

SIGNED

1805708



THE FLEMING  
**GEARED INCOME  
& ASSETS**

INVESTMENT TRUST PLC

Growth of income and capital from  
a diversified UK portfolio

**COMPANIES HOUSE  
CARDIFF**

25 AUG 1995

**RECEPTION DESK**



A39 \*AL8QDE8S\* 232  
COMPANIES HOUSE 25/08/95

**ANNUAL REPORT AND ACCOUNTS**

Year ended 31st May 1995



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.*

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## Information about your Company

### History

Your Company was incorporated on 3rd April 1984 as Save & Prosper Return of Assets Investment Trust Plc and raised £29.2m to invest in fixed proportions in three specialised unit trusts managed by Save & Prosper.

In June 1993 the Company was reorganised, changing its name to its present form and adopting its current objective and investment policies. Flemings has been the Company's manager and secretary since this reorganisation.

### Manager and Administration

The Company's manager and secretary is Fleming Investment Trust Management Limited, which is part of the Fleming Group.

Further details of Flemings, its investment trusts and the services it provides to the Company can be found on page 32.

The Company's investment manager is Gary West and the person responsible for its administration is Fraser Easton. They can be contacted at the address and telephone number on page 16.

### Market Information

The Company's shares are listed on the London Stock Exchange. The market prices of both classes of shares are shown daily in the Financial Times. The shares may be dealt directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the Fleming Investment Trusts Share and Personal Equity Plans.

The net asset values of the ordinary and preferred shares are calculated daily and published on pages 36500-19 of the TOPIC Plus and TOPIC 3 market information services. Additionally, details of the net asset values, share prices and premium or discount are available on a recorded information line which covers all the Fleming trusts on 0171-588 9203.

### Taxation

The Company is managed so as to maintain approval as an investment trust from the Inland Revenue and accordingly is exempt from capital gains tax on profits from the sale 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 that total for indexation purposes as though the shares were all acquired in the seventh month of that year, i.e. December. An explanatory leaflet (SP 3/89) is available free of charge from the Inland Revenue. A free guidance note about this optional facility is also available by writing to the Association of Investment Trust Companies, Durrant House, 8-13 Chiswell Street, London EC1Y 4YY or by telephoning them on 0171-588 5347.

*Neither the Company nor its manager can provide taxation advice or comment on an individual investor's tax position. If you are uncertain about your tax position, you should consult your tax inspector or authorised adviser.*

### Payment of Dividends through BACS

Dividends paid by the Company can, if you wish, be paid direct to your bank or building society account through Bankers' Automated Clearing System ('BACS') with the associated tax voucher being sent directly to your registered address. Shareholders wishing to use this facility should contact the Registrar of the Company at the address shown on page 16.

### Share Plan

The Company's shares are available in the Fleming Investment Trusts Share Plan, details of which can be found on page 32.

### Personal Equity Plan Status

The Company is a qualifying trust for PEP purposes, because it invests more than 50% of its assets in qualifying securities of UK companies. This means that, under current regulations, the whole of the annual allowance of £6,000 for a general PEP can be invested in its ordinary and preferred shares.

The Company's shares are available in the Fleming Investment Trusts Personal Equity Plan, details of which can be found on page 32.

### Trustee Status

The Company's shares qualify as a 'wider-range' investment under the Trustee Investments Act 1961 because dividends have been paid on both classes of them in respect of each of the past five financial years.

### Financial Calendar

#### Financial year end

31st May

#### Results

Half year announced

January

Full year announced

July

#### Annual General Meeting

September

#### Dividend

Ordinary Shares

Interim

February

Final

September

Preferred Shares

31st May and 30th November

#### Company Number

1805708



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## Capital Structure

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The Company is a split-capital investment trust, which means a trust with more than one class of capital, each class having characteristics and rights that are designed to appeal to different kinds of investors. At 1st June 1995, after the exercise and repurchase of warrants described on page 28, there were 16,993,099 preferred and the same number of ordinary shares in issue. The rights, characteristics and risks of each class of share are set out below.

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) per share and, as to assets, 100p per share before the ordinary shares receive anything and 10% of any assets remaining after the ordinary shareholders have received the whole of the revenue reserve and 100p per share.

The preferred shares, therefore, receive a high, but static, income 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 wind-up of the Company compared with the 156p price of the preferred shares at 31st May 1995, when they stood at a premium of 33.8% to their net asset value and provided a 10.7% dividend yield. Every increase of 10.0% in the Company's assets over their proforma amount on 31st May 1995 will produce an increase of 3.3% in the net asset value per preferred share.

The preferred shares, therefore, are suitable for those seeking a high current income 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 4.6% per annum in order for the preferred shareholders to receive on a wind-up of the Company at the end of 2010 an amount equal to their 156p market price at 31st May 1995.

### Ordinary Shares

The ordinary shares are entitled to all the Company's 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. Their level will be highly geared to any change 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 total assets. Every increase of 10.0% in the value of the Company's assets over their proforma amount on 31st May 1995 will produce an increase of 12.9% in the net asset value per ordinary share.

At 31st May 1995 the ordinary shares were selling at a substantial discount of 33.0% to their net asset value and offered a dividend yield of 1.5% on the basis of the dividend of 2.1p (net) (excluding the special dividend of 0.9p net) paid 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 asset value.

*The information on this page is issued and has been approved for the purposes of the Financial Services Act 1986 by Fleming Investment Trust Management Limited, 25 Copthall Avenue, London EC2R 7DR, which is regulated by IMRO. No part of it shall be considered as investment advice.*



## Summary of Results

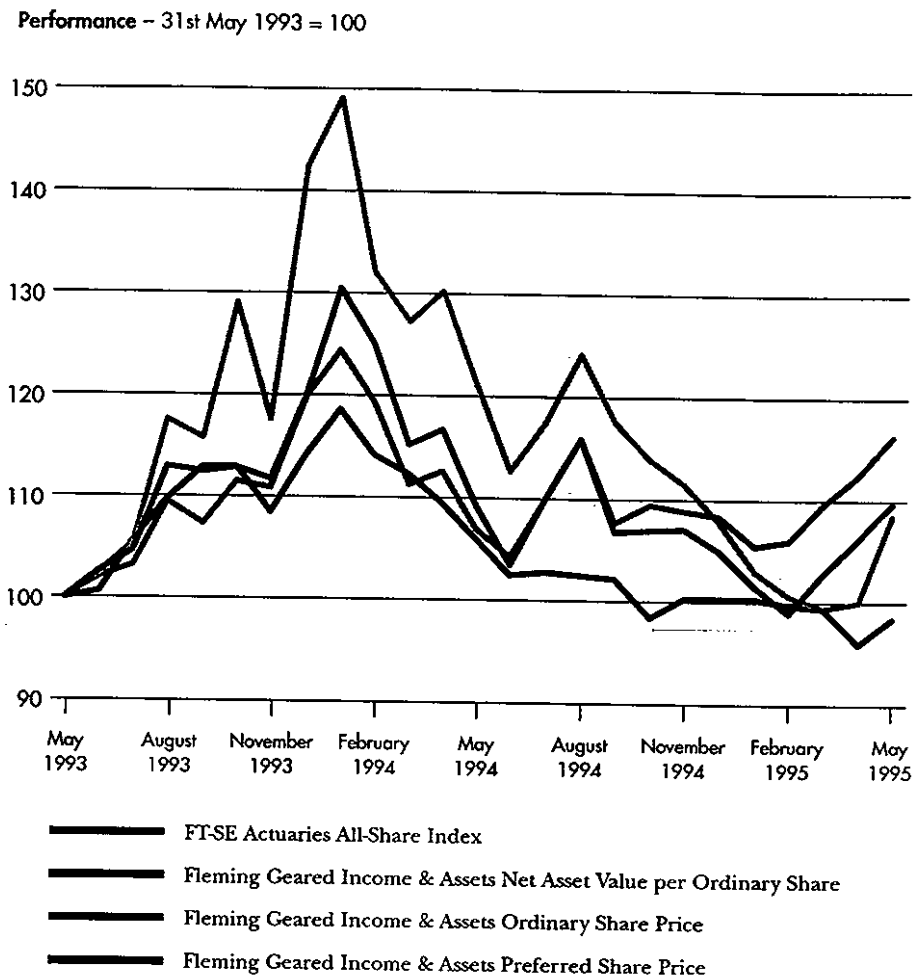
| Revenue for the year ended 31st May                       | 1995        | 1994        | % change |
|---|-------------|-------------|----------|
| Gross revenue   | £3,588,679  | £4,004,364  | -10.4    |
| Earnings per ordinary share                               | 4.11p       | 6.83p       | -39.8    |
| Dividends per ordinary share – special                    | 0.90p       | 2.00p       | —        |
| – ordinary  | 2.10p       | 2.00p       | +5.0     |
| Dividends per preferred share                             | 13.30p      | 12.60p      | +5.6     |
| <b>Assets at 31st May</b>                                 |             |             |          |
| Total net assets  | £62,616,166 | £62,231,358 | +0.6     |
| <b>Ordinary Shares at 31st May</b>                        |             |             |          |
| Attributable net assets                                   | £44,285,377 | £43,961,447 | +0.7     |
| Net asset value per share <sup>†</sup>                    | 286.2p      | 285.0p      | +0.4     |
| Fully-diluted net asset value per share <sup>‡</sup>      | 267.3p      | 258.5p      | +3.4     |
| Market price  | 179.0p      | 200.0p      | -10.5    |
| Discount of market price to fully-diluted net asset value | 33.0%       | 22.6%       |          |
| <b>Preferred Shares at 31st May</b>                       |             |             |          |
| Attributable net assets                                   | £18,330,789 | £18,269,911 | +0.3     |
| Net asset value per share <sup>†</sup>                    | 118.5p      | 118.4p      | +0.1     |
| Fully-diluted net asset value per share <sup>‡</sup>      | 116.6p      | 115.8p      | +0.7     |
| Market price  | 156.0p      | 168.0p      | -7.1     |
| Premium of market price to fully-diluted net asset value  | 33.8%       | 45.1%       |          |
| <b>Warrants at 31st May</b>                               |             |             |          |
| Market price*   | —           | 167.0p      |          |
| <b>Index Comparisons at 31st May</b>                      |             |             |          |
| FT-SE Actuaries All-Share Index                           | 1,632.6     | 1,501.2     | +8.8     |

\*Dealings in the warrants ceased on the 19th May 1995.

<sup>†</sup> Calculated on the basis shown in note 16 to the accounts on page 29.

<sup>‡</sup> Calculated on the basis shown in note 20 to the accounts on page 30.

## Performance



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



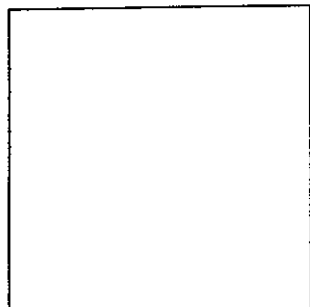
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## Chairman's Statement

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*"Your Company has continued to progress in this financial year with considerable changes both to the portfolio as well as the share structure. Within the guidelines set by the Board*

*regarding the portfolio yield and number of stocks, the Investment Manager has made significant changes at stock and sector level in order to bring your assets more in line with our stated benchmark, the FT-SE Actuaries All-Share Index."*



*John Webster*

As far as the capital structure is concerned, and as I mentioned in last year's annual report, 1st June 1995 was the last exercise date for the Company's warrants.

In May of this year, your Company took the opportunity before their final exercise date to purchase for cancellation 702,130 warrants at a total cost of £883,118 which led to an uplift in the fully-diluted net asset values of both the ordinary and the preferred shares. Of the remaining 1,821,888 warrants, 1,517,117 were exercised on 1st June and the balance were purchased for cancellation by the Company.

As a result of these actions, your Board now has a clear picture of the future earnings per share and with the help of the revenue reserve can forecast future dividends on the ordinary shares with more certainty.

### **Capital Performance**

Total net assets increased by 0.6% which compares poorly with our benchmark, the

FT-SE Actuaries All-Share Index, which rose 8.8% in capital terms over this period. This underperformance resulted from our large and overweight position in medium and smaller companies, which were much weaker over our financial year than the blue chip companies which dominate the FT-SE Actuaries All-Share Index, with their respective indices up 2.5% and down 0.9% respectively. Details of the investment strategy that was pursued during the year are given in the Investment Manager's report on pages 8 to 10.

### **Earnings and Dividends**

Gross revenue for the year at £3.6m is below last year's £4.0m but excludes over £1.0m of exceptional non-recurring income received last year. Earnings per ordinary share are 4.11p. The earnings per share figure has been inflated by 0.90p as a result of a special dividend from our holding in one of the regional electricity companies. The



Directors, therefore, propose that a final net dividend of 1.35p be paid on 19th September 1995 to ordinary shareholders on the register at the close of business on 15th August 1995 as well as a special net dividend of 0.90p per share to make a total, including the interim dividend of 0.75p, of 3.00p (net) for the year.

For the year ending 31st May 1996, your Directors expect to pay ordinary dividends of not less than 2.10p (net), equal to the amount paid for last year excluding the special dividend. Following the dilution resulting from the final exercise of the warrants, this dividend may not be fully covered by earnings. However, it is your Board's current intention to use the revenue reserve over the remaining life of the Company to facilitate a smoother

growth and higher level of dividends than would otherwise be possible.

#### **Annual General Meeting**

This year's Annual General Meeting will take place at 3.30 pm on Tuesday 12th September 1995 in Flemings' offices at 25 Copthall Avenue, London EC2. The formal business of the meeting will be followed by a presentation by the Investment Manager, Gary West, 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*

*10th August 1995*

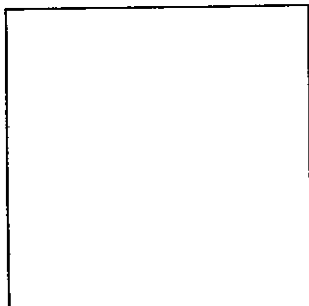




## Investment Manager's Report

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*"Over the twelve months to 31st May 1995 the UK equity market, as represented by the FT-SE Actuaries All-Share Index, rose by 8.8% in capital terms. Government bonds also made exceptional progress in this period with both conventional and index-linked bonds rising by over 6% in capital terms alone."*



Gary West

Most of these gains came quickly in the latter part of our financial year as mounting evidence of economic slowdown worldwide led to a reassessment of inflationary pressures and demand for capital. Strong earnings and dividend growth underpinned equities' advance in the UK. In terms of market leadership the large blue chip companies dominated. Medium-sized and smaller companies had a very disappointing year underperforming the FT-SE Actuaries All-Share Index by 6.3% and 9.7% respectively. Most of this underperformance can be attributed to corrections in high valuations that pertained at the beginning of the year, although the fear of economic slowdown may also have been a small factor in this decline. Pharmaceuticals and food retailers have been two of the best performing sectors as their

future prospects and underlying strengths were revalued upwards after a period of significant weakness last year. Financials and utilities were also strong as long bond yields fell, although electricity companies disappointed on increasing regulatory fears. The worst performing sectors were concentrated in the manufacturing area with building and construction in particular underperforming the general index by over 24%. Significant over-capacity in contracting was an important factor here. In general, the valuation gaps that opened up between cyclical and consumer orientated stocks at the beginning of the year were closed with nearly all sectors offering fairly similar valuations. An important assessment for future returns will revolve around the degree and duration of the current economic cycle and which stocks

### Guinness

Value: £669,900

% of Portfolio: 1.1

One of the world's leading drinks companies, producing and marketing best selling whiskies, gins and of course, Guinness stout itself.

### Scapa Group

Value: £270,725

% of Portfolio: 0.4

Scapa Group produces sophisticated fabrics and precision engineered roll covers for the paper making industry and tapes, compounds, filters and other specialised products for some of the largest companies in the world.



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within their respective sectors will benefit most. At the moment we have adopted a fairly neutral position at both stock and sector level.

#### Portfolio Review

Portfolio action over the past financial year has been concentrated in two major areas. First the FT-SE 100 or 'blue chip' content was increased significantly from 29.3% to 55.9% of the portfolio. Proceeds were taken from both medium-sized and smaller companies in roughly equal measure. We made these changes for three reasons. First the valuation of both medium-sized and smaller companies had become expensive relative to the larger companies. Apart from this valuation advantage, the companies we have invested in offer superior long-term cash flow characteristics and a higher level of dividend cover. They should, therefore, provide a more secure revenue stream for our income account and improve the overall quality of the assets in the Company while lowering the risk. Lastly, our benchmark index, the FT-SE All-Share Index, comprises over 70% in FT-SE 100 companies and our significant underweight position made it extremely difficult to match our benchmark over the past year. The

changes that have been taken should, however, improve the long-term performance of the Company with a lower risk profile.

The other major area of change has been to reduce the Company's predominant weighting in the manufacturing sector. Despite the healthy outlook for UK manufacturing and good performance to May 1994, this prospect had been fully discounted in the sector. The Company had a double weighting in this sector at the beginning of its financial year and this was reduced from 47.1% to 25.6%. Although the Company is still overweight, the better valuations on offer have now made this position more appropriate. These sale proceeds were reinvested across all major sector groupings, but particularly in the services sector whose exposure was increased by 7%. During this period of change, the number of holdings increased although this will reduce to around 90 as more sales are completed.

The twenty largest investments are shown on page 11 and a complete list of holdings is given on pages 12 and 13.

New holdings were purchased in many household names such as British Petroleum, GEC, Coats Viyella, Guinness, Cadbury

#### B.A.T

Value: £1,081,300

% of Portfolio: 1.8

B.A.T Industries is not only one of the world's leading international cigarette manufacturers but also the largest UK based insurance group.

#### Cadbury Schweppes

Value: £675,361

% of Portfolio: 1.1

Cadbury Schweppes is a major global company with beverages and quality brand confectionery which are enjoyed in over 170 countries around the world.



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## Investment Manager's Report

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Schweppes, Rank Organisation, Granada, Thorn, Boots, Abbey National and Prudential. These purchases reflect the themes that have been mentioned above.

### Outlook

The strong performance of both UK bond and equity markets over the last financial year is in part a correction from the oversold levels in the first half of 1994 but also a response to slowing growth in the global economies and a continuing benign inflationary outlook. The recent change in investors' perceptions from fear of overheating and resurgent inflation to slowdown or recession has been dramatic. Fears of worldwide capital shortages so prevalent at the beginning of 1994 have all but disappeared. Global real yields have fallen significantly and inflationary expectations have declined in equal measure. The rise in bonds worldwide has enabled equities to make good progress despite the likely slowdown in earnings and dividend growth. If the economic slowdown proves to be short-lived, then investors may be prepared to look forward to earnings recovery next year. With inflationary

pressures remaining subdued and concerns increasing about the continuing high level of unemployment in developed economies, some co-ordinated easing in monetary policy appears increasingly likely. Of course, the recent fall in both real and nominal yields should stimulate investment and aid consumption and therefore marked easing in base rates may be unnecessary. In this scenario, the outlook for both equity and bond markets should remain benign. An increasing risk of recession or a re-acceleration of growth in the US with inflationary increases would represent a more damaging prospect, especially with equity and bond yields at historic lows. In our view, the US and UK economies will have a limited slowdown and accelerate again in 1996. Inflationary pressures are likely to remain fairly subdued at this stage of the cycle and equity and bond markets should be able to make some progress from here. Fleming Geared is well positioned to participate should such a market environment arise.

Gary West

10th August 1995

#### Thorn EMI

Value: £620,000

% of Portfolio: 1.0

Thorn EMI consists of three international businesses: EMI Music, Thorn rental and HMV. EMI Music is one of the world's foremost music companies and is the driving force behind the company's growth.

#### Shell Transport & Trading

Value: £2,207,920

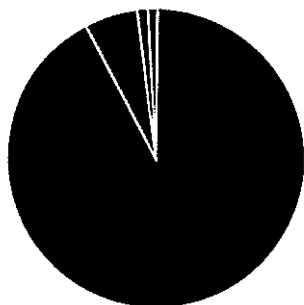
% of Portfolio: 3.6

Shell companies are engaged in the oil, natural gas, chemical, coal and metals businesses throughout the greater part of the world.

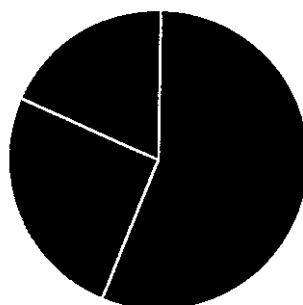


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## Analysis of Assets and Portfolio



| Assets                          | %            |
|---------------------------------|--------------|
| ■ Equities                      | 92.0         |
| ■ Convertible preference shares | 6.0          |
| ■ Convertible bonds             | 1.0          |
| ■ Cash                          | 1.0          |
|                                 | <u>100.0</u> |



| Portfolio                              | %            |
|--|--------------|
| ■ Companies in the FT-SE 100 Index     | 55.9         |
| ■ Companies in the FT-SE Mid-250 Index | 25.6         |
| ■ Smaller companies                    | 18.5         |
|  | <u>100.0</u> |

## Twenty Largest Investments

at 31st May 1995

| Company                    | Sector                       | Market Value<br>£'000 | % of<br>Portfolio |
|----------------------------|------------------------------|-----------------------|-------------------|
| British Telecommunications | Telecommunications           | 2,367                 | 3.9               |
| Glaxo Wellcome             | Pharmaceuticals              | 2,266                 | 3.7               |
| Shell Transport & Trading  | Oil, Integrated              | 2,208                 | 3.6               |
| BTP                        | Chemicals                    | 2,071                 | 3.4               |
| ZENECA Group               | Pharmaceuticals              | 1,685                 | 2.8               |
| HSBC Holdings              | Banks, Retail                | 1,573                 | 2.6               |
| BBA Group                  | Engineering, Vehicles        | 1,495                 | 2.5               |
| British Petroleum          | Oil, Integrated              | 1,331                 | 2.2               |
| Lloyds Bank                | Banks, Retail                | 1,307                 | 2.1               |
| Watson & Philip            | Retailers, Food              | 1,293                 | 2.1               |
| Asda Group                 | Retailers, Food              | 1,264                 | 2.1               |
| B.A.T Industries           | Tobacco                      | 1,081                 | 1.8               |
| TSB Group                  | Banks, Retail                | 1,063                 | 1.7               |
| Enterprise Oil             | Oil Exploration & Production | 1,038                 | 1.7               |
| British Gas                | Gas Distribution             | 1,004                 | 1.6               |
| London & Manchester        | Life Assurance               | 945                   | 1.5               |
| Vaux Group                 | Breweries                    | 897                   | 1.5               |
| Hanson                     | Diversified Industrials      | 897                   | 1.5               |
| Allied-Domecq              | Spirits, Wines & Ciders      | 785                   | 1.3               |
| Taunton Cider              | Spirits, Wines & Ciders      | 752                   | 1.2               |
| <b>Total</b>               |                              | <b>£27,322</b>        | <b>44.8</b>       |



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## List of Investments

| Company                        | Market Value      | % of Portfolio | Company                     | Market Value       | % of Portfolio |
|--------------------------------|-------------------|----------------|-----------------------------|--------------------|----------------|
|                                | £                 |                |                             | £                  |                |
| <b>Mineral Extraction</b>      |                   |                | <b>Engineering</b>          |                    |                |
| Extractive Industries          |                   |                | CI Group                    | 192,760            | 0.5            |
| English China Clays            | 297,304           | 0.5            | Carclo Engineering          | 617,466            | 1.0            |
| Oil, Integrated                |                   |                | GEI International           | 308,450            | 0.5            |
| British Petroleum              | 1,330,500         | 2.2            | Howden Group                | 169,000            | 0.3            |
| Burmah Castrol                 | 556,200           | 0.9            | Meggitt                     | 242,985            | 0.4            |
| Shell Transport & Trading      | 2,207,920         | 3.6            | United Industries           | 177,500            | 0.3            |
| Oil Exploration & Production   |                   |                | Wagon Industrial Holdings*  | 351,790            | 0.6            |
| Elf Enterprise                 | 117,000           | 0.2            | Engineering, Vehicles       |                    |                |
| Enterprise Oil                 | 1,037,500         | 1.7            | BBA Group*                  | 1,495,000          | 2.5            |
|                                | <b>£5,546,424</b> | <b>9.1</b>     | Lucas Industries            | 589,000            | 1.0            |
|                                |                   |                | Syltone                     | 393,250            | 0.6            |
| <b>General Manufacturers</b>   |                   |                | Printing, Paper & Packaging |                    |                |
| Building & Construction        |                   |                | Fairway Group               | 635,460            | 1.0            |
| Galliford                      | 99,280            | 0.2            | Textiles & Apparel          |                    |                |
| Laing (John) A.                | 104,000           | 0.2            | Coats Viyella               | 321,750            | 0.5            |
| Tilbury Douglas                | 553,125           | 0.9            |                             | <b>£16,569,255</b> | <b>27.1</b>    |
| Building Materials & Merchants |                   |                | <b>Consumer Goods</b>       |                    |                |
| British Dredging               | 293,970           | 0.5            | Breweries                   |                    |                |
| Cape                           | 438,195           | 0.7            | Bass                        | 583,000            | 1.0            |
| Caradon                        | 261,500           | 0.4            | Greenalls Group             | 260,975            | 0.4            |
| Hepworth                       | 306,500           | 0.5            | S & N                       | 378,300            | 0.6            |
| Heywood Williams*              | 269,730           | 0.4            | Vaux Group                  | 897,315            | 1.5            |
| Marshall's*                    | 322,875           | 0.5            | Whitbread                   | 712,800            | 1.2            |
| Newman-Tonks                   | 244,755           | 0.4            | Spirits, Wines & Ciders     |                    |                |
| Norcros                        | 258,000           | 0.4            | Allied-Domecq               | 784,500            | 1.3            |
| Ruberoide                      | 308,000           | 0.5            | Grand Metropolitan          | 506,880            | 0.8            |
| Tarmac*                        | 488,746           | 0.8            | Guinness                    | 669,900            | 1.1            |
| Chemicals                      |                   |                | Taunton Cider               | 751,500            | 1.2            |
| BOC Group                      | 699,160           | 1.1            | Food Producers              |                    |                |
| BTP*                           | 2,071,190         | 3.4            | Booker                      | 257,100            | 0.4            |
| Scapa Group                    | 270,725           | 0.4            | Cadbury Schweppes           | 675,361            | 1.1            |
| Diversified Industrials        |                   |                | Dalgety                     | 289,250            | 0.5            |
| BTR                            | 682,000           | 1.1            | Northern Foods              | 627,250            | 1.0            |
| Hanson                         | 897,188           | 1.5            | Unigate                     | 705,900            | 1.2            |
| Harrisons & Crosfield*         | 386,555           | 0.6            | United Biscuits             | 684,600            | 1.1            |
| Powell Duffryn                 | 430,000           | 0.7            | Healthcare                  |                    |                |
| Staveley Industries            | 373,000           | 0.6            | Smith & Nephew              | 337,500            | 0.6            |
| Williams*                      | 341,850           | 0.6            | Household Goods             |                    |                |
| Electronics & Electricals      |                   |                | Walker Greenbank            | 302,976            | 0.5            |
| BICC                           | 334,500           | 0.5            |                             |                    |                |
| General Electric               | 640,000           | 1.0            |                             |                    |                |

\*Includes or comprises convertible bonds and/or preference shares



| Company                | Market Value       | % of Portfolio |
|------------------------|--------------------|----------------|
|                        | £                  |                |
| Pharmaceuticals        |                    |                |
| Glaxo Wellcome         | 2,266,423          | 3.7            |
| ZENECA Group           | 1,684,800          | 2.8            |
| Tobacco                |                    |                |
| B.A.T Industries       | 1,081,300          | 1.8            |
| Rothmans International | 730,200            | 1.1            |
|                        | <b>£15,187,830</b> | <b>24.9</b>    |

#### Services

|                       |                   |             |
|-----------------------|-------------------|-------------|
| Distributors          |                   |             |
| Appleyard Group       | 136,955           | 0.2         |
| Casket                | 75,889            | 0.1         |
| Dagenham Motors Group | 205,737           | 0.3         |
| Inchcape              | 289,350           | 0.5         |
| Lookers*              | 101,400           | 0.2         |
| Leisure & Hotels      |                   |             |
| Barr & Wallace Arnold | 218,875           | 0.4         |
| Granada Group         | 353,400           | 0.6         |
| Rank Organisation     | 657,750           | 1.1         |
| Thorn EMI             | 620,000           | 1.0         |
| Media                 |                   |             |
| Carlton*              | 343,500           | 0.6         |
| Daily Mail & General  | 359,250           | 0.6         |
| Retailers, Food       |                   |             |
| Asda Group            | 1,263,750         | 2.1         |
| Kwik Save Group       | 299,250           | 0.5         |
| Watson & Philip       | 1,293,373         | 2.1         |
| Retailers, General    |                   |             |
| Boots                 | 336,700           | 0.6         |
| Dixons Group          | 682,000           | 1.1         |
| Great Universal       | 306,750           | 0.5         |
| Kingfisher            | 639,100           | 1.0         |
| Sears                 | 330,000           | 0.5         |
|                       | <b>£8,513,029</b> | <b>14.0</b> |

#### Utilities

|                           |         |     |
|---------------------------|---------|-----|
| Electricity               |         |     |
| East Midlands Electricity | 405,893 | 0.7 |
| London Electricity        | 374,100 | 0.6 |
| Scottish Hydro-Electric   | 591,300 | 1.0 |
| South Wales Electricity   | 240,550 | 0.4 |

| Company                    | Market Value      | % of Portfolio |
|----------------------------|-------------------|----------------|
|                            | £                 |                |
| Gas Distribution           |                   |                |
| British Gas                | 1,004,300         | 1.6            |
| Telecommunications         |                   |                |
| British Telecommunications | 2,367,000         | 3.9            |
| Water                      |                   |                |
| Severn Trent               | 286,750           | 0.5            |
| Thames Water               | 306,000           | 0.5            |
| Welsh Water                | 322,500           | 0.5            |
|                            | <b>£5,898,393</b> | <b>9.7</b>     |

#### Financials

|                           |                   |             |
|---------------------------|-------------------|-------------|
| Banks, Retail             |                   |             |
| Abbey National            | 475,000           | 0.8         |
| HSBC Holdings             | 1,573,200         | 2.6         |
| Lloyds Bank               | 1,307,000         | 2.1         |
| National Westminster Bank | 538,500           | 0.9         |
| TSB Group                 | 1,062,600         | 1.7         |
| Insurance                 |                   |             |
| New London Capital        | 427,500           | 0.7         |
| Sun Alliance Group        | 351,500           | 0.6         |
| Life Assurance            |                   |             |
| Lloyds Abbey Life         | 526,500           | 0.9         |
| London & Manchester       | 945,000           | 1.5         |
| Prudential                | 647,900           | 1.1         |
| Other Financial           |                   |             |
| Henderson Admin. Group    | 278,750           | 0.5         |
| Property                  |                   |             |
| Bilton                    | 330,000           | 0.5         |
| Mucklow (A & J)           | 266,175           | 0.4         |
| Slough Estates*           | 509,023           | 0.8         |
|                           | <b>£9,238,648</b> | <b>15.1</b> |

#### Investment Trusts

|                         |         |     |
|-------------------------|---------|-----|
| Hoare Govett 1000 Index | £33,110 | 0.1 |
|-------------------------|---------|-----|

|                        |                    |              |
|------------------------|--------------------|--------------|
| <b>Total Portfolio</b> | <b>£60,986,689</b> | <b>100.0</b> |
|------------------------|--------------------|--------------|

*\*Includes or comprises convertible bonds and/or preference shares*



FLEMING  
GEARED INCOME  
& ASSETS

## Financial Record<sup>s</sup>

| Year to 31st May <sup>†</sup>                     | 1995  | 1994  | 1993  | 1992  | 1991  | 1990  | 1989  | 1988  | 1987  | 1986  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net assets (£ million)                            | 62.62 | 62.23 | 57.67 | 60.05 | 58.66 | 59.04 | 65.35 | 55.91 | 62.72 | 47.73 |
| Earnings per ordinary share (p)                   | 4.11  | 6.83  | 7.77  | 10.65 | 11.36 | 9.97  | 7.57  | 4.92  | 4.17  | 4.20  |
| Dividends per ordinary share (p)                  | 2.10* | 2.00* | 7.60  | 7.60  | 7.37  | 6.25  | 4.36  | 3.87  | 3.60  | 3.30  |
| Market price per ordinary share (p)               | 179   | 200   | 165   | 178   | 186   | 164   | 205   | 152   | 180   | 130   |
| Undiluted net asset value per ordinary share (p)  | 286.2 | 285.0 | 260.9 | 278.5 | 273.0 | 275.2 | 312.7 | 255.7 | 296.5 | 207.0 |
| Dividends per preferred share (p)                 | 13.3  | 12.6  | 11.9  | 11.2  | 10.5  | 9.8   | 9.1   | 8.4   | 7.7   | 7.00  |
| Market price per preferred share (p)              | 156.0 | 168.0 | 158.0 | 153.0 | 144.0 | 108.0 | 142.0 | 146.0 | 147.5 | 142.0 |
| Undiluted net asset value per preferred share (p) | 118.5 | 118.4 | 116.1 | 118.0 | 117.7 | 118.4 | 123.0 | 117.0 | 121.7 | 111.7 |

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

<sup>†</sup>The year-end of the Company in 1992 and prior years was 30th May.

\* A special dividend of 0.9p per share was declared in 1995 (1994: 2.00p).

## Investment Activity

during the year to 31st May 1995

|                               | Value at<br>31st May 1994<br>£'000 | Purchases<br>£'000 | Sales<br>£'000 | Change in<br>Value<br>£'000 | Value at<br>31st May 1995<br>£'000 |
|-------------------------------|------------------------------------|--------------------|----------------|-----------------------------|------------------------------------|
| Equities                      | 54,738                             | 21,358             | 21,458         | 1,968                       | 56,606                             |
| Convertible preference shares | 5,985                              | —                  | 1,676          | (573)                       | 3,736                              |
| Convertible bonds             | 983                                | —                  | 126            | (212)                       | 645                                |
|                               | 61,706                             | 21,358             | 23,260         | 1,183                       | 60,987                             |



# Analysis of Shareholders

at 31st May 1995

## Ordinary shares

| Number of shareholders<br>1995 | Class of shareholder                                  | Number of ordinary shares held<br>1995 |       |
|--------------------------------|---|--|-------|
|                                |   |  | %     |
| 13                             | Insurance companies                                   | 2,886,337                              | 18.7  |
| 12                             | Pension funds   | 4,791,888                              | 31.0  |
| 35                             | Unit and investment trusts                            | 1,677,861                              | 10.8  |
| 31                             | Other institutions                                    | 1,804,470                              | 11.7  |
| 91                             | Total institutions                                    | 11,160,556                             | 72.2  |
| 728                            | Named individuals                                     | 3,246,819                              | 21.0  |
| 59                             | Named individuals in the Fleming Share Plan           | 54,511                                 | 0.3   |
| 51                             | Named individuals in the Fleming Personal Equity Plan | 102,350                                | 0.7   |
| 212                            | Bank trustee and nominee accounts below 50,000 shares | 911,746                                | 5.8   |
| 1,050                          | Total individuals                                     | 4,315,426                              | 27.8  |
| 1,141                          |   | 15,475,982                             | 100.0 |

## Preferred shares

| Number of shareholders<br>1995 | Class of shareholder                                  | Number of preferred shares held<br>1995 |       |
|--------------------------------|---|---|-------|
|                                |   |   | %     |
| 15                             | Insurance companies                                   | 3,112,877                               | 20.1  |
| 8                              | Pension funds   | 2,027,000                               | 13.1  |
| 17                             | Unit and investment trusts                            | 5,403,139                               | 34.9  |
| 20                             | Other institutions                                    | 1,890,591                               | 12.2  |
| 60                             | Total institutions                                    | 12,433,607                              | 80.3  |
| 621                            | Named individuals                                     | 2,553,402                               | 16.5  |
| 15                             | Named individuals in the Fleming Share Plan           | 16,224                                  | 0.1   |
| 20                             | Named individuals in the Fleming Personal Equity Plan | 75,824                                  | 0.5   |
| 168                            | Bank trustee and nominee accounts below 50,000 shares | 396,925                                 | 2.6   |
| 824                            | Total individuals                                     | 3,042,375                               | 19.7  |
| 884                            |   | 15,475,982                              | 100.0 |

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





## Directors and Administration

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### Administration

**Manager, Secretary and  
Registered Office**  
Fleming Investment Trust  
Management Limited  
25 Copthall Avenue  
London EC2R 7DR  
Telephone: 0171-638 5858  
*Regulated by IMRO.*

*For matters concerned with the  
portfolio, please contact*  
**Gary West.**

*For secretarial and administrative  
matters, please contact Fraser*  
**Easton.**

### 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  
Beckenham  
Kent BR3 4TU  
Telephone: 0181-650 4866

*Please notify the Registrar in  
writing of any change of name or  
address.*

### The Board

#### John D Webster (Chairman)\*

Aged 55. 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 60. A former Lord Mayor of London. He is a director of a number of companies including Rothschild Asset Management Ltd., Alpha Airports Group plc, and Applied Distribution Group plc of which he is chairman. He joined the board in 1993.

#### Brian G Hill\*

Aged 65. He is a director of The Scottish Life Assurance Company. He was formerly a director of T&N plc, Automotive Products plc and Chief Executive of the Engineering Division of BBA Group plc. He joined the board in 1994.

*\* Member of the Audit Committee.*

#### Chris R Tracey

Aged 50. He is a director of Fleming Investment Management Limited and joined the board in 1985.

#### Julian G Tregoning

Aged 48. Having been a director of Save & Prosper Group Limited for ten years, he was appointed a director of its sister company, Robert Fleming & Co. Limited, on 1st July 1995. He is the immediate past chairman of the Association of Unit Trusts and Investment Funds (AUTIF). He joined the board in 1991.





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THE FLEMING  
**GEARED INCOME  
& ASSETS**  
INVESTMENT TRUST PLC

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**Directors' Report and Accounts**  
for the year ended 31st May 1995

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## 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 1994. 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 6 and 7 and in the Investment Manager's report on pages 8 to 10.

### 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 qualifying securities of UK companies. It is the Directors' intention that the Company should maintain its qualification.

### Accounts

The accounts of the Company for the year ended 31st May 1995 are shown on pages 22 to 30.

### Revenue and Dividends

Gross revenue for the year totalled £3,588,679 and distributable revenue after deducting administrative expenses and taxation amounted to £2,694,069. The dividends on the preferred shares absorbed £2,058,306 leaving £635,763 available for distribution to the ordinary shareholders. An interim dividend of 0.75 pence per ordinary share was paid on 28th February 1995. The Directors recommend a final dividend of 1.35 pence together with a special dividend of 0.90 pence per ordinary share payable on 19th September 1995 to holders on the register at the close of business on 15th August 1995 which, when added to the

interim dividend, will make a total for the year of 3.00 pence. These distributions will absorb £464,280, leaving £171,483 to be transferred to the revenue reserve, which after this transfer will amount to £3,116,126.

### Investments

The Company's investments were valued at £60,986,689 at 31st May 1995 and are listed on pages 12 and 13.

### Stamp Duty

The Company is continuing to discuss with the Inland Revenue a possible stamp duty liability of £230,000, together with interest, arising from the transfer of assets in specie from the redemptions of two unit trusts when the Company was reorganised in June 1993. No provision has been made for this in the accounts.

### Warrants

During May the Company purchased 702,130 of its warrants for cancellation to leave 1,821,888 outstanding at the year-end on 31st May 1995.

On 1st June 1995 the holders of the warrants had their final opportunity to exercise their subscription rights and 1,517,117 warrants were exercised increasing the Company's assets by £3,034,234. The remaining 304,771 warrants were placed under the control of a Trustee appointed to act on behalf of the holders of the unexercised warrants.

On 9th June 1995 the Company purchased all the unexercised warrants from the Trustee for cancellation at a cost of £421,346. The Trustee then distributed the net proceeds pro rata to the holders of the unexercised warrants.

Because these repurchases were made at a price per warrant lower than the combined net asset values of each ordinary and each preferred share (less the warrant exercise price), they reduced the potential dilution from the exercise of warrants and therefore benefited the Company and its shareholders.



### Going Concern

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

### Directors

The Directors of the Company at the end of the year together with their beneficial interests in the ordinary shares of the Company are shown below:

|                               | 31st May<br>1995 | 31st May<br>1994 |
|-------------------------------|------------------|------------------|
| <i>Ordinary shares of 25p</i> |                  |                  |
| Mr JD Webster                 | 7,500            | —                |
| Sir Hugh Bidwell              | —                | —                |
| Mr BG Hill                    | 4,000            | —                |
| Mr CR Tracey                  | —                | —                |
| Mr JG Tregoning               | 3,164            | 1,600            |

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

At 31st May 1995 Mr Tregoning was treasurer of two charities which owned an aggregate of 252,000 ordinary shares in the Company.

The Director retiring by rotation is Mr JG Tregoning who is eligible and offers himself for re-election.

### 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 from which he resigned on 30th June 1995. He was appointed a director of Robert Fleming & Co. Limited on 1st July 1995. At the year end and at the date of this report Mr Tracey was a director of Fleming Investment Management Limited. All three companies 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.

### Notifiable Share Interests

As at the date of this report the Company had been notified of the following interests in its ordinary shares:

| Shareholder  | Number of<br>shares held | %    |
|--|--------------------------|------|
| London & Manchester                                    |                          |      |
| Portfolio Management                                   | 2,870,000                | 16.9 |
| Equitable Life Assurance                               |                          |      |
| Society  | 2,677,425                | 15.8 |
| Co-operative Insurance                                 |                          |      |
| Society Employees' Pension<br>and Death Benefit Scheme | 720,000                  | 4.2  |
| Standard Life Assurance                                |                          |      |
| Company  | 650,000                  | 3.8  |
| British Empire Securities                              |                          |      |
| & General Trust  | 525,000                  | 3.1  |

In addition the Directors are aware that an aggregate of 1,704,908 ordinary shares (10.0%) are held by unit trusts and other funds managed by members of the Fleming group. The Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.



## Report of the Directors (continued)

### Corporate Governance

Arrangements to ensure the appropriate level 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 is hitherto applicable.

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

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

The members of the Audit Committee are shown on page 16.

### 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  
FW Easton  
10th August 1995



## Directors' Responsibilities in Respect of the Accounts

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that 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 Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Report of the Auditors

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

We have audited the accounts on pages 22 to 30, which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on page 25.

### Respective Responsibilities of Directors and Auditors

As described on page 20, 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

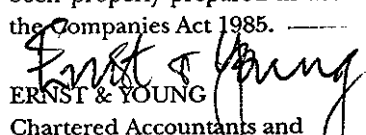
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 affairs of the Company as at 31st May 1995 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 Auditor

London, 10th August 1995.

## Report by the Auditors on Corporate Governance

to The Fleming Geared Income & Assets Investment Trust plc

In addition to our audit of the financial statements, we have reviewed the Directors' statements on pages 19 and 20 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

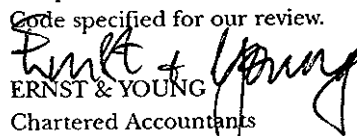
### Basis of Opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's corporate governance procedures, nor on the ability of the Company to continue in operational existence.

### Opinion

With respect to the Directors' statement on going concern on page 19 in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company and examination of relevant documents, in our opinion the Directors' statement on page 20 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

  
ERNST & YOUNG

Chartered Accountants

London, 10th August 1995.



FLEMING  
GEARED INCOME  
& ASSETS

## Revenue Account

for the year ended 31st May 1995

|  | Notes | 1995<br>£ | 1994<br>£ |
|--|-------|-----------|-----------|
| <b>Gross Revenue</b>                               |       |           |           |
| Income from investments                            | 1     | 3,432,167 | 3,840,495 |
| Other income                                       | 2     | 156,512   | 163,869   |
|  |       | 3,588,679 | 4,004,364 |
| <b>Deductions</b>                                  |       |           |           |
| Administrative expenses                            | 3     | 231,937   | 254,317   |
| <b>Revenue Before Taxation</b>                     |       | 3,356,742 | 3,750,047 |
| Taxation   | 4     | 662,673   | 752,901   |
| <b>Revenue After Taxation</b>                      |       | 2,694,069 | 2,997,146 |
| Dividends on preferred shares                      | 5     | 2,058,306 | 1,943,745 |
| <b>Revenue Available for Ordinary Shareholders</b> |       | 635,763   | 1,053,401 |
| <b>Dividends on Ordinary Shares</b>                | 6     |           |           |
| Dividends paid – 0.75p per share (1994: 2.75p)     |       | 116,070   | 424,230   |
| Dividends payable – 2.25p per share (1994: 1.25p)  |       | 348,210   | 192,832   |
|  |       | 464,280   | 617,062   |
| <b>Transfer to Revenue Reserve</b>                 |       | £171,483  | £436,339  |
| <b>Earnings per Ordinary Share</b>                 | 7     | 4.11p     | 6.83p     |
| <b>Fully-Diluted Earnings per Ordinary Share</b>   | 7     | 4.03p     | 5.93p     |

## Statement of Total Recognised Gains and Losses

for the year ended 31st May 1995

|  | 1995<br>£   | 1994<br>£    |
|--|-------------|--------------|
| <b>Capital Profit/(Loss)</b>                                 |             |              |
| Realised (losses)/gains                                      | (1,106,190) | 27,035,516   |
| Net change in unrealised gains                               | 2,289,317   | (22,980,766) |
| Administrative expenses net of tax relief charged to capital | (185,550)   | (183,203)    |
| Purchase of warrants for cancellation                        | (883,118)   | —            |
| <b>Capital Surplus for Year</b>                              | 114,459     | 3,871,547    |
| <b>Revenue Profit Available for Distribution</b>             | 2,694,069   | 2,997,146    |
| <b>Total Recognised Gains for the Year</b>                   | £2,808,528  | £6,868,693   |

The reconciliation of movements in shareholders' funds can be found in note 17 on page 30.

The notes on pages 25 to 30 form part of these accounts.



# Balance Sheet

at 31st May 1995

|   | Notes | 1995<br>£   | 1994<br>£   |
|---|-------|-------------|-------------|
| <b>ASSETS EMPLOYED</b>                        |       |             |             |
| <b>Fixed Assets</b>                           |       |             |             |
| Investments at market value                   | 8     | 60,986,689  | 61,705,664  |
| <b>Current Assets</b>                         |       |             |             |
| Debtors                                       | 9     | 1,131,856   | 2,778,797   |
| Cash and short-term deposits                  |       | 1,002,841   | 440,685     |
|   |       | 2,134,697   | 3,219,482   |
| <b>Creditors</b>                              | 10    |             |             |
| Amounts falling due within one year           |       | 376,998     | 2,587,979   |
| <b>Net Current Assets</b>                     |       | 1,757,699   | 631,503     |
| <b>Total Assets Less Current Liabilities</b>  |       | 62,744,388  | 62,337,167  |
| <b>Provisions for Liabilities and Charges</b> |       |             |             |
| Deferred taxation                             | 11    | 128,222     | 105,809     |
|   |       | £62,616,166 | £62,231,358 |
| <b>FINANCED BY</b>                            |       |             |             |
| <b>Capital and Reserves</b>                   |       |             |             |
| Share capital                                 | 12    | 23,213,973  | 23,139,824  |
| Share premium account                         | 13    | 5,707,298   | 5,657,865   |
| Capital reserve                               | 14    | 30,578,769  | 30,489,026  |
| Revenue reserve                               | 15    | 3,116,126   | 2,944,643   |
| <b>Shareholders' Funds</b>                    | 16    | £62,616,166 | £62,231,358 |
| <b>ATTRIBUTABLE TO</b>                        |       |             |             |
| Ordinary shareholders                         |       | 44,285,377  | 43,961,447  |
| Preferred shareholders                        |       | 18,330,789  | 18,269,911  |
|   |       | £62,616,166 | £62,231,358 |

The accounts on pages 22 to 30 were approved by the Directors on 10th August 1995 and are signed on their behalf by:

JD Webster  
Chairman



The notes on pages 25 to 30 form part of these accounts.



# Cash Flow Statement

for the year ended 31st May 1995

|   | Note 18 | 1995<br>£        | 1994<br>£           |
|---|---------|------------------|---------------------|
| <b>Operating Activities</b>                             |         |                  |                     |
| Investment income received                              |         | 2,700,933        | 2,705,898           |
| Deposit interest received                               |         | 123,163          | 137,008             |
| Underwriting commissions received                       |         | 20,999           | 16,223              |
| Manager's remuneration paid                             |         | (309,772)        | (318,002)           |
| Directors' fees paid                                    |         | (26,578)         | (23,500)            |
| Other cash payments                                     |         | (130,256)        | (164,246)           |
| <b>Net Cash Inflow from Operating Activities</b>        |         | <b>2,378,489</b> | <b>2,353,381</b>    |
| <b>Returns on Investments and Servicing of Finance</b>  |         |                  |                     |
| Dividends paid  |         | (2,367,208)      | (3,986,647)         |
| <b>Taxation</b>   |         |                  |                     |
| Income tax recovered                                    |         | 73,014           | —                   |
| Corporation tax paid                                    |         | —                | (76,741)            |
| <b>Investing Activities</b>                             |         |                  |                     |
| Purchases of investments                                |         | (23,506,858)     | (77,768,483)        |
| Sales of investments                                    |         | 24,768,971       | 75,022,147          |
|   |         | <b>1,262,113</b> | <b>(2,746,336)</b>  |
| <b>Net Cash Inflow/(Outflow) Before Financing</b>       |         | <b>1,346,408</b> | <b>£(4,456,343)</b> |
| <b>Financing</b>  |         |                  |                     |
| Proceeds from exercise of warrants                      |         | (98,866)         | (50,000)            |
| Purchase of warrants for cancellation                   |         | 883,118          | —                   |
| <b>Increase/(Decrease) in Cash and Cash Equivalents</b> |         | <b>562,156</b>   | <b>(4,406,343)</b>  |
|   |         | <b>1,346,408</b> | <b>£(4,456,343)</b> |

*The notes on pages 25 to 30 form part of these accounts.*

## Notes to the Accounts

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### Accounting Policies

The accounts 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 their market value on the balance sheet date. In all other respects the accounts are prepared under the historical cost convention.
- (ii) Listed investments are stated at their 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) Provision is made at current rates of tax for deferred taxation in respect of timing differences on accrued income.
- (vii) The Company's administrative expenses (inclusive of any irrecoverable VAT thereon) are charged half to the revenue account and half to the capital reserve.
- (viii) Tax relief attributable to administrative expenses charged to the capital reserve is credited to the 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 cash, the amount shown as received in the revenue account is equivalent to the cash alternative that would have been received. Any enhanced portion has been taken to the capital reserve.



## Notes to the Accounts

|   | 1995<br>£        | 1994<br>£        |
|---|------------------|------------------|
| <b>1. Income from Investments</b>   |                  |                  |
| Dividends on listed investments   | 3,309,657        | 2,432,923        |
| Dividends on unlisted investments   | —                | 1,174,256        |
| Franked investment income   | 3,309,657        | 3,607,179        |
| Scrip dividends on listed investments   | 29,081           | 85,625           |
| Foreign income dividends on listed investments  | 15,708           | —                |
| Interest on listed investments  | 77,721           | 147,691          |
| Unfranked investment income   | 122,510          | 233,316          |
|   | <b>3,432,167</b> | <b>3,840,495</b> |
| <b>2. Other Income</b>  |                  |                  |
| Deposit interest  | 135,513          | 147,646          |
| Underwriting commissions  | 20,999           | 16,223           |
|   | <b>156,512</b>   | <b>163,869</b>   |
| <b>3. Administrative Expenses</b>   |                  |                  |
| Manager's remuneration  | 309,772          | 318,002          |
| Other management expenses   | 56,946           | 92,413           |
| Directors' fees*  | 26,578           | 22,500           |
| Auditors' remuneration†   | 8,000            | 10,900§          |
| Irrecoverable VAT   | 62,578           | 64,819           |
|   | <b>463,874</b>   | <b>508,634</b>   |
| Less: Administrative expenses charged to capital  | 231,937          | 254,317          |
|   | <b>231,937</b>   | <b>254,317</b>   |
| *Chairman £7,500 per annum, other Directors £5,000 per annum each (1994: same).   |                  |                  |
| †In addition the Auditors were paid £925 (1994: Nil) in respect of services not directly connected with the audit. This amount forms part of other management expenses. |                  |                  |
| §Includes audit fee for 1993 of £3,400.   |                  |                  |
| <b>4. Taxation</b>  |                  |                  |
| Tax on franked investment income  | 655,882          | 653,583          |
| Recovery of tax credits on franked income   | (53,718)         | (39,415)         |
| Deferred taxation   | 22,413           | 67,853           |
| Prior year adjustment   | (8,291)          | (234)            |
| Tax relief on administrative expenses charged to capital reserve  | 46,387           | 71,114           |
|   | <b>662,673</b>   | <b>752,901</b>   |

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 administrative expenses charged to capital has been credited to the capital reserve.



|   | 1995<br>£ | 1994<br>£ |
|---|-----------|-----------|
| <b>5. Dividends on Preferred Shares</b> |           |           |
| Dividends on preferred shares           | 2,058,306 | 1,943,745 |

The total dividends paid per preferred share for 1995 were 13.3p (1994: 12.6p). 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 remaining life of the Company.

#### 6. Dividends on Ordinary Shares

##### Interim (Paid)

|                               |         |         |
|-------------------------------|---------|---------|
| 0.75p (1994: 0.75p) per share | 116,070 | 115,699 |
|-------------------------------|---------|---------|

##### Special (Paid)

|                             |         |         |
|-----------------------------|---------|---------|
| Nil (1994: 2.00p) per share | —       | 308,531 |
|                             | 116,070 | 424,230 |

##### Final (Proposed)

|                               |         |         |
|-------------------------------|---------|---------|
| 1.35p (1994: 1.25p) per share | 208,926 | 192,832 |
|-------------------------------|---------|---------|

##### Special (Proposed)

|                             |         |         |
|-----------------------------|---------|---------|
| 0.90p (1994: nil) per share | 139,284 | —       |
|                             | 348,210 | 192,832 |

#### 7. Earnings Per Ordinary Share

The earnings per ordinary share are based on the following figures:

|  |            |            |
|--|------------|------------|
| Earnings attributable to ordinary shareholders | £635,763   | £1,053,401 |
| Number of ordinary shares in issue at year end | 15,475,982 | 15,426,549 |
| Earnings per ordinary share                    | 4.11p      | 6.83p      |
| Fully-diluted earnings per ordinary share      | 4.03p      | 5.93p      |

The fully-diluted earnings per ordinary share has been calculated by treating the warrants as exercised on 1st June 1994 (1994: 1st June 1993) with the proceeds invested in 2½% Consolidated Stock.

#### 8. Investments at Market Value

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Opening cost of investments      | 59,554,972   | 29,014,988   |
| Purchases of investments at cost | 21,357,976   | 80,032,073   |
| Sales of investments at cost     | (24,366,268) | (49,492,089) |
| Cost of investments at 31st May  | 56,546,680   | 59,554,972   |
| Unrealised appreciation          | 4,440,009    | 2,150,692    |
| Value of investments at 31st May | 60,986,689   | 61,705,664   |

##### Investments at market value

|                                  |            |            |
|----------------------------------|------------|------------|
| Listed in United Kingdom         | 60,986,689 | 61,705,664 |
| Value of investments at 31st May | 60,986,689 | 61,705,664 |



## Notes to the Accounts

|   | 1995<br>£         | 1994<br>£         |
|---|-------------------|-------------------|
| <b>9. Debtors</b>   |                   |                   |
| Sales for future settlement   | 445,000           | 1,953,893         |
| Income tax recoverable  | 20,239            | 64,724            |
| Taxation recoverable  | 53,718            | —                 |
| ACT recoverable   | —                 | 189,683           |
| Dividends receivable  | 585,891           | 559,858           |
| Other debtors   | 27,008            | 10,639            |
|   | <b>1,131,856</b>  | <b>2,778,797</b>  |
| <b>10. Creditors</b>  |                   |                   |
| Purchases for future settlement   | —                 | 2,177,964         |
| Taxation  | —                 | 189,683           |
| Other creditors   | 28,788            | 27,500            |
| Proposed dividend   | 348,210           | 192,832           |
|   | <b>376,998</b>    | <b>2,587,979</b>  |
| <b>11. Deferred Taxation</b>  |                   |                   |
| Opening balance   | 105,809           | 37,956            |
| Movement during the year  | 22,413            | 67,853            |
| Closing balance   | <b>128,222</b>    | <b>105,809</b>    |
| <b>12. Share Capital</b>  |                   |                   |
| <b>ISSUED AND FULLY-PAID</b>  |                   |                   |
| 6.3-13.3% cumulative limited participating preferred shares of £1 each:           |                   |                   |
| In issue at beginning of year (15,426,549 shares)                                 | 15,426,549        | 15,299,348        |
| Issued during year on exercise of warrants (49,433 shares)                        | 49,433            | 127,201           |
| In issue at end of year (15,475,982 shares)                                       | <b>15,475,982</b> | <b>15,426,549</b> |
| Ordinary shares of 50p each:  |                   |                   |
| In issue at beginning of year (15,426,549 shares)                                 | 7,713,275         | 7,649,674         |
| Issued during year on exercise of warrants (49,433 shares)                        | 24,716            | 63,601            |
| In issue at end of year (15,475,982 shares)                                       | <b>7,737,991</b>  | <b>7,713,275</b>  |
| Total issued and fully-paid at end of year  | <b>23,213,973</b> | <b>23,139,824</b> |
| <b>AUTHORISED</b>   |                   |                   |
| 18,000,000 6.3-13.3% cumulative limited participating preferred shares of £1 each | 18,000,000        | 18,000,000        |
| 18,000,000 ordinary shares of 50p each  | 9,000,000         | 9,000,000         |
|   | <b>27,000,000</b> | <b>27,000,000</b> |

|                                  | 1995      | 1994      |
|----------------------------------|-----------|-----------|
|                                  | £         | £         |
| <b>13. Share Premium Account</b> |           |           |
| Balance at beginning of year     | 5,657,865 | 5,530,664 |
| Proceeds of exercise of warrants | 49,433    | 127,201   |
| Balance at end of year           | 5,707,298 | 5,657,865 |

#### 14. Capital Reserve

##### Realised gains/(losses):

|  |             |            |
|--|-------------|------------|
| Balance at beginning of year                                     | 28,338,334  | 1,549,622  |
| Realised investment (losses)/gains during year                   | (1,106,190) | 27,035,516 |
| Exercise of warrants   | (24,716)    | (63,601)   |
| Repurchase of warrants   | (883,118)   | —          |
| Administrative expenses charged to capital reserve (note 3)      | (231,937)   | (254,317)  |
| Tax relief on administrative expenses charged to capital reserve | 46,387      | 71,114     |
|  | 26,138,760  | 28,338,334 |

##### Unrealised gains/(losses):

|                                |            |              |
|--------------------------------|------------|--------------|
| Balance at beginning of year   | 2,150,692  | 25,131,458   |
| Net change in unrealised gains | 2,289,317  | (22,980,766) |
|                                | 4,440,009  | 2,150,692    |
| Balance at end of year         | 30,578,769 | 30,489,026   |

#### 15. Revenue Reserve

|                               |           |           |
|-------------------------------|-----------|-----------|
| Balance at beginning of year  | 2,944,643 | 2,508,304 |
| Transfer from revenue account | 171,483   | 436,339   |
| Balance at end of year        | 3,116,126 | 2,944,643 |

#### 16. Shareholders' Funds

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; second, 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 (286.2p per share – 1994: 285.0p)  | 44,285,377 | 43,961,447 |
| Preferred shares (118.5p per share – 1994: 118.4p) | 18,330,789 | 18,269,911 |
|  | 62,616,166 | 62,231,358 |



## Notes to the Accounts

|  | 1995<br>£   | 1994<br>£   |
|--|-------------|-------------|
| <b>17. Reconciliation of Movements in Shareholders' Funds</b>          |             |             |
| Revenue profit available for distribution                              | 2,694,069   | 2,997,146   |
| Dividends  | (2,522,586) | (2,560,807) |
| Distributable profits less dividends                                   | 171,483     | 436,339     |
| Capital gains for the year   | 114,459     | 3,871,547   |
| Proceeds of issue of new shares  | 98,866      | 254,402     |
| Net addition to shareholders' funds                                    | 384,808     | 4,562,288   |
| Opening shareholders' funds  | 62,231,358  | 57,669,070  |
| Shareholders' funds at end of year                                     | 62,616,166  | 62,231,358  |
| <b>18. Cash Flow Statement</b>   |             |             |
| Reconciliation of revenue to net cash inflow from operating activities |             |             |
| Income before interest payable and taxation                            | 3,356,742   | 3,750,047   |
| Scrip dividends received as income                                     | (29,081)    | (85,625)    |
| Increase in accrued income   | (42,402)    | (380,718)   |
| Increase in other creditors  | 1,288       | 2,886       |
| Tax on franked income  | (655,882)   | (678,892)   |
| Tax on unfranked investment income                                     | (20,239)    | —           |
| Administrative expenses charged to the capital reserve                 | (231,937)   | (254,317)   |
|  | 2,378,489   | 2,353,381   |
| Analysis of changes in cash and cash equivalents during the year       |             |             |
| Opening balance  | 440,685     | 4,847,028   |
| Increase/(decrease) in cash and cash equivalents                       | 562,156     | (4,406,343) |
| Balance at end of year   | 1,002,841   | 440,685     |

### 19. Contingent Liabilities

There was no contingent underwriting liabilities outstanding at the year end (1994: £63,000).

### 20. Post Balance Sheet Event

As described in the report of the Directors on page 18, on 1st June 1995 1,517,117 of the Company's warrants were exercised and the remaining 304,771 warrants were purchased by the Company for cancellation on 9th June, 1995.

If these transactions had been taken into account at 31st May 1995, the net assets of the Company would have been £65,229,054 and the net asset value of each of the 16,993,099 ordinary and preference shares in issue would have been 267.3p and 116.6p respectively. There would have been no dilution of these net asset values as there would have been no warrants in issue.



## Notice of Meeting

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Notice is hereby given that the eleventh Annual General Meeting of The Fleming Geared Income & Assets Investment Trust plc will be held at 25 Cophall Avenue, London EC2 at 3.30 pm on 12th September 1995 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 1995.
- 2 To declare dividends on the ordinary shares.
- 3 To re-elect Mr JG Tregoning a Director of the Company.
- 4 To re-appoint Ernst & Young as auditors to the Company and to authorise the Directors to agree their remuneration.

By order of the Board  
Fleming Investment Trust Management Limited,  
Secretary.  
*10th August 1995*

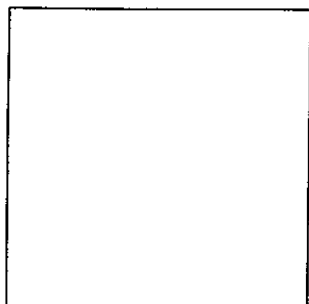
### Notes

- 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 on a poll vote instead of him. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if he so wishes.
- 2 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.





## Information about your Manager



The Company's Manager and Secretary is Fleming Investment Trust Management Limited ('FITM'), which is one of the leading investment trust managers in the UK and is part of the Fleming Group.

### Flemings

Flemings can trace its origins to 1873 when its founder, Robert Fleming, formed the first investment trust in Scotland. Investment trusts were Flemings' principal activity until the 1960s but since then it has expanded into unit trusts (it owns 100% of Save & Prosper), pension and offshore funds, stockbroking, insurance, banking and corporate finance. It is now a leading UK financial institution with over £50 billion under management worldwide by its subsidiaries (including FITM) and associates. The Flemings Group has offices in 34 countries and a total of over 6,500 employees around the world. It owns 50% of Jardine Fleming, which is based in Hong Kong and is one of the leading fund managers and merchant banks in the Far East.

### FITM and the Fleming Investment Trusts

FITM provides the Fleming investment trusts with a complete management, secretarial and administrative service. Other parts of the Fleming Group provide them with banking, broking and custodian services.

FITM manages a range of 18 investment trusts with total assets of around £3.5 billion.

### Share Plan

The Fleming Investment Trusts Share Plan provides an economical and convenient way for any investor to start or increase a holding in any of the 18 Fleming trusts. Shares can be purchased by lump sum, regular saving or dividend reinvestment. The Share Plan works on an execution-only and uncertificated basis, so that no investment advice or recommendations are provided and certificates are not issued to participants, all of whose shares are held by the Plan's nominee. However, Plan participants have full voting and other rights of share ownership.

### Personal Equity Plan

The Fleming Investment Trusts PEP allows investment by lump sum or regular saving in nine fully-qualifying Fleming trusts below.

Fleming Cloverhouse  
Fleming Continental European  
Fleming Enterprise  
Fleming European Fledgeling  
Fleming Fledgeling  
Fleming Geared Income & Assets  
Fleming High Income  
Fleming Income & Capital  
Fleming Mercantile

Shares held in a PEP are free of income and capital gains tax. Under current regulations each adult resident in the UK can invest up to £6,000 each year in a general PEP such as the Fleming Investment Trusts PEP.

### For Further Information

The Fleming Share Plan and PEP brochures contain complete details of the Plans and their charges, a fact sheet on each of the trusts available and a set of application forms. Copies can be obtained by ringing the Brochureline on 0171-382 8989 (24 hours) or writing to Fleming Investment Trusts, FREEPOST 22 (SW1565), London W1E 7EZ. Please specify which Plan you are interested in.

*The information on this page is issued and has been approved for the purposes of the Financial Services Act 1986 by Fleming Investment Trust Management Limited, 25 Coptall Avenue, London EC2R 7DR, which is regulated by IMRO.*

Fleming American  
*Capital growth from North American investments*

Fleming Chinese  
*Capital growth from China-related investments*

Fleming Cloverhouse  
*Capital and income growth from UK investments*

Fleming Continental  
*Capital growth from Continental European investments*

Fleming Emerging Markets  
*Capital growth from emerging markets worldwide*

Fleming Enterprise  
*Capital growth from medium-sized UK companies*

Fleming European Fledgeling  
*Capital growth from smaller Continental European investments*

Fleming Far Eastern  
*Capital growth from Far Eastern stockmarkets*

Fleming Fledgeling  
*Capital growth from small companies worldwide*

Fleming Geared Income & Assets  
*Growth of income and capital from a UK portfolio*

Fleming High Income  
*High income from a UK portfolio*

Fleming Income & Capital  
*Income and capital growth from UK investments through a split-capital structure*

Fleming Indian  
*Capital growth from investment in India*

Fleming International High Income  
*High income from an international portfolio through a split-capital structure*

Fleming Japanese  
*Capital growth from Japanese investments*

Fleming Mercantile  
*Long-term capital growth from a UK portfolio of medium and smaller companies*

Fleming Natural Resources  
*Capital growth from commodity and energy shares worldwide*

Fleming Overseas  
*Capital growth from overseas markets*



FLEMING  
GEARED INCOME  
& ASSETS

**FLEMINGS**

*The Investment Trust Experts*