

SC118022

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

TUESDAY



S1EBNWG0

SCT

31/07/2012

#57

COMPANIES HOUSE

31 MARCH 2012

CONTENTS

1 Company Summary	44 Directors' Remuneration Report
3 Financial Summary	46 Independent Auditor's Report
4 Ten Year Record	48 Income Statement
6 Chairman's Statement	49 Balance Sheet
10 Board of Directors	50 Statement of Changes in Equity
13 Manager's Report & Portfolio Review	51 Cash Flow Statement
20 Portfolio Summary	52 Accounting Policies
21 Portfolio Holdings	55 Notes to the Financial Statements
24 Ten Largest Investments	66 Notice of Meeting
27 Directors' Report	70 Key Dates
43 Statement of Directors' Responsibilities	71 General Information
	IBC Shareholder Information

COMPANY SUMMARY

Introduction

Templeton Emerging Markets Investment Trust PLC ("TEMIT") is an investment company that invests principally in emerging market companies with the aim of delivering capital growth to shareholders over the long-term.

When TEMIT was launched in June 1989, it was one of the first dedicated emerging markets funds in the UK to offer access to some of the fastest growing economies around the world. Today, over 20 years later, TEMIT continues to invest in these markets. However, it now has many more investment opportunities to assess as an increasing number of economies fall into the emerging or frontier market classifications and the number of dynamic companies open to investment continues to expand. Emerging market companies are often under-researched and, as a result, often mispriced by the stock market, providing investors with attractive investment opportunities. However, most individuals do not have the time, money or experience to find these opportunities. TEMIT shareholders receive the benefit of experienced investment professionals who are able to commit a wealth of resource, expertise and local understanding to uncover opportunities that their research indicates offers the best value emerging market investments around the world. TEMIT's research-driven investment approach and strong performance has helped it to grow to be the largest emerging market investment trust in the UK, with assets under management of £2.1 billion as at 31 March 2012 and it continues to win a number of industry awards.

While the majority of the Company's shareholders are based in the UK, shares are quoted on both the London and New Zealand stock exchanges.

Stated Investment Objective

The Company seeks long-term capital appreciation through investment in companies operating in emerging markets or whose stocks are listed on the stock markets of such countries.

This may include companies which have a significant amount of their revenues in emerging markets but which are listed on stock exchanges in developed countries.

Company and Investment Management

TEMIT has seven Directors on its Board who, with one exception, are fully independent from the Investment Manager, ensuring that shareholders' best interests are at the forefront of all decisions. Under the guidance of the Chairman, the Board of Directors is responsible for the overall strategy of the Company and for monitoring its performance.

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

TAML is one of the pioneers of emerging market investing, with more than 20 years of investment experience and a significant presence in emerging markets across the world. This well-resourced group with offices in 17 countries and whose employees speak more than 24 languages has built up a comprehensive understanding of the markets in which it operates. TAML's analysts are responsible for researching emerging markets and deciding which companies, in their opinion, offer the strongest risk/reward opportunities for TEMIT investors over the long-term. They are required to make regular formal reports to the Board on their portfolio management and performance.

TAML is part of Franklin Resources, Inc. (operating as Franklin Templeton Investments), a group which had US\$726 billion in assets under management on 31 March 2012.

Share Capital

At 31 March 2012 the Company's share capital consisted of 329,814,352 shares of 25 pence. During the year the Company bought back 50,000 shares.

AIC

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

COMPANY SUMMARY

CONTINUED

How to Invest

There are two ways of purchasing shares in TEMIT:

1. Through the Templeton Investment Plan.
 - 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 website at: www.temit.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

2011-2012

	Ref.	Year ended 31 March 2012	Year ended 31 March 2011	Change %
Net Assets and Shareholders' Funds (£ million)		2,098.6	2,368.4	-11.4
Net Asset Value (pence)		636.3	718.0	-11.4
Net Asset Total Return	a	-10.8%	16.5%	
Benchmark				
MSCI Emerging Markets Index Total Return		-8.2%	12.4%	
Share Price (pence per share)		588.5	660.0	-10.8
Share Price Total Return		-10.2%	15.2%	
Highest Share Price (pence per share)		684.5	685.0	
Lowest Share Price (pence per share)		497.0	497.0	
Dividend (pence per share)	b	5.75	4.25	35.3
Revenue Earnings (pence per share)	c	7.91	6.14	28.8
Share Price Discount to Net Asset Value at end of the year		7.5%	8.1%	
Average Share Price Discount to Net Asset Value over the year		6.8%	6.4%	
Ongoing Charges Ratio	d	1.31%	1.31%	

Source: Franklin Templeton Investments and Factset.

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") for the years ended 31 March 2012 and 31 March 2011.

^a Return based on accounting NAV.

^b A dividend of 5.75 pence per share on the Company's profits for the year ended 31 March 2012 has been proposed.

^c The Earnings per Share figure is based on the earnings shown in the Revenue column in the Income Statement on page 48 and Note 5 of the Notes to the Financial Statements.

^d From the year ending 31 March 2012, the Ongoing Charges Ratio ("OCR") replaces the Total Expense Ratio. Prior year numbers have not been restated as the ratios are not materially different. The OCR represents the annualised ongoing charges of the Company divided by the average daily net asset values of the Company for the year, and has been prepared in accordance with the AIC's recommended methodology.

TEN YEAR RECORD

2002-2012

Year ended	Total Net Assets and Shareholders' Funds (£m)	NAV (pence)	Share Price (pence)	Discount/ (Premium)	Earnings per share – undiluted (pence)	Dividend per share (pence)	Total Expense Ratio/ Ongoing Charges Ratio ^f
30 Apr 2002	666.2	146.2	125.0	14.5%	1.82	1.25	1.34%
30 Apr 2003	595.5	130.8	107.3	18.0%	1.70	2.25	1.49%
30 Apr 2004	778.5	171.0	144.0	15.8%	2.89	2.25	1.48%
30 Apr 2005 ^a	1,066.0	198.9	167.3	15.9%	3.42	2.67	1.50%
30 Apr 2006	1,866.2	348.2	310.3	10.9%	3.65	2.76	1.41%
30 Apr 2007	1,925.5	359.2	327.3	8.9%	4.16	3.13	1.32%
30 Apr 2008	2,291.4	484.8	438.0	9.6%	4.07	3.50	1.33%
30 Apr 2009	1,208.3 ^b	365.7	340.5	6.9%	7.69	3.75 ^d	1.34%
31 Mar 2010 ^c	2,046.4	620.3	577.0	7.0%	2.68	3.75	1.29%
31 Mar 2011	2,368.4	718.0	660.0	8.1%	6.14	4.25	1.31%
31 Mar 2012	2,098.6	636.3	588.5	7.5%	7.91	5.75 ^e	1.31%

TEN YEAR GROWTH RECORD

(rebased to 100.0 at 30 April 2002)

2002-2012

Year ended	NAV	NAV total return ^g	Share Price	Share price total return ^g	MSCI Emerging Markets Index total return ^g	Earnings per share – undiluted	Dividend per share
30 Apr 2002	100.0	100.0	100.0	100.0	100.0	100.0	100.0
30 Apr 2003	89.5	90.5	85.8	86.9	78.4	93.4	180.0
30 Apr 2004	116.9	119.5	115.2	117.8	108.5	158.8	180.0
30 Apr 2005 ^a	136.0	139.5	133.8	139.0	124.9	187.9	213.6
30 Apr 2006	238.1	246.9	248.2	261.1	213.8	200.5	220.8
30 Apr 2007	245.7	256.6	261.8	278.3	229.7	228.6	250.4
30 Apr 2008	331.5	348.5	350.4	375.8	291.6	223.6	280.0
30 Apr 2009 ^b	250.0	264.6	272.4	294.7	223.3	422.5	300.0 ^d
31 Mar 2010 ^c	424.2	457.1	461.6	508.1	339.5	158.2	300.0
31 Mar 2011	491.0	531.7	528.0	585.1	381.6	337.4	340.0
31 Mar 2012	435.1	474.2	470.8	525.2	350.2	434.6	460.0 ^e

^a Prior to April 2005 the results have been prepared in accordance with UK GAAP. The results for the year ended 30 April 2005 and subsequent reporting periods have been prepared in accordance with IFRS. The main differences as a result of adopting IFRS are that 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.

^b The results for the year ended 30 April 2009 reflect £633m returned to the shareholders as a result of the tender offer in 2008.

^c 11 months to 31 March 2010.

^d Excludes the special dividend of 2.50p per share in 2009.

^e A dividend of 5.75 pence per share on the Company's profits for the year ended 31 March 2012 has been proposed.

^f From the year ending 31 March 2012, the Ongoing Charges Ratio (OCR) replaces the Total Expense Ratio. Prior year numbers have not been restated as the ratios are not materially different.

^g Includes dividends re-invested.

CHAIRMAN'S STATEMENT

Key Points

- NAV was 636.3 pence per share, a fall of 10.8% (dividend re-invested) compared to a fall in the Benchmark (MSCI Emerging Markets Index) of 8.2% (total return in sterling).
- Earnings per share of 7.91 pence (up 28.8%).
- Proposed dividend of 5.75 pence per share, an increase of 35.3%.
- Share price was 588.5 pence, a fall of 10.2% (dividend re-invested).
- TEMIT has won the Investment Week award for Best Emerging Markets Investment Trust for the fourth consecutive year and has also again won the Moneywise award for Best Emerging Markets Trust.

Performance and the investment portfolio

In my last annual report to you I cautioned that we would be likely to see continued periods of volatility, in the short to medium term, and this warning proved correct. Investors reacted to specific events or bad news in both developed and emerging markets. Our interim report for the first six months of the current year showed that your Company's NAV per share fell by 22.9%. In the second half of the year there was a recovery but, nevertheless, the past year saw the NAV per share decrease from 718.0 pence to 636.3 pence, representing a total return (including the re-invested dividend) of -10.8%* compared to the MSCI Emerging Markets Index, which returned -8.2% (in sterling terms).

On 8 June, the latest date for which information was available, the NAV per share had fallen by 9.7% to 574.7 pence since 31 March. The share price had fallen by 10.8% to 525.0 pence.

The Investment Management team continues to focus on long-term value. Since its launch in 1989 the Company has delivered a return of 2,266% (dividends re-invested), which represents a compound growth rate of 15.0% per annum. Over the same period our benchmark, the MSCI Emerging Markets Index, returned 981% (11.1% per annum). The

Peter A Smith (Chairman)

potential of emerging markets remains considerable and we believe that TEMIT is an attractive long term investment proposition.

In terms of share price, TEMIT ended the year at 588.5 pence, representing a 10.8% decrease on the share price of 660.0 pence as at 31 March 2011. Your Board continually monitors the share price discount to net asset value and exercises its right to buy back shares when the Board considers it is in shareholders' interests to do so. During the financial year under review, there was one buy back of 50,000 shares at a cost of £0.3 million. At the end of the year the discount, on a cum-income basis, stood at 7.5% which compares to 8.1% as at 31 March 2011.

During the year shares traded at discounts between 4.7% and 9.1% of NAV with an average of 6.8%.

The Investment Manager continues to run a concentrated portfolio, with a total of 48 equity investments as at 31 March 2012. The portfolio holdings are very stable and our total portfolio turnover during the year was only 4.7%. The investment philosophy is to seek value through a disciplined, yet flexible, long-term approach. This disciplined investment style allows the Investment Manager to look through volatility, short term news, noise and

*Return based on accounting NAV

emotion and it is this which has driven the excellent returns which the Manager has generated since 1989. We are not short term traders and our short term performance may diverge from the benchmark index. The Company remains exposed to currency movements and does not hedge this risk.

The Board and Investment Manager are fully aware, however, of the risks inherent in holding a concentrated portfolio of investments and have in place a number of measures for managing these risks. These include limiting the holding in any single security to a maximum of 10% of the market value of the portfolio. Other risk mitigation measures include appropriate asset allocation by company, sector and geography; holding a majority of quoted investments in the portfolio; maintaining an appropriate liquidity profile; and monitoring of the principal service providers to ensure they operate an appropriate framework of governance and controls. As described on page 14, your Company benefits from a large and well-resourced investment management team. The team reviews regularly and thoroughly all of the investments which we hold, to ensure that the investment case for each holding remains valid.

The full report and review of the Investment Manager can be found on pages 13 to 19.

Investment income and the dividend

The investment objective of TEMIT is to seek long-term capital appreciation through investment in companies operating in emerging markets or whose stocks are listed on the stock markets of such countries. Although income accumulation and distribution are not primary objectives, income received from our investment portfolio has continued to grow and I am pleased to report a further substantial increase in revenue earnings per share.

The Income Statement on page 48 reflects total dividend income earned of £58.4 million in the year to 31 March 2012. This represents an increase of 12.1% on the dividend income received for the year to 31 March 2011. This translates into earnings per share of 7.91 pence per share compared with 6.14 pence per share for the year to 31 March 2011.

This year your Board is pleased to propose a further increase in the dividend to 5.75 pence per share which will be fully covered by our earnings per share of 7.91 pence. This represents an increase of 35.3% on last year's dividend.

Regulation

Recent changes to UK taxation and company law now permit investment trusts to distribute realised capital profits as dividends. While we note this change, and welcome the increased flexibility which it provides, the Company has substantial revenue reserves and the Board is not proposing any change to the Company's Articles of Association at this stage.

Asset allocation and gearing

The general policy of the Company is to be fully invested. At 31 March 2012, 99.5% of your Company's net assets were invested in equities (31 March 2011: 99.4%).

Your Board regularly reviews its policy on gearing and we continue to take a cautious stance. This caution is borne out by the periods of volatility which are a feature of emerging equity markets and are generally unpredictable in both timing and extent. Our policy, therefore, remains that in exceptional circumstances, and for short periods, TEMIT may borrow up to 10% of its net assets. Borrowing facilities were not used during the year to 31 March 2012.

The Board

During the year the Directors reviewed the investment strategy and supporting processes in detail with the Investment Manager. The Directors also subsequently participated in an evaluation of the Board's performance led independently by Trust Associates Limited which specialises in providing advice to investment companies. A number of suggestions for improving the operational effectiveness of the Board and the interface with the Investment Manager were agreed and will be implemented over the coming year.

While matters relating to the Investment Manager and their performance have historically been dealt with by the independent non-executive Directors, it has been decided formally to establish a Management Engagement

CHAIRMAN'S STATEMENT

CONTINUED

Committee to oversee the relationship with the Manager. The terms of reference of this Committee have been posted on the Company's website; its members are all independent of the Manager.

In line with the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010, all Directors are required to retire each year. Each member of the Board is standing for re-election. As part of the Board evaluation review, the Remuneration and Nomination Committee considered the skills and contribution of all the Directors and recommends re-election in each case. Full details of each of the Directors can be found starting on page 10.

Investor communications

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 out the annual and half year report and accounts, as well as notices of any significant Company events. We also release information through the stock exchanges, such as Interim Management Statements.

Our website (www.temit.co.uk) displays the latest news, price and performance information, portfolio details and quarterly web updates with the Investment Manager. Via the website you can also ask to have the latest Company information e-mailed directly to you. I encourage all shareholders to register on our website and make full use of the facilities and materials available to help keep you informed about your Company.

I am also pleased to report that TEMIT was awarded the Best Emerging Markets Investment Trust 2011 by Investment Week, for the fourth consecutive year, and Best Emerging Market Trust by Moneywise which it has won in four of the last five years.

Retail Distribution Review

The Board continues to evaluate the objectives of the UK Retail Distribution Review. Investment trusts have, for many years, been regarded as a specialist area of the investment landscape in the UK, supported by a group of investors who understand their special features and attractions. As the Retail Distribution Review seeks to bring a wider range of investment products under consideration

by professional financial advisors, we believe that TEMIT is well placed to take advantage. Your Board will work with Franklin Templeton Investments to communicate TEMIT's many attractive features, including its straightforward capital structure and successful investment record to a wider audience.

Scottish independence

Your Company is incorporated in Scotland and the Board has taken note of the plans by the current Scottish Government to hold a referendum on independence from the United Kingdom in 2014. While it is not appropriate for the Board to make political statements, shareholders should be reassured that we will monitor developments and, in particular, any news on the adoption (or otherwise) of current tax and company law which either an independent Scotland, or a Scotland with greater autonomy within the United Kingdom, may pursue and take any appropriate steps to protect shareholders' interests.

Emerging Markets

Throughout the year, investors around the world have been preoccupied with the developing crisis in the eurozone and efforts to contain the problems which this has created. While TEMIT focuses specifically on emerging markets, many emerging markets' companies rely on developed economies for a significant proportion of ultimate demand for their products and financial services, and as such this uncertainty has spilled over into emerging markets.

Outlook

The eurozone crisis has dominated the global economy for the last two years and the emerging markets are not unaffected. Nevertheless, the economic fundamentals and local prospects are such that there is good reason to believe that the markets in which we are invested will produce attractive returns over the longer term, albeit with some uncomfortable volatility on the way. Our investments are in attractive companies and your Board remains confident that the Investment Manager will pursue opportunities for long term growth.

AGM

Finally I would like to take this opportunity to invite all shareholders to attend the AGM to be held at Stationers' Hall, Ave Maria Lane, London EC4M 7DD at 12 noon on Friday 20 July 2012. More details of this meeting can be found on page 66 of this report.

Peter A Smith

18 June 2012

A handwritten signature in black ink, appearing to read 'Peter A Smith', with a long horizontal flourish extending to the right.

Indices above are shown on a total return basis in sterling.
Sources: Franklin Templeton Investments and Factset.

BOARD OF DIRECTORS

PETER A SMITH (CHAIRMAN)

Peter Smith 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 was appointed Chairman of the Management Engagement Committee on 12 June 2012. He is Chairman of Savills PLC. He is also a non-executive director of Associated British Foods Plc, N M Rothschild & Sons Limited and of Rothschild Bank AG. He was Senior Partner of PricewaterhouseCoopers ("PwC") in the UK until 2000. Previously, he was a non-executive director of Safeway PLC, The Equitable Life Assurance Society and Chairman of RAC PLC.

He is an independent Director. (Fees for the year £60,000; beneficial interest 10,000 shares).

CHRISTOPHER D BRADY

Christopher Brady was appointed to the Board on 12 December 2007 and the Management Engagement Committee on 12 June 2012. He is the founding partner and Chairman of The Chart Group. With over 30 years' experience in principal investing, corporate finance and capital markets he focuses on identifying and building portfolio companies. Prior to Chart, he spent 14 years in the Corporate Finance and Capital Markets divisions of Lehman Brothers, Lodestar Group and Dillon Read. Mr Brady is a director of Sea Mobile, Miami International Holdings, PacStar Communications, Genesis Today, ATAC, and SCRA.

He is an independent Director. (Fees for the year £35,000; beneficial interest nil shares).

HAMISH N BUCHAN

Hamish Buchan was appointed to the Board and the Audit Committee on 26 June 2008 and the Management Engagement Committee on 12 June 2012. He is Chairman of Personal Assets Trust plc. He is also a Director of Aberforth Smaller Companies Trust plc, The Scottish Investment Trust plc and Community Foundation Network. Mr Buchan has been involved in the investment trust sector for over 40 years. He is also an investment trust analyst and past Chairman of the Association of Investment Companies and of JPMorgan American Investment Trust PLC.

He is an independent Director. (Fees for the year £35,000; beneficial interest 15,000 shares).

SIR PETER BURT

Sir Peter Burt 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 to the Management Engagement Committee on 12 June 2012. 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 became Group Chief Executive of the Bank of Scotland 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. (Fees for the year £35,000; beneficial interest 4,000 shares).

BOARD OF DIRECTORS

CONTINUED

NEIL A COLLINS

Neil Collins was appointed to the Board and the Audit Committee on 28 September 2006, the Nomination and Remuneration Committee on 26 June 2008, and the Management Engagement Committee on 12 June 2012. He has spent most of his career in financial journalism and currently writes a column in the Financial Times. He 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, The Sunday Times and was subsequently a columnist for Reuters. He is a Director of Finsbury Growth and Income Trust Plc.

He is an independent Director. (Fees for the year £35,000; beneficial interest 7,000 shares).

PETER O HARRISON

Peter Harrison was appointed to the Board on 30 November 2007 and became Chairman of the Audit Committee on 12 December 2007. He was appointed to the Management Engagement Committee on 12 June 2012. 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 30 years experience in the profession, 21 of which were at KPMG with 14 years as a partner. 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. (Fees for the year £47,000; beneficial interest 2,535 shares).

GREGORY E JOHNSON

Gregory Johnson 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. Mr Johnson 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.

(Fees for the year £nil; beneficial interest nil shares).

MANAGER'S REPORT & PORTFOLIO REVIEW

31 MARCH 2012

INVESTMENT MANAGER

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

TAML, part of Franklin Templeton Investments, is 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 about 25 years ago. As at 31 March 2012, the Templeton Emerging Markets Team managed US\$51 billion in emerging markets assets for retail, institutional and professional investors across the globe.

The Templeton Emerging Markets Team, headed by Dr Mark Mobius, is one of the largest of its kind. It includes 51 dedicated emerging markets portfolio managers, analysts and product specialists. Their on-the-ground presence in 17 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 and Dennis Lim have worked alongside Mark Mobius for over 20 years.

MANAGER'S REPORT & PORTFOLIO REVIEW

CONTINUED

MARK MOBIUS, PH.D.

Executive Chairman

Dr. Mobius has spent more than 30 years working in emerging markets all over the world. He joined Franklin Templeton Investments in 1987 as president of the Templeton Emerging Markets Fund, Inc. In 1999, he was appointed joint chairman of the Global Corporate Governance Forum Investor Responsibility Taskforce of the World Bank and Organisation for Economic Cooperation and Development.

ALLAN LAM, CPA

Senior Executive Vice President & Senior Managing Director

Mr. Lam joined the Templeton organisation in 1987 and his research responsibilities include the real estate and oil & gas sectors as well as analysis of companies in the Philippines. Mr. Lam manages portfolios dedicated to global emerging markets and Asia (ex Japan). Mr. Lam worked for a number of years in the accounting field with Deloitte Touche Tohmatsu CPA and KPMG Peat Marwick CPA. His knowledge of accounting practices became an important tool for his equity analysis.

TOM WU

Senior Executive Vice President & Senior Managing Director

Mr. Wu joined the Templeton organisation in 1987 and his research responsibilities include the banking sector. Mr. Wu is also responsible for the financial analysis and research of companies in Hong Kong and the Philippines. He began his career at Vickers da Costa in Hong Kong as an investment analyst and later as an assistant manager before joining the Templeton organisation.

DENNIS LIM

Co-Chief Executive Officer

Mr. Lim joined Templeton in 1990 and has research responsibilities for Southeast Asian markets. Mr. Lim is a specialist on building regulations and urban planning requirements in Singapore and the ASEAN region. He specialises in researching companies in the telecommunications sector. He served as a former engineering service officer for the Ministry of National Development in Singapore.

MARKET OVERVIEW

Emerging market performances for the reporting period can be divided into two distinct periods: a decline in the first half of the year; followed by a recovery, which partially offset earlier losses. For the 12 month period, the MSCI Emerging Markets Index declined 8.2% in sterling total return terms.

The Eurozone debt crisis and concerns that the US could slip back into a recession dominated headlines in the earlier part of the reporting period. This led markets globally to fall, as investors shunned equities in favour of less risky assets.

Improved economic data, strong corporate earnings, government and central bank efforts to stimulate growth, in addition to substantial fund flows into emerging markets, led investors to adopt a more positive view on the asset class in the second half of the year. The approval of a second European Union bailout package for Greece further supported markets.

Comments from US Federal Reserve Chairman Ben Bernanke on the need for maintaining and enhancing policies to help lower unemployment in the US, and news that the European Union might increase its bailout fund provided investors with additional reasons to regain confidence. However, following the year end, continued political turmoil in Europe again dented investor confidence and markets recorded sharp falls in value. At the time of writing, we remain in a period of high volatility and past experience has shown that, in such periods, there has tended to be generally a higher degree of correlation between movements in emerging and developed markets than in more settled periods.

Within the emerging markets asset class, Southeast Asian markets were the strongest performers during the reporting period. Strong domestic demand, rising disposable incomes and relatively low unemployment makes these economies more resilient to global uncertainties. Hong Kong/China and India, however, underperformed their regional peers,

due to concerns of slowing growth. In Latin America, Argentina and Brazil ended the period with double-digit declines. The weakest performers were generally found in Eastern Europe. These markets suffered as a result of their geographic proximity to their Western European counterparts and the reliance on these economies for trade, rather than a tangible material deterioration in their economic structure.

PERFORMANCE ATTRIBUTION ANALYSIS

PERFORMANCE ATTRIBUTION ANALYSIS

Year to 31 March 2012

NAV Total Return	-10.8
MSCI Emerging Markets Index Total Return	-8.2
Relative Return	-2.6
Sector Allocation	-2.4
Stock Selection	-1.1
Total Equities	-3.5
Currency	0.9
Relative performance	-2.6

Source: Factset and Franklin Templeton Investments

Geographically, major contributors to the Company's performance, relative to the MSCI Emerging Markets Index, included superior stock selection in Hong Kong/China. Moreover, overweight positions in Thailand and Indonesia made noteworthy contributions to relative performance. Conversely, holdings in South Korea, India and South Africa detracted from performance.

LARGEST COUNTRY CONTRIBUTORS AND DETRACTORS TO PERFORMANCE (%)

Top Contributors	Contribution to Portfolio	MSCI Emerging Markets Index Total Return	Top Detractors	Contribution to Portfolio	MSCI Emerging Markets Index Total Return
Hong Kong/China	2.7	-12.4	South Korea	-1.4	-5.0
Thailand	1.9	13.9	India	-1.3	-20.2
Indonesia	0.7	6.2	South Africa	-1.1	-2.6
Pakistan	0.1	N/A	Brazil	-1.0	-12.7
			Russia	-0.4	-17.4

MANAGER'S REPORT & PORTFOLIO REVIEW

CONTINUED

Good stock selection in banks, technology hardware & equipment and food & staples retailing contributed significantly to performance. An overweight position and good stock selection in automobiles & components also had positive attribution effects; the materials sector was the largest detractor during the period. A zero exposure to telecommunications services and underweight exposures to semiconductors and food, beverage & tobacco companies also detracted from relative performance.

LARGEST SECTOR CONTRIBUTORS AND DETRACTORS TO PERFORMANCE (%)

Top Contributors	Contribution to Portfolio	MSCI Emerging Markets Index Total Return	Top Detractors	Contribution to Portfolio	MSCI Emerging Markets Index Total Return
Consumer Discretionary	1.5	-0.2	Materials	-2.2	-20.3
Financials	1.4	-12.4	Information Technology	-1.2	4.6
Consumer Staples	0.1	15.4	Telecommunication Services*	-0.7	2.4
Health Care*	0.0	-5.7	Energy	-0.5	-16.6
			Industrials	-0.3	-12.4
			Utilities*	-0.1	-4.3

*No Companies held by TEMIT in these sectors

At the company level, the top three contributors to relative performance were overweight positions in **Brilliance China**, **Astra International** and **Dairy Farm**. **Brilliance China** is a major automobile manufacturer in China with a joint venture with BMW for the production and sale of BMW 3-series and 5-series vehicles in China. The company is a beneficiary of the growth in demand for automobiles and government stimulus measures in the sector. The long-term growth trend in demand for motor vehicles is expected to continue in China. **Astra** is Indonesia's leading car and motorcycle company. In addition to its market leadership and extensive distribution network in the automotive sector, **Astra** has interests in financial services, heavy equipment, agribusiness, information technology and infrastructure. As a result, the company is well positioned to benefit from Indonesia's robust economic growth, higher income levels and the availability of affordable credit. **Dairy Farm's** core businesses consist of supermarkets, hypermarkets as well as health & beauty, convenience and home furnishing stores. The company remains a favourable investment as it is a beneficiary of Asia's economic recovery and higher consumer demand. The company is also exposed to fast growing markets such as China, Vietnam and India.

Conversely, the three largest detractors against the Index were overweight positions in **Sesa Goa** and **Aluminum Corporation of China (Chalco)** and a zero exposure to **Samsung Electronics**. **Sesa Goa** is a major iron ore producer and exporter in India. Weakness in the iron ore market and investor concerns surrounding group strategic direction led the stock price of **Sesa Goa** to fall during the

year. However, taking a long-term view, assuming satisfactory resolution of strategy, **Sesa Goa** should benefit from increases in iron ore prices and the consolidation of the global mining sector. **Chalco** is China's leading producer of alumina and primary aluminium products. **Chalco's** share price recorded a decline during the period due to poor corporate results, lower aluminium prices and concerns of an economic slowdown in China. Taking a long-term view, however, we are of the opinion that **Chalco** is well positioned to benefit from China's continuing growth. A long-term uptrend in aluminium prices coupled with demand from China's manufacturing, construction and consumer sectors could support the company in the future. **TEMIT** does not hold **Samsung Electronics**, one of the world's largest electronics manufacturers. Despite gradual restructuring, cross-holdings within the group remain very complex, while obsolescence levels and falling product prices are also concerns.

TEMIT has exposure to currency risk because investments are made in currencies other than sterling. As a matter of policy, the Board has decided that it is not appropriate to hedge the currency risk – it is an inherent risk from investing in emerging markets. Consequently in any given period, **TEMIT** will show gains and losses resulting from currencies moving against sterling. In the current period, **TEMIT** gained from the relative strength of the Chinese renminbi and the US dollar, through ADRs in which the Brazilian investments are held, but lost value on the Turkish lira and Indian rupee (Brazilian investments are held through ADRs because of the greater liquidity which ADRs offer).

MANAGER'S REPORT & PORTFOLIO REVIEW

CONTINUED

We continue to maintain a positive outlook on emerging market economies.

LARGEST COMPANY CONTRIBUTORS AND DETRACTORS TO PERFORMANCE (%)

Top Contributors	Contribution to Portfolio	Company Total Return	Top Detractors	Contribution to Portfolio	Company Total Return
Brilliance China Automotive Holdings Ltd.	1.3	7.9	Sesa Goa Ltd.	-1.3	-40.0
PT Astra International Tbk	1.1	27.4	Samsung Electronics Co. Ltd. *	-1.1	33.6
Dairy Farm International Holdings Ltd.	1.0	28.7	Aluminum Corp. of China Ltd., H	-0.9	-49.6
Siam Commercial Bank Public Co. Ltd, fgn.	0.9	34.1	PT Bank Danamon Indonesia Tbk	-0.6	-29.6
VTech Holdings Ltd.	0.7	21.4	Mining and Metallurgical Co.		
			Norilsk Nickel	-0.5	-29.4

*Company not held by TEMIT

PORTFOLIO CHANGES & INVESTMENT STRATEGIES

The Company's search for undervalued stocks trading at attractive valuations led to selective further investments in the oil & gas exploration & production, aluminium, diversified banking, precious metals & minerals, agricultural products, and real estate management & development sectors. Geographically, purchases were made in China, via Hong Kong-listed "H" shares, Pakistan, India, Thailand and South Africa. Conversely, holdings in China's automobile manufacturing and Russia's integrated oil & gas sectors were reduced.

Seven purchases were made during the year in Peninsula Land, National Aluminium, MCB, Univanich, Corporation of China (Chalco), Gazprom and Impala Platinum. The Company sold part of its investment in Brilliance China to realise gains resulting from strong share price appreciation and also divested its holding in Lukoil.

Peninsula Land is an Indian real estate developer based in Mumbai. The company's developments are expected to be strong beneficiaries because of the scarce supply of commercial space in the Central and Southern Mumbai business districts.

National Aluminium is India's largest alumina manufacturer. The company is amongst the lowest-cost producers of alumina and aluminium in the world.

MCB is the fourth largest bank in Pakistan. The Company increased its exposure to the bank because of its attractive valuation and relatively high return on equity.

Univanich is one of the leading producers of crude palm oil in Thailand. The company is a beneficiary of strong demand growth for crude palm oil and expectations of higher product prices.

Chalco is China's largest producer of aluminium products as well as its only producer of alumina. Its alumina output meets about 70% of the country's alumina demand. The company is well positioned to benefit from China's continuing growth, gradual market consolidation and continued demand for aluminium from economic giants such as China and India.

Gazprom is the largest producer of gas in the world by reserves and production. The Company increased its exposure to Gazprom because of its attractive valuations, huge reserve base and growing energy demand in emerging markets.

Impala Platinum is one of the leading platinum producers in the world and is responsible for approximately a quarter of global platinum production. As one of the most efficient and lowest cost producers in the world, it is also well positioned to benefit from the longer-term up trend in commodity prices.

OUTLOOK

We continue to maintain a positive long-term outlook for emerging market economies. The International Monetary Fund expects much faster growth in these countries than in the developed world, thanks to the impact of rising incomes and the maturing of a young population on domestic demand. While the eurozone crisis will inevitably have an impact across the world, the proportion of exports from developing countries to developed markets is falling as local demand grows. In contrast to the debt-burdened West, emerging markets typically have low sovereign debt and high foreign exchange reserves.

We believe that these fundamental strengths should eventually be reflected in the earnings and share prices of companies in our portfolio. Their domestic stock markets have the potential to grow much larger over time, despite the inevitable risks of inflation, contagion from developed market weakness, and price volatility.

Recently, inflation has fallen back in many developing countries, allowing some central banks to ease monetary policy and thus encourage demand. Volatility is a fact of life in markets, but we continue to invest for the long term in companies we believe are undervalued, fundamentally strong and growing.

PORTFOLIO SUMMARY

PORTFOLIO DISTRIBUTION AS AT 31 MARCH 2012 AND 31 MARCH 2011

All figures are in %

	Austria	Brazil	Hong Kong/China	Hungary	India	Indonesia	Mexico	Pakistan	Poland	Russia	South Africa	South Korea	Taiwan	Thailand	Turkey	Liquid Assets	2012 Total	2011 Total
Consumer Discretionary	-	-	11.7	-	-	4.6	-	-	-	-	-	-	-	-	-	-	16.3	13.9
Consumer Staples	-	-	3.9	-	-	-	2.5	-	-	-	-	-	-	0.5	-	-	6.9	4.7
Energy	0.8	2.6	5.0	1.0	1.2	-	-	-	1.1	3.1	-	2.7	-	3.4	2.3	-	23.2	25.5
Financial	-	9.4	-	-	0.3	4.6	-	2.0	-	-	-	-	-	7.6	3.5	-	27.4	26.0
Industrials	-	-	0.5	-	-	-	-	-	0.2	-	-	1.7	-	-	-	-	2.4	3.1
Information Technology	-	-	3.2	-	4.6	-	-	-	-	-	-	-	0.3	-	-	-	8.1	7.5
Materials	-	5.0	1.5	-	3.1	-	-	-	-	1.7	2.6	-	-	1.3	-	-	15.2	18.7
Total Equities	0.8	17.0	25.8	1.0	9.2	9.2	2.5	2.0	1.3	4.8	2.6	4.4	0.3	12.8	5.8	-	99.5	99.4
Liquid Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.5	0.6
2012 Total	0.8	17.0	25.8	1.0	9.2	9.2	2.5	2.0	1.3	4.8	2.6	4.4	0.3	12.8	5.8	0.5	100.0	100.0
2011 Total	0.9	19.0	23.1	1.3	11.2	7.7	1.9	1.6	1.9	6.6	2.8	5.2	0.3	9.8	6.1	0.6	100.0	100.0

INVESTMENT CHANGES – GEOGRAPHICAL

Country	31 Mar 11 Market Value £m's	Additions £m's	Sales £m's	Market Movement £m's	31 Mar 12 Market Value £m's	Movement in year MSCI Emerging	
						TEMIT %	Markets Index %
Hong Kong/China	546	8	(4)	(10)	540	(1.8)	(12.4)
Brazil	451	-	-	(95)	356	(21.1)	(12.7)
Thailand	233	7	-	28	268	11.7	13.9
Indonesia	183	5	-	6	194	3.2	6.2
India	266	3	-	(76)	193	(28.3)	(20.2)
Other	676	37	(42)	(134)	537	-	-
Other Assets	13	-	-	(2)	11	-	-
Total	2,368	60	(46)	(283)	2,099		

INVESTMENT CHANGES – SECTOR

Sector	31 Mar 11 Market Value £m's	Additions £m's	Sales £m's	Market Movement £m's	31 Mar 12 Market Value £m's	Movement in year MSCI Emerging	
						TEMIT %	Markets Index %
Financials	616	14	-	(2)	628	(0.3)	(12.4)
Energy	604	22	(34)	(104)	488	(17.6)	(16.6)
Materials	442	16	(8)	(132)	318	(28.8)	(20.3)
Consumer Discretionary	330	-	(4)	(38)	288	(11.7)	(0.2)
Information Technology	178	1	-	(8)	171	(4.5)	4.6
Other	185	7	-	3	195	-	-
Other Assets	13	-	-	(2)	11	-	-
Total	2,368	60	(46)	(283)	2,099		

PORTFOLIO HOLDINGS BY GEOGRAPHY

Geographical analysis (by country of incorporation)

As at 31 March 2012

Country	Sector	Fair Value** £'000	% of net assets
AUSTRIA			
OMV AG†	Energy	17,577	0.8
		17,577	0.8
BRAZIL			
Banco Bradesco SA, ADR, pfd.*†	Financial	95,339	4.5
Itau Unibanco Holding SA, ADR*	Financial	102,733	4.9
Petroleo Brasileiro SA, ADR, pfd.*†	Energy	53,948	2.6
Vale SA, ADR, pfd., A*†	Materials	104,186	5.0
		356,206	17.0
HONG KONG/CHINA			
Aluminum Corp. of China Ltd., H	Materials	30,813	1.5
Brilliance China Automotive Holdings Ltd.	Consumer Discretionary	190,949	9.1
China International Marine Containers (Group) Co. Ltd., B	Industrials	11,003	0.5
China Petroleum and Chemical Corp., H	Energy	34,296	1.6
Dairy Farm International Holdings Ltd.	Consumer Staples	82,597	3.9
Guangzhou Automobile Group Co. Ltd., H	Consumer Discretionary	48,116	2.3
PetroChina Co. Ltd., H	Energy	68,913	3.3
Victory City International Holdings Ltd.	Consumer Discretionary	6,379	0.3
VTech Holdings Ltd.	Information Technology	66,825	3.2
		539,891	25.8
HUNGARY			
MOL Hungarian Oil and Gas Nyrt.	Energy	20,797	1.0
		20,797	1.0
INDIA			
Infosys Technologies Ltd.	Information Technology	10,850	0.5
National Aluminium Co. Ltd.	Materials	14,040	0.7
Oil & Natural Gas Corp. Ltd.	Energy	26,003	1.2
Peninsula Land Ltd.	Financial	6,239	0.3
Sesa Goa Ltd.	Materials	50,119	2.4
Tata Consultancy Services Ltd.	Information Technology	86,213	4.1
		193,464	9.2

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

†This Austrian company has significant exposure to operations in emerging markets.

*US Listed Stocks

†pfd: preferred shares

PORTFOLIO HOLDINGS BY GEOGRAPHY

CONTINUED

<i>Country</i>	<i>Sector</i>	<i>Fair Value** £'000</i>	<i>% of net assets</i>
INDONESIA			
PT Astra International Tbk	Consumer Discretionary	96,452	4.6
PT Bank Central Asia Tbk	Financial	54,681	2.6
PT Bank Danamon Indonesia Tbk	Financial	42,422	2.0
		193,555	9.2
MEXICO			
Wal-Mart de Mexico SAB de CV, V	Consumer Staples	51,654	2.5
		51,654	2.5
PAKISTAN			
Faysal Bank Ltd.	Financial	3,718	0.2
MCB Bank Ltd.	Financial	39,007	1.8
		42,725	2.0
POLAND			
Polnord SA	Industrials	3,165	0.2
Polski Koncern Naftowy Orlen SA	Energy	24,505	1.1
		27,670	1.3
RUSSIA			
Gazprom, ADR*	Energy	56,242	2.7
Mining and Metallurgical Co. Norilsk Nickel	Materials	8,418	0.4
Mining and Metallurgical Co. Norilsk Nickel, ADR*	Materials	27,576	1.3
OAQ TMK	Energy	9,290	0.4
		101,526	4.8
SOUTH AFRICA			
Anglo American PLC	Materials	37,698	1.8
Impala Platinum Holdings Ltd.	Materials	16,139	0.8
		53,837	2.6
SOUTH KOREA			
Hyundai Development Co.	Industrials	36,197	1.7
SK Innovation Co. Ltd.	Energy	56,771	2.7
		92,968	4.4

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

* US Listed Stocks.

<i>Country</i>	<i>Sector</i>	<i>Fair Value** £'000</i>	<i>% of net assets</i>
TAIWAN			
Taiwan Semiconductor Manufacturing Co. Ltd.	Information Technology	7,150	0.3
		7,150	0.3
THAILAND			
Kasikornbank Public Co. Ltd, fgn.	Financial	52,438	2.6
Kiatnakin Bank Public Co. Ltd, fgn.	Financial	16,859	0.8
Land and Houses Public Co. Ltd, fgn.	Financial	13,401	0.7
PTT Exploration and Production Public Co. Ltd, fgn.	Energy	34,228	1.6
PTT Public Co. Ltd, fgn.	Energy	37,525	1.8
Siam Cement Public Co. Ltd, fgn.	Materials	29,365	1.3
Siam Commercial Bank Public Co. Ltd, fgn.	Financial	74,267	3.5
Univanich Palm Oil Public Co. Ltd, fgn.	Consumer Staples	9,666	0.5
		267,749	12.8
TURKEY			
Akbank TAS	Financial	73,225	3.5
Tupras-Turkiye Petrol Rafinerileri AS	Energy	47,614	2.3
		120,839	5.8
TOTAL INVESTMENTS		2,087,608	99.5
LIQUID NET ASSETS		11,032	0.5
TOTAL NET ASSETS		2,098,640	100.0

** 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 31 MARCH 2012

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Hong Kong/China	9.1%	190,949

A major automobile manufacturer in China with a joint venture with BMW for the production and selling of BMW 3-series and 5-series in China. The joint venture will soon complete its second plant and will significantly expand its production capacity. The long-term growth trend in demand for motor vehicles is expected to continue in China.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Brazil	5.0%	104,186

This Brazilian-based company is one of the world's largest iron ore producers that is also engaged in various mining activities. The company is a beneficiary of the strong demand growth in emerging markets and the long-term uptrend in commodity prices.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Brazil	4.9%	102,733

One of Brazil's largest commercial banks providing a full range of banking and financial services. The bank is a strong beneficiary of the growing demand for financial and banking services in Brazil.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Indonesia	4.6%	96,452

With extensive distribution and after-sales services networks, Astra is one of the market leaders in Indonesia's motor vehicle industry. In addition, the company maintains a strong market position in heavy equipment distribution of Komatsu products.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Brazil	4.5%	95,339

One of Brazil's largest financial conglomerates, providing a full range of banking and financial services. Bradesco is a strong beneficiary of the growing demand for financial and banking services in Brazil due to its extensive coverage of the Brazilian territory and strong retail presence.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
India	4.1%	86,213

A major IT consulting company in India. Tata is well positioned to benefit from the recent weakness in rupees and the trend of increasing outsourcings by American and European corporations to Indian consulting companies.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Hong Kong/China	3.9%	82,597

Dairy Farm's core businesses consist of supermarkets, hypermarkets as well as health & beauty, convenience and home furnishing stores. The company remains a favorable investment as it is a beneficiary of Asia's economic recovery and higher consumer demand. The company is also exposed to fast growing markets such as China, Vietnam and India.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Thailand	3.5%	74,267

One of Thailand's largest banks. The bank is well positioned to benefit from the more stable political situation, the recovery in the domestic economy and growing demand for financial and banking services.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Turkey	3.5%	73,225

One of Turkey's largest privately owned commercial banks, providing a full range of banking and financial services. The bank is well positioned to benefit from strong economic growth and increasing demand for financial and banking services in Turkey.

<i>Country</i>	<i>% of Total Net Assets</i>	<i>Fair Value £'000</i>
Hong Kong/China	3.3%	68,913

China's largest oil and gas company in terms of domestic and overseas crude oil and natural gas reserves. The company has gradually been diversifying into marketing and downstream activities. There may be favourable tax reforms in the medium term.

FINANCIAL SUMMARY

27	Directors' Report
43	Statement of Directors' Responsibilities
44	Directors' Remuneration Report
46	Independent Auditor's Report
48	Income Statement
49	Balance Sheet
50	Statement of Changes in Equity
51	Cash Flow Statement
52	Accounting Policies
55	Notes to the Financial Statements

DIRECTORS' REPORT

The Directors submit their Annual Report together with the Financial Statements of the Company for the year ended 31 March 2012.

BUSINESS REVIEW

Principal Activity and Investment Status

The Company is a public limited company in terms of the Companies Act 2006 and is an investment company under Section 833 of the Companies Act 2006.

The Company has been accepted as an approved investment trust by HM Revenue & Customs for accounting periods commencing on or after 1 April 2012 subject to continuing to meet the eligibility conditions of Section 1158 of the Income and Corporation Taxes Act 2010. The Directors are satisfied that the Company intends to direct its affairs to ensure its continued approval as an investment trust.

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 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 opportunities, 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 countries and 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. As at 31 March 2012 the Company had no such investments. 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 presently anticipate investing a significant part of the Company's assets in such companies.

Templeton Asset Management Ltd. ("TAML" or the "Investment Manager"), the Investment Manager of 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 where there is evidence of satisfactory governance procedures. It is intended that the Company's funds will normally be invested in equity investments. However, the Investment Manager may invest in equity-related investments (such as convertibles) where there are believed to be advantages to so doing. The portfolio may frequently be over-weight or under-weight against the MSCI Emerging Markets Index and may be concentrated into a more limited number of sectors, geographical areas or countries. This is consistent with the stated investment approach of long-term value investing. The Investment Manager evaluates investment opportunities with updated financial ratios on a daily basis, and, where opportunities are identified, adjusts the portfolio to seek optimal exposures to stocks which are assessed to be the best bargains in global emerging markets.

The Investment Manager searches for well-managed companies assessed as undervalued. 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.

DIRECTORS' REPORT

CONTINUED

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

- (1) Identify Opportunities – A master list is compiled which is screened for securities that meet certain market capitalisation and liquidity criteria as determined by the Investment Manager;
- (2) Analyse Companies – A detailed analysis of the company'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 company 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;
- (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 in which the investee company operates. Contact is also maintained with the company and its suppliers and staff; and
- (6) Risk framework – This utilises a comprehensive, integrated investment risk management approach structured to ensure risks are recognised, rational and rewarded. This investment risk program focuses on ensuring that the portfolio managers understand that the risks in the portfolio at the security, sector and country level, that these risks are consistent with their investment convictions, and have an opportunity for a commensurate reward. The Investment Manager employs a global team of dedicated investment risk management specialists who work collaboratively with the portfolio managers to provide an independent perspective on portfolio risks and returns. Additionally, all investment activities are subject to review and oversight from global risk committees covering particularly complex areas of risk, including complex securities, counterparty risk, valuation and liquidity.

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 benchmark;
- the movement in share price and discount; and
- the Ongoing Charges Ratio.

Performance

The Investment Manager employs a value investing strategy and purchases companies trading at less than their assessed value. In the year to 31 March 2012, the Company's net asset value per share produced a total return (dividend re-invested) of -10.8%. While this was behind the Company's benchmark, the MSCI Emerging Markets Index, which returned -8.2%, the Investment Manager remains confident that the portfolio is well positioned for long term growth. Since launch, the Company is well ahead of the benchmark as the net asset value total return for TEMIT is 2,266% (15.0% per annum) compared with a total return of 981% (11.1% per annum) for the MSCI Emerging Markets Index.

The graphs on page 5 show the total return of TEMIT's NAV and share price relative to the MSCI Emerging Markets Index and the relative annual total return of TEMIT's NAV and share price against the MSCI Emerging Markets Index over the last 10 years.

The Chairman's Statement on pages 6 to 9 and the Investment Manager's Report on pages 13 to 19 include a review of the main developments during the year and the investment outlook.

Share Capital and Discount

The Board 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 Board was authorised at the Company's Annual General Meeting on 22 July 2011 to buy back up to 49,439,171 shares (representing 14.99% of the Company's issued share capital on that date). The present authority expires on the conclusion of the Annual General Meeting on 20 July 2012.

The share price of TEMIT decreased by 10.8% to 588.5 pence as at 31 March 2012 from 660.0 pence as at 31 March 2011. Over the year, the Company's share price discount to NAV has been in the range of 4.7% to 9.1%. As at 31 March 2012, the discount had narrowed slightly to 7.5% from 8.1% at 31 March 2011.

During the year 50,000 shares of 25 pence each were repurchased, representing 0.02% of the issued share capital, at a cost to the Company of £0.3 million. These shares were cancelled which resulted in a small uplift to the net asset value per share.

In the period from 1 April to 8 June 2012, no shares were bought back and cancelled.

Ongoing Charges Ratio

The Ongoing Charges Ratio (OCR) was unchanged at 1.31% for the year end 31 March 2012 (1.31%: 31 March 2011).

*periods are TEMIT reporting periods. From the year ending 31 March 2012, the Ongoing Charges Ratio (OCR) replaces the Total Expense Ratio. Prior year numbers have not been restated as the ratios are not materially different.

DIRECTORS' REPORT

CONTINUED

Costs associated with the purchase and sale of investments are taken to capital and are not included in the OCR. Transaction costs totalled £183,000 for the year to 31 March 2012 (2011: £209,000).

Results and Dividends

The capital loss for the year was £281.5 million (2011: £314.4 million profit) and the revenue profit was £26.1 million (2011: £20.3 million).

Revenue profits increased similarly to last year as a result of a number of companies paying out increased dividends following reductions in the years following the economic downturn in 2008.

The full results for the Company are disclosed in the Income Statement on page 48.

The Directors propose an ordinary dividend of 5.75 pence per share (2011: 4.25 pence). The dividend represents a 35.3% increase on the amount paid last year. If approved by shareholders at the Annual General Meeting, to be held on 20 July 2012, the ordinary dividend will be payable on 25 July 2012 to shareholders on the register at close of business on 29 June 2012.

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 year the Company did not utilise its short term borrowing facility.

Principal Risks and Uncertainties

The principal risks facing the Company, as determined by your Board, are summarised below.

The Board monitors risk on a quarterly basis as part of the Board meetings including benchmark and performance attribution, risk analysis, contributors and detractors, major overweight and underweights and portfolio information including purchases and sales.

In addition the Directors, on an annual basis, receive a comprehensive risk and control analysis identifying the areas of risk and mitigating controls which are in place. As part of this review, the Directors also ensure that the Company's primary service providers have adopted an appropriate framework of controls, monitoring and reporting to enable the Directors to evaluate these risks.

Investment and Concentration risk

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. In addition, emerging markets can be subject to greater price volatility and more rapid and severe re-rating 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. As a result of both these factors, there is the potential for increased concentration risk in terms of economic, business and political exposures which may result in greater fluctuation in the value of the portfolio.

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. Investors in emerging markets may 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 UK 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.

Foreign currency risk

Currency movements may affect 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. TEMIT does not hedge this risk.

Credit risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (in relation to sale or declared dividend) after the Company has fulfilled its responsibilities.

Operational and custody risk

Like many other investment trust companies, the Company has no employees. The Company therefore relies upon 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 (JPMorgan Chase Bank) produces a bi-annual SSAE 16/ISAE 3402 report which is reviewed by its auditor and gives assurance regarding the effective operation of controls.

During the year the Audit Committee undertook a review of custody services provided by our global custodian (JPMorgan Chase Bank) which evaluated the level of risk for TEMIT across the custody network. While there are inherent custody risks in investing in emerging markets, the review concluded that the custody network employed by TEMIT has appropriate controls in place to mitigate those risks, and that these controls are consistent with recommended industry practices and standards.

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 Investment Manager has endeavoured to ensure that the principal members of their management teams are suitably incentivised, but the retention of such staff cannot be guaranteed.

Regulatory risk

The Company operates in an increasingly complex regulatory environment and faces a number of regulatory risks.

A breach of Section 1158 of the Income and Corporation Taxes Act 2010 would result in the Company being subject to capital gains tax on realised portfolio gains. For the financial year commencing 1 April 2012, the Company will be subject to the new Investment Trust (Approved Company) (Tax) Regulations. Your Board is mindful of the compliance risk that new regulations produce; however the impact to TEMIT is considered to be limited and in certain respects has limited the risk of the Company in not achieving Investment Trust Company ("ITC") status. For example, the strict definition of what is considered a serious breach and therefore the loss of ITC status has been relaxed with the introduction of the minor breach classification.

DIRECTORS' REPORT

CONTINUED

The EU Commission is currently finalising the level 2 implementation measures for the Alternative Investment Fund Managers Directive ("AIFMD") which sets out rules for managing and/or marketing alternative investment funds in the European Union. TEMIT, and the Investment Trust industry as a whole, fall under the definition of an Alternative Investment Fund and will be subject to the provisions of this Directive. The Company will be required to appoint an Alternative Investment Fund Manager ("AIFM") and a depositary, and must adhere to the Directive's rules on capital adequacy, daily operations, transparency, and requirements on the delegation of portfolio and risk management. The Directive will come into effect from July 2013 with a one year transition period for companies to comply by July 2014.

Breaches of other regulations, such as the UKLA Listing Rules, could lead to a number of detrimental outcomes and reputational damage.

Further information on the risks that TEMIT is subject to including additional financial and valuation risks are also detailed in Note 13 of the Notes to the Financial Statements.

FINANCIAL

Share Capital

Changes in the share capital of the Company are set out in Note 9 of the Notes to the Financial Statements.

Going Concern

Having made suitable enquiries, including considerations of expenditure forecasts and the principal risks and uncertainties described within the Annual Report, 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.

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 31 March 2012 the number of trade (broker) creditor days was 1 day (2011: 1 day).

Auditor

Deloitte LLP has expressed a willingness to continue in office as auditor and a resolution proposing its reappointment will be submitted at the Annual General Meeting.

The Audit Committee has recommended that Deloitte LLP be reappointed as the Company's auditor.

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 auditor was 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 auditor was aware of that information. This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

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. 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. The Directors' biographies are set out on pages 10 to 12.

The following were Directors during the year to 31 March 2012:

Peter A Smith – Chairman
Christopher D Brady
Hamish N Buchan
Sir Peter Burt

Neil A Collins
Peter O Harrison
Gregory E Johnson

In accordance with the UK Corporate Governance Code all the Directors are retiring and offering themselves for re-election. In light of this, and as all of the Directors are non-executive Directors, the Board does not consider it appropriate for the Directors to be appointed for a specified term as recommended by provision B.2.3 of the UK Corporate Governance Code. The Board's policy on tenure is that all Directors will retire annually and may offer themselves for re-election.

The Board recommends the re-election of each Director, whose biographies are set out in this Annual Report, as they each continue to provide the Company with valuable guidance, experience and support. The Chairman confirms that, following performance evaluation, each Director's performance continues to be effective and they demonstrate commitment to their role. None of the Directors has a service contract with the Company.

The Board strongly supports the principle of boardroom diversity raised in Lord Davies' review of "Women on Boards". The selection policy of the Board is to appoint the best qualified person for the job, by considering factors such as diversity of thought, experience and qualification. The Board is satisfied that the current blend of skills and experience prompts informed decision making and does not deem it necessary to alter this mix at present. In future, when the composition of the Board requires review, female candidates will be actively encouraged to apply.

The Directors meet at least four times per year 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 board meetings is a review of the investment performance of the Company and associated matters such as liquidity, asset allocation, marketing/investor relations, peer group information and industry issues. The Board also reviews the investment mandate, the long-term investment objectives, the 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 4 Board meetings, 3 Audit Committee meetings, 1 Nomination and Remuneration Committee meeting and 1 Management Engagement Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination and Remuneration Committee Meetings Attended	Management Engagement Committee Meetings Attended
Peter A Smith	4	3	1	1
Christopher D Brady	4	N/A	N/A	1
Hamish N Buchan	4	3	N/A	1
Sir Peter Burt	3	3	1	1
Neil A Collins	4	3	1	1
Peter O Harrison	4	3	N/A	1
Gregory E Johnson	4	N/A	N/A	N/A

DIRECTORS' REPORT

CONTINUED

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. 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. The Committee also considers the effectiveness of individual Directors and makes recommendations to the Board in respect of re-elections. The Committee keeps under review the balance of skills, independence, knowledge of the Company, experience and length of service of the Directors.

In addition, the Committee periodically reviews the level of Directors' fees relative to other comparable companies and in the light of the Directors' responsibilities. In doing so, the Committee has access to independent research and advice from external sources.

The Chairman of the Nomination and Remuneration 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 Nomination and Remuneration Committee's 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) 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.

Management Engagement Committee

The Board has a Management Engagement Committee which comprises Peter Smith (Chairman), Christopher Brady, Hamish Buchan, Sir Peter Burt, Neil Collins and Peter Harrison. The role of the Management Engagement Committee is to review the performance of, and the contractual arrangements with, the Investment Manager.

A copy of the terms of reference of the Management Engagement Committee is available to shareholders on the TEMIT website (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.

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 facilitated by independent consultants, Trust Associates Limited. Apart from reviewing the level of Directors' fees in 2011 (see page 44), Trust Associates Limited has no other connection with the Company. The evaluation process was carried out through one to one interviews and discussions between Trust Associates Limited and each Director. Trust Associates Limited also spoke to representatives from the Investment Manager and Corporate Stockbroker. An evaluation of the Chairman by his fellow Directors was facilitated by Sir Peter Burt, the Senior Independent Director, who then met with the Chairman to discuss its content.

Formal performance evaluations will continue to take place at least annually with the appointment of an external facilitator every three years.

The performance and cost of service providers are considered annually by the Board.

Information and Professional Development

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Following appointment, the Chairman regularly reviews and agrees with Directors their training and development needs. 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 appointment provide that a Director will be subject to re-election at each Annual General Meeting. The terms also provide that a Director may be removed following three months' notice and that compensation will not be due on leaving office.

Directors' Conflicts of Interest

The Companies Act 2006 (the "2006 Act") sets out directors' general duties. Under the 2006 Act, 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.

Gregory Johnson is not present when the performance of the Investment Manager and the Secretary and Administrator are considered.

Indemnification and Insurance

The Company has entered into deeds of indemnity with each of the Directors. 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 2006 Act. The Company maintains appropriate insurance cover in respect of legal action against the Directors.

Remuneration

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 44. The Board's policy is that the remuneration of Directors should be appropriate and comparable to that of other investment trusts similar in size, capital structure and investment objective.

The 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.

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

DIRECTORS' REPORT

CONTINUED

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 31 March 2012 in the Company's shares save as follows:

	31 March 2012	31 March 2011
Peter A Smith	10,000	10,000
Hamish N Buchan	15,000	15,000
Sir Peter Burt	4,000	4,000
Neil A Collins	7,000	7,000
Peter O Harrison	2,535	2,535

The Company has not received notification of any changes in the above interests as at 8 June 2012.

Substantial Shareholdings

As at 8 June 2012 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	8 June 2012 Percentage	Number of shares	31 March 2012 Percentage
Lazard Asset Management LLC Group	22,330,534	6.77	23,072,447	6.99
City of London Investment Management Group	17,342,080	5.26	23,614,053	7.16
Templeton Investment Plan	13,808,674	4.19	14,182,467	4.30
Investec Wealth and Investment Limited	12,301,489	3.73	11,583,731	3.51
Legal & General Investment Management	11,224,437	3.40	11,728,194	3.56

PRINCIPAL 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 Board have examined the basis on which the Investment Manager is remunerated and considers that this flat rate ad valorem fee is appropriate and that it is not in the interests of shareholders to include a structured performance fee.

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 by the Management Engagement Committee which consists solely of directors independent of the Investment Manager. Gregory Johnson is not present when the Investment Manager's performance is reviewed. 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 Franklin Templeton Investment Management Limited ("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 Secretary and Administrator.

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's corporate stockbroker during the year was Winterflood Securities Limited.

Registrars

Equiniti Limited and Computershare Investor Services Limited manage the Company's registers of shareholders on the London Stock Exchange and New Zealand Stock Exchange respectively. Orient Capital Limited provides share register analysis services.

Printer

RR Donnelley provides typesetting, printing and mailing services for the Company's published literature.

Solicitor

Dundas & Wilson CS LLP provides the Company with professional legal advice.

Auditor

Deloitte LLP audits the Company's annual financial statements.

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 latest UK Corporate Governance Code (2010). 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 UK Corporate Governance Code

The Board considers that the Company has complied with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 throughout the year ended 31 March 2012.

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 details 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 UK Corporate Governance 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 UK Corporate Governance Code which are not relevant to the Company as explained in the AIC Guide.

DIRECTORS' REPORT

CONTINUED

The AIC Corporate Governance Guide and AIC Code can be found at www.theaic.co.uk/Member-director-centre/Guides-for-directors.

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 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 <http://www.frc.org.uk/corporate/ukcgcode.cfm>.

Nomination and Remuneration and Management Engagement Committees

Details of the Company's Nomination and Remuneration Committee and Management Engagement Committee are given on page 34.

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 the final dividend, approval of any preliminary announcements of the Company, approval of any changes to the Company's investment objective and/or policy, appointment or removal of the Company's Investment Manager or its Secretary and Administrator, Board membership and Board committee membership and any major changes to the investment objective, philosophy or policy of the Company, other than any such changes delegated to the Investment Manager under the Investment Management Agreement.

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

Environmental, Social, Community and Ethical Issues

As an investment trust, the Company has no significant 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 environmental, social, community and ethical 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.

Environmental, social, and governance issues have become increasingly important to companies worldwide as they seek to balance organisational goals with the expectations of their stakeholders in an increasingly complex operating environment. When companies manage these stakeholder relationships effectively, they are more successful at managing risks and capturing opportunities – placing them in a better position for long-term success.

As a long-term investor, the Investment Manager performs extensive bottom-up investment analysis, employing rigorous and comprehensive processes to assess both the risk and return potential of the investments it considers for the Company. The depth of its research provides comprehensive insights into the many factors that affect the value of an investment, which may include environmental, social and governance issues. The Investment Manager determines the extent to which various research inputs are included and weighted in its investment decisions.

Institutional Shareholder Voting and Engagement

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.

The Company has engaged with the Investment Manager in relation to its approach to the Stewardship Code ("the Code"). The Company and the Investment Manager generally support the Principles of the Code as outlined below.

Ongoing monitoring of investee companies and dialogue with management are fundamental to the Investment Manager's investment approach. The strategy on intervention with investee companies is dealt with on a case by case basis and is usually a judgement made by the Investment Manager based on the research done on each investee company for the investment decision making process. In all cases, the Investment Manager holds regular review meetings with the senior management of investee companies. In exceptional circumstances, the Investment Manager may provide a director to the investee company.

The Investment Manager considers the key objectives are to seek to obtain value for the Company and to comply with its fiduciary duties. The level of engagement with investee companies derives from the fiduciary duties of the Investment Manager to the Company. Thus, for example, in voting shares, the Investment Manager considers what would be in the best interests of the Company. Similarly, there will be many instances in which actions such as a dialogue between the Investment Manager and the management of investee companies, or with other shareholders, may help to maximise shareholder value.

At the same time, there may be instances in which "activism" is not consistent with the Investment Manager's fiduciary duty. For example, in the process of company research and monitoring, a significant problem or risk may be identified and the Investment Manager may decide it is better simply to sell a position than seek to undertake a lengthy engagement with management. Decisions involving when and how to engage with management or carry out collective engagement are matters of judgement. Consequently, there are no set guidelines adopted on when this should occur.

The Investment Manager has adopted proxy voting policies and procedures which cover voting guidelines, processing and maintenance of proxy records and conflicts of interest.

Summary information on exercise of proxies is reviewed quarterly by the Board. Voting records for the Company detailing the proxies voted for investee companies are not currently published. The Company considers that there is limited demand for such detailed disclosure and therefore the administrative burden and expense is not justified.

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 the Investment Manager briefs shareholders on the investment outlook of the Company. In addition, on behalf of the Board, it 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. 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.

DIRECTORS' REPORT

CONTINUED

The Company's Audit Committee meets representatives of the Investment Manager and Secretary and Administrator, including their 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 twice a year, and report on its 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, risk monitoring, accounting policies, financial statements, the management contract, the auditor's appointment, remuneration, independence, policy on supplying non-audit services, the effectiveness of the external audit and ensuring continued auditor independence.

During the year, the Audit Committee has engaged in reviews covering the Company's custody arrangements, in line with the discussion paper issued in February 2011 by the AIC; the disclosure associated with portfolio fair valuation policies; and an evaluation of the differing risk management practices used by the Investment Manager within the portfolio to mitigate investment risk.

The terms of reference of the Audit Committee reflect the recommendations of the UK Corporate Governance Code. A copy of the terms of reference of the Audit Committee is available to shareholders on the TEMIT website (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.

Deloitte LLP was appointed auditor from 27 August 2009 after a rigorous tender process. Non-audit work undertaken by Deloitte LLP for the year ended 31 March 2012 on behalf of TEMIT includes a review of the September 2011 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 auditor is safeguarded.

Risk Management Objectives and Policy

The Company invests in equities and other investments for the long-term to achieve its investment objectives as stated on pages 27 and 28. This creates potential exposure to the risks as stated on pages 30 to 32. The Company's policy and objectives in relation to such risks is disclosed in Note 13 of the Notes to the Financial Statements. The risk management process accords with the guidance issued by the Financial Reporting Council.

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 to which the Company is exposed. 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.

ANNUAL GENERAL MEETING

Ordinary Business

It is proposed to receive and adopt the Directors' and Auditor's Reports and Financial Statements for the year ended 31 March 2012 and to approve the Directors' Remuneration Report for the year ended 31 March 2012.

It is proposed to declare an ordinary dividend of 5.75 pence per share, payable on 25 July 2012 to shareholders on the register as at close of business on 29 June 2012.

It is proposed to re-elect each of the Directors.

It is proposed to re-appoint Deloitte LLP as auditor and to authorise the Directors to determine the auditor's remuneration.

Special Business

The Special Business to be dealt with at the forthcoming Annual General Meeting of the Company relates to (i) the authority to allot equity securities up to 5% of existing issued share capital and to dis-apply shareholders' rights of pre-emption for such allotment, (ii) the authority to make market purchases of shares, and (iii) to maintain the 14 clear days' notice period for general meetings.

Authority for the Allotment of New Shares

The resolutions to allot shares are set out in resolutions 13 and 14 in the Notice of Annual General Meeting. These resolutions, if passed, will give your Directors power to allot for cash equity securities of the Company up to a maximum aggregate nominal amount of £4,122,679 (being an amount equal to 5% of the issued share capital of the Company as at 31 March 2012) as if Section 561 of the Companies Act 2006 ("the 2006 Act") did not apply (This section requires, when shares are to be allotted for cash, such new shares first be offered to existing shareholders in proportion to their existing holdings of shares, this entitlement being known as "pre-emption rights").

The authorities contained in resolutions 13 and 14 will continue until the Annual General Meeting of the Company in 2013 and your Directors envisage seeking the renewal of this authority in 2013 and in each succeeding year.

Your Directors will not make any allotment of new shares otherwise than in accordance with pre-emption rights unless the market offer price at the time of the allotment is greater than the net asset value per share.

Authority to Purchase Own Shares

At the Annual General Meeting of the Company held on 22 July 2011, a Special Resolution was passed authorising the Company to purchase its shares in the market, a maximum of 14.99% of the shares in issue on 22 July 2011 or 49,446,666 shares, whichever is lower, up to the conclusion of the Annual General Meeting in 2012.

The Directors are seeking renewal of the authority to purchase the Company's shares in the market, being a maximum of 14.99% of the shares in issue on 20 July 2012 or 49,439,171 shares, whichever is the lower, at the 2012 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 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 net 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 2013 and in each succeeding year.

DIRECTORS' REPORT

CONTINUED

Notice period for general meetings

At the Annual General Meeting of the Company held on 22 July 2011, a Special Resolution was passed authorising the Company to call general meetings (other than Annual General Meetings) on 14 days' clear notice, up to the conclusion of the Annual General Meeting in 2012.

The Directors are seeking renewal of the authority to call general meetings (other than Annual General Meetings) on 14 days' clear notice, up to the conclusion of the Annual General Meeting in 2013.

This resolution is required to reflect the implementation of the EU Shareholder Rights Directive which requires that all general meetings must be held on 21 days' notice, unless shareholders agree to a shorter notice period.

The Directors only intend to call a general meeting on less than 21 days' notice where the proposals are time sensitive and the short notice would clearly be an advantage to shareholders as a whole.

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.

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).

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

18 June 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT

AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.temit.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report, which is incorporated into 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

18 June 2012



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 auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in their report on pages 46 and 47.

Nomination and Remuneration Committee

The Board has appointed a Nomination and Remuneration Committee whose role is more fully explained on page 34 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. This policy will continue for the year to 31 March 2013.

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 Directors' Report includes, on page 35, details of the Directors' terms of appointment.

Directors' emoluments for the year (audited)

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

	2012	2011
Peter A Smith (Chairman)	£60,000	£50,000
Peter O Harrison *	£47,000	£40,000
Sir Peter Burt	£35,000	£30,000
Neil A Collins	£35,000	£30,000
Christopher D Brady	£35,000	£30,000
Hamish N Buchan	£35,000	£30,000
Gregory E Johnson **	—	—

* Chairman of the Audit Committee

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

Directors' emoluments with effect from 1 April 2011

The level of Directors' fees had remained unchanged for seven years. In 2011, the Board asked Trust Associates Limited to review the Directors' fees. They reported to the Nomination and Remuneration Committee, which recommended that: Chairman's fee to be increased to £60,000; Chairman of the Audit Committee's fee to be increased to £47,000; Other Directors' fees to be increased to £35,000. These represent increases of 20%, 17.5% and 16.7% respectively and took effect from 1 April 2011.

In addition, the Board has decided that in future the fees will be fixed for a 3-year period with an external review at the end of each triennial period. The level of Directors' fees are next due to be reviewed in 2014.

Performance Graph

The line graph below details TEMIT's share price total return against TEMIT's benchmark the MSCI Emerging Markets Index total return.

Approval

The Directors' Remuneration Report on pages 44 and 45 was approved by the Board of Directors on 18 June 2012 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

18 June 2012

INDEPENDENT AUDITOR'S REPORT

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 31 March 2012 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, the accounting policies and the related notes 1 to 17. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 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, contained within the Directors' Report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.


Ralph Adams CA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom
18 June 2012

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2012

	Note	Year ended 31 March 2012			Year ended 31 March 2011		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments and exchange							
Gains/(losses) on investments at fair value	6	–	(281,275)	(281,275)	–	314,573	314,573
Gains/(losses) on foreign exchange		–	(221)	(221)	–	(169)	(169)
Revenue							
Dividends	1	58,366	–	58,366	52,116	–	52,116
Bank Interest	1	57	–	57	15	–	15
		58,423	(281,496)	(223,073)	52,131	314,404	366,535
Expenses							
Investment management fee	2	(21,237)	–	(21,237)	(21,209)	–	(21,209)
Other expenses	3	(6,445)	–	(6,445)	(6,555)	–	(6,555)
Profit/(loss) before taxation		30,741	(281,496)	(250,755)	24,367	314,404	338,771
Tax Expense	4	(4,662)	–	(4,662)	(4,108)	–	(4,108)
Profit/(loss) for the year		26,079	(281,496)	(255,417)	20,259	314,404	334,663
Profit/(loss) attributable to equity holders of the Company		26,079	(281,496)	(255,417)	20,259	314,404	334,663
Basic earnings per share	5	7.91p	(85.35)p	(77.44)p	6.14p	95.30p	101.44p
Ongoing Charges Ratio				1.31%			1.31%

The capital element of return is not distributable.

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.

All revenue and capital items in the above statement derive from continuing operations.

There is no other income for this year and therefore no separate statement of comprehensive income has been presented.

The Ongoing Charges Ratio (OCR) replaces the Total Expense Ratio. The OCR represents the annualised ongoing charges of the Company divided by the average of the daily net asset values of the Company for the year, and has been prepared in accordance with the AIC's recommended methodology, issued in May 2012.

Dividend Policy

In accordance with the Company's stated policy, no interim dividend is declared for the year.

An ordinary dividend of 5.75 pence per share is proposed at a cost of £18,964,000.

(An ordinary dividend of 4.25 pence per share was paid for the year ended 31 March 2011 at a cost of £14,019,000).

Further details can be found on note 11 on page 60.

BALANCE SHEET

AS AT 31 MARCH 2012

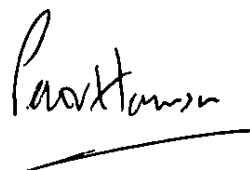
	Note	As at 31 March 2012 £'000	As at 31 March 2011 £'000
ASSETS			
Non-current assets			
Investments at fair value through profit or loss	6	2,087,608	2,354,802
Current assets			
Trade and other receivables	7	6,335	5,573
Cash		7,024	11,025
		13,359	16,598
Current liabilities			
Trade and other payables	8	(2,327)	(2,600)
Current tax payable		–	(408)
		(2,327)	(3,008)
NET ASSETS		2,098,640	2,368,392
ISSUED SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY SHAREHOLDERS			
Equity Share Capital	9	82,453	82,466
Special Distributable Reserve		433,546	433,546
Capital Redemption Reserve		216	203
Capital Reserve		1,501,792	1,783,604
Revenue Reserve		80,633	68,573
EQUITY SHAREHOLDERS' FUNDS		2,098,640	2,368,392
Net Asset Value per share (in pence)	10	636.3	718.0

These Financial Statements of Templeton Emerging Markets Investment Trust PLC (company registration number SC118022) were approved for issue by the Board and signed on 18 June 2012.

Peter Smith
Chairman



Peter Harrison
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Share Capital £'000	Capital Redemption Reserve £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Balance at 31 March 2010	82,478	191	433,546	1,469,502	60,686	2,046,403
Profit for the year	–	–	–	314,404	20,259	334,663
Equity dividends	–	–	–	–	(12,372)	(12,372)
Purchase and cancellation of own shares (note 9)	(12)	12	–	(302)	–	(302)
Balance at 31 March 2011	82,466	203	433,546	1,783,604	68,573	2,368,392
(Loss)/profit for the year	–	–	–	(281,496)	26,079	(255,417)
Equity dividends	–	–	–	–	(14,019)	(14,019)
Purchase and cancellation of own shares (note 9)	(13)	13	–	(316)	–	(316)
Balance at 31 March 2012	82,453	216	433,546	1,501,792	80,633	2,098,640

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2012

	For the year ended 31 March 2012 £'000	For the year ended 31 March 2011 £'000
Cash flows from operating activities		
(Loss)/profit before taxation	(250,755)	338,771
Adjustments for:		
Losses/(gains) on investments at fair value	281,275	(314,573)
Realised loss on foreign exchange	221	169
Scrip dividends	(212)	(837)
(Increase)/decrease in debtors	(1,153)	71
Decrease/(increase) in accrued income	1	(1)
(Decrease)/increase in creditors	(273)	412
Cash generated from operations	29,104	24,012
Taxation paid	(5,078)	(4,183)
Net cash inflow from operating activities	24,026	19,829
 Cash flows from investing activities		
Purchases of non-current financial assets	(59,208)	(27,457)
Sales of non-current financial assets	45,513	22,195
	(13,695)	(5,262)
 Cash flows from financing activities		
Equity dividends paid (note 11)	(14,019)	(12,372)
Purchase of shares for cancellation	(316)	(302)
	(14,335)	(12,674)
 Net (decrease)/increase in cash	(4,004)	1,893
 Cash at start of year	11,025	9,309
Exchange gain/(loss) on cash	3	(177)
Cash at end of year	7,024	11,025

ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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. The financial statements have also been prepared in accordance with the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in January 2009.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

International Accounting Standards	Effective date for accounting periods beginning on or after
IFRS 9: Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10: Consolidated Financial Statements	1 January 2013
IFRS 11: Joint Arrangements	1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	1 January 2013
IFRS 13: Fair Value Measurement	1 January 2013
IAS 12: Income Taxes – Limited scope amendment – recovery of underlying assets	1 January 2012

IFRS 9, which the Company plans to adopt for the year beginning on 1 April 2015, will impact both the measurement and disclosures of Financial Instruments. The Directors do not expect that the adoption of the other standards listed above will have a material or any impact on the financial statements of the Company in future periods.

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.

The Directors consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Therefore a going concern basis has been adopted.

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 1158 of the Corporation Tax Act 2010.

(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. 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.
- (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.

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

Deferred 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.

ACCOUNTING POLICIES

CONTINUED

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

Subsequently, the investments are valued at "fair value", which is measured as follows:

The fair value of financial instruments at the Balance Sheet date is, ordinarily, based on the latest quoted bid price at, or before, the US market close (without deduction for any of the estimated future selling costs), if the instrument is held in active markets. This represents a Level 1 classification under s48A of IAS 39.

In limited circumstances where the Company deems it appropriate (e.g. where significant events have occurred at the Balance Sheet date between the latest quoted bid price in markets which close before the US, and the US market close, resulting in a valuation which is not deemed to be active), the close of market bid price for relevant securities may be adjusted using valuation techniques to achieve a fair value, thus representing a Level 2 type classification. Note 13 provides further details on the classification of assets as at the Balance Sheet date.

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.

(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 Reserve – gains and losses on realisation of investments, changes in fair value of investments which are readily convertible to cash, without accepting adverse terms, realised exchange differences of a capital nature, changes in the fair value of investments that are not readily convertible to cash, 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. The Company's Articles of Association preclude it from making any distribution of capital profits.

Special Distributable Reserve – 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 31 MARCH 2012

1	Income	2012	2011
		£'000	£'000
	Income from investments		
	UK Dividends	731	401
	Other EU dividends	705	799
	Other overseas dividends	56,718	50,079
	Scrip dividends	212	837
		<u>58,366</u>	<u>52,116</u>
	Other income		
	Deposit income	57	15
	Total income	<u>57</u>	<u>15</u>
	Total income comprises:		
	Dividends	58,366	52,116
	Interest	57	15
		<u>58,423</u>	<u>52,131</u>
	Income from investments		
	Listed overseas	<u>57,635</u>	<u>51,458</u>

2	Investment management fee	2012	2011
		£'000	£'000
	Variable Expense		
	Investment management fee	<u>21,237</u>	<u>21,209</u>

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

The contract between the Company and TAML may be terminated at any date by either party giving one year's notice of termination. TAML receives a fee paid monthly in arrears, at an annual rate of 1.00% of the monthly trading total net assets of the Company. As at 31 March 2012, £1,752,000 (31 March 2011: £1,950,000) in fees were payable and outstanding to TAML. In addition to the investment management fee above, the Company obtains secretarial and administration services from Franklin Templeton Investment Management Limited ("FTIML") pursuant to a secretarial and administration agreement (which is terminable by either party giving one year's notice to the other). The fee in respect of secretarial and administration services is recorded within other expenses (note 3).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3 Other expenses	2012 £'000	2011 £'000
Variable expenses		
Secretarial and administration expenses	4,247	4,242
Custody fees	1,136	1,213
Fixed expenses		
Directors' emoluments	264	237
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the annual financial statements	26	26
Fees payable to the Company's auditor and its associates for other services		
– Other services pursuant to legislation: half yearly financial report	4	4
Registrar fees	203	189
VAT	(36)	58
Bank overdraft interest	–	1
Other administration expenses	601	585
	<u>1,062</u>	<u>1,100</u>
Total other expenses	6,445	6,555

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 31 March 2012, £350,000 (31 March 2011: £390,000), in fees were payable and outstanding to FTIML.

4 Tax on ordinary activities	2012	2011
	£'000	£'000
Overseas tax	5,078	4,108
Adjustment in respect of prior periods	(416)	–
Current tax	<u>4,662</u>	<u>4,108</u>
Taxation	2012	2011
	£'000	£'000
Profit/(loss) before taxation	(250,755)	338,771
Theoretical tax at UK corporation tax rate of 26% (2011: 28%)	(65,196)	94,856
Effects of:		
– Capital Element of Profit	73,189	(88,033)
– Prior period adjustments to irrecoverable overseas tax	(416)	–
– Non taxable income	39	67
– UK dividends not subject to Corporation Tax	(190)	(184)
– Irrecoverable overseas tax	5,078	4,108
– Excess management expenses	2,905	3,981
– Dividends not subject to Corporation Tax	(10,523)	(10,764)
– Income taxable in different periods	(224)	77
Actual tax charge	<u>4,662</u>	<u>4,108</u>

As at 31 March 2012, the Company had unutilised management expenses of £30.8 million carried forward (2011: £19.6 million). These balances have been generated because a large part of the Company's income is derived from dividends which are no longer taxable. Based on current UK tax law, the Company is not expected to generate taxable income in a future period in excess of deductible expenses for that period and, accordingly, is unlikely to be able to reduce future tax liabilities by offsetting these excess management expenses. These excess management expenses are therefore not recognised as a deferred tax asset.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5 Earnings per Share

	Revenue £'000	2012 Capital £'000	Total £'000	Revenue £'000	2011 Capital £'000	Total £'000
	26,079	(281,496)	(255,417)	20,259	314,404	334,663

Earnings per Share

	Revenue pence	2012 Capital pence	Total pence	Revenue pence	2011 Capital pence	Total pence
	7.91	(85.35)	(77.44)	6.14	95.30	101.44

The earnings per share is based on the profit/(loss) on ordinary activities after tax and on the weighted average number of shares in issue during the year of 329,825,964 (year to 31 March 2011: 329,910,379).

6 Financial assets – investments

	2012 £'000	2011 £'000
Opening investments	2,354,802	2,034,122
Movements in year		
Additions	59,819	28,294
Sales	(45,738)	(22,187)
Realised profits	10,708	19,915
Net (depreciation)/appreciation	(291,983)	294,658
Closing investments	2,087,608	2,354,802

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

Transaction costs for the year on purchases were £120,000 (2011: £98,000) and transaction costs for the year on sales were £63,000 (2011: £111,000). The aggregate transaction costs for the year were £183,000 (2011: £209,000).

Realised and unrealised gains on investments comprise of:

Realised gain based on carrying value at 31 March 2012	10,708	19,915
Net movement in unrealised (depreciation)/appreciation	(291,983)	294,658
Realised and unrealised (losses)/gains on investments	(281,275)	314,573

7 Trade and other receivables	2012 £'000	2011 £'000
Dividends receivable	6,052	5,190
Overseas tax recoverable	257	381
Other debtors	16	—
Corporation tax recoverable	9	—
Accrued income	1	2
	<u>6,335</u>	<u>5,573</u>

8 Trade and other payables	2012 £'000	2011 £'000
Accrued expenses	<u>2,327</u>	<u>2,600</u>
	<u>2,327</u>	<u>2,600</u>

9 Called-up share capital	2012		2011	
	Allotted, issued & fully paid		Allotted, issued & fully paid	
	£'000	Number	£'000	Number
Ordinary Shares of 25p each				
Opening Balance	82,466	329,864,352	82,478	329,914,352
Shares repurchased during the year	(13)	(50,000)	(12)	(50,000)
Closing Balance	<u>82,453</u>	<u>329,814,352</u>	<u>82,466</u>	<u>329,864,352</u>

The Company's 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, 50,000 shares were bought back for cancellation at a cost of £300,000 (2011: 50,000 shares were bought back for cancellation at a cost of £300,000). No shares were cancelled between 1 April 2012 and 8 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

10 Net asset value per share	Net asset value per share		Net asset value attributable	
	2012 pence	2011 pence	2012 £'000	2011 £'000
Shares	636.3	718.0	2,098,640	2,368,392

11 Dividend	2012		2011	
	Rate (pence)	£'000	Rate (pence)	£'000
Declared and paid in the year				
Dividend on shares:				
Final dividend for year	4.25	14,019	3.75	12,372
		<u>14,019</u>		<u>12,372</u>
Proposed for approval at the Company's AGM				
Dividend on shares:				
Final dividend for year ended 31 March 2012 (31 March 2011: 4.25p)	5.75	18,964		
		<u>18,964</u>		

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

12 Related party transactions

The following are considered to be related parties:

- Templeton Asset Management Ltd ("TAML")
- Franklin Templeton Investment Management Limited ("FTIML")
- The Directors of the Company

All material related party transactions, as set out in International Accounting Standard 24 Related Party, have been disclosed in the Directors' Report, Note 2 and Note 3. Details of the remuneration of all Directors can be found on page 44.

Other funds managed by TAML may be investors in the same securities as the Company.

13 Risk management

In pursuing the investment objectives set out on page 27 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), other price 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.

Investment risk

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, there is the potential for increased concentration of exposure to economic, business, political or other changes affecting similar issues or securities, which may result in greater fluctuation in the value of the portfolio.

Market price risk

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

13 Risk management (continued)

The fair value of the Company's monetary items that have foreign currency exposure at 31 March are shown below:

2012	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 dollar	1,529	—	—	1,529	540,328
Hong Kong dollar	—	—	—	—	457,295
Thai baht	1,591	—	—	1,591	267,749
Indonesian rupiah	110	—	—	110	193,555
Indian rupee	231	—	—	231	193,464
Turkish lira	—	—	—	—	120,839
Other	2,848	39	—	2,887	314,378
2011	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 dollar	1,495	—	—	1,495	673,466
Hong Kong dollar	—	—	—	—	479,832
Indian rupee	—	—	—	—	266,115
Thai baht	1,086	—	—	1,086	232,549
Indonesian rupiah	115	1	—	116	182,667
Turkish lira	—	—	—	—	144,692
Other	2,874	43	—	2,917	375,481

Sensitivity

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

	2012		2011	
	Revenue £'000	Capital Return £'000	Revenue £'000	Capital Return £'000
Financial Assets and Liabilities				
US dollar	2,141	54,033	1,766	67,347
Hong Kong dollar	966	45,729	976	47,983
Indian rupee	454	19,346	466	26,611
Thai baht	855	26,775	690	23,255
Indonesian rupiah	415	19,356	328	18,267
Turkish lira	361	12,084	491	14,469
	<u>5,192</u>	<u>177,323</u>	<u>4,717</u>	<u>197,932</u>

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

13 Risk management (continued)

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 Investment 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.

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:

	<i>Within one year 2012 £'000</i>	<i>Within one year 2011 £'000</i>
Cash flow interest rate risk		
Cash	7,024	11,025

Exposures vary throughout the year as a consequence of changes in the make up of the net assets of the Company.

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

Investments held by the Company are valued in accordance with the accounting policies at bid price. Other financial assets and liabilities of the Company are included in the balance sheet at fair value.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

13 Risk management (continued)

Credit risk

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

The amount of credit risk that the Company is exposed to is disclosed under interest rate risk profile and represents the maximum credit risk at the Balance Sheet date.

The Company has an ongoing contract with its custodian (JPMorgan Chase Bank) for the provision of custody services.

During the year the Company reviewed the custody services provided by JPMorgan Chase Bank. While there are inherent custody risks in investing in emerging markets, the review concluded that the custody network employed by TEMIT has appropriate controls in place to mitigate those risks, and that these controls are consistent with recommended industry practices and standards.

Securities held in custody are held in the Company's name or to its accounts. Details of holdings are received and reconciled monthly. Cash is either held in a floating rate deposit account whose rate is determined by reference to rates supplied by the custodian or is placed on deposit in the name of TEMIT. There is no significant risk on debtors and accrued income (or tax) at the year end.

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.

The tables below analyse financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation hierarchy fair value through profit or loss

£'000	31 March 2012				31 March 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Listed investments	2,087,608	–	–	2,087,608	2,354,802	–	–	2,354,802

14 Significant holdings in investee undertakings

As at 31 March 2012 the Company held 3% or more in the issued share capital of the following companies:

<i>Name</i>	<i>% of issued share capital*</i> 2012	<i>Fair value £'000</i>	<i>% of issued share capital*</i> 2011	<i>Fair value £'000</i>
Victory City International Holdings Ltd.	6.9	6,379	8.5	12,775
Brilliance China Automotive Holdings Ltd.	5.6	190,949	5.8	180,704
Peninsula Land Ltd.	5.6	6,239	4.4	10,024
Univanich Palm Oil PCL, fgn.	5.0	9,666	N/A	N/A
Faysal Bank Ltd.	5.0	3,718	5.0	2,876
Polnord SA	4.4	3,165	4.7	7,087
Kiatnakin Bank PCL, fgn.	3.5	16,859	3.5	16,317
Guangzhou Automobile Group Co. Ltd., H	3.5	48,116	3.5	58,892
MCB Bank Ltd.	3.5	39,007	2.6	35,677
Hyundai Development Co.	3.5	36,197	3.5	47,694
VTech Holdings Ltd.	3.3	66,825	3.4	58,488

* This is the percentage of the class of security held by TEMIT

15 Contingent liabilities

No contingent liabilities existed as at 31 March 2012 or 31 March 2011.

16 Financial commitments

There are no financial commitments at 31 March 2012 or 31 March 2011.

17 Post Balance Sheet events

The only material post balance sheet event is in respect of the proposed dividend, which has been disclosed in Note 11.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Templeton Emerging Markets Investment Trust Public Limited Company (the "Company") will be held at Stationers' Hall, Ave Maria Lane, London EC4M 7DD on 20 July 2012 at 12 noon to transact the following business:

To consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14 to 16 will be proposed as special resolutions.

Ordinary Business:

1. To receive and adopt the Directors' and Auditor's Reports and Financial Statements for the year ended 31 March 2012.
2. To approve the Directors' Remuneration Report for the year ended 31 March 2012.
3. To declare a dividend of 5.75 pence per share for the year ended 31 March 2012.
4. To re-elect Peter A Smith as a Director.
5. To re-elect Christopher D Brady as a Director.
6. To re-elect Hamish N Buchan as a Director.
7. To re-elect Sir Peter Burt as a Director.
8. To re-elect Neil A Collins as a Director.
9. To re-elect Peter O Harrison as a Director.
10. To re-elect Gregory E Johnson as a Director.
11. To re-appoint Deloitte LLP as auditor of the Company, to act until the conclusion of the next general meeting of the Company at which audited accounts are laid before the members.
12. To authorise the Directors to determine the auditor's remuneration.

Special Business

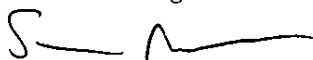
13. That, in substitution for any existing authority, the Directors be generally and unconditionally authorised to allot equity securities (as defined in Section 560 of the Companies Act 2006 (the "Act")) pursuant to Section 551 of the Act, up to an aggregate nominal amount of £4,122,679 (being an amount equal to 5% of the existing issued share capital of the Company as at 8 June 2012, being the latest practicable date before the date of this notice), provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.
14. That, in substitution for any existing authority, subject to the passing of resolution 13, the Directors be given the general power to allot equity securities (as defined by Section 560 of the Act) for cash pursuant to the authority conferred by resolution 13, as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £4,122,679 (being an amount equal to 5% of the existing issued share capital of the Company as at 8 June 2012, being the latest practicable date before the date of this notice). The power granted by this resolution will expire on conclusion of the Annual General Meeting of the Company to be held in 2013 (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

15. That, in substitution for any existing authority, the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of shares of 25p each in the capital of the Company ("shares") provided that:
- (i) the maximum number of shares hereby authorised to be purchased shall not exceed 14.99 per cent. of the shares in issue on 20 July 2012, or 49,439,171 shares, whichever is lower;
 - (ii) the minimum price which may be paid for a share shall be 25 pence;
 - (iii) the maximum price which may be paid for a share shall not be more than the higher of an amount equal to 105 per cent. of the average of the closing mid-market price of shares (as derived from the daily Official List of the London Stock Exchange) 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
 - (iv) unless renewed, the authority hereby conferred shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2013, save that the Company may, prior to such expiry enter into a contract to purchase shares which will or may be completed wholly or partly after such expiry.
16. 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

18 June 2012

Please ensure that you read the notes to this Notice on pages 67 to 69.

Notes:

1. The Company specifies that only those members registered on the Company's register of members at 6.00pm on 18 July 2012 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. Appointment of a proxy will not preclude a member from attending and voting in person.
3. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member 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 6DA 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. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
6. A proxy form must be returned to the Company's registrar, Equiniti, Aspect House, Lancing, West Sussex BN99 6DA to arrive not later than 12 noon on 18 July 2012. New Zealand registered shareholders must return a proxy form to Computershare, Private Bag 92119, Auckland 1142, New Zealand to arrive not later than 4.00pm on 17 July 2012 (New Zealand time).

NOTICE OF MEETING

CONTINUED

7. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
8. As at 8 June 2012, the Company's issued share capital was 329,814,352 shares of 25p each. Each 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 8 June 2012 is 329,814,352.
9. Copies of the letters of appointment of the Directors 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 Meeting (for 15 minutes prior to the Meeting and during the Meeting).
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 Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual which can be viewed at www.euroclear.com/CREST. 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 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 (RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

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 Equiniti's website at www.sharevote.co.uk where full instructions on the procedure are given. The personal Voting ID, Task ID and Shareholder Reference Number printed in the voting pack will be required to use this electronic proxy appointment system.

Alternatively, shareholders who have already registered with Equiniti's on-line portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and clicking on the lists to vote underneath your Templeton Emerging Markets Investment Trust holding. 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 18 July 2012. 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.investorvote.co.nz, and enter the Control Number 105522, 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 4.00pm (New Zealand time) on 17 July 2012. Please note that any electronic communication found to 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. 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 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. 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 auditor 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 or by email to enquiries@franklintempleton.co.uk. 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. Please note that any electronic communication found to contain a computer virus will not be accepted.

14. Pursuant to Section 319A of the Companies Act 2006, the Company must provide an answer to any question which is put by a member attending the Meeting relating to the business being considered, except if a response would not be in the interest of the Company or for the good order of the meeting or if to do so would involve the disclosure of confidential information. The Company may however elect to provide an answer to a question, within a reasonable period of days after the conclusion of the Meeting.
15. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website, www.temit.co.uk.
16. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

KEY DATES

2012

The Company's twenty-third Annual General Meeting will be held on Friday 20 July 2012. Notice of this meeting is given on pages 66 and 67.

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

July 2012

Annual General Meeting held.

Dividend paid.

November 2012

Half Yearly results announced.

Half Yearly Report for the period to 30 September 2012 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 ADVISER AND STOCKBROKER

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
LONDON
EC4R 2GA
UK

SOLICITOR

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

REGISTRAR – UK

Equiniti Limited
Aspect House
Spencer Road
Lancing
WEST SUSSEX
BN99 6DA
UK

SECRETARY AND ADMINISTRATOR

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

AUDITOR

Deloitte LLP
Saltire Court
20 Castle Terrace
EDINBURGH
EH1 2DB
UK

GLOBAL CUSTODIAN

JPMorgan Chase Bank
125 London Wall
LONDON
EC2Y 5AJ
UK

REGISTRAR – NEW ZEALAND

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
NEW ZEALAND

NOTES

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
Website www.franklintempleton.co.uk
www.temit.co.uk

REGISTRAR

Equiniti Limited
Aspect House
Spencer Road
Lancing
WEST SUSSEX BN99 6DA
UK
www.equiniti.com

SHAREHOLDERS' HELPDESK

Phone 0871 384 2505
Fax 0871 384 2100

Calls to this number cost 8p per minute from a
BT landline, other providers' costs may vary.
Lines open 8.30am to 5.30pm, Monday to Friday.

OVERSEAS SHAREHOLDERS' HELPDESK

Phone +44 121 415 7047

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).

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
www.franklintempleton.co.uk 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 03/12