

1805708

The Fleming Applied Science & Technology Trust plc

Directors' Report & Accounts • Year ended 31st May 2000



Directors' Report

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 1999. 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 page 2 and in the Investment Manager's report on page 5.

Accounts

The accounts of the Company for the year ended 31st May 2000 are shown on pages 22 to 32.

Revenue and Dividends

Gross revenue for the year totalled £2.75m and distributable revenue after deducting administrative expenses, interest and taxation amounted to £2.26m. The dividends on the preference shares absorbed £2.21m leaving £0.05m available for distribution to the ordinary shareholders. An interim dividend of 1 penny per ordinary share was paid on 28th February 2000. No final dividend is being declared.

Going Concern

After making enquiries, the Directors consider that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place 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.

Payment Policy

It is the Company's payment policy to obtain the best terms for all business and therefore there is no consistent policy as to the terms used. In general, the Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by these terms. As at 31st May 2000, the Company had no outstanding trade creditors.

Directors

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

	31st May 2000	1st June 1999
Mr L E Linaker	4,760	2,760
Mr B G Hill	7,424	7,424
Mr J G Tregoning	26,030	23,794
Mr J P de Blocq van Kuffeler	580	—

Other than as disclosed above, no changes in the above holdings have been recorded to the date of this report. Mr R W I Lodge was appointed as a Director on 20th July 2000 and will seek re-election by Shareholders at the forthcoming Annual General Meeting. The Directors retiring by rotation are Mr L E Linaker and Mr J G Tregoning. Both are eligible and will be seeking re-election by Shareholders at the Annual General Meeting. Mr B G Hill has expressed his wish to retire and will do so following the Annual General Meeting on 27th September 2000.

During the year an insurance policy has been maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

Management

The Manager and Secretary, Fleming Investment Management Limited (FIM), is a wholly-owned subsidiary of Robert Fleming Holdings Limited which, through other subsidiaries, also provides banking, investment management and custodian services to the Company. As a result of an internal re-organisation within Flemings, the management agreement was transferred to Fleming Investment Management Limited ('FIM') on 31st May 2000. On the same date, Fleming Investment Trust Management resigned as Company Secretary and FIM was appointed in its place. Robert Fleming Holdings Limited was acquired by The Chase Manhattan Corporation on 1st August 2000.

Management Fee and Expenses

The Manager and Secretary is employed under a contract which is subject to one year's notice of termination. The fee is calculated and paid monthly in arrears and is charged at a rate of 0.5% per annum of the Company's total assets less current liabilities. A performance-related fee is also payable from 1st June 2000. This is calculated as 10% of the amount by which the change in the total assets less current liabilities, over the year to 31st May 2000, is greater than the notional increase in total assets less current liabilities over the period (found by applying the aggregate of the relevant percentage change of the MSCI World Index during the period and 2% to the total assets less current liabilities as at 1st June 2000).

The performance fee will only be paid if there has been a positive return and be capped at a maximum of 1% of total assets less current liabilities in any financial year.

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 shares held	%
Robert Fleming Holdings Limited ¹	2,029,434	11.0
<i>Included is Save & Prosper Group Limited</i>	1,641,920	8.9
London and Manchester Pensions	1,160,000	6.3
Merchant Investors Assurance Company	1,040,725	5.6
Rufuge Assurance	850,000	4.6
Friends Provident Life Fund	725,000	3.9
Standard Life Funds	650,000	3.5
United Friendly Insurance Life Fund	567,500	3.1

¹*Non-beneficial and held on behalf of various clients.*

Year 2000

Most of the computer systems used for the Company's business are provided by Flemings.

The Board have received assurance from Flemings that their computer systems have been modified, enhanced or changed as necessary and tested so as to be Year 2000 compliant. The Company has received further assurance from Flemings that the tasks associated with the Millennium rollover period were completed successfully and that Flemings is operating normally.

The Company has not, and will not, incur any expenses in connection with the compliance of computer systems provided by Flemings or by third party suppliers. In instances where the Company depends on third party suppliers, the Board has received assurance that Flemings have ensured that all such suppliers are Year 2000 compliant.

There remain a number of risk dates associated with Year 2000 compliance and the Company has received assurance from Flemings that their programme remains operational for those dates. While the Board believes that Flemings have achieved an acceptable state of readiness, it is not possible, given the complexity of the problem, for any organisation to guarantee Year 2000 compliance.

Directors' Report *continued*

Existing authorities for issue of ordinary shares

At the extraordinary general meeting of the Company held on 22nd March 2000 the Directors of the Company were authorised to allot all of the 5,477,644 unissued ordinary shares of 50 pence each in the Company, representing approximately 30% of the present issued ordinary share capital. The Directors were also authorised to make issues of ordinary shares for cash otherwise than by a pro-rata issue to existing shareholders of no more than 926,100 ordinary shares of 50 pence each, representing approximately 5% of the present issued ordinary share capital. These authorities both expire on 22nd March 2005.

Proposed authority for repurchase of ordinary shares and preference shares

As special business at the Annual General Meeting it is proposed that the Directors of the Company should be authorised to make market purchases of its ordinary shares and its 13.0% cumulative preference shares of £1 each. Resolutions 7 and 8 are each being proposed as a special resolution and, since the exercise of the authorities proposed to be granted to the Directors of the Company pursuant to Resolutions 7 and 8 will constitute a variation of the rights attaching to the preference shares, both the holders of the preference shares and the holders of the ordinary shares will be entitled to vote on these Resolutions. Resolutions 7 and 8 will also be subject to the consent of the holders of the ordinary shares and the preference shares at separate class meetings due to be held immediately following the Annual General Meeting as described further below.

Resolution 7 seeks authority for the Directors to purchase up to 2,776,501 ordinary shares representing approximately 14.99% of the current issued ordinary share capital of the Company at a price of no less than 50 pence (being the nominal value of an ordinary share) and no more than a premium of 5% to the average mid-market price of an ordinary share for the five business days prior to any such purchase (the maximum permitted under the Listing Rules of the Financial Services Authority). Resolution 8 seeks authority for the Directors to purchase up to 2,547,265 preference shares representing approximately 14.99% of the current issued preference share capital of the Company at a price of no less than £1 and no more than a premium of 5% to the average mid-market price of a preference share for the five business days prior to any such purchase.

Exercise of authorities

The Directors wish to retain the flexibility to issue new ordinary shares to existing and potential new investors (such as investors in the Fleming Savings Plans). Such further issues of ordinary shares will only take place at prices greater than the net asset value per ordinary share. The Directors consider that an issue of ordinary shares in these circumstances would benefit ordinary shareholders in providing an increase to net asset value per ordinary share and from spreading both the fixed administrative expenses and the effective cost of the dividends due in respect of the preference shares over a larger number of ordinary shares. Preference shareholders should also benefit from an increase in the total assets of the Company. The authorities being sought will last until 27th March 2001 at the latest, but may be renewed at the next Annual General Meeting in 2001 or at a general meeting at an earlier date.

In addition to issuing shares the Directors also wish to give the Company even more flexibility by obtaining authority to make market purchases of both its ordinary shares and 13% cumulative preference shares. Ordinary shares and/or preference shares will only be repurchased in the market if the Directors believe such purchases to be in all shareholders' interests.

In particular, any repurchase of ordinary shares will only be made at a discount to NAV and therefore any ordinary shares repurchased and cancelled would enhance the NAV of the remaining shares. Clearly any repurchase and cancellation of ordinary shares would reduce the asset cover of the preference shares in issue which, as at 31st May 2000, was 5.7 times covered. The authority does not permit the Directors to repurchase ordinary shares if to do so would reduce the level of cover on the preference shares to less than 5 times.

Currently the 13% cumulative preference shares are standing at a premium to their balance sheet value and therefore any repurchase at today's value will reduce the underlying NAV of the ordinary shares. Despite this reduction in NAV the Directors believe that it is in the best interests of the ordinary shareholders to buy back the preference shares. This is because the requirement to service the 13% preference coupon has resulted in the creation of a separate portfolio of high yielding securities and the size of this separate portfolio could be reduced if the number of preference shares in issue was reduced. The Directors would only exercise their authority to repurchase the preference shares provided that their Gross Redemption Yield at the buy-in price was higher than the cost of alternative funding.

Separate general meetings of ordinary shareholders and preference shareholders

As the exercise by the Directors of the Company of the authorities proposed to be granted to them pursuant to Resolutions 7 and 8 will constitute a variation of the rights attaching to the preference shares and the ordinary shares, separate class meetings of each class of shareholder have been convened for 27th September 2000 to immediately follow the Annual General Meeting. A resolution will be proposed at each separate class meeting to sanction the authorities to make market purchases of the ordinary shares and the preference shares proposed to be granted to the Directors of the Company by the passing of Resolutions 7 and 8. Notices convening these separate meetings are set out on pages 35 and 36.

Change of name

It is proposed that the Company change its name to "The Fleming Technology Trust plc". The reasons for this proposal are stated in the Chairman's Statement on page 2.

Directors' recommendation

The Directors consider that it is in the best interests of the Company and its shareholders as a whole to approve the proposed authorities for market purchases of the Company's ordinary shares and preference shares, as well as the change of name and accordingly unanimously recommend all shareholders to vote in favour of the resolutions at the Annual General Meeting and separate general meetings of ordinary shareholders and preference shareholders.

Corporate Governance

To ensure the appropriate level of corporate governance, the Board has put in place arrangements which it believes are suitable for an investment trust and enable the Company to comply with the Principles of Good Governance and Code of Best Practice (the "Combined Code"), published by the Committee on Corporate Governance in June 1998. The Board considers that the Company has complied with the provisions contained within Section 1 of the Combined Code throughout the accounting period ended 31st May 2000 (except as detailed below) and the following describes how the relevant principles of governance are applied to the Company.

The Board

The Board consists solely of non-executive Directors, the majority of whom are independent of the Company's Manager. Accordingly, the Board does not believe that it is necessary to appoint a senior independent Director.

A management agreement between the Company and FIM sets out matters over which the Manager has authority. All other matters are reserved for the approval of the Board.

The Board meets on at least five occasions each year and between these meetings there is regular contact with the Manager who provides the Board with appropriate and timely management information. FIM also provide company secretarial advice and services. The Directors also have access, where necessary, in the furtherance of their duties, to independent professional advice at the expense of the Company.

Directors' Report *continued*

Board Committees

The Board as a whole fulfils the function of the Nomination Committee which meets when necessary to select and propose suitable candidates for appointment to the Board. The Board as a whole also fulfils the function of the Remuneration Committee.

To ensure its independence from the Manager, the Audit Committee excludes from membership all Directors who are employed by, or who are former employees of, Flemings or any of its subsidiaries or associated companies. The Audit Committee meets at least twice each year.

The Committee reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's internal audit and compliance departments and also reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditors. The Directors' statement on the Company's system of internal financial control can be found below.

Relations with Shareholders

At the Company's Annual General Meeting, the Directors and representatives of the Manager are available in person to meet and answer shareholders' questions. In addition, a presentation is given by the Investment Manager who reviews the Company's activities. During the year the Corporate Brokers, the Investment Manager and FIM hold regular discussions with institutional shareholders. The Directors are made fully aware of these views and responses are tailored as necessary. The Chairman and Directors make themselves available as and when required to address shareholders' queries.

Accountability and Audit

The Directors' responsibilities in respect of the Accounts are set out on page 20.

Internal Financial Control

The Directors are responsible for the Company's system of internal financial control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to provide reasonable, but not absolute assurance, against material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by subsidiaries of Flemings, the Company's system of internal financial control mainly comprises monitoring of the services provided by FIM, the Manager, and its associates, including the operating controls established by them to ensure they meet the Company's business objectives.

The key elements designed to provide effective internal financial control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analyses of transactions and performance comparisons.

Management Agreement – Appointment of a manager regulated by IMRO and a custodian regulated by the SFA, whose responsibilities are clearly defined in a written agreement.

Management Systems – Inclusion in the Manager's system of internal financial control of organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by Flemings' Internal Audit Department. Flemings' Compliance Department regularly monitors compliance with IMRO's rules.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board keeps under review the effectiveness of the Company's system of internal financial control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from both Flemings' Internal Audit and Compliance Departments;
- the Directors review the self-certification provided by the Manager on its compliance with documented controls; and
- the Directors review annually the report on the internal controls and the operations of its custodian (Robert Fleming & Co Limited) which is independently audited.

The Board have kept under review the effectiveness of the Company's system of internal financial control.

The Company's Auditors have reported to the Board on those corporate governance matters specified for their review by the Financial Services Authority and this is stated within the Auditors' Report on page 21.

Internal Control

The Combined Code requires the Directors to review the effectiveness of the Company's system of internal control. This has extended the previous requirement which focused on internal financial control, and now encompasses a review of all controls which the Board has identified as including business, financial, operational, compliance and risk management.

The Board is ultimately responsible for the Company's system of internal control and for monitoring its effectiveness, however formal guidance as to the review of non-financial internal controls was only published in late September 1999. Consequently, the Company has adopted the transitional approach for the internal control aspects of the Combined Code as allowed by the Financial Services Authority.

Whilst the Board has undertaken a full review of all the aspects covered by the guidance and believes that there is a robust and dynamic framework substantially in place to meet the requirements of the Combined Code, it is currently finalising all the measures necessary to implement in full the Turnbull guidance to report on compliance with code provision D.2.1. It is the Board's intention to be compliant with this code provision for the year ending 31st May 2001.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office and a resolution to reappoint 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
Management Limited,
Secretary
H A Lowe
18th August 2000



Directors' Responsibilities

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.

The Directors confirm that they have complied 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. Also, they are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report

Auditors' Report to the Shareholders of The Fleming Applied Science & Technology Trust plc.

We have audited the accounts on pages 22 to 32 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 25.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 20, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on pages 17, 18 and 19 reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of Audit Opinion

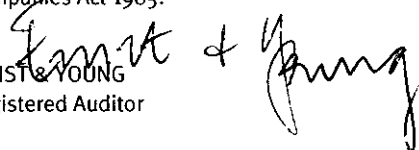
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 affairs of the Company as at 31st May 2000 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG
Registered Auditor



London, 18th August 2000

Statement of Total Return

for the year ended 31st May 2000

	Notes	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000	1999 Revenue' £'000	1999 Capital £'000	1999 Total £'000
Realised gains/(losses) on investments	8	—	4,164	4,164	—	(1,491)	(1,491)
Net change in unrealised appreciation	8	—	(12,046)	(12,046)	—	3,692	3,692
Net losses on currency transactions	12	—	(87)	(87)	—	—	—
Expenses re capital restructuring	12	—	(678)	(678)	—	—	—
Income from investments	1	2,600	—	2,600	2,853	—	2,853
Other income	1	145	—	145	63	—	63
Gross return		2,745	(8,647)	(5,902)	2,916	2,201	5,117
Management fee	2	(157)	(473)	(630)	(147)	(441)	(588)
Other administrative expenses	3	(231)	—	(231)	(172)	—	(172)
Interest payable	4	(15)	—	(15)	(7)	—	(7)
Return before taxation		2,342	(9,120)	(6,778)	2,590	1,760	4,350
Taxation	5	(81)	75	(6)	(10)	10	—
Return after taxation		2,261	(9,045)	(6,784)	2,580	1,770	4,350
Dividends on preference shares	6	(2,209)	—	(2,209)	(2,209)	—	(2,209)
Return attributable to ordinary shareholders		52	(9,045)	(8,993)	371	1,770	2,141
Dividends on ordinary shares	6						
Dividend paid		(185)	—	(185)	(185)	—	(185)
Dividend payable		—	—	—	(370)	—	(370)
		(185)	—	(185)	(555)	—	(555)
Transfer (from)/to reserves		(133)	(9,045)	(9,178)	(184)	1,770	1,586
Return per ordinary share	7	0.28p	(48.83)p	(48.55)p	2.00p	9.56p	11.56p

'Figures have been restated to comply with FRS16 (see note iv on page 25).

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The notes on pages 25 to 32 form part of these accounts.

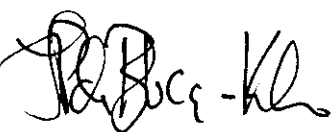
Balance Sheet

at 31st May 2000

	Notes	2000 £'000	1999 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	8	91,616	106,780
Current assets			
Debtors	9	787	1,849
Cash and short-term deposits		6,564	—
		7,351	1,849
Creditors			
Amounts falling due within one year	10	1,705	2,189
Net current assets/(liabilities)		5,646	(340)
Total net assets		97,262	106,440
FINANCED BY			
Capital and reserves			
Share capital	11	26,254	26,254
Share premium account	12	7,224	7,224
Capital reserve – realised	12	72,396	46,348
Capital reserve – unrealised	12	(11,045)	24,048
Revenue reserve	12	2,433	2,566
Total capital and reserves		97,262	106,440
Attributable to			
13.0% cumulative preference shareholders' funds		16,993	16,993
Ordinary shareholders' funds		80,269	89,447
Total shareholders' funds		97,262	106,440
Net asset value per share			
Ordinary shares	13	433.4p	482.9p
Preference shares		100.0p	100.0p

The accounts on pages 22 to 32 were approved by the Directors on 18th August 2000 and are signed on their behalf by:

J P de Blocq van Kuffeler
Director



The notes on pages 25 to 32 form part of these accounts.

Cash Flow Statement

for the year ended 31st May 2000

	Note 15	2000 £'000	1999 £'000
Operating activities			
Cash received from investments		2,478	2,684
Deposit interest received		147	66
Underwriting commission received		1	—
Management fee paid		(630)	(588)
Directors' fees paid		(43)	(34)
Other cash payments		(166)	(137)
Net cash inflow from operating activities		1,787	1,991
Returns on investments and servicing of finance			
Interest paid		(15)	(6)
Preference dividends paid		(3,314)	(2,209)
Net cash outflow from returns on investments and servicing of finance		(3,329)	(2,215)
Taxation			
Tax recovered		56	—
Total tax recovered		56	—
Capital expenditure and financial investment			
Purchases of investments		(139,424)	(45,283)
Sales of investments		148,680	43,810
Net cash inflow/(outflow) from capital expenditure and financial investment		9,256	(1,473)
Equity dividends paid			
Dividends paid on ordinary shares		(555)	(537)
Total equity dividends paid		(555)	(537)
Net cash inflow/(outflow) before financing		7,215	(2,234)
Financing			
Expenses paid in connection with capitalisation issue		(678)	—
Drawdown of short term loan		114	643
Net cash (outflow)/inflow from financing		(564)	643
Increase/(decrease) in cash for the year		6,651	(1,591)

The notes on pages 25 to 32 form part of these accounts.

Notes to the Accounts

at 31st May 2000

A SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES, ALL OF WHICH HAVE BEEN APPLIED CONSISTENTLY THROUGHOUT THE YEAR, IS SET OUT BELOW:

i. Basis of accounting

The accounts have been prepared under the historic cost convention, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice "Financial statements of investment trust companies" ("SORP").

ii. Valuation of investments

Listed investments are valued at middle market prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve – realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve – unrealised.

iii. Income

Income from investments is included in the revenue account on an ex-dividend basis.

Where the Company has elected to receive its dividend in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserve – realised.

iv. Dividends

Franked dividends are accounted for net of any tax credits. This is a change in accounting policy to comply with Financial Reporting Standard 16 (FRS 16) "Current Taxation" which has replaced Statement of Standard Accounting Practice 8 (SSAP 8). Under SSAP 8, dividends were recognised inclusive of attributable tax credits. The effect of this change is that Return before taxation is £246,000 lower (1999: £407,000 lower). However, there is no effect on Return after taxation (1999: £nil) or on Equity Shareholders' Funds (1999: £nil).

v. Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included in the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the proceeds of the investment;
- the management fee has been allocated 75% to capital reserve – realised and 25% to the revenue account, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

vi. Taxation

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

vii. Capital reserve

Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year-end.

viii. Foreign currency

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve – realised or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

Where the Company has entered into forward exchange contracts to hedge its exposure to foreign currencies, the difference between the value of the contract at the contract rate and the forward rate ruling at the balance sheet date is included as an exchange gain or loss in capital reserve – unrealised.

Notes to the Accounts *continued*

	2000 £'000	1999 ¹ £'000
1. Income		
Income from investments		
Franked investment income	2,218	2,471
UK interest	261	1
Overseas dividends	43	—
Overseas interest	33	—
Foreign income dividends	—	287
Scrip dividends	45	94
	2,600	2,853
Other income		
Deposit interest	144	63
Underwriting commission	1	—
	145	63
Total income	2,745	2,916
Total income comprises:		
Dividends from investments	2,306	2,852
Interest from investments	294	1
Other income	145	63
Total income	2,745	2,916
Analysis of income from investments:		
Listed UK	2,524	2,853
Listed overseas	76	—
	2,600	2,853

¹Restated to comply with FRS 16 (see note iv on page 25).

	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000
2. Management fee						
Management fee	134	403	537	125	375	500
Irrecoverable VAT thereon	23	70	93	22	66	88
	157	473	630	147	441	588
3. Other administrative expenses						
Other management expenses	156	—	156	111	—	111
Directors' fees ¹	43	—	43	36	—	36
Auditors' remuneration	9	—	9	9	—	9
Irrecoverable VAT	23	—	23	16	—	16
	231	—	231	172	—	172

¹The Chairman is paid at the rate of £13,000 per annum (1999: same) and other Directors at the rate of £10,000 per annum each (1999: same).

The total Directors' fees of £43,000 (1999: £35,875) comprise £33,000 (1999: £33,375) in respect of aggregate emoluments paid to Directors and £10,000 (1999: £2,500) paid to a third party for making available the services of one of the Directors (1999: one Director).

In addition £1,000 (1999: same) was paid to the Auditors in respect of non-audit services. This amount forms part of other management expenses.

	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000
4. Interest payable						
Interest on bank loans and overdraft	15	—	15	7	—	7
	15	—	15	7	—	7
5. Taxation						
Overseas taxation	6	—	6	—	—	—
Tax relief on expenses charged to capital reserve	75	(75)	—	10	(10)	—
	81	(75)	6	10	(10)	—

'Restated to comply with FRS16 (see note iv on page 25)

	2000 £'000	1999 £'000
--	---------------	---------------

6. Dividends

Holders of preference shares are entitled, in priority to any payment of dividend on any other class of shares, to a fixed cumulative preferential dividend of 13.0p (net) for the remaining life of the Company. Preference shareholders are only entitled to vote upon any resolution at a general meeting which would amend their rights, wind-up the Company or reduce its share capital.

Dividends on preference shares

November – paid	6.50p (1999: 6.50p)	1,104	1,104
May – paid (1999: payable)	6.50p (1999: 6.50p)	1,105	1,105
	13.00p (1999: 13.00p)	2,209	2,209

Dividends on ordinary shares

February – paid	1.00p (1999: 1.00p)	185	185
September	nil (1999: 2.00p)	—	370
	1.00p (1999: 3.00p)	185	555

7. Return per ordinary share

The return per ordinary share is based on 18,522,356 ordinary shares, being the weighted average number of ordinary shares in issue during the year (1999: same), and on the figures shown below.

	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000
Return after taxation	2,261	(9,045)	(6,784)	2,580	1,770	4,350
Dividends on preference shares	(2,209)	—	(2,209)	(2,209)	—	(2,209)
	52	(9,045)	(8,993)	371	1,770	2,141
Return per ordinary share	0.28p	(48.83)p	(48.55)p	2.00p	9.56p	11.56p

Notes to the Accounts *continued*

	2000 £'000	1999 £'000
8. Investments		
Investments listed on a recognised investment exchange	91,616	106,780

	Listed in UK £'000	Listed overseas £'000	Total £'000
Opening book cost	82,732	—	82,732
Opening unrealised appreciation	24,048	—	24,048
Opening valuation	106,780	—	106,780
Movements in the year:			
Purchases at cost	55,627	84,698	140,325
Sales – proceeds	(141,867)	(5,740)	(147,607)
– realised gains/(losses) on sales	6,082	(1,918)	4,164
Increase/(decrease) in unrealised appreciation	1,903	(13,949)	(12,046)
	28,525	63,091	91,616
Closing book cost	25,621	77,040	102,661
Closing unrealised appreciation/(depreciation)	2,904	(13,949)	(11,045)
	28,525	63,091	91,616

During the year, £23,047,000 of the prior year unrealised appreciation was transferred to realised as disclosed in note 12.

	2000 £'000	1999 £'000
9. Debtors		
Securities sold for future settlement	242	1,315
Tax credits recoverable on franked investment income	—	61
Income tax recoverable	10	—
Dividends and interest receivable	532	469
Foreign tax recoverable	3	—
Other debtors	—	4
	787	1,849

	2000 £'000	1999 £'000
10. Creditors		
Amounts falling due within one year:		
Securities purchased for future settlement	888	32
Other creditors	60	38
Short term bank loan	757	643
Interest on short term bank loan	—	1
Dividends payable on preference shares	—	1,105
Dividends payable on ordinary shares	—	370
	1,705	2,189

	2000 £'000	1999 £'000
11. Share capital		
Authorised:		
18,000,000 13.0% cumulative preference shares of 100p each	18,000	18,000
24,000,000 ordinary shares of 50p each	12,000	12,000
	30,000	30,000
Issued and fully paid:		
13.0% cumulative preference shares of 100p each in issue at beginning and end of year (16,993,099 shares)	16,993	16,993
Ordinary shares of 50p each:		
In issue at beginning and end of year (18,522,356 shares)	9,261	9,261
Total issued and fully-paid at end of year	26,254	26,254

	Share premium account £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
12. Reserves				
Beginning of year	7,224	46,348	24,048	2,566
Net losses on currency transactions	—	(87)	—	—
Realised gains on investments	—	4,164	—	—
Unrealised gains now realised	—	23,047	(23,047)	—
Decrease in unrealised appreciation	—	—	(12,046)	—
Expenses charged to capital	—	(473)	—	—
Tax relief on management fee to capital	—	75	—	—
Expenses re: capital restructuring	—	(678)	—	—
Revenue deficit	—	—	—	(133)
	7,224	72,396	(11,045)	2,433

13. Net asset value per share

The net asset value per share at the year end is as follows:

	Net asset value per share attributable		Net asset values attributable	
	2000 p	1999 p	2000 £'000	1999 £'000
Ordinary shares	433.4	482.9	80,269	89,447
Preference shares	100.0	100.0	16,993	16,993

The movements during the year of the assets attributable to each class of share were as follows:

	Ordinary shares £'000	Preference shares £'000	Total £'000
Total net assets attributable at beginning of year	89,447	16,993	106,440
Total recognised (losses)/gains for the year	(8,993)	2,209	(6,784)
Dividends appropriated in the year	(185)	(2,209)	(2,394)
Total net assets attributable at end of year	80,269	16,993	97,262

Notes to the Accounts *continued*

	2000 £'000	1999 £'000
14. Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	106,440	104,854
Total recognised (losses)/gains for the year	(6,784)	4,350
Dividends on preference shares	(2,209)	(2,209)
Dividends on ordinary shares	(185)	(555)
Closing shareholders' funds	97,262	106,440

	2000 £'000	1999 £'000
--	---------------	---------------

15. Cash flow statement

Reconciliation of revenue to net cash inflow from operating activities:

Income before interest payable and taxation	2,357	2,597
Scrip dividends received as income	(45)	(94)
Increase in accrued income	(63)	(74)
Decrease in other debtors	4	3
Increase in other creditors	22	—
Tax on unfranked income	(15)	—
Expenses charged to capital	(473)	(441)
	1,787	1,991

Reconciliation of net cash flow to movement in net debt:

Increase/(decrease) in cash for the year	6,651	(1,591)
Cash inflow from change in debt	(114)	(643)
Change in net debt resulting from cash flows	6,537	(2,234)
Effect of changes in foreign exchange rates	(87)	—
Movement in net funds for the year	6,450	(2,234)
Net (debt)/funds at beginning of the year	(643)	1,591
Closing net funds/(debt)	5,807	(643)

Analysis of net funds

	As at 1st June 1999 £'000	Cash flow £'000	Exchange movement £'000	As at 31st May 2000 £'000
Cash at bank and in hand	—	6,651	(87)	6,564
Debt due within one year	(643)	(114)	—	(757)
	(643)	6,537	(87)	5,807

16. Transactions with Flemings

Details of the management contract are set out on pages 15 and 16. The terms make allowance for the exclusion of management charges on investments held in funds managed by Flemings. No such investments were held during the year. The management fee paid to Fleming Investment Trust Management Limited (FITM) for the year can be found in note 2, page 26. FITM was also paid £44,388 for the marketing of 'wrapper' products (1999: £21,475).

FITM carries out some of its dealing transactions through Robert Fleming & Co. Limited, a fellow subsidiary of Robert Fleming Holdings Limited. These transactions are carried out at arm's length. The commission paid in the year was £343 (1999: £5,555). The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

The Company has a loan facility and current and deposit accounts with Robert Fleming & Co. Limited, which were utilised during the year. The interest charge for the year was £14,766 (1999: £6,620).

17. Financial Instruments

The Company's financial instruments comprise:

- investments including equity and non-equity shares with international exposure. These are held in accordance with the Company's investment objective and policies.
- short-term debtors, creditors and immaterial cash amounts arising directly from its operations.

As an investment trust, the Company invests in securities for the long term. Accordingly it is, and has been throughout the year under review, the Company's policy that no short term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments is market price risk which incorporates both foreign currency and interest rate risk. The Board's policies for managing these risks are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

Market price risk

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

The Board meets at least five times a year to consider the asset allocation of the portfolio and as part of their reviews consider the risk associated with particular countries or industry sectors. The Manager has responsibility for monitoring the existing portfolio selected in accordance with overall asset allocation parameters described above and seek to ensure that individual stocks also meet the risk/reward profile that is acceptable.

Foreign currency risk

The income and capital value of the Company's investments can be significantly affected by exchange rate movements as the majority of the Company's assets and income are denominated in currencies other than sterling which is the Company's reporting currency.

The Board has identified three principal areas where foreign currency risk could impact the Company:

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

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

The Company may be subject to short-term exposure to exchange rate movements, for instance where there is a difference between the date an investment is bought or sold and the date when settlement of the transaction occurs.

Liquidity risk

The Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of overdraft facilities.

Currency exposures

The following is an analysis of the Company's net assets by currency at 31st May 2000.

	US £m	JPY £m	Euro £m	Other £m	Total £m
Investments	39.4	7.7	7.6	8.4	63.1
Net current assets	(0.2)	—	0.2	—	—
Financial instruments outstanding at year end	39.2	7.7	7.8	8.4	63.1

At 31st May 1999 all of the Company's assets were denominated in sterling, hence no comparatives are shown.

Notes to the Accounts *continued*

Interest rate risk profile of financial assets

The majority of the Company's financial assets are equity shares or other investments which neither pay interest nor have a maturity date. However, the portfolio does contain certain investments which exhibit one or both of these characteristics. The interest rate profile of such investments at 31st May 2000 is:

	<i>Sterling 2000 £'m</i>	<i>Sterling 1999 £'m</i>
Fixed rate investments	18.6	1.7

The interest rate, on a weighted average basis, is 8.8% (1999: 7.7%). The average period for which the interest rate is fixed is 15 years. As at 31st May 1999 the fixed rate investments included preference shares with a value of £1.5m with no maturity date and interest on an average weighted basis of 8.00%. The average period for the remaining fixed rate investments was three years with an interest rate on an average weighted basis of 6.53%.

Non-equity shares

The Company has issued 16,993,099 100 pence cumulative preference shares with an effective rate of interest of 13% per annum. The shares are denominated in Sterling and will be redeemed in November 2010.

Fair value of financial instruments

Financial assets and liabilities are included in the balance sheet at values which represent fair values except in respect of the item disclosed below. Market values have been used to determine the fair value of the cumulative preference shares.

	<i>Accounts value 2000 £'m</i>	<i>Accounts value 1999 £'m</i>	<i>Fair value 2000 £'m</i>	<i>Fair value 1999 £'m</i>
Cumulative preference shares	17.0	17.0	22.7	29.1

18. Post Balance Sheet Event

On 11th July 2000 the Company entered into a 5 year loan agreement with Allied Irish Banks, p.l.c. for US\$27,000,000 at a fixed interest rate of 7.61%.

Notice of Meeting

Notice is hereby given that the fifteenth Annual General Meeting of The Fleming Applied Science & Technology Trust plc will be held at 10 Aldermanbury, London EC2V 7RF at 2.30 pm on 27th September 2000 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 2000.
- 2 To re-elect Mr R W I Lodge a Director of the Company.
- 3 To re-elect Mr L E Linaker a Director of the Company.
- 4 To re-elect Mr J G Tregoning a Director of the Company.
- 5 To re-appoint Ernst & Young as auditors to the Company and to authorise the Directors to agree their remuneration.

Special Business:

To consider the following resolutions which will be proposed as special resolutions:

- 6 THAT
the Company's name should be changed to "The Fleming Technology Trust plc".
- 7 THAT
subject to the passing of the Extraordinary Resolutions set out in the notices each dated 18th August 2000 convening separate general meetings of the holders of the ordinary shares of 50p each in the capital of the Company ("**ordinary shares**") and the holders of the 13.0% cumulative preference shares of £1 each in the capital of the Company ("**preference shares**"), the Company generally be and is hereby authorised for the purpose of Section 166 of the Companies Act 1985 to make market purchases (as defined in Section 163 of the said Act) of ordinary shares provided that:
 - (i) the maximum number of ordinary shares hereby authorised to be purchased is 2,776,501 (representing 14.99% of the Company's issued ordinary share capital);
 - (ii) the minimum price which may be paid for such shares is 50p per share;
 - (iii) the maximum price (exclusive of expenses) which may be paid for such shares shall be 5% above the average of the middle market quotations taken from the Daily Official List of the London Stock Exchange plc for the five business days before the purchase is made;
 - (iv) the Company shall only purchase ordinary shares under the authority hereby conferred to the extent that, immediately following the purchase of ordinary shares by the Company, the ratio of net assets of the Company (determined on the basis of the most recent published net asset value of the Company (whether audited or unaudited)) to the amount which would be payable to the holders of preference shares on a return of assets on the winding-up of the Company would not be less than 5:1;
 - (v) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2001 and the date which is eighteen months after the date on which this resolution is passed;
 - (vi) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

Notice of Meeting *continued*

8 THAT

subject to the passing of the Extraordinary Resolutions set out in the notices each dated 18th August 2000 convening separate general meetings of the holders of the ordinary shares of 50p each in the capital of the Company and the holders of the 13.0% cumulative preference shares of £1 each, the Company generally be and is hereby authorised for the purpose of Section 166 of the Companies Act 1985 to make market purchases (as defined in Section 163 of the said Act) of 13.0% cumulative preference shares of £1 each in the capital of the Company ("**preference shares**") provided that:

- (i) the maximum number of preference shares hereby authorised to be purchased is 2,547,265 (representing 14.99% of the Company's issued preference share capital);
- (ii) the minimum price which may be paid for such shares is £1 per share;
- (iii) the maximum price (exclusive of expenses) which may be paid for such shares shall be 5% above the average of the middle market quotations taken from the Daily Official List of the London Stock Exchange plc for the five business days before the purchase is made;
- (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2001 and the date which is eighteen months after the date on which this resolution is passed;
- (v) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board
Fleming Investment Management Limited,
Secretary
18th August 2000

Notes

- 1** To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members 48 hours after the specified time applicable to the original meeting, that time also will apply for the purpose of determining the number of votes they may cast at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time, which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- 2** Any member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him; and such proxy need not be a member. The lodging of a form of proxy does not prevent a member from attending and voting if they so wish.
- 3** Any instrument appointing a proxy, to be valid, must be lodged at the Company's transfer office at the office of the Registrar not less than forty-eight hours before the time fixed for the Meeting.
- 4** Entry to the annual general meeting will be restricted to ordinary shareholders, with guests only by prior agreement.

NOTICE is hereby given that a Separate General Meeting of the holders of ordinary shares of 50p each in the capital of the Company will be held at 10 Aldermanbury, London EC2V 7RF on Wednesday, 27th September 2000 at 2.40 pm (or so soon thereafter as the Annual General Meeting of the Company convened for 2.30 pm on the same day and at the same place shall have concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution:

EXTRAORDINARY RESOLUTION

THAT sanction be and is given to the passing by the Company in general meeting of the resolutions numbered 7 and 8 set out in the notice convening an Annual General Meeting of the Company for 27th September 2000 at 2.30 pm and to all modifications, abrogations and variations of the special rights attaching to the ordinary shares of 50p each in the capital of the Company made or deemed to be made by the same.

By order of the Board
Fleming Investment Management Limited,
Secretary
18th August 2000

Notes

- 1 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members 48 hours after the specified time applicable to the original meeting, that time also will apply for the purpose of determining the number of votes they may cast at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time, which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- 2 Any member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him; and such proxy need not be a member. The lodging of a form of proxy does not prevent a member from attending and voting if they so wish.
- 3 Any instrument appointing a proxy, to be valid, must be lodged at the Company's transfer office at the office of the Registrar not less than forty-eight hours before the time fixed for the Meeting.
- 4 Entry to the annual general meeting will be restricted to ordinary shareholders, with guests only by prior agreement.

Notice of Meeting *continued*

NOTICE is hereby given that a Separate General Meeting of the holders of preference shares of £1 each in the capital of the Company will be held at 10 Aldermanbury, London EC2V 7RF on Wednesday, 27th September 2000 at 2.45 pm (or so soon thereafter as the Separate General Meeting of the holders of ordinary shares of 50p each in the capital of the Company convened for 2.40 pm on the same day and at the same place shall have concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution:

EXTRAORDINARY RESOLUTION

THAT sanction be and is given to the passing by the Company in general meeting of the resolutions numbered 7 and 8 set out in the notice convening an Annual General Meeting of the Company for 27th September 2000 at 2.30 pm and to all modifications, abrogations and variations of the special rights attaching to the preference shares of £1 each in the capital of the Company made or deemed to be made by the same.

By order of the Board
Fleming Investment Management Limited,
Secretary
18th August 2000

Notes

- 1 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members 48 hours after the specified time applicable to the original meeting, that time also will apply for the purpose of determining the number of votes they may cast at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time, which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- 2 Any member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him; and such proxy need not be a member. The lodging of a form of proxy does not prevent a member from attending and voting if they so wish.
- 3 Any instrument appointing a proxy, to be valid, must be lodged at the Company's transfer office at the office of the Registrar not less than forty-eight hours before the time fixed for the Meeting.
- 4 Entry to the annual general meeting will be restricted to ordinary shareholders, with guests only by prior agreement.

Information about the Company

History

Your Company was incorporated on 3rd April 1984 as Save & Prosper Return of Assets Investment Trust Plc. It had a split capital structure and was due to be wound up between 2008/10. The £29.2m which was raised was invested in fixed proportions in three specialised unit trusts managed by Save & Prosper.

In June 1993 the Company was reorganised, changing its name to The Fleming Geared Income & Assets Investment Trust plc and adopting an investment objective of growth of income and capital from investment in the UK through a split capital structure.

In November 1997 the Company was further reorganised. The split capital structure was removed, the winding-up date was fixed at 30th November 2010 and the name of the Company was changed to The Fleming Geared Growth Investment Trust plc.

In March 2000 the Company was again reorganised and the Company's investment objective was changed to capital growth from global investment in the applied science and technology sectors. The name of the Company was changed to the current form.

Financial Calendar

Financial year end	31st May
Half year results announced	January
Full year results announced	July
Annual General Meeting	September
Dividends on ordinary shares	none expected
Dividends on preference shares	31st May, 30th November

Company Number

1805708

Market Information

The Company's shares are listed on the London Stock Exchange. The market price of the ordinary shares are shown daily in the Financial Times, The Times, The Daily Telegraph, The Independent, the Herald and on the Fleming Internet site at www.flemings.co.uk/its. The market price of the preference shares are shown daily in the Financial Times, The Times and The Daily Telegraph. The market price of the Units can be obtained by phoning the Fleming Helpline on 0500 500 324.

Share Transactions

The shares may be dealt in 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 Trust Share Plan, ISA and Pension Account.

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

Investing through Flemings

Flemings has a range of “wrapper” products available which enable investors to purchase Fleming investment trusts as follows:

Share Plan

The Fleming Investment Trust Share Plan is a savings plan allowing investments in any of the Fleming trusts, as shown below. The minimum investment is £40 per month or a lump sum of £400. There are no charges on share purchases and switches (other than 0.5% Government stamp duty). There is a 1% brokerage charge (minimum £10) on sales. The normal spread between buying and selling prices applies.

Individual Savings Account ('ISA')

The Company's shares are available in the Fleming Investment Trust ISA, the tax exempt replacement vehicle for Personal Equity Plans (PEPs) and Tax Exempt Special Savings Accounts (TESSAs). Under ISA regulations, it is possible to hold any of the Fleming investment trusts in the Account. Shares held in an ISA are free of income tax and capital gains tax. The minimum investment is £100 per month or a lump sum of £1,000. The maximum investment is £5,000 each tax year, although in 2000/2001 the maximum is £7,000.

Pension Account

The Fleming Investment Trust Pension Account is suitable for the self-employed, employees not currently members of a company scheme and those employees wishing to make additional voluntary contributions. Tax relief is available on all contributions and investments grow free of capital gains tax. The minimum investment is £100 gross per month or £1,000 gross lump sum.

The Range of Fleming Investment Trusts

Fleming American

Capital growth from North American investments

Fleming Applied Science & Technology

Capital growth from global investment in the applied science and technology sectors

Fleming Asian

Capital growth from Asian investments, excluding Japan

Fleming Chinese

Capital growth from 'Greater China' investments

Fleming Claverhouse

Capital and income growth from UK investments

Fleming Continental European

Capital growth from Continental European investments

Fleming Emerging Markets

Capital growth from emerging markets worldwide

Fleming European Fledgeling

Capital growth from smaller Continental European companies

Fleming Income & Capital

Income and capital growth from UK investments through a split-capital structure

Fleming Income & Growth

Income and capital growth from higher-yielding investments through a split-capital structure

Fleming Indian

Capital growth from investment in India

Fleming Japanese

Capital growth from Japanese investments

Fleming Japanese Smaller Companies

Capital growth through investment in small and medium-sized Japanese companies

Fleming Managed Growth

Long-term capital growth from investing in the range of investment trusts managed by Flemings.

Fleming Mercantile

Capital growth from a portfolio of medium and smaller UK companies

Fleming Mid Cap

Capital growth from medium-sized UK companies

Fleming Overseas

Capital growth from overseas markets

Fleming Smaller Companies

Capital growth from UK smaller companies

Fleming US Discovery

Capital growth from investing in US micro cap companies

Fleming Worldwide Income

High income with capital growth through a split-capital structure from a portfolio of equities and bonds with international exposure

Please remember that the value of shares and the income from them can fall as well as rise and investors may not get back the full amount invested. Past performance is not necessarily a guide to the future. For trusts investing in emerging markets the risk to your capital may be greater. Exchange rate changes may cause the value of overseas investments to rise or fall. Unquoted investments may be illiquid and difficult to value and may be more volatile.

Issued by Fleming Investment Trust Services Limited, which is regulated by the Personal Investment Authority, and is part of the Fleming Asset Management marketing group which sells investments, life assurance and pension products.

Contact Details

Manager, Secretary and Registered Office

**Fleming Investment
Management Limited**

25 Copthall Avenue, London, EC2R 7DR

Telephone number: 020 7638 5858

*'With effect from 5th September 2000, the registered office address of
Fleming Investment Management Limited will be 10 Aldermanbury,
London EC2V 7RF.*

For Company secretarial and administrative matters please contact
Hilary Lowe.

Auditor

Ernst & Young

Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

Registrar

Lloyds TSB Registrars

Reference 1085, The Causeway, Worthing, West Sussex, BN99 6DA.

Telephone number: 01903 502 541

*Notifications of change of address and all enquiries regarding certificates
or dividend cheques should be sent to the Registrar, quoting reference
1085.*

Fleming Brochureline

Freephone 0800 40 30 30 (8.00 a.m. to 6.00 p.m. Monday to Friday, 9.00 a.m. to 5.00 p.m. weekends)

*Please use this service if you would like to receive ISA, Pension Accounts or Share Plan literature
and/or annual reports of the Fleming investment trusts.*

Fleming Helpline

Freephone 0500 500 324 or 01708 776851 (8.00 a.m. to 6.00 p.m. Monday to Friday)

*Please use this service if you have any general queries about Fleming investment trusts or any of
their products.*

Account Queries

*If you have an account query and your Fleming investment trust shares are held in one of Fleming's
"wrapper" products please call the appropriate department:*

The Fleming Investment Trust Share Plan, ISA and PEP **Freephone 0500 500 324** or 020 7382 8800

The Fleming Investment Trust Pension Account **Freephone 0800 413 176** or 01722 414 888

You may also contact Flemings via the internet on

www.flemings.co.uk/its