

### **Substantial Shareholdings**

As at 5 June 2009 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 Shares	Percentage
City of London	39,227,085	11.87
Lazard Asset Management LLC Group	20,406,075	6.17
Templeton Investment Plan	16,051,963	4.86
Legal & General Investment Management	14,223,758	4.30
Rensburg Sheppards	11,329,861	3.43

# DIRECTORS' REPORT

## CONTINUED

### 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 total 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 considers the arrangements for the provision of investment management services to the Company on an ongoing basis and a formal review is conducted annually. When assessing the performance of the Investment Manager, the Board believes it is appropriate to make this assessment over a medium to long term timeframe which is in accordance with the long term approach taken to investment. 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 and this is evident by the Investment Manager's performance to date.

#### *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 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*

JPMorgan 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 Stockbroker*

The Company announced the appointment of Winterflood Investment Trusts as its corporate stockbroker on 8 January 2009. Winterflood replaced UBS Limited who previously held this appointment.

### 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 2006. 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*

The Board considers that the Company has complied with the relevant provisions of Section 1 of the Combined Code on Corporate Governance 2006 throughout the year ended 30 April 2009.

### ***AIC Code of Corporate Governance (the "AIC Code")***

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 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.

### ***Additional Information for New Zealand Shareholders***

As a result of a 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](http://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 half yearly and annual financial statements, recommendation of dividends, 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, Community, Environmental & Ethical Policy***

As an investment trust, the Company has no direct social, community 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, community 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.

# **DIRECTORS' REPORT**

## **CONTINUED**

### ***Contact with Shareholders***

The Chairman of the Company is available for any shareholder questions and he has periodic 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, 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 the inside back cover of this report.

### ***Accountability and Audit***

The Board has an Audit Committee, which currently comprises Peter Harrison (Chairman of the Audit Committee), Sir Peter Burt, Neil Collins and Hamish Buchan (appointed 26 June 2008). Peter Godsoe was a member of the Audit Committee until his resignation from the Board on 26 June 2008. 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, internal auditors 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 Investment 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, remuneration, independence and policy on supplying non-audit services and ensuring continued independence.

The terms of reference of the Audit Committee reflect the recommendations of the Combined Code on Corporate Governance 2006. A copy of the terms of reference of the Audit Committee is available to shareholders on the TEMIT website ([www.temit.co.uk](http://www.temit.co.uk)) or 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 2009 on behalf of TEMIT included assistance with the tender offer proposals in 2008 and review of the October 2008 Half Yearly 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.

As explained on page 28, during the year the Audit Committee initiated a competitive tender exercise and made a recommendation to the Board to appoint Deloitte LLP for the period ending 31 March 2010.

### ***Risk Management Objectives and Policy***

The Company invests in equities and other investments for the long-term in seeking its investment objectives as stated on pages 23 and 24. 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 14 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 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.

#### **Authority to Purchase Own Shares**

At the Extraordinary General Meeting of the Company held on 13 June 2008, a Special Resolution was passed authorising the Company to purchase its Ordinary Shares in the market, a maximum of 14.99 per cent of the Ordinary Shares in issue on 13 June 2008 or 70,854,915 shares, whichever is lower, up to the conclusion of the Annual General Meeting in 2009.

The Directors are seeking renewal of the authority to purchase the Company's Ordinary Shares in the market, being a maximum of 14.99 per cent of the Ordinary Shares in issue on 17 July 2009 or 49,533,908 shares, whichever is the lower, at the 2009 Annual General Meeting. 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 and would result in an increase in asset value per share for the remaining shareholders. 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 2010 and in each succeeding year.

## **ANNUAL GENERAL MEETING**

### **Ordinary Business**

It is proposed to receive and adopt the Directors' and Auditors' Reports and Financial Statements for the year ended 30 April 2009 and to approve the Directors' Remuneration Report for the year ended 30 April 2009.

It is proposed to declare an ordinary dividend and a special dividend.

It is proposed to re-elect Neil A Collins and Gregory E Johnson as Directors.

It is proposed to appoint Deloitte LLP as Auditors in place of Grant Thornton UK LLP, the retiring auditors.

It is proposed to authorise the Directors to determine the Auditors' remuneration.

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](http://www.temit.co.uk)).

# DIRECTORS' REPORT

## CONTINUED

### *Special Business*

The Special Business to be dealt with at the forthcoming Annual General Meeting of the Company relates to (i) the continuation of the Company as an investment trust, (ii) the authority to make market purchases of ordinary shares and (iii) to maintain the 14 clear days' notice period for general meetings.

### *Continuation Vote*

It is proposed in resolution 9 that pursuant to Article 147(A) of the Articles of Association of the Company, the Company continues as an investment trust for a further five years.

### *Market Purchases*

It is proposed in resolution 10 that the Company be authorised to make market purchases in accordance with the relevant provisions of the Companies Act 1985 and subject to specified conditions.


### *Notice Period for General Meetings*

The Shareholder Rights Directive is intended to be implemented in the UK in August this year. One of the requirements of the Directive is that all general meetings must be held on 21 days' notice, unless shareholders agree to a shorter notice period. TEMIT is currently able to call general meetings (other than annual general meetings) on 14 days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Special Resolution 11 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

### *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.

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  
12 June 2009

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## IN RESPECT OF THE ANNUAL REPORT AND 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 2006 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 2006. 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](http://www.temit.co.uk)).

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.

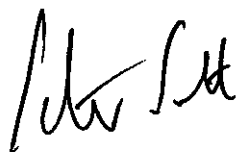
The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

Peter Smith  
Chairman

12 June 2009



# DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Section 420 of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your 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 40 and 41.

## *Nomination and Remuneration Committee*

The Board has appointed a Nomination and Remuneration Committee whose role is more fully explained on page 29 in 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.

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. No non-executive Director has a service contract with the Company.

## *Directors' emoluments for the year (audited)*

The Directors who served in the year received the following emoluments in the form of fees:

	2009	2008
Peter A Smith (Chairman)	£50,000	£43,874
Sir Peter Burt	£30,000	£30,000
Peter C Godsoe OC (resigned 26 June 2008)	£5,000	£30,000
Neil A Collins	£30,000	£30,000
Peter O Harrison (Appointed 30 November 2007) †	£40,000	£16,511
Christopher D Brady (Appointed 12 December 2007)	£30,000	£11,643
Hamish N Buchan (Appointed 26 June 2008)	£25,411	–
Gregory E Johnson (Appointed 12 December 2007)*	–	–

† Chairman of the Audit Committee

\* Gregory Johnson is compensated in his capacity as President and Chief Executive Officer of Franklin Resources, Inc.

## *Performance Graph*

The line graph on page 3 details the total shareholder return.

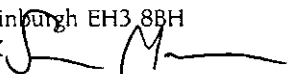


**Approval**

The Directors' Remuneration Report on pages 38 and 39 was approved by the Board of Directors on 12 June 2009 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

12 June 2009

# **REPORT OF THE INDEPENDENT AUDITOR**

## **TO THE MEMBERS 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 2009 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### ***Scope of the audit of the financial statements***

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKP.cfm](http://www.frc.org.uk/apb/scope/UKP.cfm).

### ***Opinion on financial statements***

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion

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

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

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 27 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review.



Julian Bartlett

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP, Statutory Auditor  
Registered Auditor, Chartered Accountants  
London

12 June 2009

# INCOME STATEMENT

## FOR THE YEAR ENDED 30 APRIL 2009

	Note	Revenue £'000	2009 Capital £'000	Total £'000	Revenue £'000	2008 Capital £'000	Total £'000
<b>Gains on investments and exchange</b>							
Gains/(losses) on investments at fair value	6	–	(489,246)	(489,246)	–	607,057	607,057
Gains/(losses) on foreign exchange		–	2,262	2,262	–	(581)	(581)
<b>Revenue</b>							
Dividends	1	53,565	–	53,565	57,578	–	57,578
Bank Interest	1	2,453	–	2,453	820	–	820
		56,018	(486,984)	(430,966)	58,398	606,476	664,874
<b>Expenses</b>							
Investment management fee	2	(12,547)	–	(12,547)	(22,602)	–	(22,602)
Other expenses	3	(5,262)	–	(5,262)	(8,228)	–	(8,228)
<b>Profit/(loss) before taxation</b>		<b>38,209</b>	<b>(486,984)</b>	<b>(448,775)</b>	<b>27,568</b>	<b>606,476</b>	<b>634,044</b>
Tax expense	4	(10,105)	–	(10,105)	(7,728)	–	(7,728)
<b>Profit/(loss) for the period</b>		<b>28,104</b>	<b>(486,984)</b>	<b>(458,880)</b>	<b>19,840</b>	<b>606,476</b>	<b>626,316</b>
<b>Profit/(loss) attributable to equity holders of the Company</b>		<b>28,104</b>	<b>(486,984)</b>	<b>(458,880)</b>	<b>19,840</b>	<b>606,476</b>	<b>626,316</b>
<b>Basic earnings per Ordinary Share</b>	5	<b>7.69p</b>	<b>(133.28p)</b>	<b>(125.59p)</b>	<b>4.07p</b>	<b>124.43p</b>	<b>128.50p</b>
<b>Annualised Expense Ratio</b>				<b>1.34%</b>			<b>1.33%</b>
<b>Annualised Expense Ratio excluding tender costs charged to revenue</b>				<b>1.25%</b>			<b>–</b>

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.

An ordinary dividend of 3.75p per Ordinary Share (2008: 3.50p) and a special dividend of 2.50p per Ordinary Share (2008: nil) are proposed for the year. Further details can be found in Note 12 on page 54.

# BALANCE SHEET

## AS AT 30 APRIL 2009

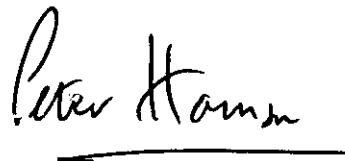
	Note	As at 31 April 2009 £'000	As at 30 April 2008 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	6	1,183,896	2,264,926
<b>Current assets</b>			
Trade and other receivables	7	5,394	18,961
Cash		29,671	22,605
		<u>35,065</u>	<u>41,566</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	(3,947)	(11,082)
Current tax payable		(5,865)	(2,778)
		<u>(9,812)</u>	<u>(13,860)</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	(856)	(1,237)
<b>NET ASSETS</b>		<u>1,208,293</u>	<u>2,291,395</u>
<b>ISSUED SHARE CAPITAL AND RESERVES</b>			
<b>ATTRIBUTABLE TO EQUITY SHAREHOLDERS</b>			
Equity Share Capital	10	82,611	118,170
Share Premium Account		—	375,327
Special Distributable Reserve		433,546	—
Capital Redemption Reserve		58	22,718
Capital Reserve		620,245	1,719,870
Revenue Reserve		71,833	55,310
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>1,208,293</u>	<u>2,291,395</u>
Net Asset Value per Ordinary Share (in pence)	11	365.65	484.77

These Financial Statements were approved for issue by the Board and signed on 12 June 2009.

Peter Smith  
Chairman



Peter Harrison  
Director



# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 APRIL 2009

	Share Capital £'000	Share Premium† £'000	Capital Redemption Reserve† £'000	Special Distributable Reserve £'000	Capital Reserve* £'000	Revenue Reserve £'000	Total £'000
Balance at 30 April 2007	133,995	375,327	6,893	–	1,358,505	50,764	1,925,484
Profit for the period	–	–	–	–	606,476	19,840	626,316
Equity dividends	–	–	–	–	–	(15,294)	(15,294)
Purchase and cancellation of own shares	(15,825)	–	15,825	–	(245,111)	–	(245,111)
Balance at 30 April 2008	118,170	375,327	22,718	–	1,719,870	55,310	2,291,395
Profit/(loss) for the period	–	–	–	–	(486,984)	28,104	(458,880)
Equity dividends (note 12)	–	–	–	–	–	(11,581)	(11,581)
Purchase and cancellation of own shares (note 10)	(35,559)	–	35,559	–	(612,641)	–	(612,641)
Transfer to capital reserves†	–	(375,327)	(58,219)	433,546	–	–	–
Balance at 30 April 2009	82,611	–	58	433,546	620,245	71,833	1,208,293

\*With effect 1 May 2007, the balance on both capital reserves has been merged into one account for Capital Reserve.

†The balances on the Share Premium Account and the Capital Redemption Reserve as at 25 September 2008, were cancelled on 5 December 2008 and a Special Distributable Reserve set up.

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 APRIL 2009

	For the year ended 30 April 2009 £'000	For the year ended 30 April 2008 £'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation	(448,775)	634,044
Adjustments for:		
Losses/(gains) on investments at fair value	489,246	(607,057)
Realised loss/(gain) on foreign exchange	(2,262)	581
Decrease/(increase) in debtors	4,883	(2,934)
Decrease/(increase) in accrued income	74	20
(Decrease)/increase in creditors	(5,522)	3,827
<b>Cash generated from operations</b>	<b>37,644</b>	<b>28,481</b>
Taxation paid	(7,399)	(8,160)
<b>Net cash inflow from operating activities</b>	<b>30,245</b>	<b>20,321</b>
<b>Cash flows from investing activities</b>		
Purchases of non-current financial assets	(225,530)	(146,864)
Sales of non-current financial assets	826,592	383,616
	<b>601,062</b>	<b>236,752</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(11,581)	(15,294)
Purchase of shares for cancellation*	(612,641)	(245,111)
	<b>(624,222)</b>	<b>(260,405)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>7,085</b>	<b>(3,332)</b>
Cash at start of year	22,605	25,915
Exchange gain/(loss) on cash	(19)	22
<b>Cash and cash equivalents at end of year</b>	<b>29,671</b>	<b>22,605</b>

\*Included within this figure are £2.9 million of expenses associated with the tender offer which were charged directly to reserves.

# 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"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

At the date of authorisation of these financial statements, the following standards and interpretations have not been applied in these financial statements since they were in issue but not yet effective:

International Accounting Standards (IAS/IFRS)	Effective date for accounting periods beginning on or after
IAS 1 (revised) Presentation of Financial Statements Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IFRS7 (amendment) Improving Disclosures About Financial Instruments	1 January 2009

The Directors have chosen not to early adopt these standards and interpretations as they do not anticipate that they would have a material impact on the Company's financial statements in the period of initial application.

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 Trusts ("AIC") in January 2009, is inconsistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Directors consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Given that the Directors anticipate a successful outcome in the upcoming continuation vote they believe that it is appropriate to continue to adopt the going concern basis in preparing the Company's accounts.

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 sterling, the Directors consider that the functional currency of the Company is 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 Income and Corporation Taxes Act 1988.

## (c) Revenue

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available dividends are recognised on their due date. Provision is made for any dividends not expected to be received.

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, 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 except as follows:

- (i) expenses relating to the disposal of an investment are deducted from the sales proceeds. Details of transaction costs on purchases and sales of investments are disclosed in note 6 on page 52.
- (ii) expenses are treated as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

**(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.

Deferred taxation is recognised in respect of all taxable temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the Balance Sheet date. This is subject to deferred tax assets only being recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

The carrying amount of deferred tax assets is reviewed at 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.

**(f) Investments held at fair value through profit or loss**

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 on initial recognition as being "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost including expenses incidental to the acquisition.

Subsequently, the investments are valued at "fair value", which is based on their quoted bid price at US market close on the balance sheet date, without deduction for any of the estimated future selling costs. However, in

# ACCOUNTING POLICIES

## CONTINUED

circumstances where appropriate, the value of the close of market bid prices are adjusted to a fair value basis having regard to a range of market triggers and proxies.

Gains and losses arising from changes in fair value are included in the net profit or loss for the period as a capital item in the Income Statement.

**(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 depending 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 in the Statement of Changes in Equity.

**(h) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value.

**(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.

Capital Reserve (previously Capital Reserve Realised and Capital Reserve Unrealised) – gains and losses on realisation of investments, realised exchange differences of a capital nature, without accepting adverse terms, and the amounts by which other assets and liabilities valued at fair value differ from their book value are dealt with in this reserve. Purchases of the Company's own shares for cancellation are also funded from this reserve.

Special Distributable Reserve – new reserve created upon the cancellation of the Share Premium Account and Capital Redemption Reserve

Revenue Reserve – represents net income earned 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 2009

<b>1 Income</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income from investments</b>		
UK dividends	130	482
Other EU dividends	3,959	2,817
Other overseas dividends	49,448	54,279
Scrip dividends	28	–
	<b>53,565</b>	<b>57,578</b>
<b>Other income</b>		
Deposit interest	2,453	820
<b>Total income</b>	<b>56,018</b>	<b>58,398</b>
<b>Total income comprises:</b>		
Dividends	53,565	57,578
Interest	2,453	820
	<b>56,018</b>	<b>58,398</b>
<b>Income from investments</b>		
Listed overseas	<b>53,435</b>	<b>57,096</b>

<b>2 Investment management fee</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Variable Expense</b>		
Investment management fee	<b>12,547</b>	<b>22,602</b>

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 total net assets of the Company. As at 30 April 2009, £1.5 million (30 April 2008: £3.5 million) 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, at an annual rate of 0.20%, 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	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Variable expenses</b>				
Secretarial and administration expenses	2,608		4,520	
Custody fees	<u>782</u>		<u>1,688</u>	
		3,390		6,208
<b>Fixed expenses</b>				
Directors' emoluments	224		254	
Auditors' remuneration				
Fees payable to the Company's auditor for the audit of the annual financial statements	33		28	
Fees payable to the Company's auditor and its associates for other services				
– Other services pursuant to legislation: half yearly financial report	3		4	
– Other services pursuant to legislation: 31 March 2008 Accounts	4		–	
– Services relating to corporate finance transactions: assistance with the capital restructuring proposals	28		31	
Registrar fees	241		169	
Tender offer costs	1,279		–	
VAT	(981)		80	
Bank overdraft interest	24		198	
Other administration expenses	<u>1,017</u>		<u>1,256</u>	
		1,872		2,020
<b>Total other expenses</b>		<u>5,262</u>		<u>8,228</u>

The costs associated with the tender offer for shares by the Company in June 2008 were borne by exiting shareholders.

Fees in respect of services as Directors are paid by the Company only to those Directors who are independent of Franklin Templeton Investments. Included within these costs are Employer National Insurance contributions.

As at 30 April 2009, £0.3 million (30 April 2008: £0.7 million), in fees were payable and outstanding to FTIML.

Following the outcome of a recent European Court of Justice Case, HM Revenue & Customs (HMRC) has accepted that management fees charged to Investment Trusts can be treated as exempt for Value Added Tax (VAT) purposes. The Company had lodged claims with HMRC to recover VAT previously overpaid by it. These claims have largely been resolved with HMRC, with the exception of the period from November 1996 to January 2001. A total of £1.8 million of VAT, plus interest, has been received from HMRC to date. Full credit has been taken by the Company in respect of the claim monies received. The remaining period is currently capped by statutory limitation, but this is subject to an unrelated separate legal challenge. Since the eventual outcome cannot be accurately predicted at this time no credit has been taken into these accounts for any amounts that may be recoverable for this period.

4 Tax on ordinary activities	2009 £'000	2008 £'000
Corporation tax charged at 28%	10,435	7,650
Double taxation relief	(2,800)	(3,791)
Prior year adjustments	–	–
	<u>7,635</u>	<u>3,859</u>
Overseas tax	2,851	5,073
Adjustment in respect of prior periods	–	(55)
	<u>10,486</u>	<u>8,877</u>
Current tax	(381)	(1,149)
Deferred tax – current year	<u>10,105</u>	<u>7,728</u>

#### Taxation

The current taxation charge for the year is different from the standard rate of corporation tax in the UK. With effect from 1 April 2008 the standard rate of corporation tax in the UK became 28%.

	2009 £'000	2008 £'000
Profit before taxation	(448,775)	634,044
Theoretical tax at UK corporation tax rate	(125,657)	189,198
Effects of:		
– Capital Element of Profit	136,356	(180,973)
– Prior year adjustments to irrecoverable overseas tax	–	(55)
– Non taxable income	18	(12)
– Stock dividends	(8)	–
– Non Deductible expenses	358	170
– UK dividends not subject to Corporation Tax	(36)	(144)
– Other EU dividends not subject to Corporation Tax	(1,110)	(840)
– Irrecoverable overseas tax	184	528
– Income taxable in different periods	–	(144)
<b>Actual tax charge</b>	<u><b>10,105</b></u>	<u><b>7,728</b></u>

As a result of a decision by the European Court of Justice, the UK Government has announced in the 2009 Budget that foreign and UK distributions will be treated in the same way from 1 July 2009. Distributions will now generally be exempt from corporation tax. There has been no ruling relating to the taxation of overseas dividends received before 1 July 2009 and the Company has not, at this stage, recognised the potential refund of UK corporation tax resulting from treating this income as non-taxable.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 5 Earnings per Ordinary Share

Earnings per Ordinary Share has been calculated on the following earnings:

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Basic:	28,104	(486,984)	(458,880)	19,840	606,476	626,316

Basic Earnings per Ordinary Share:

	2009 Revenue p	2009 Capital p	2009 Total p	2008 Revenue p	2008 Capital p	2008 Total p
Basic:	7.69	(133.28)	(125.59)	4.07	124.43	128.50

The earnings per Ordinary Shares is based on the profit/(loss) on ordinary activities after tax and on the weighted average number of Ordinary Shares in issue during the year 365,378,384 (2008: 487,398,572).

### 6 Financial Assets – Investments

	2009 £'000	2008 £'000
Opening investments as at 1 May	2,264,926	1,903,045
Movements in year		
Additions	221,178	149,761
Sales	(812,962)	(394,751)
Realised profits on realisations	414,652	192,071
Net (depreciation)/appreciation	(903,898)	414,800
Closing investments	<b>1,183,896</b>	<b>2,264,926</b>

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

Transaction costs for the year on purchases were £571,000 (2008: £594,000) and transaction costs for the year on sales were £665,000 (2008: £877,000). The aggregate transaction costs for the year were £1,236,000 (2008: £1,471,000).

	2009 £'000	2008 £'000
<b>Gains/(losses) on investments comprise of:</b>		
Profit on realisation based on carrying value at 30 April 2008	414,652	192,071
Investment holding gains/(losses)	(903,898)	414,800
Indian Capital Gains Tax	–	186
Realised and unrealised gains/(losses) on investments	<b>(489,246)</b>	<b>607,057</b>

<b>7 Trade and other receivables</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Dividends receivable	5,277	7,110
Overseas tax recoverable	113	69
Accrued income	4	78
Sale of investments for future settlement	–	11,347
Other debtors	–	357
	<b>5,394</b>	<b>18,961</b>

<b>8 Trade and other payables</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Accrued expenses	2,092	4,875
Purchase of investments for future settlement	1,855	6,207
	<b>3,947</b>	<b>11,082</b>

<b>9 Deferred tax</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deferred tax provided</b>		
Accrued income taxable on receipt	<b>856</b>	<b>1,237</b>
The movement in the provision is as follows:		
Provision at start of year	1,237	2,386
Prior year adjustments	–	–
Deferred tax credit in Income Statement	(381)	(1,149)
	<b>856</b>	<b>1,237</b>

Deferred tax has been provided at 28% (2008: 28%) due to 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).

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 10 Called-up share capital

	2009 Allotted, issued & fully paid		2008 Allotted, issued & fully paid	
	£'000	Number	£'000	Number
<b>Ordinary Shares of 25p each</b>				
Balance as at 1 May 2008	118,170	472,681,216	133,995	535,981,593
Shares repurchased during the year	(35,559)	(142,234,864)	(15,825)	(63,300,377)
<b>Balance as at 30 April 2009</b>	<b>82,611</b>	<b>330,446,352</b>	<b>118,170</b>	<b>472,681,216</b>

The authorised share capital of the Company as at 30 April 2009 and 30 April 2008 was made up of 1,362,619,566 Ordinary Shares of 25 pence each (£340,605,000).

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, 142,234,864 shares were bought back for cancellation at a cost of £609.7 million (2008: 63,300,377 shares were bought back for cancellation at a cost of £245.1 million). No shares were cancelled between 1 May 2009 and 5 June 2009.

### 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	
	2009 p	2008 p	2009 £'000	2008 £'000
Ordinary Shares	365.65	484.77	1,208,293	2,291,395

### 12 Dividend

	2009 Rate (p)	2009 £'000	2008 Rate (p)	2008 £'000
--	------------------	---------------	------------------	---------------

#### Declared and paid in the year

Equity dividend on Ordinary Shares:

Final dividend for year ended 30 April

2008 (2007: 3.13p) 3.50 11,581 3.13 15,294

11,581 15,294

#### Proposed for approval at the Company's AGM

Equity dividend on Ordinary Shares:

Ordinary dividend for year ended 30 April 2009

(2008: 3.50p) 3.75 12,392

Special dividend for year ended 30 April 2009

(2008: nil) 2.50 8,261

20,653

Dividends are recognised when the shareholders right to receive the payment is established. In the case of the ordinary and special 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 the Directors' Report, Note 2 and Note 3.

---

### **14 Risk management**

In pursuing the investment objectives set out on the page 23 of this Report the Company holds a number of financial instruments which are exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

The main risks arising from the Company's financial instruments are market risk (which comprises market price risk, foreign currency risk and interest rate risk), liquidity risk and credit risk.

The objectives, policies and processes for managing these risks, and the methods used to measure the risk, are set out below. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

#### **Market price risk**

Market price 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 on an ongoing basis.

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

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 14 Risk management (continued)

#### 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.

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

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

The Company 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.

The fair value of the Company's monetary items that have foreign currency exposure at 30 April 2009 are shown below:

2009	Trade and other receivables £'000	Cash at bank £'000	Trade and other payables £'000	Total net foreign currency exposure £'000	Investments at fair value through profit or loss £'000
Currency					
US \$	4,803	1,775	127	6,452	396,806
Hong Kong \$	–	–	–	–	209,330
Thai Bhat	474	–	–	474	109,348
Indian Rupee	–	–	–	–	103,726
Korean Won	–	–	–	–	99,536
New Turkish Lira	–	–	–	–	78,752
Other	114	914	1,728	(700)	186,398
2008	Trade and other receivables £'000	Cash at bank £'000	Trade and other payables £'000	Total net foreign currency exposure £'000	Investments at fair value through profit or loss £'000
Currency					
US \$	5,455	4,758	–	10,213	841,085
Hong Kong \$	308	–	–	308	333,831
Indonesia Rupee	–	–	(5,235)	(5,235)	134,963
Korean Won	–	–	–	–	236,801
Thai Bhat	1,896	–	–	1,896	204,639
New Turkish Lira	103	–	–	103	178,931
Other	15,020	2,938	(971)	16,987	334,676

## 14 Risk management (continued)

### Sensitivity

The following table illustrates the sensitivity of the profit/(loss) after taxation for the year in regard to the Company's monetary financial assets and liabilities and its equity if the pound had strengthened by 10% relative to all currencies on the reporting date, with all other variables held constant.

Financial Assets and Liabilities	2009		2008*	
	Revenue £'000	Capital Return £'000	Revenue £'000	Capital Return £'000
US \$	1,444	39,681	2,065	83,087
Hong Kong \$	891	20,933	706	33,352
Thai Bhat	485	10,935	657	20,275
Indian Rupee	189	10,373	177	12,926
Korean Won	152	9,954	477	4,154
	<u>3,161</u>	<u>91,876</u>	<u>4,082</u>	<u>153,794</u>

\*The comparative figures for 2008 have been restated.

A 10% weakening of the pound against the above currencies would have resulted in an equal and opposite effect on the above amounts.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 14 Risk management (continued)

#### Interest rate risk profile

The majority of the Company's financial assets are non-interest bearing equity investments.

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

	Within one year 2009 £'000	Within one year 2008 £'000
<b>Cash flow interest rate risk</b>		
<i>Loans and receivables</i>		
Cash	29,671	22,605

Exposures vary throughout the year as a consequence of changes in the make up of the net assets of the Company arising from out of the investment and risk management process.

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

There were no exposure to fixed interest investment securities during the year or at the year end.

#### 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.

The risk of the company not having sufficient liquidity at any time is not considered by the board to be significant, given the large number of quoted investments held in the portfolio and the liquid nature of the portfolio of investments

The portfolio manager reviews liquidity at the time of making each investment decision and monitors the evolving liquidity profile of the portfolio regularly.

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 company has an ongoing contract with its custodian (JP Morgan Chase Bank) for the provision of custody services. Details of securities held in custody on behalf of the Company are received and reconciled monthly. Cash is held in a floating rate deposit account whose rate is determined by reference to rates supplied by the Custodian. There is no significant risk on debtors and accrued income (or tax) at the year end.

#### 14 Risk management (continued)

##### Fair value

Fair values are derived as follows:

- Where assets are denominated in a foreign currency, they are converted into the Sterling amount using year-end rates of exchange.
- Non-current financial assets – on the basis set out in the accounting policies.
- Cash – at the face value of the account.

#### 15 Significant holdings in investee undertakings

As at 30 April 2009 the Company held 3% or more in the issued share capital of the following companies:

Name	% of issued share capital 2009	Fair value £'000	% of issued share capital 2008	Fair value £'000
Victory City International Holdings Ltd.	9.67%	4,416	–	–
Brilliance China Automotive Holdings Ltd.	6.96%	12,477	5.68%	19,489
Faysal Bank Ltd.	4.99%	2,817	4.65%	10,607
Polnord SA	3.81%	4,594	1.02%	4,200
Kiatnakin Bank Public Co. Ltd., fgn.	3.72%	5,293	4.19%	9,904
Hyundai Development Co.	3.50%	55,786	4.92%	119,066
VTech Holdings Ltd.	3.39%	28,393	–	–

#### 16 Contingent liabilities

No contingent liabilities existed as at 30 April 2009 or 30 April 2008.

#### 17 Financial commitments

There were no financial commitments as at 30 April 2009 or 30 April 2008.

#### 18 Post balance sheet events

The only material post balance sheet event is in respect of the proposed ordinary and special dividends, which have been disclosed in Note 12.

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Templeton Emerging Markets Investment Trust PLC (the Company) will be held in the Mountbatten Room, the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS on 17 July 2009 at 12 noon to transact the following business:

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

## **Ordinary Business**

Resolution No.

1. To receive and adopt the Directors' and Auditors' Reports and Financial Statements for the year ended 30 April 2009.
2. To approve the Directors' Remuneration Report for the year ended 30 April 2009.
3. To declare an ordinary dividend of 3.75 pence per ordinary share.
4. To declare a special dividend of 2.50 pence per ordinary share.
5. To re-elect Neil A Collins as a Director.
6. To re-elect Gregory E Johnson as a Director.
7. To appoint Deloitte LLP as Auditors in place of Grant Thornton UK LLP (the retiring auditors) to act until the conclusion of the next annual general meeting of the Company at which audited accounts are laid before the members.
8. To authorise the Directors to determine the Auditors' remuneration.

## **Special Business**

9. That, pursuant to Article 147(A) of the Articles of Association of the Company, the Company shall continue in being as an investment trust.
10. That, in addition to any existing authorities granted to the Company, the Company be and is hereby authorised in accordance with section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 25p each in the capital of the company (the "Ordinary Shares") provided that:
  - (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 14.99 per cent. of the Ordinary Shares in issue on 17 July 2009, or 49,533,908 shares, whichever is lower;
  - (b) the minimum price which may be paid for an Ordinary Share shall be 25 pence;
  - (c) the maximum price which may be paid for an Ordinary Share shall not be more than the higher of an amount equal to 105 per cent. of the average market value of Ordinary Shares for the five business days immediately preceding the date of purchase and the amount stipulated by Article 5(1) of the regulation entitled the "Buy-Back and Stabilisation Regulation"; and
  - (d) unless renewed, the authority hereby conferred shall expire on the conclusion of the annual general meeting of the Company to be held in 2010, save that the Company may, prior to such expiry enter into a contract to purchase Ordinary Shares which will or may be completed wholly or partly after such expiry.
11. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By Order of the Board  
Registered Office  
5 Morrison Street, Edinburgh EH3 8BH

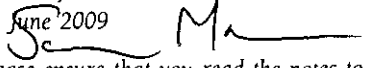
Sara A MacIntosh

for and on behalf of

Franklin Templeton Investment Management Limited

Secretary

12 June 2009

  
Please ensure that you read the notes to this Notice on pages 61 and 62.

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00pm on 15 July 2009 shall be entitled to attend and vote at the Annual General Meeting (the "Meeting").
2. A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend, to speak and, on a poll, vote thereat instead of him. A proxy need not be a member of the Company.
3. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to one share. Please contact the Company's registrar Equiniti, at Aspect House, Lancing, West Sussex BN99 6ZN to appoint more than one proxy.
4. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
5. A proxy form is enclosed.
6. A proxy form must be returned to the Company's registrar, Equiniti, Aspect House, Lancing, West Sussex BN99 6ZN to arrive not later than 12 noon on 15 July 2009. NZ Shareholders must return a proxy form to Computershare Private Bag 92119, Auckland 1142, New Zealand to arrive not later than 4 p.m. on 14 July 2009 (NZ time).
7. As at 5.00pm on 12 June 2009, the Company's issued share capital was 330,446,352 ordinary shares of 25p each. Each ordinary share carries the right to vote at an annual general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00pm on 12 June 2009 is 330,446,352.
8. Copies of the letters of appointment of the Directors, the current Articles of Association of the Company are available for inspection at the Company's registered office at 5 Morrison Street, Edinburgh, EH3 8BH, at Franklin Templeton Investment Management Limited, The Adelphi, 1-11 John Adam Street, London WC2N 6HT and at the Annual General Meeting (for 15 minutes prior to the meeting and during the meeting).
9. **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.**
10. 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 17 July 2009 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 (IDRA19) 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

# NOTICE OF MEETING

## (CONTINUED)

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.

11. 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 Registrar's website at [www.sharevote.co.uk](http://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.sharevote.co.uk](http://www.sharevote.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 15 July 2009. Please note that any electronic communication found to contain a computer virus will not be accepted.

12. Electronic proxy appointment for New Zealand registered shareholders New Zealand registered investors who prefer to register the appointment of their proxy electronically via the Internet can do so through the Computershare website at [www.computershare.co.nz/investor](http://www.computershare.co.nz/investor) centre, click on Proxy voting, choose the company, where full instructions on the procedure are given. Your CSN (Common Shareholder Number) and personal FIN Number will be required to use this electronic proxy appointment system. A proxy appointment made electronically will not be valid if sent to any address other than that provided or if received after 4 p.m. on 14 July 2009 (NZ time). Please note that any electronic communication found and contain a computer virus will not be accepted. New Zealand registered investors cannot appoint more than one proxy when registering the appointment of their proxy electronically.

13. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:
  - (i) if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (ii) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.

14. A member of the Company may make a request in accordance with section 527 of the Companies Act 2006 to have a statement published on the Company's website setting out an audit concern.

This allows a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital, to make a request so that the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to either the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting or the circumstances connected with Grant Thornton UK LLP ceasing to hold office. Where the Company is required to publish such a statement on its website: (i) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request; (ii) it must forward the statement to the Company's Auditors no later than the time the statement is made available on the Company's website; and (iii) the statement may be dealt with as part of the business of the Meeting.

A member wishing to request publication of such a statement on the Company's website must send the request to the Company in hard copy form to [the Company secretary]. The request must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported and be received by the Company at least one week before the Meeting.



## **KEY DATES**

**2009**

The Company's twentieth Annual General Meeting will be held on Friday 17 July 2009. Notice of this meeting is given on page 60.

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

### ***July 2009***

Annual General Meeting held.

### ***July 2009***

Dividend paid.

### ***December 2009***

Half Yearly results announced.

Half Yearly Report for the period to 31 October 2009 published.

The Company pays no interim dividend.

# **GENERAL INFORMATION**

## **TEMPLETON EMERGING MARKETS INVESTMENT TRUST PLC**

### **REGISTERED OFFICE**

5 Morrison Street  
EDINBURGH  
EH3 8BH  
UK  
(Registered No. SC118022)

### **INVESTMENT MANAGER**

Templeton Asset Management Ltd.  
7 Temasek Boulevard  
# 38-03 Suntec Tower One  
SINGAPORE 038987

### **FINANCIAL ADVISERS AND STOCKBROKERS**

Winterflood Investment Trusts  
The Atrium Building,  
Cannon Bridge,  
25 Dowgate Hill,  
LONDON  
EC4R 2GA  
UK

### **SOLICITORS**

Dundas & Wilson CS LLP  
Saltire Court  
20 Castle Terrace  
EDINBURGH  
EH1 2EN  
UK

### **REGISTRAR – UK**

Equiniti  
1st Floor  
34 South Gyle Crescent  
South Gyle Business Park  
EDINBURGH  
EH12 9EB  
UK

### **SECRETARY AND ADMINISTRATOR**

Franklin Templeton Investment  
Management Limited  
The Adelphi  
1-11 John Adam Street  
LONDON  
WC2N 6HT  
UK

### **AUDITORS**

Grant Thornton UK LLP  
Chartered Accountants  
30 Finsbury Square  
LONDON  
EC2P 2YU  
UK

### **GLOBAL CUSTODIAN**

JPMorgan Chase Bank  
125 London Wall  
LONDON  
EC2Y 5AJ  
UK

### **REGISTRAR – NEW ZEALAND**

Computershare Investor Services Limited  
Private Bag 92119 Auckland 1142  
Level 2 159 Hurstmere Road  
Takapuna North Shore City  
NEW ZEALAND

# SHAREHOLDER INFORMATION

## CONTACT DETAILS

### SECRETARY/ADMINISTRATOR

Franklin Templeton Investment  
Management Limited  
The Adelphi  
1-11 John Adam Street  
LONDON WC2N 6HT  
UK

### CLIENT DEALER SERVICES

Freephone 0800 305 306  
Phone +44 (0) 20 7073 8690  
Fax +44 (0) 20 7073 8701  
Email [enquiries@franklintempleton.co.uk](mailto:enquiries@franklintempleton.co.uk)  
Website [www.franklintempleton.co.uk](http://www.franklintempleton.co.uk)  
[www.temit.co.uk](http://www.temit.co.uk)

### REGISTRAR

Equiniti  
1st Floor  
34 South Gyle Crescent  
South Gyle Business Park  
EDINBURGH EH12 9EB  
UK  
[www.equiniti.com](http://www.equiniti.com)

### SHAREHOLDERS' HELPDESK

Phone 0871 384 2781  
Fax 0871 384 2780

## HOW TO INVEST

For information on investing in TEMIT with a lump sum, regular savings plan and gifts, see page 2.

### *Other Sources of Information*

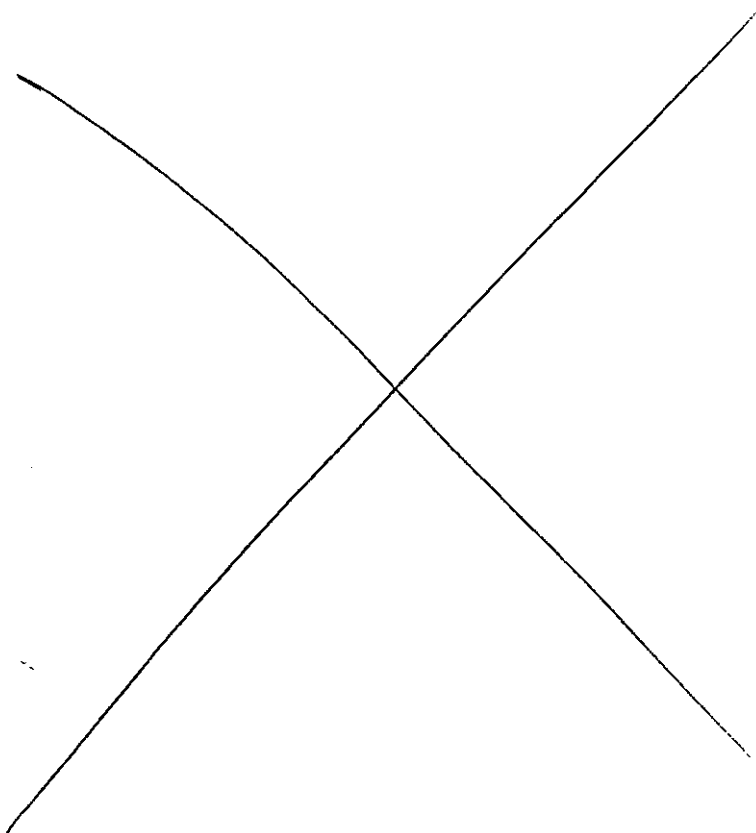
Please consult the *Financial Times* for further information on TEMIT or the Company's website ([www.temit.co.uk](http://www.temit.co.uk)).

### *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 in the *Financial Times*.

### *Frequency of Net Asset Value publication*

The NAV is released every day through the London Stock Exchange.



**FRANKLIN TEMPLETON INVESTMENTS**

The Adelphi  
1-11 John Adam Street  
London WC2N 6HT  
UK

Client Dealer Services  
Freephone: 0800 305 306  
Telephone: +44 (0) 20 7073 8690  
Facsimile: +44 (0) 20 7073 8701  
E-mail: [enquiries@franklintempleton.co.uk](mailto:enquiries@franklintempleton.co.uk)  
[www.franklintempleton.co.uk](http://www.franklintempleton.co.uk)  
[www.temit.co.uk](http://www.temit.co.uk)

Franklin Templeton Investment Management Limited  
Registered Office:  
The Adelphi, 1-11 John Adam Street, London WC2N 6HT  
Authorised and regulated by the Financial Services Authority

TEMIT AR RGB 04/09