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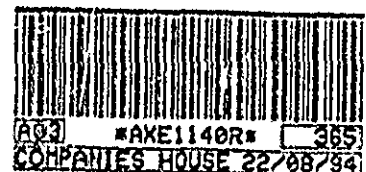


THE FLEMING
GEARED INCOME
& ASSETS

INVESTMENT TRUST PLC

Growth of income and capital from a diversified UK portfolio

ANNUAL REPORT AND ACCOUNTS
for the year ended 31st May 1994



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COMPANIES HOUSE 22/08/94

CONTENTS

1	<i>Objective, Policies and Benchmark</i>
2	<i>Information about Your Company</i>
2	<i>Financial Calendar</i>
3	<i>Capital Structure</i>
4	<i>Chairman's Statement</i>
5	<i>Summary of Results</i>
6	<i>Performance</i>
7	<i>Investment Manager's Report</i>
9	<i>Twenty Largest Investments</i>
9	<i>Analysis of Assets and Portfolio</i>
10	<i>List of Investments</i>
12	<i>Financial Record</i>
12	<i>Investment Activity</i>
13	<i>Analysis of Shareholders</i>
14	<i>Directors and Administration</i>
16	<i>Report of the Directors</i>
19	<i>Directors' Responsibilities in Respect of the Accounts</i>
19	<i>Report of the Auditor</i>
20	<i>Revenue Account</i>
20	<i>Statement of Total Recognised Gains and Losses</i>
21	<i>Balance Sheet</i>
22	<i>Cash Flow Statement</i>
23	<i>Notes to the Accounts</i>
28	<i>Notice of Meeting</i>

OBJECTIVE, POLICIES AND BENCHMARK



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

OBJECTIVE

*Growth of income and capital from investment in the UK
through a split-capital structure over the Company's
remaining life to 2008/10.*

POLICIES

*To invest in a broadly-based portfolio
of quoted UK securities.*

*To have a portfolio yielding around
a third more than the UK market.*

To remain fully eligible for PEPs.

BENCHMARK

*The performance benchmark is the
FT-SE Actuaries All-Share Index.*



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

INFORMATION ABOUT YOUR COMPANY

THE MANAGER AND FLEMINGS

Fleming Geared Income & Assets is one of seventeen investment trusts managed and administered by Fleming Investment Trust Management, part of the Flemings group.

The Manager, therefore, is backed by the full resources of Flemings, one of the leading UK financial institutions with over one hundred years' experience of investment.

Flemings also provides the Company with banking and custodian services.

MARKET INFORMATION

The Company's shares and warrants are listed on the London Stock Exchange. Their market prices are shown daily in the Financial Times.

DAILY NET ASSET VALUE

The net asset values of the ordinary and preferred shares of the Company and of the other Fleming trusts' ordinary shares are calculated daily and published on the London Stock Exchange TOPIC Service on pages 36500-15. They are also available, together with the share price and discount or premium, on a recorded telephone message on 0171-588 9203.

TAXATION

The Company is an approved investment trust and therefore not subject to taxation on profits arising from sales of its investments.

Those purchasing the Company's shares monthly through the Share Plan can elect to total the costs of purchases made during the Company's financial year and treat the costs for indexation allowance purposes as though the shares were all acquired in the seventh month, i.e. December.

SHARE PLAN AND PERSONAL EQUITY PLAN

The Fleming Investment Trusts Share Plan provides a convenient and economical way for shareholders of Fleming Geared Income & Assets to increase their holding of ordinary or preferred shares or start a holding in any of the other investment trusts managed by Flemings.

Fleming Geared is fully eligible for PEPs and up to £6,000 per tax year can be invested in the Company's ordinary or preferred shares through the Fleming Investment Trusts Personal Equity Plan.

For details of the Plans please ring the Brochure Line on 0171-382 8989.

If you have any further queries regarding any of our investment trusts, please phone the Helpline on 0171-382 8800.

Issued by Fleming Investment Trust Management Limited, a member of IMRO.

FINANCIAL CALENDAR

Financial year end

31st May

Results

Half year announced

January

Full year announced

July

Dividends

Ordinary shares

Interim

Paid February

Final

Paid September

Preferred shares

Paid 31st May and 30th November

Annual General Meeting

September



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



CAPITAL STRUCTURE

The Company is a split-capital investment trust, which means a company with more than one class of capital, with each class having characteristics and rights that are designed to appeal to different kinds of investors.

At 1st June 1994 there were 15,475,982 shares in issue of each of the Company's two classes of capital, namely its 6.3-13.3% cumulative limited participating preferred shares and its ordinary shares. The rights, characteristics and risks of each class of share are set out below.

In addition, at 1st June 1994 there were 2,524,018 warrants outstanding, each of which entitles the holder to subscribe for one ordinary share and one preferred share at a combined price of 200p on 1st June 1995.

The Company is scheduled to be wound up between 1st January 2008 and 31st December 2010.

PREFERRED SHARES

The preferred shares are entitled to annual dividends of 13.3p (net) for the remaining years of the Company's life. As to assets, they are entitled to 100p per share before the ordinary shares are entitled to any assets and 10% of any assets remaining after the ordinary shareholders have received the whole of the revenue reserve and their entitlement of 100p per share.

The preferred shares receive a high income (but one which will not increase) and 10% of any growth in the Company's assets. Without substantial growth in the Company's assets over its remaining life, the preferred shareholders will suffer a capital loss on the winding-up of the Company compared with the 168p price of the preferred shares at 31st May 1994, when they stood at a premium of 45.1% to their fully-diluted net asset value with a 9.4% dividend yield on the basis of the 1994/95 dividend and a 20% rate of tax credit. Every increase of 10.0% in the Company's assets over their level on 31st May 1994 will produce an increase of 3.0% in the fully-diluted net asset value per preferred share.

The preferred shares, therefore, are suitable for those seeking a high current income, but one that will be static, combined with some potential for capital growth. While they may be considered to carry below-average risk in terms of dividends and net asset value, investors in them must appreciate that the value of the assets of the Company must grow by 5.9% compounded per annum from their amount at 31st May 1994 (assuming no change in the revenue reserve) in order for the preferred shareholders to receive on a wind-up of the Company in 2010 an amount equal to the 168p market price of the preferred shares at 31st May 1994.

ORDINARY SHARES

The ordinary shares are entitled to all the income not paid out in dividends on the preferred shares. Because of the high dividend entitlement of the preferred shares, the dividends paid on the ordinary shares are likely to be small but their level will be highly geared to any increase (or decrease) in the Company's income. As to assets, they are entitled to the whole of the revenue reserve, 100p per share after each preferred share has received 100p and 90% of any remaining assets.

Their asset performance, therefore, will be geared to any change in the value of the Company's assets. Every increase of 10.0% in the value of the Company's assets over their level on 31st May 1994 will produce an increase of 12.0% in the fully-diluted net asset value per ordinary share.

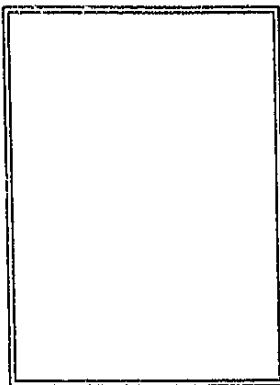
At 31st May 1994 the ordinary shares were selling at a substantial discount of 22.6% to their fully-diluted net asset value and offered a dividend yield of 1.25% on the basis of the dividend of 2.0p (net) forecast for the year to 31st May 1995.

The ordinary shares, therefore, are suitable for those who require little current income and are prepared to take an above-average capital risk in return for the potential of above-average capital gain. The returns from owning the ordinary shares will be strongly affected by any increase (or decrease) in the Company's income and in the value of its assets over future years.



THE FLEMINGS
HEARDED INCOME & ASSETS
INVESTMENT TRUST PLC

CHAIRMAN'S STATEMENT



John Webster

In my statement to shareholders last year, I reported on the progress of the reorganisation of the portfolio to bring it in line with our new investment policies. This has now been successfully completed.

Two of the targets which we set for the Investment Manager a year ago were to achieve a gross yield from the portfolio approximately one third higher than that of the FT-SE Actuaries All-Share Index and to reduce the number of stocks held to around 100. Both of these have been achieved, the yield at the year-end being 27% higher than that of the Index and the number of stocks being 93.

At the year-end the Company's assets were fully invested in the UK stockmarket with liquidity amounting to only 0.9% of assets. The assets were 87.9% invested in equities, 1.6% in convertible bonds and 9.6% in convertible preference shares. A complete list of holdings is given on pages 10 and 11.

BOARD OF DIRECTORS

I am delighted to welcome Brian Hill as a Director of the Company. He is currently a director of The Scottish Life Assurance Company, OMI International plc and Automotive Products plc. Mr Hill, therefore, brings with him a wealth of experience which will be of great value to your Board. A resolution to confirm his appointment will be proposed at the forthcoming AGM.

CAPITAL PERFORMANCE

I am pleased to report that during the year to 31st May 1994, the first complete year since the Company's reorganisation, the total assets of the Company rose by 7.4% (after adjusting the total assets at 31st May 1993 for the exercise of warrants which took place on 1st June 1993) compared with a rise in the FT-SE Actuaries All-Share Index of 7.0%. The fully-diluted net asset values rose by 9.2% for the ordinary shares and by 1.9% for the preferred shares. Details of the market background and the investment strategy which produced this outperformance are given in the Investment Manager's report on pages 7 and 8.

EARNINGS AND DIVIDENDS

Gross revenue for the year at £4.00m was little changed from last year's but it included approximately £1m of non-recurring income received at the beginning of the year as part of the redemption in specie of two Save & Prosper unit trusts. Administrative expenses, of which half are charged to capital and half to revenue, rose from £1,000 to £508,634, reflecting the new arrangements following the Company's reorganisation in June 1993. As part of these the Company now pays its own administrative expenses including a 0.5% management fee to Flemings, instead of having virtually all its costs paid by Save & Prosper Securities which received a 1.25% management fee from the unit trust holdings which previously formed the whole of the Company's portfolio.

After another year's increase in the dividend rate on the preferred shares, earnings per ordinary share fell from 7.77p to 6.83p.

During the year the ordinary shareholders received an interim dividend of 0.75 pence per share together with a special dividend of 2.00 pence per share. The special dividend arose from the non-recurring income mentioned above, the balance of which has been added to the revenue reserve.

In line with earlier forecasts, your Directors propose that a final dividend of 1.25 pence per share be paid on 23rd September 1994 to ordinary shareholders on the register at the close of business on 18th August 1994. This, when added to the dividends already paid, will make a total of 4.00 pence per share for the year.

For the current year your Directors expect to pay dividends per ordinary share of not less than 2.00p, equal to the amount paid for last year excluding the special dividend. Growth in the dividend will depend on the rate of increase in dividends paid by UK companies in general and by those in your Company's specific portfolio.

As shareholders will be aware, there are two important events happening in the next 12 months which will effect the future earnings per ordinary share and dividend-paying capacity of the Company. The first is that the dividends payable on the preferred shares will no longer increase and will be fixed at this year's rate of 13.3% for the rest of the Company's life and the second is that 1st June 1995 is the last exercise date for the warrants. At the current market price of the shares it is expected that all of the outstanding warrants will be exercised, leading to dilution of the net asset value and earnings per ordinary share. The revenue reserve which has been built up over the last few years will be available to absorb the increased cost of dividends following the exercise of the remaining warrants.



THE FLEMING
CLEARED INCOME & ASSETS
INVESTMENT TRUST PLC

CHAIRMAN'S STATEMENT

CORPORATE GOVERNANCE

I am pleased to inform shareholders that the Company now complies with the Code of Best Practice laid down by Sir Adrian Cadbury's committee on 'The Financial Aspects of Corporate Governance'. An Audit Committee was formed during the year and its duties include reviewing the Company's financial statements, the management contract, the auditors' appointment and their remuneration and making recommendations to the Board on these matters.

ANNUAL GENERAL MEETING

This year's Annual General Meeting will take place at 3.30pm on Tuesday 20th September 1994 in Fleming's offices at 25 Copthall Avenue, London EC2. The formal business of the meeting will be followed by a presentation by the Investment Manager, Robin Evans, who will review the past year and update shareholders on the investment outlook. After this tea and light refreshments will be available which will provide you with an informal opportunity to meet your Board and Investment Manager.

John Webster
17th August 1994

SUMMARY OF RESULTS

REVENUE for the year to 31st May	1994	1993	% change
Gross revenue	£4,004,364	£3,991,893	+0.3
Earnings per ordinary share	6.83p	7.77p	-12.1
Dividends per ordinary share	4.00p	7.60p	-47.4
Dividends per preferred share	12.60p	11.90p	+5.9

ASSETS at 31st May	1994	1993	% change
Total net assets	£62,231,358	£57,669,070	+7.9

ORDINARY SHARES at 31st May	1994	1993	% change
Attributable net assets	£43,961,447	£39,913,515	+10.1
Net asset value per share	285.0p	260.9p	+9.2
Fully-diluted net asset value per share	258.5p	236.7p	+9.2
Market price	200.0p	165.0p	+21.2
Discount of market price to fully-diluted net asset value	22.6%	30.3%	

PREFERRED SHARES at 31st May	1994	1993	% change
Attributable net assets	£18,269,911	£17,755,555	+2.9
Net asset value per share	118.4p	116.1p	+2.0
Fully-diluted net asset value per share	115.8p	113.6p	+1.9
Market price	163.0p	158.0p	+6.3
Premium of market price to fully-diluted net asset value	45.1%	39.1%	

WARRANTS at 31st May	1994	1993	% change
Market price	167.0p	124.0p	+34.7

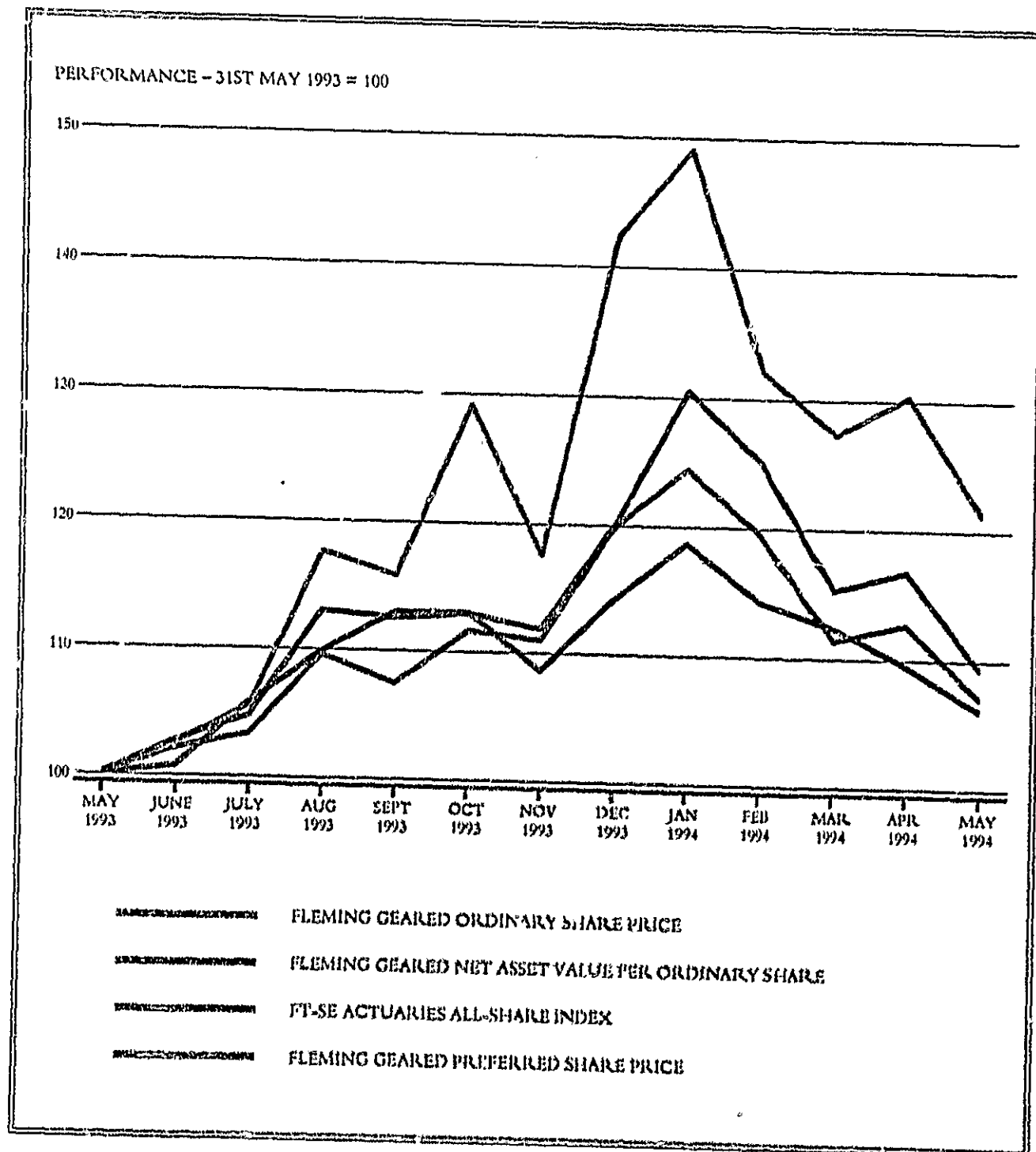
INDEX COMPARISONS at 31st May	1994	1993	% change
FT-SE Actuaries All-Share Index	1,501.2	1403.4	+7.0

Note: 127,201 shares of each class were issued during the year making a total of 15,426,549 shares of each class in issue at 31st May 1994.



THE FLEMING
GEARED FUND & ASSETS
INVESTMENT TRUST PLC

PERFORMANCE





THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

INVESTMENT MANAGER'S REPORT

INVESTMENT REVIEW

During the twelve months to 31st May, the UK equity market has seen a considerable change in sentiment. In the period up to 2nd February, the market rose strongly in response to an improving economic background and the continued fall in world interest rates. However, since the beginning of February investors' perception of the likely course of interest rates has changed and led to falling bond markets. This produced a period of acute weakness in UK equities despite statistical and anecdotal evidence that the UK economy is continuing to recover. It is therefore pleasing to report that, despite considerable volatility and uncertainty in markets and the costs of reorganising the investment portfolio, the total assets of the Company have risen by 7.4% compared to 7.0% for the FT-SE Actuaries All-Share Index over the period.

The economic background in the UK is promising. Inflation remains at a historically low level. The economy appears to be growing at around 2.75% per annum and manufacturing output is showing a slow but steady recovery. Unemployment is falling and wage inflation remains at a low cbb. This combination has led to a recovery in companies' profit margins. The results season has been encouraging with profits generally ahead of expectations. Additionally, consumer statistics have been positive and growth in retail sales is healthy.

The disappointing features have been the continuing balance of payments deficit and sluggish investment. Despite incomplete data, recent trends in exports and imports have been poor with export volumes falling and import volumes buoyant. In spite of historically low interest rates, companies have been reluctant to commit themselves to capital investment programmes and investment by UK companies remains low by international standards.

PORTFOLIO ACTIVITY

At the beginning of the financial year, the Company received a proportionate share of all the holdings in Save & Prosper High Return Trust and Smaller Companies Income Fund in return for the redemption of its holdings in those funds. It also redeemed for cash its holding in Save & Prosper American Income & Growth Fund. The asset and portfolio mix at the start and end of the year was as follows:

	2nd June 1993	31st May 1994
	%	%
Equities	65.9	87.9
Convertibles	8.3	11.2
Cash	25.8	0.9
	100.0	100.0

Companies in the	%	%
FT-SE 100 Index	19.1	29.3
FT-SE Mid 250 Index	28.4	39.2
Other companies	26.7	30.6
Cash	25.8	0.9
	100.0	100.0

The investment parameters which were set out in the circular to shareholders dated 22nd April 1993 have been achieved. The portfolio yield is approximately one-third higher than that of the FT-SE Actuaries All-Share Index and the number of stocks held has been reduced from 165 to 93. In addition there are no unquoted stocks nor any with a market capitalisation of under £20m.

The portfolio is biased towards smaller and medium-sized companies. It is also weighted towards the manufacturing sectors. This reflects our view that these are the areas most likely to benefit from the revival in UK economic activity. More recently the weighting in the consumer sectors has been increased as better value has begun to appear in these areas. The exposure to utilities and financials has been reduced as these sectors

Robin Evans



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

INVESTMENT MANAGER'S REPORT

have come under pressure with the prospect of rising interest rates.

The twenty largest holdings are shown on page 9 and a complete list of holdings on pages 10 and 11. New holdings have been purchased in Glaxo, Taunton Cider, BBA, Enterprise Oil, Bass, Lucas, and AAH. These reflect two principal themes. First, the Company has remained committed to areas which will benefit from improving volumes and margins as the economy recovers. Most manufacturing companies display this characteristic. The exposure to the motors sector has been significantly increased through purchases of BBA and Lucas. The motor component companies are beginning to see a sharp pick-up in volumes as car and commercial vehicle sales are starting to recover in mainland Europe. The second theme has been investing in companies which have below-average price to earnings ratios and above-average dividend yields. Increasingly, companies that display these characteristics are coming from the consumer areas, including Glaxo, Taunton Cider, Bass and AAH.

OUTLOOK

Clearly the rise in US interest rates has cast a shadow over stockmarkets. However, the UK economic cycle is well behind that in the US and as long as sterling remains steady there is little need or incentive to put up UK interest

rates in the near term. The outlook for inflation is a key factor in the determination of the level of interest rates. At the moment there still appears to be considerable slack in productive capacity and labour markets, which suggests that inflation will continue to be relatively subdued.

At long last, the fall in interest rates over the past two years has produced an improvement in economic activity which is forecast to continue for at least the next year. The strength of the recovery is crucially dependent on the impact of tax increases on consumer confidence and spending. Recent evidence suggests that retail sales have not been affected and remain buoyant.

It is encouraging to note that corporate profitability is improving rapidly and that company balance sheets are being repaired. Indeed 1993 was the first year since 1987 when the company sector has been in financial surplus. The improving health of the corporate sector provides a strong base for the equity market to make further progress as the economic recovery begins to mature. Against this background we believe that Fleming Geared is well placed in terms of its exposure to the areas of the stockmarket where the economic upturn is likely to be felt most strongly.

Robin Evans
17th August 1994



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

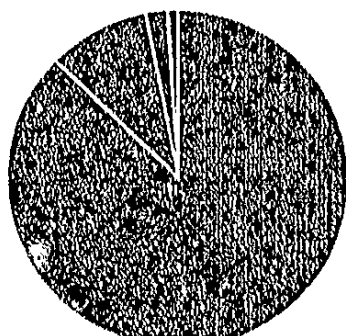
TWENTY LARGEST INVESTMENTS

at 31st May 1994

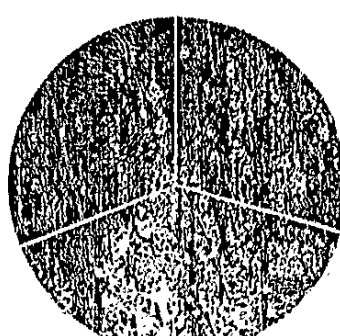
Company	Sector	Market Value	% of Portfolio
BTP	Chemicals	2,516,350	4.0
National Westminster Bank	Banks	2,135,000	3.5
Shell Transport & Trading	Integrated Oil	2,012,010	3.3
Glaxo Holdings	Pharmaceuticals	1,608,000	2.6
Marshall	Building Materials and Merchants	1,606,779	2.6
Lloyds Bank	Banks	1,586,560	2.6
Tarmac	Building Materials and Merchants	1,345,468	2.2
Taunton Cider	Spirits, Wines and Cider	1,336,500	2.2
Zeneca Group	Pharmaceuticals	1,325,025	2.1
BBA Group	Engineering, Vehicles	1,325,000	2.1
Howden Group	Engineering	1,283,920	2.1
Powell Duffryn	Diversified Industrials	1,214,400	2.0
Enterprise Oil	Oil Exploration and Production	1,204,500	1.9
BICC	Electronics and Electricals	1,085,500	1.8
British Telecommunications	Telecommunications	1,062,125	1.7
Bass	Breweries	1,036,000	1.7
Lucas Industries	Engineering, Vehicles	991,200	1.6
Vaux Group	Breweries	976,220	1.6
Hanson	Diversified Industrials	952,500	1.5
AAH	Healthcare	942,000	1.5
TOTAL		£27,545,057	44.6

ANALYSIS OF ASSETS AND PORTFOLIO

at 31st May 1994



ASSETS	%
Equities	87.9
Convertible preference shares	9.6
Convertible bonds	1.6
Cash	0.9



PORTFOLIO	%
Companies in the FT-SE 100 Index	29.6
Companies in the FT-SE Mid 350 Index	39.5
Other companies	30.9



THE FIDELITY
FUND INVESTMENT TRUST PLC

LIST OF INVESTMENTS

at 31st May 1994

All figures £'000

* Includes or comprises convertible
bonds and/or preference shares

Company	Market Value	% of Portfolio
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MINERAL EXTRACTION

Extractive Industries

English China Clays	327,189	0.5
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Oil, Integrated

Shell Transport & Trading	2,012,010	3.3
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Oil Exploration & Production

Elf Enterprise	112,500	0.2
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Enterprise Oil	1,204,500	1.9
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	£3,656,199	5.9
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GENERAL MANUFACTURERS

Building & Construction

Amec	830,700	1.3
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Galliford	268,640	0.4
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Laing (John)	148,750	0.2
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Tilbury Douglas	806,250	1.3
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Building Materials & Merchants

Anglian Group	353,250	0.6
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British Dredging	485,520	0.8
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Cape	607,675	1.0
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Heywood Williams*	394,875	0.6
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Marshall's*	1,606,779	2.6
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Newman-Tonks	391,495	0.6
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Noreros	659,285	1.1
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Ruberoid	582,560	0.9
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Tarmac*	1,345,468	2.2
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Chemicals

BTP*	2,516,350	4.1
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Hickson*	124,645	0.2
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Diversified Industrials

Hanson	932,590	1.5
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Harrison & Crossfield*	630,595	1.0
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Powell Duffryn	1,214,400	2.0
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Staveley Industries	807,270	1.3
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Williams*	359,910	0.6
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Company	Market Value	% of Portfolio
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Electronics & Electricals

BICC	1,085,500	1.8
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Engineering

CI Group	286,125	0.5
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Carello Engineering	877,485	1.4
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GEL International	447,005	0.7
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Glynwed International	596,840	1.0
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Hall Engineering	340,276	0.6
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Howden Group	1,283,920	2.1
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Johnson & Firth Brown	535,500	0.9
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McKeechnie	471,120	0.8
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Meggitt	662,150	1.1
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Rolls-Royce	803,188	1.3
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Rotork	472,875	0.8
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United Industries	344,413	0.5
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Wagon Industrial Holdings*	654,005	1.1
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Engineering, Vehicles

Avon Rubber	699,480	1.1
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BBA Group*	1,325,000	2.1
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Bostrom	411,400	0.7
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Lucas Industries	991,200	1.6
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Syltore	474,500	0.8
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Printing, Paper & Packaging

Blagden Industries	262,695	0.4
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Fairway Group	642,600	1.0
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Textiles & Apparel

UK Safety	287,680	0.5
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	£29,041,874	47.1
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CONSUMER GOODS

Breweries

Bea	1,036,000	1.7
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Boddington Group	467,190	0.8
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Scottish & Newcastle	724,035	1.2
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Vaux Group	976,220	1.6
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Whitbread	616,800	1.0
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Spirits, Wines & Ciders

Allied-Lyons	867,000	1.4
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Tramton Cider	1,336,500	2.2
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THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

LIST OF INVESTMENTS

at 31st May 1994

Company	Market Value	% of Portfolio
<i>Food Manufacturers</i>		
Asker	467,060	0.8
Dalgety	217,100	0.4
Matthews (Bernard)	450,450	0.7
Northern Foods	685,750	1.1
Sims Food Group	46,500	0.1
Unigate	676,035	1.1
United Biscuits	675,150	1.0
<i>Healthcare</i>		
AAH	942,000	1.5
<i>Household Goods</i>		
Walker Greenbank	266,945	0.4
<i>Pharmaceuticals</i>		
Glaxo Holdings	1,608,000	2.6
Zeneca Group	1,325,025	2.1
<i>Tobacco</i>		
Rothmans International	441,000	0.7
	£13,824,760	22.4
SERVICES		
<i>Distributors</i>		
Appleyard Group	184,730	0.3
Casker	297,936	0.5
Dagenham Motors Group	217,958	0.4
Lookers*	136,240	0.2
<i>Leisure & Hotels</i>		
Barr & Wallace Arnold	298,700	0.5
<i>Media</i>		
Bristol Evening Post	319,530	0.5
Carlton*	337,500	0.5
<i>Retailer: Food</i>		
Aula Group	787,500	1.3
Low (Wm)*	267,305	0.4
Watson & Philip	831,511	1.4
<i>Retailers, General</i>		
Dixons Group	519,750	0.8
	£4,198,680	6.8

Company	Market Value	% of Portfolio
UTILITIES		
<i>Electricity</i>		
East Midlands Electricity	738,525	1.2
London Electricity	609,120	1.0
Seeboard	279,840	0.5
South Wales Electricity	207,740	0.3
South Western Electricity	257,140	0.4
<i>Gas Distribution</i>		
British Gas	613,640	1.0
<i>Telecommunications</i>		
British Telecommunications	1,062,125	1.7
	£3,768,130	6.1

FINANCIALS		
<i>Banks</i>		
Lloyds Bank	1,586,560	2.6
National Westminster Bank	2,135,000	3.5
<i>Life Assurance</i>		
Lloyds Abbey Life	456,975	0.7
London and Manchester	897,750	1.5
<i>Other Financial</i>		
MAI *	146,681	0.2
<i>Property</i>		
Bilton	369,600	0.6
Land Securities	283,800	0.5
Mucklow (A & J)	313,950	0.5
Slough Estates*	530,705	0.8
	£6,721,021	10.9

INVESTMENT TRUSTS		
New London Capital	£495,000	0.8

TOTAL PORTFOLIO £61,705,664 100.0

All figures £'000
* Includes or comprises convertible bonds and/or preference shares



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

FINANCIAL RECORD

Year to 31st May ¹	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985*
Net assets (£ million)	62.23	57.67	60.05	58.66	59.04	65.35	55.91	62.72	47.73	36.28
Earnings per ordinary share (p)	6.83	7.77	10.65	11.36	9.97	7.57	4.92	4.17	4.20	0.79
Dividends per ordinary share (p)	4.00	7.60	7.60	7.37	6.25	4.36	3.87	3.60	3.30	0.77
Market price per ordinary share (p)	200	165	178	186	164	205	152	180	130	95
Undiluted net asset value per ordinary share (p)	285.0	260.9	278.5	273.0	275.2	312.7	255.7	296.5	207.0	138.0
Dividends per preferred share (p)	12.60	11.90	11.20	10.50	9.80	9.10	8.40	7.70	7.00	6.78
Market price per preferred share (p)	168.0	158.0	153.0	144.0	108.0	142.0	146.0	147.5	142.0	128.0
Undiluted net asset value per preferred share (p)	118.4	116.1	118.0	117.7	118.4	123.0	117.0	121.7	111.7	104.2

¹The year-end of the Company prior to 1993 was 30th May.

†Prior to 1994 this record reflects the Company's policy of investing only in three Save & Prosper unit trusts in a fixed proportion.

*For the period from 31st April 1984 to 30th May 1985.

INVESTMENT ACTIVITY

during the year to 31st May 1994

	Value at 31st May 1993 £'000	Purchases £'000	Sales £'000	Change in Valuation £'000	Value at 31st May 1994 £'000
Equities	54,146	72,188*	74,959*	3,363	54,738
Convertible preference shares	—	6,197	090	478	5,985
Convertible bonds	—	1,647	879	215	983
	54,146	80,032	76,528	4,056	61,706

*Includes the redemption of unit trusts on the reorganisation of the Company and its subsequent re-investment of the proceeds into equities.



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

ANALYSIS OF SHAREHOLDERS

at 31st May 1994

ORDINARY SHARES

Number of shareholders 1994	Class of shareholder	Number of ordinary shares held 1994		%
10	Insurance companies	2,170,032		14.1
22	Pension funds	5,330,797		34.6
29	Unit and investment trusts	1,683,212		10.9
26	Other institutions	2,614,891		17.0
87	Total institutions	11,798,932		76.5
803	Named individuals	2,476,356		16.1
43	Named individuals in Fleming Share Plan	34,440		0.2
12	Named individuals in Fleming Personal Equity Plan	15,671		0.1
149	Bank trustee and nominee accounts below 50,000 shares	1,101,150		7.1
1,007	Total individuals	3,627,617		23.5
1,094		15,426,549		100.0

PREFERRED SHARES

Number of shareholders 1994	Class of shareholder	Number of preferred shares held 1994		%
14	Insurance companies	2,819,610		18.3
17	Pension funds	5,358,117		34.7
14	Unit and investment trusts	1,949,280		12.6
16	Other institutions	1,831,544		11.9
61	Total institutions	11,958,551		77.5
651	Named individuals	2,713,260		17.6
12	Named individuals in Fleming Share Plan	15,671		0.1
9	Named individuals in Fleming Personal Equity Plan	31,191		0.2
135	Bank trustee and nominee accounts below 50,000 shares	707,876		4.6
807	Total individuals	3,467,998		22.5
868		15,426,549		100.0

Nominee accounts holding above 50,000 shares have been allocated to their appropriate institutional category.



THE FLEMING
GROUP
INVESTMENT TRUST PLC

DIRECTORS AND ADMINISTRATION

ADMINISTRATION

Manager, Secretary and

Registered Office

Fleming Investment Trust

Management Limited

25 Cophall Avenue

London EC2R 7DR

Telephone: 0171-638 5858

A member of IMRO

For matters concerned with the
portfolio, please contact Robin Evans.

For secretarial and administrative
matters, please contact Fraser Watson.

Auditors

Ernst & Young

Rolls House

7 Rolls Buildings

Fetter Lane

London EC4A 1NH

Bankers

The Royal Bank of Scotland plc

Robert Fleming & Co. Limited

Registrar

Barclays Registrars

Bourne House

34 Beckenham Road

Beckingham

Kent BR3 4TU

Telephone: 0181-450 4866

Please inform the Registrar in writing

of any change of name or address.

THE BOARD

*John D Webster (Chairman)**

Aged 54. Chairman of Second Consolidated Trust plc and a director of other investment trusts. He is a former director of Sun Life Corporation plc. He joined the board in 1984 and was appointed chairman in 1993.

*Sir Hugh Bidwell CBE**

Aged 59. A former Lord Mayor of London and a director of Rothschild Asset Management Limited and Argyll Group plc. He joined the board in 1993.

Brian G Hill

Aged 64. He is a director of The Scottish Life Assurance Company, OMI International plc and Automotive Products plc. He joined the board on 8th August 1994.

*Member of the Audit Committee.

Chris R Tracey

Aged 49. He is a director of Fleming Investment Management Limited and joined the board in 1985.

Julian G Tregoning

Aged 47. He is a director of Save & Prosper Group Limited and of other companies and is currently chairman of the Association of Unit Trusts and Investment Funds (AUTIF). He joined the board in 1991.



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

DIRECTORS' REPORT AND ACCOUNTS

for the year ended 31st May 1994



THE FIDELITY GROUP
GUARANTY FUND & ASSETS
INVESTMENT TRUST PLC

REPORT OF THE DIRECTORS

BUSINESS OF THE COMPANY

The business of the Company is that of an investment trust.

The Company is an investment company as defined by the Companies Act 1985 and has been recognised as an approved investment trust by the Inland Revenue under Section 842 of the Income and Corporation Taxes Act 1988 for all relevant periods up to 31st May 1993. In the opinion of the Directors, the Company's affairs have been conducted since that date in such manner as to enable the above recognition to be continued.

The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's statement on pages 4 and 5 and in the Investment Manager's report on pages 7 and 8.

No important event affecting the Company has occurred since 31st May 1994.

PERSONAL EQUITY PLANS

The Company qualifies for the annual investment limit of £6,000 in a PEP as it has over 50% of its assets in UK equities. It is the Directors' intention that the Company should continue to be a qualifying trust.

ACCOUNTS

The accounts of the Company for the period ended 31st May 1994 are shown on pages 20 to 27.

REVENUE AND DIVIDENDS

Gross revenue for the year totalled £4,004,364 and distributable revenue after deducting administrative expenses and taxation amounted to £2,997,146. The dividends on the preferred shares absorbed £1,942,745 leaving £1,053,401 available for distribution to the ordinary shareholders. An interim dividend of 0.75 pence per ordinary share was paid on 28th February 1994 together with a special dividend of 2.00 pence

per ordinary share. The Directors recommend a final dividend of 1.25 pence per ordinary share payable on 23rd September 1994 to holders on the register at the close of business on 18th August 1994 which, when added to the earlier dividends, will make a total for the year of 4.00 pence. These distributions will absorb £617,062, leaving £436,339 to be transferred to the revenue reserve, which after this transfer will amount to £2,944,643.

INVESTMENTS

The Company's investments were valued at £61,705,664 at 31st May 1994 and are listed on pages 10 and 11.

STAMP DUTY

The Company is currently in discussion with the Inland Revenue regarding a possible stamp duty liability of £230,000 arising from the transfer of assets in specie from the redemptions of Save & Prosper High Return Unit Trust and Save & Prosper Smaller Companies Income Fund which took place at the beginning of June 1993. No provision has been made for this in the accounts.

DIRECTORS

The Directors of the Company at the end of the year were:

Mr JD Webster

Sir Hugh Bidwell

Mr CR Tracey

Mr JG Tregoning

All the Directors listed above were in office throughout the year.

On 8th August 1994 Mr BG Hill was appointed a Director of the Company.

The Director retiring by rotation is Mr JD Webster. Mr BG Hill retires in accordance with the Articles of Association. Both Directors are eligible and offer themselves for re-election.

At 31st May 1994 Mr Tregoning was treasurer of two charities which owned an



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

REPORT OF THE DIRECTORS

SUBSTANTIAL SHARE INTERESTS

As at the date of this report the following had declared an interest in 3% or more of the Company's issued ordinary share capital:

Shareholder	Number of shares held	
	Ordinary	%
London and Manchester Portfolio Management	2,600,000	16.8
Equitable Life Assurance Society	1,907,425	12.3
British Empire Securities & General Trust	750,000	4.8
Co-operative Insurance Society Employees' Pension and Death Benefit Scheme	720,000	4.7
Postal Investment Management Limited	660,000	4.3
Standard Life Assurance Company Limited	650,000	4.2

In addition the Directors are aware that an aggregate of 2,134,284 ordinary shares (13.8%) are held by unit trusts and other funds managed by members of the Flemings group. The Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

aggregate of 252,000 ordinary shares. He has a beneficial interest in 1,600 ordinary shares (1993: 1,600 ordinary shares).

No other director has an interest in the Company's shares or warrants.

MANAGEMENT

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

At the year end Mr Tregoning was a director of Save & Prosper Group Limited and Mr Tracey was a director of Fleming Investment Management Limited, both of which are subsidiaries of Robert Fleming Holdings Limited.

Mr Tregoning and Mr Tracey are both shareholders of Robert Fleming Holdings Limited.

There was no contract subsisting during or at the end of the financial year in which a director of the Company is or was materially

interested and which is or was significant in relation to the Company's business.

MANAGEMENT FEE AND EXPENSES

The manager and secretary is employed under a contract which is subject to two years' notice of termination. The fee is calculated and paid quarterly in arrears and is charged at a rate of 0.5% per annum of the Company's assets. In addition the Company pays the fees of the registrar and the Directors and its other administrative and operating expenses.

Half of all fees and expenses are charged to the capital reserve.

AUDIT COMMITTEE

Following the recommendations of the Cadbury Committee in their report 'The Financial Aspects of Corporate Governance', the Board formed an Audit Committee. To ensure its independence from the manager, the Audit Committee excludes from membership all Directors who are employed by Robert Fleming Holdings Limited or any of its subsidiaries.



REPORT OF THE DIRECTORS

The members of the Audit Committee are Mr JD Webster (Chairman) and Sir Hugh Bidwell.

CORPORATE GOVERNANCE

Arrangements in respect of corporate governance have been put in place by the Board which it believes are appropriate to an investment trust and enable the Company to comply with the Cadbury Committee's Code of Best Practice ('the Code') in so far as it has been brought into application to date.

The Board consists solely of non-executive directors and the Code states that the majority of directors should be independent of management. Following the resignation of three of the Directors in May 1993 as part of the reorganisation of the Company, the Board consisted of two external independent Directors and two Directors with a connection to the Manager. On 8th August 1994 an additional independent Director was appointed, bringing the Company in line with the Code. Directors are subject to re-election by shareholders at the intervals specified in the Company's Articles of Association and the Directors consider that this meets the requirements of the Code that directors are appointed for specific periods and that their re-appointment should not be automatic.

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

The Company's auditors, Ernst & Young, have reviewed this statement in so far as it relates to the paragraphs of the Code specified by the London Stock Exchange for their review. The Auditors have reported to the Directors that, based on their review, they are

of the opinion that this statement appropriately reflects the Company's compliance with those specified paragraphs.

AMENDMENT TO ARTICLES

The Directors have decided that it would be beneficial for the Company to give participants in The Fleming Investment Trusts Share and Personal Equity Plans the explicit right to attend, speak and vote at meetings in the same way as registered shareholders. Shares in the Plans are held by nominees because, in the case of the Personal Equity Plan, it is a requirement of the PEP regulations and, in the case of the Share Plan, it avoids the costs and paperwork involved in issuing share certificates for each individual purchase.

Under the Company's present Articles only registered shareholders have the right to attend, speak and vote at meetings.

The Directors therefore propose that, at the Annual General Meeting, the Articles be amended by a special resolution, item 6 in the Notice of Meeting on page 28. The effect of this will be to give Plan participants the same rights as registered shareholders by allowing the Plans' nominees to appoint, automatically and without any paperwork, each Plan participant as its corporate representative at each shareholders' meeting in respect of their Plan holding on the relevant record date.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office and a resolution to re-appoint them and authorise the Directors to agree their remuneration for the ensuing year will be proposed at the annual general meeting.

By order of the Board
Fleming Investment Trust Management Limited,
Secretary
17th August 1994



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Acts. 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.

REPORT OF THE AUDITORS

to the members of The Fleming Geared Income & Assets Investment Trust plc

We have audited the accounts on pages 20 to 27, which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on page 23.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

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

BASIS OF OPINION

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

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

OPINION

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31st May 1994 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG
Chartered Accountants and
Registered Auditors
London, 17th August 1994.

Ernst & Young

REVENUE ACCOUNT

for the year ended 31st May 1994

	NOTES	1994 £	1993 £
GROSS REVENUE			
Income from investments	1	3,840,495	3,758,345
Other income	2	163,869	233,548
		4,004,364	3,991,893
DEDUCTIONS			
Administrative expenses	3	254,317	1,000
REVENUE BEFORE TAXATION		3,750,047	3,990,893
Taxation	4	752,901	981,276
REVENUE AFTER TAXATION		2,997,146	3,009,617
Dividends on preferred shares	5	1,943,745	1,820,624
REVENUE AVAILABLE FOR ORDINARY SHAREHOLDERS		1,053,401	1,188,993
DIVIDENDS ON ORDINARY SHARES			
Dividends paid - 2.75p per share (1993: 7.6p)	6	424,230	1,162,751
Dividends payable - 1.25p per share	6	192,832	—
		617,062	1,162,751
TRANSFERS TO REVENUE RESERVE		£436,339	£26,242
EARNINGS PER ORDINARY SHARE	7	6.83p	7.77p
FULLY-DILUTED EARNINGS PER ORDINARY SHARE	7	5.93p	6.24p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st May 1994

	1994 £	1993 £
CAPITAL PROFIT/(LOSS) ON INVESTMENTS		
Realised gains	27,035,516	328,664
Net change in unrealised gains	(22,980,766)	(2,911,735)
Administrative expenses net of tax relief charged to capital	(183,203)	—
Expenses of reorganisation	—	(129,364)
CAPITAL SURPLUS/(DEFICIT) FOR YEAR	3,871,547	(2,712,430)
REVENUE PROFIT AVAILABLE FOR DISTRIBUTION	2,997,146	3,009,617
TOTAL RECOGNISED GAINS FOR THE YEAR	£6,868,693	£297,178

The reconciliation of movements in shareholders' funds can be found in note 16 on page 27.

The notes on pages 23 to 27 form part of these accounts.



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

BALANCE SHEET

at 31st May 1994

	NOTES	1994 £	1993 £
ASSETS EMPLOYED			
FIXED ASSETS			
Investments at valuation	8	61,705,664	54,146,446
CURRENT ASSETS			
Debtors	9	2,778,797	600,258
Cash and short-term deposits		440,685	4,847,028
		3,219,482	5,447,286
CREDITORS			
Amounts falling due within one year	10	2,693,788	1,924,662
NET CURRENT ASSETS		525,694	3,522,624
TOTAL ASSETS LESS CURRENT LIABILITIES		£62,231,358	£57,669,070
FINANCED BY			
CAPITAL AND RESERVES			
Share capital	11	23,139,824	22,949,022
Share premium account	12	5,657,865	5,530,664
Capital reserve	13	30,489,026	26,681,080
Revenue reserve	14	2,944,643	2,508,304
TOTAL CAPITAL AND RESERVES	15	£62,231,358	£57,669,070

The accounts on pages 20 to 27 were approved by the Directors on 17th August 1994 and are signed on their behalf by:

JD Webster
Chairman

The notes on pages 23 to 27 form part of these accounts.

Company registration number 1805708.



THE FLEMING
GROUP INCOME & ASSETS
INVESTMENT TRUST PLC

CASH FLOW STATEMENT

for the year ended 31st May 1994

NOTE 17	1994	1993
	£	£
OPERATING ACTIVITIES		
Investment income received	2,791,523	2,776,053
Deposit interest received	137,008	221,880
Underwriting commissions received	16,223	—
Manager's remuneration paid	(318,002)	—
Directors' fees paid	(23,500)	—
Other cash payments	(164,246)	—
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,439,006	2,997,933
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Dividends paid	(3,986,647)	(2,915,985)
TAXATION		
Corporation tax paid	(76,741)	(90,573)
INVESTING ACTIVITIES		
Purchases of investments	(77,854,108)	(314,374)
Sales of investments	75,022,147	690,500
Equalisation payments received from unit trust holdings	—	4,666
	(2,831,961)	380,792
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	£(4,456,343)	374,167
FINANCING		
Proceeds from exercise of warrants	(50,000)	(309,708)
Expenses paid in connection with reorganisation	—	129,364
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,406,343)	554,511
	£(4,456,343)	£374,167

The notes on pages 23 to 27 form part of these accounts.



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

NOTES TO THE ACCOUNTS

Accounting policies

The financial statements of the Company have been prepared in accordance with applicable accounting standards in the United Kingdom. Accounting policies have been applied consistently and a summary of the more important of them is set out below.

- (i) Investments are stated at market valuation on the balance sheet date. In all other respects the accounts are prepared under the historical cost convention.
- (ii) Listed investments are stated at the middle market value on the balance sheet date.
- (iii) Gains and losses arising on the disposal of investments and the net unrealised surplus on the valuation of investments are dealt with in the capital reserve.
- (iv) Income from investments is included in the revenue account on an ex-dividend basis. Interest receivable on bonds and deposits and administrative expenses are dealt with on an accruals basis.
- (v) Unfranked income is included in the revenue account gross before deduction of income tax. In the case of franked income, related tax credits are included in the figures presented and also form part of the tax charge.
- (vi) Deferred taxation is provided by the liability method on all timing differences which are expected to crystallise in the future.
- (vii) The Company's operating expenses (inclusive of any irrecoverable VAT thereon) are charged half to the revenue account and half to capital reserve.
- (viii) Tax relief attributable to operating expenses charged to capital reserve is credited to capital reserve.
- (ix) Advanced corporation tax (ACT) due on the Company's distributions accrued or proposed at the balance sheet date is treated as a current liability. Such ACT as is regarded as recoverable in the foreseeable future is treated as a deferred asset.
- (x) Where the Company has elected to receive a scrip dividend instead of a cash alternative, the amount shown as received in the revenue account is equivalent to the cash alternative that would have been received. The enhanced portion has been taken to the capital account.

NOTES TO THE ACCOUNTS

	1994 £	1993 £
1. Income from investments		
Dividends on listed investments	2,432,923	—
Dividends on unlisted investments	1,174,256	3,758,345
Franked investment income	3,607,179	3,758,345
Corp dividends on listed investments	85,625	—
Interest on listed investments	147,691	—
Unfranked investment income	233,316	—
	3,840,495	3,758,345
2. Other income		
Deposit interest	147,646	233,548
Underwriting commissions	16,223	—
	163,869	233,548
3. Administrative expenses		
Manager's remuneration	318,002	—
Other management expenses	157,232	—
Directors' fees*	22,500	1,000
Auditors' remuneration†	10,900	—
	508,634	1,000
Less: Administrative expenses charged to capital	254,317	—
	254,317	1,000

*Chairman £7,500 per annum (1993: £1,000), other directors £5,000 per annum each (1993: nil).

†Auditors' remuneration — audit fees £10,900 (includes audit fee for 1993 of £3,400).

A comment on the change in the administrative expenses over the period is given in the Chairman's Statement on page 4 and details of the formula used to calculate the Manager's remuneration is given in the Report of the Directors on page 17.

4. Taxation		
Taxation on the revenue for the year:		
Corporation tax at 33% (1993: 33%)	31,465	76,975
Tax on franked investment income	653,583	904,301
Deferred taxation	67,853	—
	752,901	981,276

The tax charge represents tax credits on franked investment income, less relief at 20% on the surplus of administrative expenses over unfranked investment and other income. Tax relief on that part of the administrative expenses charged to capital has been credited to the capital account.

Deferred taxation represents taxation to be paid or suffered on income accrued.

5. Dividends on preferred shares	1,943,745	1,820,624
---	------------------	------------------

The total dividends paid per preferred share for 1994 were 12.6p (1993: 11.9p). Holders of preferred shares are entitled, in priority to any payment of dividend on any other class of shares, to a fixed cumulative preferential dividend of 13.3p (net) for the year ending 31st May 1995 and all subsequent years.



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

NOTES TO THE ACCOUNTS

	1994 £	1993 £
6. Dividends on ordinary shares		
INTERIM (Paid)		
First 0.75p (1993: 2.97p) per share	115,699	454,391
Second Nil (1993: 4.63p) per share	—	708,360
SPECIAL (Paid)		
2.00p (1993: Nil) per share	308,531	—
	424,230	1,162,751
FINAL (Proposed)		
1.25p (1993: Nil) per share	192,832	—
7. Earnings per ordinary share	The earnings per ordinary share are based on the following figures:	
Earnings attributable to ordinary shareholders	£1,053,401	£1,188,993
Number of ordinary shares in issue at year end	15,426,549	15,299,348
Earnings per ordinary share	6.83p	7.77p
Fully-diluted earnings per ordinary share	5.93p	6.24p
The 1994 fully-diluted earnings per ordinary share has been calculated by treating the warrants as exercised on 1st June 1993 with the proceeds invested in 2½% Consolidated Stock.		
8. Investments at valuation		
Opening cost of investments	29,014,988	29,515,555
Purchases of investments at cost	80,032,073	314,374
Sales of investments at cost	(49,492,089)	(810,275)
Equalisation receipts	—	(4,666)
Cost of investments at 31st May	59,554,972	29,014,588
Unrealised appreciation	2,150,692	25,131,458
Valuation of investments at 31st May	61,705,664	54,146,446
Investments at valuation		
Listed in United Kingdom	61,705,664	—
Unlisted in United Kingdom	—	54,146,446
Valuation of investments at 31st May	61,705,664	54,146,446
9. Debtors		
Amounts falling due within one year:		
Sales for future settlement	1,955,893	4,113
Income tax recoverable	64,724	—
ACT recoverable	189,683	—
Dividends receivable	559,658	—
Deposit interest receivable	10,675	—
Equalisation payments receivable	—	151,823
	2,778,797	600,258
10. Creditors		
Amounts falling due within one year:		
Purchases for future settlement	2,177,964	—
Deferred taxation	105,809	—
Taxation	189,683	76,975
Other creditors	27,500	229,015
Proposed dividend/(s)	192,832	1,618,672
	2,693,788	1,924,662

NOTES TO THE ACCOUNTS

	1994 £	1993 £
11. Share capital		
ISSUED AND FULLY-PAID		
6.3-13.3% cumulative limited participating preferred shares of £1 each		
In issue at beginning of year (15,299,348 shares)	15,299,348	15,144,494
Issued during year on exercise of warrants (127,201 shares)	127,201	154,854
In issue at end of year (15,426,549 shares)	15,426,549	15,299,348
Ordinary shares of 50p each:		
In issue at beginning of year (15,299,348 shares)	7,649,674	7,572,247
Issued during year on exercise of warrants (127,201 shares)	63,601	77,427
In issue at end of year (15,426,549 shares)	7,713,275	7,649,674
Total issued and fully-paid at end of year	23,139,824	22,949,022
AUTHORISED		
18,000,000 6.3-13.3% cumulative limited participating preferred shares of £1 each	18,000,000	18,000,000
10,000,000 ordinary shares of 50p each	9,000,000	9,000,000
	27,000,000	27,000,000
WARRANTS		
On 1st June 1993 127,201 warrants were exercised. As at 31st May 1994 there were 2,573,451 warrants outstanding. On 1st June 1994 a further 49,433 warrants were exercised.		
Each warrant gives the holder the right to subscribe for one ordinary share and one preferred share at a combined price of 200p on 1st June 1995.		
12. Share premium account		
Balance at beginning of year	5,530,664	5,303,563
Proceeds of exercise of warrants	127,201	154,854
Proceeds of exercise of warrants in prior years	—	72,247
Balance at end of year	5,657,865	5,530,664
13. Capital reserve		
Realised gains/(losses):		
Balance at beginning of year	1,549,622	1,509,000
Realised investment gains during year	27,035,516	328,660
Expenses of recognition	—	(129,364)
Exercise of warrants	(63,601)	(77,427)
Exercise of warrants in prior years	—	(72,247)
Administrative expenses charged to capital reserve (note 3)	(254,317)	—
Tax relief on administrative expenses charged to capital reserve	71,114	—
	28,538,334	1,549,622
Unrealised gains:		
Balance at beginning of year	25,131,458	28,043,193
Net change in unrealised gains	(22,980,766)	(2,911,735)
	2,150,692	25,131,458
Balance at end of year	30,489,026	26,681,080



THE FLEMING
GEARED INCOME & ASSETS
INVESTMENT TRUST PLC

NOTES TO THE ACCOUNTS

	1994 £	1993 £
14. Revenue reserve		
Balance at beginning of year	2,508,304	2,482,062
Transfer from revenue account	436,339	2,242
Balance at end of year	2,944,643	2,508,304
15. Total capital and reserves		
On a return of assets on a winding-up, the assets available for distribution among the shareholders shall be applied as follows: first, in repaying to the preferred shareholders the sum of 100p per share together with any arrears of dividend; secondly, in paying to the ordinary shareholders any sums standing to the credit of the revenue reserve and the sum of 100p per share; and, thirdly, in distributing 90% of the balance to the ordinary shareholders and 10% to the preferred shareholders.		
On this basis the net assets attributable to each class of shareholder on 31st May were as follows:		
Ordinary shares (285.0p per share - 1993: 260.9p)	43,961,447	39,913,515
Preferred shares (118.4p per share - 1993: 116.1p)	18,269,911	17,755,555
	62,231,358	57,669,070
On 31st May 1994 (assuming all the warrants had been exercised on that date) the fully-diluted net asset value was 258.5p per ordinary share (1993: 236.7p) and 115.8p per preferred share (1993: 113.6p).		
16. Reconciliation of movements in shareholders' funds		
Revenue profit available for distribution	2,997,146	3,009,617
Dividends	(2,560,807)	(2,983,375)
Distributable profits less dividends	436,339	26,242
Capital gains for the year	3,871,547	(2,712,439)
Proceeds of issue of new shares	254,402	309,708
Net addition to shareholders' funds	4,562,288	(2,376,489)
Opening shareholders' funds	57,669,070	60,045,559
Shareholders' funds at end of year	62,231,358	57,669,070
17. Cash flow statement		
RECONCILIATION OF REVENUE TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Income before interest payable and taxation	3,750,047	3,990,893
Transfer of expenses from income to capital	(254,317)	—
Increase in accrued income	(380,718)	(7,467)
Decrease in other debtors	—	(91,192)
Increase in other creditors	2,806	—
Tax on unfranked investment income	(678,892)	(904,301)
	2,439,006	2,997,933
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR		
Opening balance	4,847,026	4,292,517
(Decrease)/increase in cash and cash equivalents	(4,406,343)	554,511
Balance at end of year	440,683	4,847,028
18. Contingent liabilities		
There was a contingent underwriting liability outstanding at the year end amounting to £63,000 (1993: nil).		

NOTICE OF MEETING

Notice is hereby given that the tenth annual general meeting of The Fleming Geared Income & Assets Investment Trust plc will be held at 25 Copticall Avenue, London EC2 at 3.30 pm on 20th September 1994 for the following purposes:

- 1 To receive and adopt the Directors' report, the annual accounts and the auditors' report for the year ended 31st May 1994.
- 2 To declare a dividend on the ordinary shares.
- 3 To re-elect Mr JD Webster a Director of the Company.
- 4 To re-elect Mr BG Hill a Director of the Company.
- 5 To re-appoint Ernst & Young as auditors to the Company and to authorise the Directors to agree their remuneration.

SPECIAL BUSINESS:

To consider the following resolution which will be proposed as a special resolution:

- 6 THAT the Company's Articles of Association be and are hereby amended by the insertion of a new Article 71 in place of the whole of the existing Article 71, as follows:

Corporations Acting by Representatives

- (a) For the purposes of this Article 'Specified Nominee' means a corporation which holds shares on behalf of participants in a savings scheme or other plan (including a personal equity plan) which is operated by the Company's manager or any of the manager's associated companies or any administrator appointed by the Company's manager or any such associate and which is established for the purpose of encouraging or facilitating investment in shares of the Company.
- (b) Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person (or, provided that such corporation is a Specified Nominee, persons) as it thinks fit to act as its representative(s) at any shareholders' meetings. A person so authorised shall be entitled to exercise the same powers on behalf of the grantor of such authority as the grantor could exercise if it were an individual member of the Company but, in the case of any authorisation by a Specified Nominee, only in respect of those shares held in the name of the grantor to which the specific authorisation given to him relates. Each person so authorised shall, if present at any such meeting, be deemed for the purpose of these Articles to be a member present in person at such meeting and holding the shares in respect of which the authorisation is given to him.

By order of the Board
Fleming Investment Trust Management Limited,
Secretary.

17th August 1994

NOTES

- 1 Only a holder of ordinary shares is entitled to attend and vote at the meeting. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and in a poll vote instead of him. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if he so wishes.
- 2 Proxy forms must be lodged not less than 48 hours before the meeting at the office of the Registrar.
- 3 No Director has a contract of service with the Company.

FLEMINGS

The Investment Trust Experts