

If you are in any doubt as to the action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate financial adviser authorised under the Financial Services and Markets Act 2000.

This document comprises a prospectus relating to JPMorgan Indian Investment Trust plc prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 in order to make an offer of transferable securities to the public and to admit the transferable securities to trading on the London Stock Exchange. This document has been approved by and filed with the Financial Services Authority in accordance with the Prospectus Rules. This document and the information herein relates expressly to the Subscription Shares and the New Ordinary Shares.

If you sell or have sold or otherwise transferred your Ordinary Shares, please send this document, together with the accompanying Circular, Form of Proxy and/or Voting Instruction Form at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom or by whom the sale or transfer was made, for delivery to the purchaser or transferee. The distribution of this document and/or the accompanying documents, in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand, or the Republic of South Africa may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Application will be made to the Financial Services Authority for the Subscription Shares and the New Ordinary Shares to be admitted to the Official List before they are issued. Application will also be made to the London Stock Exchange for all such Subscription Shares and the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities before they are issued.

JPMorgan Cazenove, which is authorised and regulated by the Financial Services Authority, is acting for the Company in connection with the Bonus Issue and the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to customers of JPMorgan Cazenove or for advising any such person in connection with the Bonus Issue or the Issue.

---

## **JPMorgan Indian Investment Trust plc**

*(Incorporated in England and Wales under the Companies Act 1985 No 2915926 and registered as an investment company under section 266 of the Companies Act 1985)*

### **PROSPECTUS**

#### **Bonus issue of Subscription Shares (on a one for five basis)**

#### **Placing and Offer for Subscription of New Ordinary Shares (with Subscription Shares attached)**

---

The Existing Ordinary Shares are not, and neither the New Ordinary Shares nor the Subscription Shares will be, registered under the Securities Act or under the relevant laws of any State of the United States or any state, province or territory of Australia, Canada, Japan, New Zealand, or the Republic of South Africa. Subject to certain exceptions, the New Ordinary Shares (with Subscription Shares attached) made available pursuant to the Issue and the Subscription Shares issued under the Bonus Issue may not, directly or indirectly, be offered, sold, taken up, delivered or transferred in or into the United States, Australia, Canada, Japan, New Zealand, or the Republic of South Africa or to, or for the account or benefit of, US Persons (as defined in Regulation S of the Securities Act). Neither the New Ordinary Shares nor the Subscription Shares have been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country other than the United Kingdom is drawn to the section entitled "Overseas Shareholders" in Part II of this document.

The whole text of this document should be read. The attention of potential investors is drawn in particular to the section of this document entitled "Risk Factors".

Prospective investors should inform themselves as to: (a) the possible tax consequences; (b) the legal requirements; and (c) any foreign exchange restrictions or exchange control requirements, which they might encounter under the laws of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription, holding, or disposal of New Ordinary Shares or Subscription Shares.

## TABLE OF CONTENTS

	<i>Page</i>
SUMMARY	3
EXPECTED TIMETABLE FOR THE ISSUE	8
RISK FACTORS	9
IMPORTANT NOTICES	14
DIRECTORS, MANAGER AND ADVISERS	16
PART I: THE PROPOSALS	17
PART II: INFORMATION ON THE COMPANY AND INFORMATION FOR OVERSEAS SHAREHOLDERS	23
PART III: FINANCIAL INFORMATION RELATING TO THE GROUP	29
PART IV: PARTICULARS OF THE SUBSCRIPTION SHARES	33
PART V: GENERAL INFORMATION	45
PART VI: TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER	69
DEFINITIONS	75
APPLICATION FORM	79

## SUMMARY

**This summary section should be read as an introduction to the Prospectus which comprises the whole of this document. Any decision to acquire New Ordinary Shares (with Subscription Shares attached) should be based on a consideration of the Prospectus as a whole.**

**Where a claim relating to the information contained in a prospectus is brought before a court, a plaintiff investor might, under the national legislation of the EEA State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.**

**Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.**

### **The Company**

The Company is an existing UK investment trust, which was established in 1994.

The Company's objective is to provide capital growth from investment in India. It aims to outperform the MSCI India Index (expressed in Sterling terms).

In order to achieve its investment objective and to seek to manage risk, the Company invests in a diversified portfolio of equity and equity-related securities of Indian companies. The Company also invests in companies which earn a material part of their revenues from India. The Company will not invest in other countries of the Indian sub-continent nor in Sri Lanka.

The Board has set no minimum or maximum limits on the number of investments in the portfolio, however the number of investments will normally range between 50 and 70.

The Company manages liquidity and borrowings to increase potential Sterling returns to Shareholders. The Company's gearing policy is to use short-term gearing for tactical purposes, up to a maximum level of 15 per cent. of Shareholders' funds at the time the gearing is put in place.

As an investment trust, the Company cannot invest more than 15 per cent. of its assets in any one investment at the time of acquisition.

In accordance with the Listing Rules, the Company will not invest more than 15 per cent. of its gross assets in other UK listed investment companies and will not invest more than 10 per cent. of its gross assets in companies that themselves may invest more than 15 per cent. of gross assets in UK listed investment companies.

In implementing the investment policy, the Board and the Manager agree to observe certain limits and restrictions on the operations of the Manager in order to manage risk, these limits and restrictions are summarised below:

- the Company is permitted to invest in derivative instruments for the purpose of efficient portfolio management. The extent of any derivative transactions are not expected to exceed 10 per cent. (and in any event shall not exceed 20 per cent.) of the Company's gross assets at the time the derivative position is entered into. All such transactions must be disclosed to the Board;
- to gain the appropriate exposure the Company is permitted to invest in pooled funds, including those managed by the Manager; and
- subject to prior Board approval, the Company is permitted to invest in unquoted investments, up to a maximum of 10 per cent. at the time of investment (or such higher limit as may be determined by the Board at any time at its discretion but in any event not exceeding 20 per cent.) of the Company's gross assets.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and reported to the Board on a monthly basis.

The Company's manager is JPMorgan Asset Management (UK) Limited. The Manager is the investment management business of JPMorgan Chase & Co., a leading global financial services firm with operations in more than 60 countries. The JPMorgan Asset Management group of companies provides investment management products and services to individual and institutional investors worldwide and had total funds under management of approximately US\$1.2 trillion as at 30 June 2008.

### ***Investment trends and outlook***

Global stock markets have fallen significantly over recent months and the Indian market has been no exception. As a result, the Company's share price has fallen by 28.43 per cent. in the period from 1 January 2008 to 31 August 2008, which compares with a fall of 32.52 per cent. in the Company's benchmark, the MSCI India Index over the same period. Results over the long term however, are much more encouraging, reflecting the strength of India's long term economic growth, and the Company's share price has risen by 286 per cent. over the five years to 31 August 2008.

Like many other emerging markets, India has suffered from the surge in the price of crude oil and, like many other Asian markets it has also felt the effects of selling by foreign investors seeking to reduce their exposure to riskier assets. For domestic investors, the uncertain political environment has contributed to creating a more negative sentiment regarding the market.

The Board, based on advice from the Manager, believes that India's economic fundamentals remain strong and that despite the recent sharp falls in global financial markets, the long-term outlook for its stock market is positive. In the short term, however, the Board believes that the environment in India will remain quite uncertain, which will be a negative factor for the stock market. Although the crude oil price has now fallen significantly from the levels approaching \$150 per barrel seen in July 2008, it remains well above historic levels and as long as this remains the case the effects will be depressing for the Indian economy and stock market.

On the positive side, earnings growth remains strong (up 21 per cent. in the quarter to 30 June 2008) and equities are less expensive than they were at around 15 times the estimate of earnings for the 12 months to 30 June 2009. The Indian economy continues to be robust, with GDP growth for the quarter to 30 June 2008 at an annual rate of 7.9 per cent. The Board, based on advice from the Manager, believes that although this rate of growth will slow, India can still grow by 7 to 8 per cent. over the next couple of years, with EPS growth of between 15 and 20 per cent.

### **The Bonus Issue**

The Company is proposing to issue Subscription Shares to Qualifying Shareholders on the basis of one Subscription Share for every five Existing Ordinary Shares. The Subscription Shares will be issued without cost to Qualifying Shareholders.

Each Subscription Share will confer the right (but not the obligation) to subscribe for one Ordinary Share on any Business Day during the period from 2 January 2009 until 2 January 2014 (both dates inclusive), after which the rights under the Subscription Shares (the **Subscription Share Rights**) will lapse. Each Subscription Share will be capable of conversion into one Ordinary Share upon exercise of the Subscription Share Rights and on payment of the Conversion Price as set out below.

The Conversion Price will be equal to the published NAV per Ordinary Share as at 5.00 p.m. on 29 October 2008, plus a percentage premium to such amount, rounded up to the nearest whole penny as follows:

- a) if exercised on any day between and including 2 January 2009 and 2 January 2010 – a 1 per cent. premium to such NAV per Ordinary Share;
- b) if exercised on any day between and including 3 January 2010 and 2 January 2012 – a 10 per cent. premium to such NAV per Ordinary Share; and

- c) if exercised on any day between and including 3 January 2012 and 2 January 2014 – a 30 per cent. premium to such NAV per Ordinary Share.

The percentage premiums applying upon exercise and the resulting Conversion Prices reflect the Board's confidence in the Company's prospects and its hope that Qualifying Shareholders will be able to exercise their Subscription Share Rights and acquire Ordinary Shares on favourable terms in the future.

The Directors believe the Bonus Issue of Subscription Shares will have the following advantages:

- at no additional cost, Qualifying Shareholders will receive readily tradable securities with financial value which they may convert into Ordinary Shares in order to benefit from the Company's future growth or realise for cash;
- Shareholders will receive securities that have similar characteristics to warrants, but unlike warrants are qualifying investments for the purposes of a stocks and shares ISA;
- on any exercise of the Subscription Share Rights, the capital base of the Company will increase allowing operating costs to be spread across a larger number of Ordinary Shares and the total expense ratio to fall; and
- the Company will broaden its Shareholder base which should improve liquidity in the market for its Ordinary Shares.

### **Placing and Offer for Subscription**

The Board believes that the Company's unique position of being the first and largest UK investment trust investing in India makes it an attractive proposition for investors. Additionally, the Company is well placed to take advantage of the positive long-term outlook for the Indian region.

The Board believes that there may be an interest in acquiring New Ordinary Shares from a range of investors, and accordingly has decided to conduct a Placing and Offer for Subscription of New Ordinary Shares.

The Company is seeking to raise further monies for investment, through the Placing and Offer for Subscription of New Ordinary Shares. Subscription Shares will be attached to the New Ordinary Shares on the basis of one Subscription Share for every five New Ordinary Shares subscribed. The proceeds of the Placing and Offer will be invested in line with the Company's investment policy.

The New Ordinary Shares will be issued at a price equal to the NAV per Ordinary Share as at 29 October 2008 plus a premium of 1 per cent., rounded up to the nearest whole penny (the **Issue Price**).

The number of New Ordinary Shares allotted will be determined by the amount subscribed divided by the Issue Price, rounded down to the nearest New Ordinary Share. Subscription monies of £3 or more not used to acquire New Ordinary Shares will be refunded. Subscription monies of less than £3 which are not used to acquire New Ordinary Shares will be retained by the Company for its own account.

The issuance of the New Ordinary Shares at a premium to the NAV per Ordinary Share will cover the payment of the costs of the Issue and the costs of investing the proceeds of the Issue.

The issue of New Ordinary Shares will enable the Company to meet demand from Shareholders and new investors for Ordinary Shares at a premium to NAV per Ordinary Share. The Directors consider that the issue of New Ordinary Shares will lead to:

- an increase in the capital of the Company, broadening investment options for the Manager, enabling the Company to take advantage of new opportunities in the Indian region;
- the raising of additional funds for the Company without diluting the holdings of existing Shareholders;
- a broadening of the Shareholder base, improving liquidity in the market for the Company's Ordinary Shares; and

- the spreading of the Company's costs over a greater number of Ordinary Shares, reducing the Company's total expense ratio.

### **Group structure**

The Mauritian Subsidiary, which is a wholly owned subsidiary incorporated in Mauritius represents the larger part of the Company's assets (approximately 90 per cent.). Mauritius is a widely used jurisdiction for investing into India. Investment into India via Mauritius allows the Company to indirectly benefit from the double taxation treaty in place between India and Mauritius. As a result of the double taxation treaty, the Mauritian Subsidiary is and is expected to continue to be exempt from Indian capital gains tax. The assets of the Mauritian Subsidiary are invested by the Mauritian Subsidiary directly in India. That part of the Company's assets not invested in the Mauritian Subsidiary (around 10 per cent.) is available to be invested in Indian securities issued outside India and quoted on non-Indian Stock Exchanges, including convertible bonds and global depositary shares and in other funds or companies which invest principally in India. The Company expects not to be liable to Indian capital gains tax on such investments.

The Mauritian Subsidiary has been issued with a category one global business licence under the Mauritius Financial Services Act 2007. The Mauritian Subsidiary has been issued with a certificate of tax residency from the Mauritius Revenue Authority. The capital structure of the Mauritian Subsidiary consists of shares and is organised in such a way that the Company continues to be able to qualify for approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988.

The Mauritian Subsidiary is administered by Multiconsult Limited and its auditors are Lamusse Sek Sum & Co. The Company uses JPMorgan Chase Bank and its sub-custodians as its Indian custodian.

### **Costs of the Proposals**

The Company's fixed expenses in connection with the Proposals are estimated to amount to £468,000 (inclusive of VAT).

### **General Meeting**

The Proposals are conditional on, amongst other things, the approval of Shareholders. A circular has today been despatched to Shareholders convening a General Meeting of the Company for 30 October 2008.

### **Risk factors**

The principal risk factors affecting the Shares which are known to the Directors are the following:

#### ***General***

- A shareholding in the Company is suitable only for investors capable of evaluating the risks and merits of such shareholding and who have sufficient resources to bear any loss (including total loss) which may result from the shareholding. Prospective investors, therefore, should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 before investing.
- Changes in general economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax legislation and other factors can substantially and adversely affect equity investments and the Company's prospects.

#### ***India***

- Investment in Indian equities or those of companies that derive significant revenue or profit solely from India involves a greater degree of risk than usually associated with investment in the securities listed on major securities markets or a diversified spread of emerging markets.
- The risks inherent in India can generally be expected to result in increased volatility in the shares of Indian companies and portfolios which invest in them when compared to their counterparts in

developed markets. Investment trusts investing in Indian equities can generally be expected to display greater share price and net asset value volatility than those investing in developed markets.

### ***Subscription Shares***

- The Subscription Shares represent a geared investment and the market price of the Subscription Shares may be volatile.
- Although Subscription Shares are tradable securities, market liquidity for the Subscription Shares may be less than the market liquidity of Ordinary Shares.
- The Subscription Share Rights will lapse on 2 January 2014 and the Subscription Shares may have no value to holders after that date.

### ***New Ordinary Shares***

- The Ordinary Share price is likely to fluctuate and may represent a discount or a premium to the NAV per Ordinary Share. This discount or premium is itself variable as conditions for supply and demand for the Company's Ordinary Shares change. This can mean that the Ordinary Share price can fall when the NAV rises, or vice versa.
- The Company may employ gearing from time to time, which may lead to an amplification of returns both upwards and downwards.
- Market liquidity in the shares of investment trusts is sometimes less than market liquidity in shares issued by larger companies on the London Stock Exchange.

### ***Other***

- Changes in taxation or the accounting policies of the Company could adversely affect Shareholders.

## EXPECTED TIMETABLE FOR THE ISSUE

2008

Offer for Subscription and Placing commence	30 September
Latest time and date for applications under the Offer from Plan participants (other than those who hold their Ordinary Shares through the Pension Plan)	10.30 a.m. on 24 October
Latest time and date for applications under the Offer from Plan participants who hold their Ordinary Shares through the Pension Plan)	5.00 p.m. on 24 October
Latest time and date for applications under the Offer from Shareholders	3.00 p.m. on 28 October
Issue price of New Ordinary Shares and Conversion Price of Subscription Shares calculated	close of business on 29 October
Latest time and date for commitments under the Placing	12.00 noon on 30 October
Issue Price of New Ordinary Shares and Conversion Prices announced	30 October
Supplementary prospectus stating Issue Price and Conversion Prices published	30 October
Announcement of the results of the Issue	31 October
Admission of the New Ordinary Shares and the Subscription Shares to the Official List and dealings in the New Ordinary Shares and Subscription Shares commence	5 November
Crediting of CREST stock accounts in respect of the New Ordinary Shares and Subscription Shares	5 November
Share certificates despatched in respect of the New Ordinary Shares and Subscription Shares	week commencing 10 November

**Note:**

The times and dates set out in the expected timetable of events above and mentioned throughout this document may be adjusted by the Company, in which event details of the new times and dates will be notified, as required, to the UK Listing Authority and the London Stock Exchange.

## **RISK FACTORS**

**The Directors consider the factors set out below to be those which potential investors should consider as the key risks specific to an investment in the New Ordinary Shares and Subscription Shares. A shareholding in the Company is suitable only for investors capable of evaluating the risks and merits of such a shareholding and who have sufficient resources to bear any loss (including total loss) which may result from the shareholding. Prospective shareholders, therefore, should consult an independent financial adviser authorised under FSMA before investing. Furthermore, if Shareholders are in doubt as to the consequences of acquiring, holding or disposing of the New Ordinary Shares or Subscription Shares they should consult such an independent financial adviser.**

**The following risks are those material risks of which the Directors are aware. Additional risks which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have an effect on the Group's business.**

### **General**

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's assets will occur or that the investment objective of the Company will be achieved. Investors may not get back the full amount invested. The price of Ordinary Shares and the income from Ordinary Shares may go down as well as up.

Changes in general economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax legislation and other factors can substantially and adversely affect equity investments and the Company's prospects.

### **India**

Investment in Indian equities or those of companies that derive significant revenue or profit solely from India involves a greater degree of risk than usually associated with investment in securities listed on major securities markets or a diversified spread of emerging markets.

The risks inherent in India can generally be expected to result in increased volatility in the shares of Indian companies and portfolios which invest in them when compared to their counterparts in developed markets. Investment trusts investing in India can generally be expected to display greater share price and net asset value volatility than those investing in developed markets.

### **Political and country risks in India**

The Company invests in companies based in India where the regulatory framework is still developing. The value of the investments made by the Company may be affected by interest rates, changes in government policy, social and civil unrest and other political, economic and other developments in or affecting India. There is a higher degree of government involvement in and control over the economy and the risk of arbitrary government decisions resulting from a lower level of democratic accountability than is typical of developed nations. Since 1991, successive Indian governments have pursued policies of economic liberalisation; however, there is no assurance that future political and economic conditions in India will not result in its government adopting different policies with respect to foreign investment including limitations on foreign investors or repatriation of invested capital and foreign exchange. Any such changes in policy may affect ownership of assets (including the risk of nationalisation or expropriation of assets), taxation (including confiscatory taxation), rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, thereby influencing the Company's ability to generate profits.

In recent years India has witnessed various terrorist attacks, civil unrest and other acts of violence or war, and it is possible that future events as well as other adverse social, economic or political events in India may affect the value of the securities held by the Group thereby affecting the capacity of the Company to generate profits.

Other potential risks include potentially higher rates of inflation (including hyper inflation) and a potential risk of substantial deflation.

### **Indian securities markets**

The Indian securities markets are fragmented, substantially smaller and at times have been more volatile than the major securities markets in a number of other countries. Indian stock markets have in the past experienced substantial price volatility and no assurance can be given that such volatility will not occur in the future.

The value of the Group's investments may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, changes in policies of the government of India, taxation laws or policies and other political and economic developments and closure of stock exchanges which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets.

Trading volumes, settlement periods and transfer procedures may restrict the liquidity of the equity and equity related instruments, which could cause the Group to miss certain investment opportunities. Different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from the sale of securities. Any inability of the Group to make intended securities purchases due to settlement problems could also cause the Group to miss certain investment opportunities.

The systems for the restriction and custody of securities may be less developed than those in other more developed countries.

The Indian securities markets are largely dependent on Indian domestic institutions and foreign institutional investors (**FII**s) registered with The Securities and Exchange Board of India (**SEBI**) as opposed to retail domestic investors. Any change in the investment pattern of Indian domestic institutions or FII's could adversely affect the Net Asset Value of the Company.

### **Financial disclosure and regulatory matters**

The legal infrastructure and the disclosure, accounting, auditing and reporting standards in India are in many respects less stringent and do not provide the same degree of protection or information to investors as would generally apply in a number of other countries in respect of the nature, quality and timeliness of the information disclosed to investors. The assets, liabilities, profits and losses appearing in the financial statements of an Indian issuer may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with generally accepted international accounting principles in a number of other countries. In particular, greater reliance may be placed by Indian auditors on representations made by the management of Indian issuers and there may be less independent verification of information than would be the case in other countries. The valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may also be treated differently than under generally accepted international accounting standards, all of which may affect the valuation of the Group's assets. There is generally less governmental supervision and regulation of the securities exchanges and securities professionals and less stringent laws and practices in relation to the fiduciary duties of officers and directors and protection of investors in India than exists in other countries. SEBI has, however, been given the power and duty to prohibit fraudulent and unfair trade practices relating to the securities markets, including insider trading, and to regulate substantial acquisitions of shares and takeovers of companies.

As the legal infrastructure is less developed, investors may experience increased difficulties in bringing legal proceedings to enforce contractual rights.

### **Foreign exchange risk in India**

The Group will primarily invest in the shares of Indian companies which are denominated in currencies other than Sterling and whose operations are conducted in currencies other than Sterling. The Group will therefore

have an exposure to foreign exchange risk as a result of changes, both unfavourable and favourable, in exchange rates between those currencies and Sterling. Foreign exchange risk may increase the volatility of the NAV per Ordinary Share. The Company does not have a policy of hedging or otherwise seeking to mitigate foreign exchange risk but reserves the right to do so from time to time.

### **Subscription Shares**

Investment in the Subscription Shares may not be suitable as a short-term investment. The value of a Subscription Share may go down as well as up.

Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable or favourable, in the market price of the Subscription Shares. The market price of the Subscription Shares may therefore be volatile.

The Company has applied for the Subscription Shares to be admitted to trading on the London Stock Exchange. The London Stock Exchange has the right to suspend or limit trading in a company's securities. Any suspension or limitation on trading in the Subscription Shares may affect the ability of Shareholders to realise their investment.

The intrinsic value of a Subscription Share at any time will be the prevailing market price of an Ordinary Share less the price payable on the exercise of the Subscription Share Rights and, as such, it is expected to rise or fall depending on whether the market price of an Ordinary Share rises or falls. The market price of a Subscription Share may be higher than the intrinsic value of a Subscription Share, reflecting the potential geared returns available from an investment in the Subscription Shares. However, the market price of the Subscription Shares will be determined by market forces and there is no guarantee that they will have a market value.

The published market price of the Subscription Shares will typically be their mid-market price. Due to the potential difference between the mid-market price of the Subscription Shares and the price at which Subscription Shares can be sold, there is no guarantee that the realisable value of the Subscription Shares will reflect their published market price.

In the event of the winding-up of the Company prior to the exercise of the Subscription Share Rights, Subscription Shareholders may receive a payment out of the assets which would otherwise be available for distribution amongst the Shareholders. This payment to Subscription Shareholders may not necessarily be an amount equal to the market value of their Subscription Shares.

In the case of any Subscription Shares whose Subscription Share Rights have not been exercised on or before the final date for exercising such rights, such Subscription Shares will cease to have any value unless a trustee appointed by the Company determines that the net proceeds of sale of the Subscription Shares that would arise on the exercise of such rights after deduction of all the costs and expenses of sale would exceed the costs of exercise of such rights.

Although Subscription Shares are tradable securities, market liquidity for Subscription Shares may be less than the market liquidity of Ordinary Shares.

The Subscription Shares, in so far as they give an entitlement to subscribe for New Ordinary Shares, are affected by the same risk factors as the Ordinary Shares as set out in this section headed "Risk Factors".

### **New Ordinary Shares**

The Company is an investment trust. Investment trusts aim to generate returns for shareholders by investing in other companies. As an investment trust may invest in a range of different companies, sectors and geographic regions, it may represent a method for investors to gain a diversified investment exposure. However, prospective Shareholders should be aware of certain factors which apply to the Company and to investment trusts generally.

### *Discounts*

The price of shares in an investment trust is determined by the interaction of supply and demand for such shares in the market as well as the net asset value per share. The share price can therefore fluctuate and may represent a discount or premium to the net asset value per share. This discount or premium is itself variable as conditions for supply and demand change. This can mean that the share price can fall when the net asset value per share rises, or *vice versa*.

The Company will seek to limit the level and volatility of the discount to NAV per Ordinary Share at which the Shares trade by repurchasing and issuing Shares when it is considered in the best interests of Shareholders to do so. However, there can be no guarantee that this strategy will always be successful or capable of being implemented.

### *Gearing*

Some investment trusts employ gearing, that is, seeking to enhance returns to shareholders by borrowing funds for investment. Where an investment trust is geared, its net asset value and price performance would be expected to represent an amplification of any upward or downward movement in the investment trust's portfolio as a result of price changes of the investments contained therein.

The Company's gearing policy is to use gearing where appropriate to increase potential returns to Shareholders for tactical purposes, up to a maximum level of 15 per cent. of Shareholders' funds at the time the gearing is put in place, which may lead to an amplification of returns both upwards and downwards.

### *Liquidity*

Market liquidity in the shares of investment trusts is sometimes less than market liquidity in the shares issued by larger companies on the London Stock Exchange.

### *Dividends and income*

The Company's objective is to provide capital growth and not to provide any particular level of dividend. Consequently there may be fluctuations in the level of dividend income, or no dividends may be payable. The Company may only pay dividends to the extent that it has profits available for that purpose. Under the Articles, the Company may not pay a dividend out of capital reserves while it remains an investment company.

### **Taxation**

Representations in this document concerning the taxation of Shareholders and the Company are based on current law and practice. These are, in principle, subject to change and prospective investors should be aware that such changes may affect the Company's ability to generate returns for Shareholders and/or the taxation of such returns to Shareholders. **If you are in any doubt as to your tax position you should consult an appropriate independent professional adviser.**

Any change in the taxation legislation or taxation regime applicable to the Company or the Mauritian Subsidiary (including failure by the Company to satisfy the conditions of section 842 of the Income and Corporation Taxes Act 1988) could affect the value of the investments held by the Group, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

In particular, it is intended that the Mauritian Subsidiary will continue to benefit from the India/Mauritius Double Tax Treaty. Future changes to Mauritian or Indian law or to the India/Mauritius Double Tax Treaty, or the interpretations given to them by the regulatory authorities, could impose additional costs or obligations on the activities of the Mauritian Subsidiary, which in turn may have adverse effects on the performance of the Company. The terms of the India/Mauritius Double Tax Treaty were challenged in India but were upheld by the Supreme Court of India in October 2003. Significant adverse tax consequences would result if the Mauritian Subsidiary ceased to qualify for the benefits under the India/Mauritius Double Tax Treaty (for example, if it were held that the Mauritian Subsidiary was not a resident of Mauritius). There can be no assurance that the Mauritian Subsidiary will continue to qualify for or receive the benefits of the India/Mauritius Double Tax Treaty or that the terms of the India/Mauritius Double Tax Treaty will not be

changed. Such an event may require the Mauritian Subsidiary to pay or provide for tax liabilities that would significantly reduce the net asset value of the Ordinary Shares.

### **Limitations on distribution**

Pursuant to the Mauritius Companies Act 2001, the Mauritian Subsidiary may only make a distribution to its shareholder, the Company, if it satisfies the solvency test prescribed by that Act. The Mauritian Subsidiary will satisfy the solvency test when it is able to pay its debts as they become due in the normal course of business and when the value of its assets is greater than the value of its liabilities. In addition, the Mauritian Subsidiary may only pay dividends out of retained earnings, after having made good any accumulated losses at the beginning of the accounting period. These limitations may affect the Mauritian Subsidiary's ability to make distributions to the Company, which would in turn affect the Company's ability to make distributions to its Shareholders.

## IMPORTANT NOTICES

### US

The New Ordinary Shares and the Subscription Shares are being offered outside of the United States in reliance on Regulation S under the US Securities Act of 1933, as amended (the **Securities Act**). The New Ordinary Shares and the Subscription Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States. In addition, the Company has not registered and will not register under the US Investment Company Act of 1940, as amended (the **Investment Company Act**). The New Ordinary Shares and the Subscription Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the Subscription Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and the re-offer or resale of any of the New Ordinary Shares or the Subscription Shares in the United States may constitute a violation of US law. **Each applicant for New Ordinary Shares and the Subscription Shares will be required to certify that, among other things, the offer of New Ordinary Shares and the Subscription Shares was made to it, and at the time its buy order was originated it was located, outside the United States and that it is not a US Person (within the meaning of Regulation S under the Securities Act).**

### General

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any New Ordinary Shares or any Subscription Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of New Ordinary Shares and Subscription Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of New Ordinary Shares and Subscription Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of New Ordinary Shares and Subscription Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales, India and Mauritius and are subject to changes therein.

### Forward-looking statements

This prospectus contains forward looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results, to be materially different from future results, financial condition, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward-looking statements speak only as at the date of this prospectus. Subject to its legal and regulatory obligations (including under the Prospectus Rules), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to

reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by law or any appropriate regulatory authority, including FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 4 of Part III of this document.

## DIRECTORS, MANAGER AND ADVISERS

<b>Directors</b>	Hugh Bolland ( <i>Chairman</i> ) Vijay Joshi Pierre Dinan Richard Burns Peter Sullivan
<b>Registered Office</b>	all of: Finsbury Dials 20 Finsbury Street London EC2Y 9AQ
<b>Manager and Secretary</b>	JPMorgan Asset Management (UK) Limited Finsbury Dials 20 Finsbury Street London EC2Y 9AQ
<b>Bookrunner, Financial Adviser and Sponsor</b>	JPMorgan Cazenove Limited 20 Moorgate London EC2R 6DA
<b>Legal Advisers to the Company</b>	Norton Rose LLP 3 More London Riverside London SE1 2AQ
<b>Legal Advisers to the Sponsor</b>	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA
<b>Auditors</b>	Deloitte & Touche LLP Stonecutter Court 1 Stonecutter Street London EC4A 4TR
<b>Registrar</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>Custodian and Principal Banker</b>	JPMorgan Chase Bank, National Association London Branch 125 London Wall London EC2Y 5AJ
<b>Reporting Accountants</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

# PART I

## THE PROPOSALS

### **The Proposals**

The Company intends, subject to the passing of Resolutions, to issue the Subscription Shares by way of the Bonus Issue and to raise further monies for investment through the Placing and Offer for Subscription of New Ordinary Shares. Subscription Shares will be attached to the New Ordinary Shares on the basis of one Subscription Share for every five New Ordinary Shares subscribed.

### **The Bonus Issue**

The Company is proposing to issue Subscription Shares to Qualifying Shareholders on the basis of one Subscription Share for every five Existing Ordinary Shares held, subject to the passing of Resolution 1 set out in the Notice of General Meeting. The Subscription Shares will be issued without cost to Qualifying Shareholders.

Each Subscription Share will confer the right (but not the obligation) to subscribe for one Ordinary Share on any Business Day during the period from 2 January 2009 until 2 January 2014 (both dates inclusive), after which the rights under the Subscription Shares will lapse. Each Subscription Share will be capable of conversion into one Ordinary Share upon exercise of the Subscription Share Rights and on payment of the Conversion Price as set out below. Notice of the exercise of the Subscription Share Rights may be given at any time from 2 January 2009 until 2 January 2014 (both dates inclusive) and the Ordinary Shares arising on conversion will be issued on the first Business Day of the calendar month following the month in which the relevant notices are received by the Registrar.

The Conversion Price will be equal to the published NAV per Ordinary Share as at 5.00 p.m. on 29 October 2008, plus a percentage premium to such amount, rounded up to the nearest whole penny as follows:

- (a) if exercised on any day between and including 2 January 2009 and 2 January 2010 – a 1 per cent. premium to such NAV per Ordinary Share;
- (b) if exercised on any day between and including 3 January 2010 and 2 January 2012 – a 10 per cent. premium to such NAV per Ordinary Share; and
- (c) if exercised on any day between and including 3 January 2012 and 2 January 2014 – a 30 per cent. premium to such NAV per Ordinary Share.

It is expected that a supplementary prospectus stating the Conversion Price and the Issue Price for the Placing and Offer for Subscription will be published on 30 October 2008.

The percentage premiums applying upon exercise and the resulting Conversion Prices reflect the Board's confidence in the Company's prospects and its hope that Qualifying Shareholders will be able to exercise their Subscription Share Rights and acquire Ordinary Shares on favourable terms in the future.

### ***Benefits of the Bonus Issue***

The Directors believe the Bonus Issue of Subscription Shares will have the following advantages:

- at no additional cost, Qualifying Shareholders will receive readily tradable securities with financial value which they may convert into Ordinary Shares in order to benefit from the Company's future growth or realise for cash;
- Shareholders will receive securities that have similar characteristics to warrants, but unlike warrants are qualifying investments for the purposes of a stocks and shares ISA;

- on any exercise of the Subscription Share Rights, the capital base of the Company will increase allowing operating costs to be spread across a larger number of Ordinary Shares and the total expense ratio to fall; and
- the Company will broaden its Shareholder base which should improve liquidity in the market for its Ordinary Shares.

Fractions of Subscription Shares will not be allotted or issued and entitlements will be rounded down to the nearest whole number of Subscription Shares.

The ISIN of the Subscription Shares is GB00B3CSXS18 and the TIDM is JIIS.

### ***Continuation Vote***

When the Company was launched in 1994, the Directors felt that it was important to give Shareholders the opportunity to consider the future of the Company at regular intervals.

The Company's Articles currently require that, at the AGM to be held in 2009 and every fifth year thereafter, the Directors will propose an ordinary resolution that the Company continues as an investment trust for the period until the end of the AGM to be held five years later.

The Bonus Issue and the Placing and Offer, if approved, will create Subscription Shares with a five year life. In order that the Subscription Share Rights are not affected by the Company's five yearly continuation vote schedule, it is proposed to bring forward the 2009 continuation vote and hold the vote at the General Meeting to be held in connection with the Proposals rather than at the Company's AGM to be held in 2009. This change will be reflected in the New Articles proposed to be adopted at the General Meeting.

The Directors have considered the viability of the Company and its mandate and concluded that the investment outlook for India is positive over the medium to long term. The Directors also believe that the continuing appointment of the Manager, JPMorgan Asset Management (UK) Limited is in the best interests of Shareholders as a whole and that the Company should continue in its current form.

If Resolution 3 is passed at the General Meeting the next continuation vote will be held at the AGM in 2014 and then every five years thereafter.

### **The Placing and Offer for Subscription**

#### ***Background to and reasons for the Placing and Offer***

The Board believes that the Company's unique position of being the first and largest UK investment trust investing in India makes it an attractive proposition for investors. Additionally, the Company is well placed to take advantage of the positive long-term outlook for the Indian region.

The Board believes that there may be an interest in acquiring New Ordinary Shares from a range of investors, and accordingly has decided to conduct a Placing and Offer for Subscription of New Ordinary Shares.

The Company is seeking to raise further monies for investment, through the Placing and Offer for Subscription of New Ordinary Shares. Subscription Shares will be attached to the New Ordinary Shares on the basis of one Subscription Share for every five New Ordinary Shares subscribed. The proceeds of the Placing and Offer will be invested in line with the Company's investment policy.

The issue of New Ordinary Shares will enable the Company to meet demand from Shareholders and new investors for Ordinary Shares at a premium to NAV per Ordinary Share. The Board consider that the issue of New Ordinary Shares will lead to:

- an increase in the capital of the Company, broadening investment options for the Manager, enabling the Company to take advantage of new opportunities in the Indian region;
- the raising of additional funds for the Company without diluting the holdings of existing Shareholders;

- a broadening of the Shareholder base, which should improve liquidity in the market for the Company's Ordinary Shares; and
- the spreading of the Company's costs over a greater number of Ordinary Shares, reducing the Company's total expense ratio.

### ***Details of the Placing and Offer for Subscription***

The Company is seeking to raise further monies for investment, through the Placing and Offer for Subscription of New Ordinary Shares. The Directors have set the size of the Issue at a level which they believe will minimise the risk of scaling back subscriptions for New Ordinary Shares. In the event that subscriptions exceed the maximum amount available under the Issue, JPMorgan Cazenove will scale back subscriptions in such a manner as they consider appropriate after consultation with the Company.

The New Ordinary Shares will be issued at a price equal to the unaudited NAV per Ordinary Share as at 29 October 2008 plus a premium of 1 per cent., rounded up to the nearest whole pence per Share (the **Issue Price**).

The number of New Ordinary Shares allotted will be determined by the amount subscribed divided by the Subscription Price rounded down to the nearest New Ordinary Share. The issuance of the New Ordinary Shares at a premium to the NAV per Ordinary Share is intended to cover the payment of the costs of the Issue and the costs of investing the proceeds of the Issue.

Subscription monies of £3 or more not used to acquire New Ordinary Shares will be refunded. Subscription monies of less than £3 which are not used to acquire New Ordinary Shares will be retained by the Company for its own account.

For illustrative purposes only, based on the published Net Asset Value as at 24 September 2008 of 306.5p per Ordinary Share, the New Ordinary Shares would have been issued at 310p per Share. The final issue price may be higher or lower than this and will be determined by the published unaudited NAV on 29 October 2008, which is subject to market conditions.

Commitments and applications received in respect of the Placing and Offer (respectively) are irrevocable and based on the amount the applicant wishes to invest and not on a number of New Ordinary Shares or the Issue Price.

Following determination of the Issue Price, it is expected that a supplementary prospectus will be published stating, *inter alia*, the Issue Price. Announcement of the Issue Price and the publication of the supplementary prospectus is expected to take place on 30 October 2008 by way of announcements through a Regulatory Information Service.

The maximum amount to be raised under the Placing and Offer will be £100 million (before expenses). The Placing and Offer are not being underwritten.

### ***Placing***

Under the Placing and Offer Agreement between the Company, the Manager and JPMorgan Cazenove, JPMorgan Cazenove has agreed to use its reasonable endeavours to procure placees under the Placing at the Issue Price. The Placing and Offer Agreement is conditional, *inter alia*, on Admission having occurred by no later than 5 November 2008. Commitments under the Placing must be received by JPMorgan Cazenove no later than 12.00 noon on 30 October 2008.

### ***Offer for Subscription***

JPMorgan Cazenove has agreed to act as sponsor and assist the Company in the implementation of the Offer for Subscription at the Issue Price. Applications under the Offer for Subscription may be made for any amount subject to applications being for a minimum amount of £500. There is no maximum limit on applications. Multiple applications will be permitted.

The attention of prospective investors is drawn to the terms and conditions of application under the Offer for Subscription set out in Part VI of this document. These terms and conditions should be read carefully before an application is made. Investors should consult their independent financial adviser if they are in doubt about the contents of this document or the subscription of New Ordinary Shares (with Subscription Shares attached).

Completed Application Forms accompanied by a bankers' draft payable to "Equiniti Limited A/C JPMorgan Indian Investment Trust plc" and crossed "A/C payee" for the appropriate sum must be posted or delivered by hand (during normal business hours only) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to be received by 3.00 p.m. on 28 October 2008 in respect of the Offer.

All applications for New Ordinary Shares (with Subscription Shares attached) at the Issue Price will be payable in full in cash. The minimum initial application amount in respect of the New Ordinary Shares may be waived at the sole discretion of the Company. Definitive certificates in respect of the New Ordinary Shares and the Subscription Shares in certificated form will be despatched by post during the week commencing 10 November 2008. Temporary documents of title will not be issued.

The Company will notify investors of the number of New Ordinary Shares in respect of which their application has been successful and the results of the Issue and the Issue Price will be announced by way of announcements through a Regulatory Information Service.

### ***Conditions of the Issue***

The Issue is conditional upon the following conditions being satisfied by 8.00 a.m. (London time) on 5 November 2008 (or such later date and time as JPMorgan Cazenove agrees but not later than 8.00 a.m. on 31 December 2008):

- (a) the Placing and Offer Agreement not having been terminated in accordance with its terms by JPMorgan Cazenove;
- (b) the Prospectus and the Circular being approved by the UK Listing Authority by not later than 5.00 p.m. on 30 September 2008 (or such later date and time, being not later than 5.00 p.m. on 31 December 2008);
- (c) in the opinion of JPMorgan Cazenove, the Company and the Manager not being in material breach of their respective obligations under the Placing and Offer Agreement to the extent that they are required to be performed prior to Admission;
- (d) in the opinion of JPMorgan Cazenove, the warranties given by the Company and the Manager remaining true and accurate and not misleading in any material respect at Admission by reference to the facts and circumstances then subsisting;
- (e) Admission taking place by no later than 8.00 a.m. on 31 December 2008;
- (f) the passing of the Resolutions (without amendment) at the EGM or any adjournment thereof; and
- (g) no event referred to in section 87G of FSMA arising between the date of the Prospectus and Admission and no supplementary prospectus being published (other than the Supplementary Prospectus).

Subject to any statutory right of withdrawal in the event of the publication of a supplementary prospectus by the Company, acceptances will be irrevocable (unless otherwise agreed by the Company).

Equiniti Limited is the receiving agent for the Offer.

### ***Authority to repurchase shares***

Shareholder resolutions were passed at the AGM on 24 January 2008 granting the Company authority to make market purchases of Ordinary Shares representing (subject to certain conditions) up to 14.99 per cent. of the Company's issued ordinary share capital. The Company's authority to repurchase Shares is due to

expire on 25 July 2009 unless previously renewed. The Company is proposing (subject to the passing of Resolutions 1 and 2) to renew this authority to buy back up to 14.99 per cent. of the Ordinary Share capital which will be in issue following implementation of the Issue and the exercise of any of the Subscription Share Rights prior to the date of such purchase and to seek authority to buy back up to 14.99 per cent. of the issued Subscription Share capital.

Repurchases of Ordinary Shares will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per Ordinary Share as and when market conditions are appropriate and in accordance with the Listing Rules. Ordinary Shares repurchased might not be cancelled but rather held as treasury shares and may be subsequently re-issued at a premium. Purchases of Ordinary Shares to be held in treasury will be made in accordance with the Listing Rules and the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended).

Purchases through the market will not exceed the higher of (i) 5 per cent. above the average of the middle market quotations (as derived from the Official List) for the 5 consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Ordinary Shares on the trading venue where the purchase is carried out.

Repurchases of Subscription Shares will be made at the discretion of the Board and will only be made when market conditions are appropriate and in accordance with the Listing Rules.

### ***Share issues and authority***

Shareholder resolutions were passed at the AGM on 24 January 2008 granting the Board authority to issue new shares or shares held in treasury other than by a *pro rata* issue to existing Shareholders, for cash up to an aggregate nominal amount of approximately £2,620,167 representing 10,480,668 Ordinary Shares, such amount being approximately equivalent to 10 per cent. of the issued share capital at the time of the AGM. In addition to the authorities required to implement the Bonus Issue and the Placing and Offer for Subscription, the Company is proposing to renew its authority to issue new shares or shares held in treasury other than by a *pro rata* issue to existing Shareholders for cash up to an aggregate nominal amount of £4,642,500 (representing 18,570,000 Ordinary Shares) or if less, 10 per cent. of the total ordinary share capital in issue following implementation of the Issue and the exercise of any of the Subscription Share Rights prior to the relevant date of issue. Share issues pursuant to this authority would only be undertaken at prices which are at a premium to the prevailing Net Asset Value per Share.

In the year to 30 September 2007, the Company issued a total of 100,000 new Ordinary Shares for cash for a total consideration of £303,000. Since 30 September 2007 and up to the date of the publication of this document no further Ordinary Shares have been issued.

### ***New Articles***

If Resolution 1 is approved at the General Meeting, the New Articles will be adopted to replace the Existing Articles. The New Articles will provide for the rights attaching to the Subscription Shares and other matters connected with the Bonus Issue, amend the provisions relating to the continuation vote, make minor technical changes and incorporate a number of changes to reflect recent legal developments, in particular certain provisions of the 2006 Act which came, or will come, into effect in 2007 and 2008.

The principal changes in connection with the 2006 Act to be included in the New Articles relate to electronic communication with shareholders, shareholder meetings and resolutions, directors' indemnities, transfers of shares and directors' conflicts of interest. For a more detailed explanation of these and other amendments please refer to the Appendix to the Notice of General Meeting contained in the Circular.

### **Admission and dealings**

The Subscription Shares and the New Ordinary Shares will be in registered form and may be issued either in certificated or uncertificated form. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of New Ordinary Shares and Subscription Shares in certificated form will be

certified against the Company's Share register. All documents or remittances sent by or to a subscriber of New Ordinary Shares (or his agent as appropriate) will be sent through the post at the risk of the subscriber.

Applications will be made to the UK Listing Authority for the Subscription Shares and the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for such shares to be admitted to trading on its main market. It is expected that Admission will occur, and that dealings will commence, on 5 November 2008 in respect of the Subscription Shares and the New Ordinary Shares. On their Admission, the Subscription Shares will confer rights to subscribe for New Ordinary Shares representing, in aggregate, up to 20 per cent. of the then issued Ordinary Share capital of the Company.

### **Costs of the Proposals**

The Company's fixed expenses in connection with the Proposals are estimated to amount to £468,000 (inclusive of VAT).

### **Profile of typical investor in the New Ordinary Shares**

The typical investors for whom the New Ordinary Shares are intended are professionally advised private investors, or institutional investors, seeking long-term capital growth from investment in Indian companies. The New Ordinary Shares may also be suitable for financially sophisticated non-advised private investors who are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss that may result from such an investment. However, such investors should consider consulting an independent financial adviser authorised under FSMA before investing.

### **Overseas Shareholders**

The issue of the New Ordinary Shares (with Subscription Shares attached) to persons who have a registered or mailing address in countries other than the United Kingdom may be affected by the law or regulatory requirements of the relevant jurisdiction. The Board will allot any Subscription Shares due under the Bonus Issue to Overseas Shareholders (other than those resident in the EEA States) to a market maker who will sell such Subscription Shares promptly at the best price obtainable. The proceeds of sale will be paid to such Overseas Shareholders entitled to them save that entitlements of less than £3 per Overseas Shareholder will be retained by the Company. Any Shareholder who is in any doubt as to their position should consult an appropriate professional adviser without delay.

The attention of Overseas Shareholders is drawn to pages 27 to 28 of this document.

### **Taxation**

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 12 of Part V of this document. Any Shareholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional adviser.

### **General Meeting**

The Proposals are conditional on, amongst other things, the approval by Shareholders of the Resolutions to be proposed at a general meeting of the Company which has been convened for 30 October 2008.

## PART II

### INFORMATION ON THE COMPANY AND INFORMATION FOR OVERSEAS SHAREHOLDERS

#### Introduction

The Company is a UK investment trust, established in March 1994, which has an objective of achieving capital growth through investment in India. The Company is publishing this document in order that it can issue the Subscription Shares pursuant to the Bonus Issue and the New Ordinary Shares (with Subscription Share Rights attached) pursuant to the Issue, subject to the granting of necessary Shareholder approval.

#### Investment policy

The Company's objective is to provide capital growth from investments in India. It aims to outperform the MSCI India Index (expressed in Sterling terms).

In order to achieve its investment objective and to seek to manage risk, the Company invests in a diversified portfolio of equity and equity-related securities of Indian companies. The Company also invests in companies which earn a material part of their revenues from India. The Company will not invest in other countries of the Indian sub-continent nor in Sri Lanka.

The Board has set no minimum or maximum limits on the number of investments in the portfolio, however the number of investments will normally range between 50 and 70.

The Company manages liquidity and borrowings to increase potential Sterling returns to Shareholders. The Company's gearing policy is to use short-term gearing for tactical purposes, up to a maximum level of 15 per cent. of Shareholders' funds at the time the gearing is put in place.

As an investment trust, the Company cannot invest more than 15 per cent. of its assets in any one investment, at the time of acquisition.

In accordance with the Listing Rules, the Company will not invest more than 15 per cent. of its gross assets in other UK listed investment companies and will not invest more than 10 per cent. of its gross assets in companies that themselves may invest more than 15 per cent. of gross assets in UK listed investment companies.

In implementing the investment policy, the Board and the Manager have agreed to observe certain limits and restrictions on the operations of the Manager in order to manage risk; these limits and restrictions are summarised below:

- the Company is permitted to invest in derivative instruments for the purpose of efficient portfolio management. The extent of any derivative transactions are not expected to exceed 10 per cent. (and in any event shall not exceed 20 per cent.) of the Company's gross assets at the time the derivative position is entered into. All such transactions must be disclosed to the Board;
- to gain the appropriate exposure the Company is permitted to invest in pooled funds, including those managed by the Manager; and
- subject to prior Board approval, the Company is permitted to invest in unquoted investments, up to a maximum of 10 per cent. at the time of investment (or such higher limit as may be determined by the Board at any time at its discretion but in any event not exceeding 20 per cent.) of the Company's gross assets.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and reported to the Board on a monthly basis.

## Investment portfolio

As at the close of business on 24 September 2008 (being the latest practicable date prior to the publication of this document) the major investments of the Group and the industrial sector allocation of the Group were as follows:

### *Top twenty investments*

<i>Security</i>	<i>% of total assets as at</i>
<i>Issuer</i>	<i>24 September 2008</i>
Reliance Industries Ltd	14.8
Housing Development Finance Corporation Ltd	6.8
Infosys Technologies Limited	6.4
HDFC Bank Ltd	5.7
Bharti Airtel Limited	5.4
Bharat Heavy Electricals Limited	5.2
ICICI Bank Limited	4.5
Larsen & Toubro Ltd	4.4
ITC Limited	4.1
Oil & Natural Gas Corp Ltd	2.9
NTPC Ltd	2.5
Kotak Mahindra Bank Limited	2.4
Sun Pharmaceuticals Industries Limited	2.2
Satyam Computer Services Limited	2.1
Axis Bank Ltd	2.0
Reliance Capital Limited	1.6
Reliance Communications Ltd	1.6
Reliance Infrastructure Ltd	1.3
Tata Power Company Limited	1.1
Divi's Laboratories Ltd	1.0
Top twenty investments total	78.0
Balance (33 investments)	17.2
Net current assets	4.8
Total	<u>100.00</u>

### *Sector breakdown*

<i>Sector</i>	<i>% of total assets as at</i>
	<i>24 September 2008</i>
Financials	30.8
Energy	18.2
Industrials	13.2
Information Technology	9.0
Telecommunication Services	7.1
Utilities	5.9
Consumer Staples	4.3
Health Care	3.7
Materials	2.5
Consumer Discretionary	0.5
Sub-total	95.2
Cash	4.8
Total	<u>100.0</u>

(Source: JPMorgan Asset Management)

## **Investment trends and outlook**

Global stock markets have fallen significantly over recent months and the Indian market has been no exception. As a result, the Company's share price has fallen by 28.43 per cent. in the period from 1 January 2008 to 31 August 2008, which compares with a fall of 32.52 per cent. in the Company's benchmark, the MSCI India Index over the same period. Results over the long term however, are much more encouraging, reflecting the strength of India's long term economic growth, and the Company's share price has risen by 286 per cent. over the five years to 31 August 2008.

Like many other emerging markets, India has suffered from the surge in the price of crude oil and, like many other Asian markets, it has also felt the effects of selling by foreign investors seeking to reduce their exposure to riskier assets. For domestic investors, the uncertain political environment has contributed to creating a more negative sentiment regarding the market.

The Board, based on advice from the Manager, believes that India's economic fundamentals remain strong, driven by huge investment in infrastructure, economic and corporate reform and a young population with rising personal wealth and disposable income and that, despite the recent sharp falls in global financial markets, the long-term outlook for its stock market is positive. In the short term, however, the Board believes that the environment in India will remain quite uncertain, which will be a negative factor for the stock market. Although the crude oil price has now fallen significantly from the levels approaching \$150 per barrel seen in July 2008, it remains well above historic levels and as long as this remains the case the effects will be depressing for the Indian economy and stock market.

On the positive side, earnings growth remains strong (up 21 per cent. for the quarter to 30 June 2008) and equities are less expensive than they were at around 15 times the estimate of earnings for the 12 months to 30 June 2009. The Indian economy continues to be robust, with GDP growth for the quarter to 30 June 2008 at an annual rate of 7.9 per cent. The Board, based on advice from the Manager, believes that although this rate of growth will slow, India can still grow by 7 to 8 per cent. over the next couple of years, with EPS growth of between 15 and 20 per cent.

## **Group structure**

The Mauritian Subsidiary, which is a wholly owned subsidiary incorporated in Mauritius, represents the larger part of the Company's assets (approximately 90 per cent.). Mauritius is a widely used jurisdiction for investing into India and has developed an infrastructure to support investment companies encompassing the full range of administration services. Mauritius is close to India both physically and culturally and has a skilled workforce which is familiar with funds investing into India. Mauritius also benefits from a good legal system, stable government and a modern companies law. Investment into India via Mauritius allows the Company to indirectly benefit from the double taxation treaty in place between India and Mauritius. As a result of the double taxation treaty, the Mauritian Subsidiary is and is expected to continue to be exempt from Indian capital gains tax. The assets of the Mauritian Subsidiary are invested by the Mauritian Subsidiary directly in India. That part of the Company's assets not invested in the Mauritian Subsidiary (around 10 per cent.) is available to be invested in Indian securities issued outside India and quoted on non-Indian stock exchanges, including convertible bonds and global depositary shares and in other funds or companies which invest principally in India. The Company expects not to be liable to Indian capital gains tax on such investments. The Mauritian Subsidiary may also invest, in appropriate circumstances, a part of its assets in Indian securities issued and quoted outside India and in other funds or companies investing principally in India, but the Company will not invest any of its own assets directly in India.

The Mauritian Subsidiary has been issued with a category one global business licence under the Mauritius Companies Act 2001 and the Mauritius Financial Services Development Act 2001. The Mauritian Subsidiary has been issued with a certificate of tax residency from the Commissioner of Income Tax in Mauritius. The capital structure of the Mauritian Subsidiary consists of shares and is organised in such a way that the Company continues to be able to qualify for approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988.

The Mauritian Subsidiary is administered by Multiconsult Limited and its auditors are Lamusse Sek Sum & Co. The Company uses JPMorgan Chase Bank and its sub-custodians as its Indian custodian.

## **The Management of the Company**

### ***The Board***

The Directors are responsible for determining the Company's investment policy and have overall responsibility for the Company's activities.

The Board consists of five non-executive Directors, four of whom are considered to be independent of the Manager, including the Chairman. The Board considers that, under the terms of the AIC Code, Pierre Dinan is not an independent Director.

The Directors of the Company are as follows:

#### *Hugh Bolland (Chairman) (aged 62)*

Hugh has been a director of the Company since September 2004. Hugh is currently also director of JPMorgan Indian Investment Company (Mauritius) Limited, Alliance Trust plc, Fidelity Asian Values plc and St. Edwards School. He was previously director of Schroder Investment Management (UK) Limited, Schroder Investment Management Limited, Schroder European Property Advisors Limited, Schroder Property Investment Management, Schroder & Co Limited and Newsphere Trading Company Limited.

#### *Vijay Joshi (aged 67)*

Vijay has been a director of the Company since May 1995. He is Fellow of Merton College, Oxford and a former economic adviser to the Indian Ministry of Finance.

#### *Pierre Dinan (aged 71)*

Pierre has been a director of the Company since December 2002. Until July 2004 he was a senior partner of the Mauritian chartered accountants firm De Chazal Du Mee (DCDM). He was also formerly a director of Multiconsult, a global business management services company. Multiconsult are employed to act as secretary and administrator to the Company's wholly owned subsidiary JPMorgan Indian Investment Company (Mauritius) Limited of which Pierre is also currently a director.

#### *Richard Burns (aged 62)*

Richard has been a director of the Company since December 2006. He is a former joint senior partner and head of investment at Baillie Gifford & Co and is currently a director of JPMorgan Indian Investment Company (Mauritius) Limited, The Bankers Investment Trust plc, EP Global Opportunities Trust plc, Mid Wynd International Investment Trust plc, Standard Life Equity Income Trust plc and Adaptive Venture Managers Limited.

#### *Peter Sullivan (aged 60)*

Peter has been a director of the Company since October 2007. Until 31 March 2008 he was chief executive officer for Standard Chartered Bank (Hong Kong) Limited, responsible for the bank's daily business and operations. He joined Standard Chartered in 1994 having previously spent fourteen years with Citibank where he was regional director of cash management services for Citibank Europe, Middle East and Africa.

### ***The Manager***

The Company's manager is JPMorgan Asset Management (UK) Limited. The Manager is the investment management business of JPMorgan Chase & Co., a leading global financial services firm with operations in more than 60 countries. The JPMorgan Asset Management group of companies provides investment management products and services to individual and institutional investors worldwide and had total funds under management of approximately US\$1.2 trillion as at 30 June 2008.

Specialist Indian equity portfolios are managed within the Manager's 73 person strong Pacific Regional Group.

The investment managers with primary responsibility for the day-to-day management of the Company's portfolio are Edward Pulling, Rukhshad Shoff and Rajendra Nair who have an average of 15 years' industry experience. Regional specialists and an established investment approach have allowed the Manager to consistently outperform its benchmark over 5 and 10 years.

### ***The Mauritian Subsidiary Manager***

The manager of the Mauritian Subsidiary is JF Asset Management Limited. Founded in 1974 and headquartered in Hong Kong, it has one of the largest investment teams in the region and is widely regarded as the Asian specialist. JF Asset Management is part of the JPMorgan Asset Management group of companies.

### **Performance**

#### ***Total return performance in Sterling to 31 August 2008***

	<i>3 months</i>	<i>6 months</i>	<i>1 year</i>	<i>3 years</i>	<i>5 years</i>
NAV per Share % <sup>1</sup>	(6.5)	(20.6)	(8.4)	75.0	249.4
Price per Share % <sup>1</sup>	(10.2)	(19.5)	(2.4)	65.9	286.3
MSCI India Index % <sup>2</sup>	(8.1)	(19.4)	(1.5)	89.2	219.2

The above table represents performance of the Company and its performance benchmark at a particular point in time. There can be no guarantee that the Company's performance will be replicated over future time periods, including both in the short-term and the long-term.

### **Dividend policy**

It is the intention of the Directors to distribute substantially all of the Company's net income (if any) after expenses for each year ending 30 September in the form of a single dividend in December of each year. However, in view of the Company's primary objective of achieving capital growth, the comparatively low yields available in the Indian equity markets and the Company charging all of its expenses to revenue it is unlikely that the Company will earn any net income or pay dividends.

### **Administration and secretarial arrangements**

Under the Management Agreement, the Manager provides all services of a secretarial, accounting and administrative nature (excluding registration services) to the Company including the calculation of the NAV of the Company's securities. The Manager receives an aggregate fee for all its services provided under the Management Agreement including the discretionary management of the Group's assets. Full details of the fees provided for by the Management Agreement are contained in paragraph 11 of Part V of this document.

### **Accounting policy**

The Company prepares its accounts in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Reports to Shareholders and Annual General Meetings**

The Company's annual report and accounts are prepared up to 30 September each year and copies are normally sent to Shareholders in December each year. The Company's annual general meetings are usually held in January of each year.

1 Source: Fundamental Data.

2 Source: MSCI.

## **Overseas Shareholders**

The issue of the New Ordinary Shares (with Subscription Shares attached) to persons who have a registered or mailing address in countries other than the United Kingdom may be affected by the law or regulatory requirements of the relevant jurisdiction. Any Shareholder who is in any doubt as to their position should consult an appropriate professional adviser without delay.

### ***General***

Receipt of this document will not constitute an invitation or offer to acquire New Ordinary Shares or Subscription Shares. Neither the New Ordinary Shares nor the Subscription Shares will be issued to Shareholders who have a registered or mailing address in those countries in which it would or might involve a breach of the relevant securities laws or regulations to make such an invitation, offer or issue. In those circumstances, this document will be sent for information only and should not be copied or redistributed.

No person receiving a copy of this document in any country other than the United Kingdom may treat the same as consisting an invitation, offer or issue to them, unless, in the relevant country, such invitation, offer or issue could lawfully be made to them without compliance with any registration or other legal or regulatory requirements.

Persons receiving a copy of this document should not distribute or send the same to any person in, or citizen or resident of, or into any country where to do so would or might involve a breach of the local securities laws or regulations. If a copy of this document is received by any person in any such territory, or by their agent or nominee in any such territory, he must not seek to acquire New Ordinary Shares or Subscription Shares. Any person who does forward this document into any such countries (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph.

The Subscription Shares to be issued under the Bonus Issue are not being issued to Overseas Shareholders (other than those resident in the EEA States) and this document may not be treated as an invitation or offer to any Overseas Shareholders for the New Ordinary Shares (with Subscription Shares attached) under the Placing or Offer.

The Board will allot any Subscription Shares due under the Bonus Issue to Overseas Shareholders (other than those resident in the EEA States) to a market maker who will sell such Subscription Shares promptly at the best price obtainable. The proceeds of sale will be paid to such Overseas Shareholders entitled to them save that entitlements of less than £3 per Overseas Shareholder will be retained by the Company.

Notwithstanding any other provision of this document the Company reserves the right to permit any Shareholder to take up Subscription Shares under the Bonus Issue if the Company, in its sole and absolute discretion, is satisfied at any time prior to the General Meeting that the transaction in question is exempt from, or not subject to the legislation or regulations giving rise to the restrictions in question.

## PART III

### FINANCIAL INFORMATION RELATING TO THE GROUP

#### 1. Statutory accounts for the three financial years ended 30 September 2005, 2006 and 2007

Statutory accounts of the Group for the three financial years ended 30 September 2005, 2006 and 2007, in respect of which the Group's auditors, Deloitte & Touche LLP, have given unqualified opinions that the accounts give a true and fair view of the state of affairs of the Group and of its total return and cash flows for each of the three financial years ended 30 September 2005, 2006 and 2007 and have been properly prepared in accordance with the Companies Act 1985 and International Financial Reporting Standards (save for the financial year ended 30 September 2005 which was prepared in accordance with UK GAAP), have been incorporated into this document by reference. Deloitte & Touche LLP is a member of the Institute of Chartered Accountants in England and Wales.

#### 2. Published annual reports and accounts for the three financial years ended 30 September 2005, 2006 and 2007 and the unaudited half-yearly report for the six months ended 31 March 2008

##### 2.1 Historical financial information

The published annual reports and audited accounts for the Group for the three financial years ended 30 September 2005, 2006 and 2007 and the unaudited half-yearly report for the six months ended 31 March 2008, which have been incorporated in this document by reference, included, on the pages specified in the table below, the following information:

<i>Nature of Information</i>	<i>Annual report and accounts for the year ended 30 September (audited)</i>			<i>Six months ended 31 March 2008 (unaudited)</i>
	<i>2005 Page No(s)</i>	<i>2006 Page No(s)</i>	<i>2007 Page No(s)</i>	<i>Page No(s)</i>
Group income statement	24	27	26	6
Group statement of changes in equity	n/a	28	27*	7
Group balance sheet	25	29	28*	8
Group cash flow statement	28	30	29*	9
Accounting policies	29	35–36	30–31	10
Notes to the accounts	29–39	35–49	30–41	10
Independent auditors' report	23	25–26	24–25	n/a
Chairman's statement	1–2	2–3	2–4	2
Investment Manager's report	3–4	4–5	5–6	3–4
Directors' report	13–14	12–16	13–17	n/a

\* This covers both the Group and the Company.

##### 2.2 Selected financial information

The key audited figures that summarise the Group's financial condition in respect of the three financial years ended 30 September 2005, 2006 and 2007 and the six months ended 31 March 2008, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Part III (unless otherwise indicated in the notes below the following table), are set out in the following table:

	<i>As at or for year ended 30 September (audited)</i>				<i>As at or for six months ended 31 March 2008 (unaudited)</i>
	<i>2005</i>	<i>(Restated)*</i>	<i>2006</i>	<i>2007</i>	
Net assets (£'000)	206,170	205,087	294,203	436,186	378,935
Net asset value per share (pence)	214.0	212.8	281.0	421.1	368.7
<i>Revenue</i>					
Total income (£'000)	2,240	2,240	2,922	3,759	914
Net loss (£'000)	(395)	(395)	(1,336)	(2,608)	(3,097)
Loss per share (pence)	(0.45)	(0.45)	(1.31)	(2.49)	(2.96)
Dividend per share (pence)	n/a	n/a	n/a	n/a	n/a
<i>Total</i>					
Total income (£'000)	83,038	82,372	71,690	152,013	(49,732)
Net profit/(loss) (£'000)	80,403	79,737	67,432	145,646	(53,743)
Earnings/(loss) per share (pence)	89.48	88.74	65.98	139.30	(51.40)

\* Restatements and prior year adjustments resulting from the adoption of new accounting policies as detailed below:

Investments are classified as held at fair value under IFRS and are carried at bid prices which equate to their fair value, whereas they were previously carried at latest traded prices. The resultant difference is included in other capital reserves. This has led to a decrease in net assets at 30 September 2005.

### 2.3 *Operating and financial review*

The Group's published annual reports and accounts for the three financial years ended 30 September 2005, 2006 and 2007 and the six months ended 31 March 2008 included, on the pages specified in the table below: descriptions of the Group's financial condition (in both capital and revenue terms); details of the Group's investment activity and portfolio exposure; and changes in its financial condition for each of those years.

	<i>Annual report and accounts for the year ended 30 September (audited)</i>			<i>Six months ended 31 March 2008 (unaudited)</i>
<i>Nature of Information</i>	<i>2005 Page No(s)</i>	<i>2006 Page No(s)</i>	<i>2007 Page No(s)</i>	<i>Page No(s)</i>
Chairman's statement	1–2	2–3	2–4	2
Investment Manager's report	3–4	4–5	5–6	3–4
Portfolio analyses	9–10	8–9	10–11	5
Performance, discount and financial record	7–8	7 and 12–13	8–9 and 14	2

The causes of material changes in the capital value of the Group's assets in these three financial years can be summarised as follows:

- (i) in the year to 30 September 2005, the Group made a gross capital gain on investments of £77,648,000, with an unrealised gain of £70,497,000 and a realised gain of £7,151,000. The costs relating to the gains on investment were £28,000;
- (ii) in the year to 30 September 2005 restated, the Group made a gross capital gain on investments of £76,982,000 with an unrealised gain of £69,831,000 and a realised gain of £7,151,000. The costs relating to the gains on investments were £28,000;

- (iii) in the year to 30 September 2006, the Group made a gross capital gain on investments of £69,344,000, with an unrealised gain of £60,104,000 and a realised gain of £9,240,000. The costs relating to the gains on investment were £172,000; and
- (iv) in the year to 30 September 2007, the Company made a gross capital gain on investments of £148,227,000, with an unrealised gain of £138,038,000 and a realised gain of £10,189,000. The costs relating to the gains on investment were £34,000.

Given that, following the Issue, the fixed costs of operating the Company will be spread across a larger asset base than at present, it is expected that the Issue will have a beneficial impact on earnings.

#### 2.4 *Availability of annual reports and accounts for inspection*

Copies of the Group's annual reports and audited accounts for the three financial years ended 30 September 2005, 2006 and 2007 and the unaudited half-yearly report for the six months ended 31 March 2008 are available for inspection at the address set out in paragraph 22 of Part V of this document.

### 3. **Capitalisation and indebtedness**

The following table shows, sourced from the Group's internal accounting records, the Group's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 24 September 2008 (being the latest practicable date prior to the publication of this document) and the Company's capitalisation as at 31 March 2008 (being the last date in respect of which the Group has published financial information).

<i>Total Current Debt</i>	<i>24 September 2008 £'000</i>
Guaranteed secured	–
Unguaranteed/unsecured <sup>(1)</sup>	2,851
<i>Total Non-Current Debt</i>	
Guaranteed secured	–
Unguaranteed/unsecured	–
<i>Shareholder equity<sup>(2)</sup></i>	<i>31 March 2008 £'000</i>
Share capital	26,188
Share premium	50,914
Other reserve	41,929
Exercised warrant reserve	5,886
Capital reserve	258,804
Capital redemption reserve	6,362

(1) Unsecured debt comprises accruals for expenses, interest payable, amounts due to brokers, current tax provisions and any short-term loans.

(2) In accordance with CESR guidance retained revenue reserves of £(11,148,000) have been excluded from Shareholders' equity.

As at 24 September 2008 (being the latest practicable date prior to the publication of this document), there has been no material change in the capitalisation of the Company since 31 March 2008 (being the last date in respect of which the Group has published financial information).

The following table shows the Group's unaudited net indebtedness as at 24 September 2008 (being the latest practicable date prior to the publication of this document).

24 September 2008

£'000

A.	Cash	13,519
B.	Cash equivalent	–
C.	Trading securities receivable	4,029
D.	Liquidity (A+B+C)	17,548
E.	Current financial receivable	270
F.	Current bank debt	–
G.	Current portion of non-current debt	–
H.	Trading securities payable	(2,327)
I.	Other current financial debt	(524)
J.	Current financial debt (F+G+H+I)	(2,851)
K.	Net current financial indebtedness (J-E-D)	14,967
L.	Non-current bank loans	–
M.	Bonds issued	–
N.	Other non-current loans	–
O.	Non-current financial indebtedness (L+M+N)	–
P.	Net financial indebtedness (K+O)	14,967

#### **4. Working capital**

In the Company's opinion, the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.

## PART IV

### PARTICULARS OF THE SUBSCRIPTION SHARES

Conditional upon the passing of Resolution 1 at the General Meeting, the Subscription Shares are expected to be issued on 5 November 2008 and will carry the rights described below. The Existing Articles will be replaced with the New Articles to reflect, *inter alia*, these rights.

#### 1. Subscription Share Rights

- (a) A registered holder for the time being of a Subscription Share (a **Subscription Shareholder**) shall have a right (**Subscription Share Right**) to subscribe in cash on any Business Day between 2 January 2009 and 2 January 2014 (the **Final Subscription Date**), both dates inclusive, (any date on which subscription occurs being described as a **Subscription Date**) for all or any of the Ordinary Shares to which his Subscription Shares relate at the price per Ordinary Share to be determined by the Company as being equal to the Net Asset Value per Ordinary Share attributable to one Ordinary Share as at the close of business on 29 October 2008 plus a percentage premium of such amount rounded up to the nearest whole pence (the **Conversion Price**) payable in full in Sterling on subscription as follows:
- (i) if exercised on any day between and including 2 January 2009 and 2 January 2010 – a 1 per cent. premium to such NAV per Ordinary Share;
  - (ii) if exercised on any day between and including 3 January 2010 and 2 January 2012 – a 10 per cent. premium to such NAV per Ordinary Share; and
  - (iii) if exercised on any day between and including 3 January 2012 and 2 January 2014 – a 30 per cent. premium to such NAV per Ordinary Share.

It is expected that a supplementary prospectus stating the Conversion Price will be published on 30 October 2008.

Each Subscription Share relates to one Ordinary Share, but the Conversion Price (and the number of Subscription Shares outstanding) will be subject to adjustment as provided in paragraph 2 below. The Subscription Shares registered in a holder's name will be evidenced by a Subscription Share certificate issued by the Company and, in the case of Subscription Shares in uncertificated form, by means of any relevant computer-based system enabling title to units of a security to be evidenced and transferred without a written instrument (the **Relevant Electronic System**).

The Net Asset Value or NAV for this purpose means the value of the Company's assets (excluding revenue items for the current financial year) minus all prior charges at their par value and the costs of the Bonus Issue. Prior charges include all loans and overdrafts that are to be used for investment purposes. **Business Day** for this purpose means any day on which banks are open for business in London (excluding Saturdays and Sundays).

- (b) In order to exercise the Subscription Share Rights, in whole or in part, which are conferred by any Subscription Shares that are in certificated form, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other document as the Company may, in its discretion, accept) at the office of the registrars for the time being of the Company (the **Registrars**) by not later than 5.00 p.m. on any Business Day between 2 January 2009 and 2 January 2014 (both dates inclusive), having completed the notice of exercise of Subscription Share Rights thereon (or by giving such other notice of exercise of Subscription Share Rights as the Company may, in its discretion, accept), accompanied by a remittance for the Conversion Price for the Ordinary Shares in respect of which the Subscription Share Rights are exercised. Any notice of exercise received after 5.00 p.m. on any Business Day will be treated as having been received on the following Business Day. Once lodged, a notice of exercise of Subscription Share Rights shall be irrevocable save with the consent of the directors of the Company (the **Directors**). Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (c) The Subscription Share Rights which are conferred by any Subscription Shares that are in uncertificated form on the relevant Subscription Date shall be exercisable, in whole or in part, (and treated by the Company as exercised) on the relevant Subscription Date if, not later than 5.00 p.m. on the relevant Business Day, (i) an Uncertificated Subscription Notice is received as referred to below and (ii) a remittance for the aggregate Conversion Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised is received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the facilities and requirements of the Relevant Electronic System concerned). For these purposes, an **Uncertificated Subscription Notice** shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the regulations and facilities and requirements of the Relevant Electronic System). The Directors may, in addition but subject to the regulations and facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by such person as it may require for these purposes. Without prejudice to the generality of the foregoing, the effect of the Uncertificated Subscription Notice may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. Once lodged, an Uncertificated Subscription Notice shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (d) Not earlier than 56 days nor later than 30 days before the Final Subscription Date, the Company shall give notice in writing to the holders of the outstanding Subscription Shares reminding them of their Subscription Share Rights and, in relation to any Subscription Shares that are in uncertificated form, stating the form of Uncertificated Subscription Notice prescribed by the Directors.
- (e) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Subscription Shares that are in certificated form will be allotted on the first Business Day of the calendar month following the month in which the relevant notice of exercise of Subscription Share Rights is given in accordance with paragraph 1(b) above, save in the case of the Final Subscription Date when the relevant Ordinary Shares will be allotted not later than 14 days after from the Final Subscription Date. The Ordinary Shares arising on conversion shall be allotted with effect from the date of their allotment (and not the date upon which the notice of exercise is given or deemed given in accordance with paragraph 1(b) above). Certificates in respect of such Ordinary Shares will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant allotment date to the person(s) in whose name(s) the Subscription Share is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any like tax as may be applicable) to such other persons (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all).
- (f) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by Subscription Shares that are in uncertificated form will be allotted on the first Business Day of the calendar month following the month in which the relevant uncertificated subscription notice is given in accordance with paragraph 1(c) above save that in the case of the Final Subscription Date when the relevant Ordinary Shares will be allotted not later than 14 days after the Final Subscription Date. The Ordinary Shares arising on conversion shall be allotted with effect from the date of their allotment (and not the date upon which the uncertificated Subscription Notice is given in accordance with paragraph 1(c) above). The Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be evidenced by means of the Relevant Electronic System as a holding of the person(s) in whose name(s) the Subscription Shares in respect of which Subscription Share Rights have been exercised were registered as at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any like tax as may be applicable, to such terms and

conditions as the Directors may from time to time prescribe for this purpose and to the facilities and requirements of the Relevant Electronic System) to such other person(s) (not being more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form.

- (g) For the avoidance of doubt, unless the Directors otherwise determine or unless the regulations or the facilities or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any Subscription Share Rights shall be issued in certificated form where such Subscription Share Rights were conferred by Subscription Shares which were held in certificated form or in uncertificated form where such Subscription Share Rights were conferred by Subscription Shares which were held in uncertificated form.
- (h) Ordinary Shares allotted pursuant to the exercise of Subscription Share Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant allotment date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the relevant allotment date.
- (i) For so long as the Company's Ordinary Shares are admitted to trading on the London Stock Exchange, it is the intention of the Company to apply to the UK Listing Authority for the Ordinary Shares allotted pursuant to any exercise of Subscription Share Rights to be admitted to the Official List and the Company will use all reasonable endeavours to obtain the admission thereof not later than 28 days after the relevant Subscription Date. **Official List** for this purpose means the official list of the UK Listing Authority. **UK Listing Authority** for this purpose means the Financial Services Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part V of the Financial Services and Markets Act 2000.
- (j) The exercise of Subscription Share Rights by any Subscription Shareholder who is a US Person or the right of such a Subscription Shareholder to receive the Ordinary Shares falling to be issued to him following the exercise of his Subscription Share Rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its sole discretion, for the purpose of complying with the securities laws of the United States (including, without limitation, the United States Securities Act of 1933, as amended, the United States Investment Company Act of 1940, as amended, and any rules or regulations promulgated under such Acts). As used herein, **US Person** means any person or entity defined as such in Rule 902 (o) under the Securities Act of 1933, as amended and, without limiting the generality of the foregoing, US Person includes a natural person resident in the United States, a corporation or partnership organised or incorporated under the laws of the United States (including any State thereof) and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located and **United States** means the United States of America (including the States thereof and the District of Columbia), its territories and possessions.

## 2. Adjustments of Subscription Share Rights

The Conversion Price (and the number of Subscription Shares outstanding) shall from time to time be adjusted in accordance with the provisions of this paragraph 2:

- (a) If and whenever there shall be an alteration on a date (or by reference to a date) on or before the Final Subscription Date in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the Conversion Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.

- (b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) on a date (or by reference to a date) on or before the Final Subscription Date, the Conversion Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) on or before the Final Subscription Date, the Company makes any offer or invitation (whether by way of rights issue or otherwise but not being an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(g) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their Subscription Share Rights had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (g)) on which the same could have been exercised on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Subscription Shareholders but the Conversion Price shall be adjusted:
- (i) in the case of an offer of new Ordinary Shares for conversion by way of a rights issue at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Conversion Price for the relevant Subscription Date by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of New Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for conversion; and
  - (ii) in any other case, in such manner as the independent financial advisers appointed by the Board shall report in writing to be fair and reasonable.

Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the independent financial advisers appointed by the Board. For the purposes of this paragraph **market price** shall mean the average of the middle market quotations (as derived from the Official List) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained.

- (d) No adjustment will be made to the Conversion Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Conversion Price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the Conversion Price then in force and on any adjustment the adjusted Conversion Price will be rounded down to the nearest whole pence. Any adjustment not so made and any amount by which the Conversion Price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the Conversion Price is adjusted as provided in accordance with paragraphs 2(a) to (d) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above), the Company shall issue, for no payment, additional Subscription Shares to each Subscription Shareholder at the same time as such adjustment takes effect.

- (f) Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than £5.00 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable the adjustment to be made to the Subscription Shareholder's holding of Subscription Shares in the Relevant Electronic System.
- (g) Whenever the Conversion Price is adjusted in accordance with this paragraph by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above, the number of Ordinary Shares into which each holder of Subscription Shares is entitled to convert such Subscription Shares will be reduced accordingly.
- (h) The Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to paragraphs 2(a) to (g) above.
- (i) If a holder of Subscription Shares shall become entitled to exercise his Subscription Share Rights pursuant to paragraph 3(g) below, the Conversion Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the independent financial advisers appointed by the Board in accordance with the following formula:

$$A = (B+C) - D$$

where:

A = the reduction in the Conversion Price;

B = the Conversion Price which would, but for the provisions of this paragraph 2(i), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (g) above) on the date on which the Company shall become aware as provided in paragraph 3(g) below;

C = the average of the middle market quotations (as derived from the Official List) for one Subscription Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the Official List) for one Ordinary Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made,

provided that:

- (i) the Conversion Price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this proviso (i), have reduced the Conversion Price to below the nominal value of an Ordinary Share, the number of Ordinary Shares into which a Subscription Share may convert pursuant to paragraph 3(g) below shall be adjusted in such manner as the independent financial advisers appointed by the Board shall report to be appropriate to achieve the same economic result for the Subscription Shareholders as if the Conversion Price had been reduced without regard to this proviso (i); and
- (ii) no adjustment shall be made to the Conversion Price where the value of D exceeds the aggregate value of B and C in the above formula.

The notice required to be given by the Company under paragraph 3(g) below shall give details of any reduction in the Conversion Price pursuant to this paragraph 2(i).

- (j) For the purpose of determining whether paragraph 3(i) below shall apply and accordingly whether each holder of a Subscription Share is to be treated as if his Subscription Share Rights had been exercised as therein provided, the Conversion Price which would have been payable on such exercise shall be reduced by an amount determined by the independent financial advisers appointed by the Board in accordance with the following formula:

$$A = (B+C) - D$$

where:

A = the reduction in the Conversion Price;

B = the Conversion Price which would, but for the provisions of this paragraph 2(j), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (g) above) on the date on which the effective resolution referred to in that paragraph shall be passed (as the case may be);

C = the average of the middle market quotations (as derived from the Official List) for one Subscription Share for the 5 consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and

D = the amount (as determined by the independent financial advisers appointed by the Board) of the assets available for distribution in the liquidation of the Company in respect of each Ordinary Share, taking into account for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Share Rights and the Conversion Price which would be payable on the exercise of such Subscription Share Rights (subject to any adjustments previously made pursuant to paragraphs 2(a) to (g) above but ignoring any adjustment to be made pursuant to this paragraph 2(j)),

provided that no adjustment shall be made to the Conversion Price where the value of D exceeds the aggregate value of B and C in the above formula.

- (k) Where an event which gives or may give rise to an adjustment to the Conversion Price occurs whether in such proximity in time to another such event or otherwise in circumstances such that the Company in its absolute discretion determines that the foregoing provisions need to be operated subject to some modification in order to give a result which is fair and reasonable in all the circumstances, such modification shall be made in the operation of the foregoing provisions as may be advised by the independent financial advisers appointed by the Board to be in their opinion appropriate in order to give such a result.

### **3. Other provisions**

So long as any Subscription Share Rights remain capable of exercise:

- (a) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
- (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;

- (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares or the issue of further Subscription Shares to the Subscription Shareholders in accordance with the rights attaching to the Subscription Shares; or
  - (iii) on or by reference to a record date falling within the period of six weeks ending on the Final Subscription Date, make any such allotment as is referred to in paragraph 2(b) above or any such offer or invitation as is referred to in paragraph 2(c) above (except by extending to the Subscription Shareholders any such offer or invitation as may be made by a third party);
- (b) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders) in any way modify the rights attached to its Existing Ordinary Shares as a class, or create or issue any new class of equity share capital (as defined in section 744 of the Companies Act 1985 or section 548 of the Companies Act 2006 as applicable) except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(c) if, in either case, the Company would on any subsequent exercise of the Subscription Share Rights be obliged to issue Ordinary Shares at a discount to nominal value;
- (d) subject to paragraph 3(j) below, the Company shall not (except with the sanction of a special resolution of the holders of the Subscription Shares or for a reduction not involving any payment to Shareholders) reduce any of its share capital or any uncalled or unpaid liability in respect of any of its share capital;
- (e) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all Subscription Share Rights remaining exercisable;
- (f) the Company shall not grant (or agree to grant) any option in respect of, or create any rights of conversion for, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of conversion (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares (excluding any treasury shares) then in issue, nor (except with the sanction of a special resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of conversion for, or issue any securities or loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the Conversion Price for the time being;
- (g) subject as provided in paragraph 3(h) below, if at any time an offer is made to all Shareholders (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued Ordinary Share capital of the Company and the Company becomes aware on or before the Final Subscription Date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Subscription Shareholders of such vesting or pending vesting within 14 days of its becoming so aware, and each such Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Share Rights on the terms (subject to any adjustments pursuant to paragraphs 2(a) to (g) and subject to paragraph 2(i) above) on which the same could have been exercised if they had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under section 425 of the Companies Act 1985 or sections 895 to 901 of the Companies Act 2006 providing for the acquisition by any person of the whole or any part of the issued Ordinary Share capital of the Company shall be deemed to be the

making of an offer for the purposes of this paragraph 3(g) and reference herein to such an offer shall be read and construed accordingly;

- (h) if under any offer as referred to in paragraph 3(g) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of securities to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such financial advisers to be relevant), then a Subscription Shareholder shall not have the right to exercise his Subscription Share Rights on the basis referred to in paragraph 3(g) above and, subject to the offer as referred to in paragraph 3(g) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued Ordinary Share capital of the Company not already owned by it or its associates, any Director shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of Subscription Shares to subscribe for ordinary shares in the offeror in exchange for the relevant securities:
  - (i) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in consideration of the issue of subscription shares to subscribe for ordinary shares in the offeror as aforesaid whereupon all the Subscription Shares shall lapse; and
  - (ii) to do such acts and things as may be necessary or appropriate in connection therewith;
- (i) if (i) an order is made or an effective resolution is passed for winding-up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution of the Subscription Shareholders); and (ii) in such winding-up and on the basis that all Subscription Share Rights then unexercised had been exercised in full and the Conversion Price therefore at the relevant Subscription Date had been received in full by the Company there shall be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Share Rights (taking into account any adjustments pursuant to paragraphs 2(a) to (g) and 2(j) above), which surplus would, on such basis, exceed in respect of each Ordinary Share a sum equal to such Conversion Price, each Subscription Shareholder shall be treated as if immediately before the date of such order or resolution (as the case may be) his Subscription Share Rights had been exercised in full on the terms (subject to any adjustments pursuant to paragraphs 2(a) to (g) and 2(j) above) on which the same could have been exercised and had been exercised immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Conversion Price (subject to any adjustments pursuant to paragraphs 2(a) to (g) and 2(j) above). Subject to the foregoing, all Subscription Share Rights shall lapse on liquidation of the Company; and
- (j) notwithstanding paragraphs 3(a) to (i) above, the Company may, without the sanction of special resolution of the Subscription Shareholders:
  - (i) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);
  - (ii) hold its Ordinary Shares in treasury (for the purposes of The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003) and sell any such Ordinary Shares held in treasury; and
  - (iii) effect a reduction in its share premium account or capital redemption reserve.

#### **4. Issue of C Shares**

- (a) Notwithstanding the provisions of paragraph 3 above, a Qualifying C Share Issue (as defined in (b) below) shall not constitute an alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of a special resolution of the Subscription Shareholders) even though it may involve modification of the rights attached to the existing Ordinary Shares of the Company or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the Net Asset Value per Ordinary Share.
- (b) For this purpose, a **Qualifying C Share Issue** means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of Subscription Shares or warrants (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

#### **5. Modification of Rights**

All or any of the rights for the time being attached to the Subscription Shares and any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a special resolution of the Subscription Shareholders.

#### **6. Purchase**

The Company and its subsidiaries shall have the right to purchase Subscription Shares in the market, by tender or by private treaty but:

- (a) such purchases will be limited to a maximum price per Subscription Share which, in the case of purchases through the market, will not exceed the higher of (i) 5 per cent. above the average of the middle market quotations (as derived from the Official List) for the 5 consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the value of a Subscription Share calculated on the basis of the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out; and
- (b) if such purchases are by tender, such tender will be available to all Subscription Shareholders alike.

All Subscription Shares so purchased shall forthwith be cancelled and shall not be available for re-issue or resale.

#### **7. Transfer**

Each Subscription Share will be in registered form and will be transferable:

- (a) in the case of Subscription Shares held in certificated form, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors; and
- (b) in the case of Subscription Shares held in uncertificated form, by giving the appropriate instructions for transfer by means of the Relevant Electronic System.

No transfer of a fraction of a Subscription Share may be effected.

## 8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Subscription Shareholder (or, in the case of joint holders, to the first named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of these terms and conditions, special resolution of the Subscription Shareholders means a resolution proposed at a meeting of the Subscription Shareholders duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.
- (c) Any determination or adjustment made pursuant to these terms and conditions by the independent financial advisers appointed by the Board shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- (d) Any references in these particulars to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (e) Subject to paragraph 3(i) above Subscription Shares carry no right to any dividend or other distribution by the Company and (save to the extent that the Directors elect in connection with an exercise of Subscription Share Rights as provided in paragraph 8(i) below) no right to be redeemed (although the Company may elect to purchase Subscription Shares pursuant to paragraph 6). Subscription Shareholders are not entitled to attend or vote at meetings of Ordinary Shareholders and have no right to share in any surplus in the event of liquidation beyond the right to be repaid the sum of one pence, being the nominal value of each Subscription Share (in receipt of which conversion rights have not been exercised) held (which rights rank immediately after the rights of the Ordinary Shareholders to be repaid the nominal value of 25p for each Ordinary Share (but subject to paragraph 3(i) above)).
- (f) If, immediately after any Subscription Date (other than the Final Subscription Date) and after taking account of any Subscription Share Rights exercised on that date, Subscription Share Rights shall have been exercised or cancelled in respect of 75 per cent. or more of the Subscription Shares originally issued (subject to the adjustment of the number of Subscription Shares in accordance with paragraph 2 of this Part IV (excluding any Ordinary Shares to which Subscription Share Rights attached to Subscription Shares purchased by the Company or any of its subsidiaries relate but including any further Subscription Shares issued in accordance with the Articles and these terms and conditions)), the Company shall be entitled at any time within the next following 14 days to serve notice in writing on the holders of the Subscription Shares then outstanding of its intention to appoint a trustee for the purposes set out in this paragraph 8(f) (the **Early Subscription Trustee**) upon the expiry of 21 days from the date of such notice (the **Notice Period**) and for this purpose the Notice Period shall expire at 3.00 p.m. on the 21st day. Such notice shall set out the Final Subscription Date and will include all necessary details and instructions to enable the exercise of the Subscription Share Rights. Forthwith after the expiry of the Notice Period, the Company shall appoint the Early Subscription Trustee who, provided that in such trustee's opinion the net proceeds of sale after deduction of all costs and expenses incurred by such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of 14 days following the expiry of the Notice Period either:
  - (i) exercise the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised immediately prior to the expiry of the Notice Period and had been exercised and sell in the market the Ordinary Shares resulting from such exercise; or
  - (ii) (if it appears to the Early Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Early Subscription Trustee shall distribute *pro rata* the proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable after such sale and in any event within 28 days after the expiry of the Notice Period, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the Early Subscription Trustee shall not exercise the Subscription Share Rights then outstanding within the period of 14 days following such expiry as set out in this paragraph 8(f) (and such trustee's decision in respect thereof shall be final and binding on all holders outstanding Subscription Shares), all Subscription Share Rights shall lapse.

- (g) Within seven days following the Final Subscription Date the Company shall appoint a trustee (the **Final Subscription Trustee**) who, provided that in such trustee's opinion the net proceeds of sale after deduction of all costs and expenses incurred by such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of 14 days following the Final Subscription Date, either:
- (i) exercise all the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised on the Final Subscription Date and sell in the market the Ordinary Shares resulting from such exercise; or
  - (ii) (if it appears to the Final Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Final Subscription Trustee shall distribute *pro rata* the proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other costs and expenses to the persons entitled thereto at the risk of such persons within 56 days of the Final Subscription Date, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. If the Final Subscription Trustee shall not exercise the Subscription Share Rights within the period of 14 days following the Final Subscription Date as set out in this paragraph 8(g) (and such trustee's decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all Subscription Share Rights shall lapse.

- (h) The Early Subscription Trustee or the Final Subscription Trustee (as appropriate) shall have no liability of any nature whatsoever where such trustee has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (i) The exercise of the Subscription Share Rights shall be effected in accordance with this paragraph 8(i) or in such manner as may be authorised by law. For the purposes of this paragraph 8(i) the **Relevant Shares** shall mean those Subscription Shares in respect of which Subscription Share Rights are exercised.
- (i) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of profits of the Company which would otherwise be available for dividend. In the event that the Directors determine to redeem the same at par out of such profits, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and shall authorise the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder's behalf for, one Ordinary Share at such price as shall represent the aggregate of:
- (a) the Conversion Price; and
  - (b) the amount of the redemption moneys to which the holder is entitled;
- and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

- (ii) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of the proceeds of a fresh issue of Ordinary Shares. In the event that the Directors determine to redeem the same at par out of such proceeds, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and shall authorise the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder's behalf for, one Ordinary Share at such price as shall represent the aggregate of:
- (a) the Conversion Price; and
  - (b) the amount of the redemption moneys to which the holder is entitled;
- and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.
- (iii) To enable such subscription to be effected, the Directors may determine to effect such subscription by means of a consolidation and sub-division of the Relevant Shares. In such case the requisite consolidation and sub-division shall be effected pursuant to the authority given by the resolution adopting the New Articles by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a Subscription Notice shall have been given in respect of the relevant Subscription Date (treating holdings of the same holders or joint holders in certificated form and uncertificated form as separate holdings, unless the Directors otherwise determine) and, if the Directors so determine, any shares allotted to such holder or joint holder pursuant to paragraph 8(i)(v) and converting (and, if necessary, sub-dividing) such consolidated share into shares of 25p each (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of which one share for every complete 25p (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of the nominal amount of the consolidated share shall be Ordinary Shares (fractional entitlements to an Ordinary Share being disregarded) and the balance (if any) of such consolidated share shall be deferred shares which shall carry the limited rights set out in the Articles but in particular will be capable of being redeemed by the Company without further authorisation.
- (iv) In relation to any Relevant Shares that are to be redeemed in accordance with paragraph 8(i)(i) or 8(i)(ii) and that are, on the Subscription Date concerned, in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the facilities and requirements of the Relevant Electronic System). Without prejudice to the generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer instruction to the operator of the Relevant Electronic System requesting or requiring the deletion of any computer based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated form to certificated form prior to the Subscription Date concerned (and in each case the Directors shall determine the procedure for such redemption).
- (v) To enable any subscription to be effected in accordance with paragraph 8(i)(i) the resolution adopting the New Articles will authorise the Directors to capitalise any part of the amount then standing to the credit of any of the Company's reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, profit and loss account or otherwise available for the purpose and the same shall be applied in paying up in full at par shares to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares exercising their Subscription Share Rights in accordance with their respective entitlements. The restrictions and limitations in the New Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to paragraph 8(i) which shall instead be effected pursuant to the authority given by the resolution adopting the New Articles.

## PART V

### GENERAL INFORMATION

#### 1. Responsibility

The Company, whose registered office appears at paragraph 2.1.6 of this Part V, and the Directors, whose names and functions appear on page 16 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

#### 2. The Company and the Manager

##### 2.1 *Incorporation*

2.1.1 The Company was incorporated in the UK with an unlimited life on 29 March 1994. The Company was incorporated as The Fleming Indian Investment Trust plc and changed its name to JPMorgan Fleming Indian Investment Trust plc on 5 February 2002 and to its current name on 9 November 2005. The Company is registered as an investment company under Section 266 of the Act with registered number 2915926.

2.1.2 The Company has at all times conducted its affairs so as to enable it to qualify as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988.

2.1.3 The Company is not regulated as a collective investment scheme by the Financial Services Authority.

2.1.4 Existing Ordinary Shares in the Company are listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. The ISIN of the Ordinary Shares is GB0003450359.

2.1.5 The principal legislation under which the Company operates is the Companies Acts and regulations promulgated thereunder. The Company is domiciled in the UK.

2.1.6 The registered office of the Company is Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ, with telephone number +44 (0) 20 7742 6000.

##### 2.2 *Principal activities of the Company*

The Memorandum of Association of the Company provides that a principal object of the Company is to carry on business as an investment trust company and to undertake all kinds of trust and agency business.

##### 2.3 *The Manager*

The Manager is a private limited company, incorporated in England and Wales on 27 February 1974 under company number 1161446. The Manager is regulated by the Financial Services Authority. The principal legislation under which the Manager operates is the Companies Acts. The address of the registered office of the Manager is 125 London Wall, London, EC2Y 5AJ with telephone number +44 (0) 20 7742 6000.

### 3. Share capital

3.1 The following table shows the authorised and issued share capital (including treasury shares) of the Company as at 31 March 2008 (being the last date in respect of which the Company has published financial information) and as at 24 September 2008 being the latest practicable date prior to the publication of this document):

	31 March 2008		24 September 2008	
	Nominal Value (£)	Number of Ordinary Shares	Nominal Value (£)	Number of Ordinary Shares
Issued share capital (fully paid)	26,187,415	104,749,662	26,187,415	104,749,662
Authorised share capital	50,000,000	200,000,000	50,000,000	200,000,000

3.2 Save as disclosed in this document, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

3.3 With effect from Admission, all of the New Ordinary Shares and Subscription Shares will be in registered form and, subject to the Ordinary Shares and Subscription Shares being admitted to and accordingly enabled for settlement in CREST, the New Ordinary Shares and Subscription Shares will be capable of being held in uncertificated form. No temporary documents of title will be issued.

3.4 The Company's issued share capital history during the last three financial years and since 30 September 2007 is as follows:

- (i) in the financial year ended 30 September 2005, the Company issued a total of 12,424,000 Ordinary Shares at an average price of 168.7 pence per share. As at 30 September 2005, the Company had 96,365,392 Ordinary Shares in issue;
- (ii) in the financial year ended 30 September 2006, the Company issued a total of 8,646,270 Ordinary Shares at an average price of 258.5 pence per share. The Company repurchased 305,000 shares for cancellation at an average price of 217.7 pence per share. As at 30 September 2006, the Company had 104,706,662 Ordinary Shares in issue;
- (iii) in the financial year ended 30 September 2007, the Company issued a total of 100,000 Ordinary Shares at an average price of 303.0 pence per share. The Company repurchased 1,214,788 Ordinary Shares into treasury at an average price of 326.5 pence per share. As at 30 September 2007, the Company had 104,806,662 Ordinary Shares in issue, including shares held in treasury; and
- (iv) in the period from 30 September 2007 to 24 September 2008, the Company repurchased 765,000 Ordinary Shares into treasury at an average price of 421.3 pence per share and 57,000 Ordinary Shares for cancellation at an average price of 475.4 pence per share.

3.5 Other than as described at paragraph 3.4 of this Part V, the Company did not repurchase any Ordinary Shares during the three financial years ended 30 September 2005, 2006 and 2007 or between 30 September 2007 and 24 September 2008 (being the latest practicable date prior to the publication of this document).

3.6 The Company was authorised to issue Ordinary Shares by virtue of the resolutions passed at an annual general meeting held on 24 January 2008. The resolutions passed were as follows:

1. THAT in substitution for all previous authorities the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £2,620,167 or, if less, 10 per cent. of the total ordinary share capital in issue immediately preceding the passing of this resolution such authority to expire on the conclusion of the annual general meeting in 2009, unless previously revoked, varied or extended by the Company in general meeting.

2. THAT subject to the passing of the resolution set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Act to allot (within the meaning of Section 94(3A) of the Act) equity securities (within the meaning of Section 94(2) of the Act) wholly for cash as if Section 89(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment (within the meaning of Section 94(3A) of the Act) of equity securities (including any issue of shares for cash out of treasury) for cash up to an aggregate nominal amount of £2,620,167, representing approximately 10 per cent. of the Company's total ordinary share capital in issue as at the date of the passing of this resolution and shall expire on the conclusion of the annual general meeting of the Company to be held in 2009, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

3.7 At the same annual general meeting of the Company a resolution authorising the Company to make market purchases of Ordinary Shares was passed as follows:

THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Act to make market purchases (within the meaning of Section 163 of the Act) of its issued Ordinary Shares of 25p each in the capital of the Company,

PROVIDED ALWAYS THAT:

- (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 15,710,519 or, if less, that number of shares which is equal to 14.99 per cent. of the Company's issued share capital as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for an Ordinary Share shall be 25p;
- (iii) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share taken from and calculated by reference to the SEDOL for the five Business Days immediately preceding the day on which the share is purchased;
- (iv) any purchase of Ordinary Shares will be made in the market for cash at prices below the prevailing net asset value per Ordinary Share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 25 July 2009 unless the authority is renewed at the Company's Annual General Meeting in 2009 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Ordinary Shares pursuant to any such contract notwithstanding such expiry.

3.8 At the General Meeting Shareholders will be asked to pass the following resolutions in relation to the Company's share capital to:

- (i) increase the Company's share capital from £50,000,000 to £62,850,000 by the creation of 35,000,000 Subscription Shares of one pence each and by the creation of a further 50,000,000 Ordinary Shares of 25p each;
- (ii) (in substitution for the authority granted at the annual general meeting of the Company held on 24 January 2008 referred to in paragraph 3.6 above) authorise the Directors to allot shares pursuant to the Issue (including the Subscription Share Rights) and the Bonus Issue (including the Subscription Share Rights), together with additional authority to allot shares up to a maximum nominal amount of £4,642,500 or, if less, 10 per cent. of the total ordinary share capital in issue following implementation of the Issue and the exercise of any Subscription Share Rights prior to the date of such allotment (the **Additional Allotment Authority**);

- (iii) (in substitution for the authority granted at the annual general meeting of the Company held on 24 January 2008 (referred to in paragraph 3.6 above) authorise the Directors to allot shares in connection with the Issue and the Additional Allotment Authority without regard to statutory pre-emption rights);
  - (iv) authorise the Directors to capitalise any amount standing to the credit of any of the share premium account, capital redemption reserve, profit and loss account in order to pay up to 21,000,000 Subscription Shares to be issued pursuant to the Bonus Issue;
  - (v) adopt the New Articles to, *inter alia*, provide for the Subscription Shares; and
  - (vi) (in substitution for the authority granted at the annual general meeting held on 24 January 2008 referred to in paragraph 3.7 above), authorise the Company to make market purchases of the Subscription Shares and the Ordinary Shares up to 14.99 per cent. of each class.
- 3.9 Subject to the Act, any equity shares issued by the Company for cash must first be offered to existing Shareholders in proportion to their holdings of Ordinary Shares. Both the Act and the Listing Rules allow for disapplication of pre-emption rights which may be waived by a special resolution of the shareholders, either generally or specifically, for a maximum period not exceeding five years. The pre-emption rights have currently been disappplied to the extent referred to in paragraph 3.6 above, and it is proposed that they be disappplied (in substitution for the existing authority) to the extent referred to in paragraph 3.8(iii) above.
- 3.10 Each New Ordinary Share will rank in full for all dividends and distributions declared made or paid after their issue and otherwise *pari passu* in all respects with the Existing Ordinary Shares and will have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each Existing Ordinary Share, as set out in the New Articles. The Subscription Shares will have the rights described in Part IV of this Document. The New Ordinary Shares and the Subscription Shares will be denominated in Sterling.

#### **4. Memorandum of Association and Articles**

The Memorandum of Association and the Articles contain, *inter alia*, material provisions as summarised in paragraphs 4.1 and 4.2 below, the proposed changes to the Articles that will be effected if the New Articles are adopted at the General Meeting relate to the rights attaching to the Subscription Shares (these rights are summarised in Part IV of this Document) and to take into account recent legal developments and other technical matters (these proposals are explained in the Notice of General Meeting).

##### **4.1 Memorandum of Association**

One of the Company's principal objects is to carry on the business of an investment trust company and to undertake all kinds of trust and agency business. The objects of the Company are set out in full in clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 22 of this Part V.

##### **4.2 Articles**

Set out below is a summary of the provisions of the Existing Articles. If Resolution 1 is passed at the General Meeting the New Articles will be adopted and a summary of the provisions which will be contained in the New Articles if such resolution is passed is set out in the Circular.

###### **4.2.1 Share capital**

The Company's authorised share capital consists of ordinary shares.

The Shares have such rights, preferences and restrictions attached to them as are set out in the Articles.

The Articles do not confer any additional rights for the holders of ordinary shares to share in any surplus in the event of the liquidation of the Company other than rights provided by legislation.

#### 4.2.2 *Variation of rights*

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Act as amended and every other statute for the time being in force concerning companies and affecting the Company (the **Statutes**), be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. At every such separate general meeting the necessary quorum shall be at least two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum) and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him. Where the rights of some only of the shares of any class are to be varied, the foregoing provisions apply as if each group of shares of the class differently treated formed a separate class whose rights are to be varied.

#### 4.2.3 *Alteration of share capital*

The Company may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (iii) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled; and
- (iv) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Statutes), and by the same resolution may confer special rights or restrictions on any of the shares resulting from the sub-division.

Subject to the provisions of the Statutes, the Company may purchase any of its own shares (including any redeemable shares), provided that, should any class of convertible shares be in issue at the date on which any such purchase is authorised by members as required by the Statutes, no such purchase shall take place unless and until it has been sanctioned by an extraordinary resolution passed at a separate general meeting of the holders of each such class of convertible shares.

Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

#### 4.2.4 *Issue of shares*

Subject to the provisions of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in general meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring

a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

#### 4.2.5 *Transfer of shares*

Any member may transfer all or any of his shares by instrument of transfer in writing in any usual or common form or in any other form which the Directors may approve and need not be under seal. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of fully-paid shares, by or on behalf of the transferee. The registration of transfers either generally or in respect of any class of shares may be suspended by the Directors at any time, provided that the register of members may not be closed for more than thirty days in any year. The Directors may refuse to recognise an instrument of transfer unless:

- (a) it is in respect of only one class of share; and
- (b) it is lodged at the transfer office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may in their absolute discretion refuse to register any transfer of shares other than fully-paid shares.

#### 4.2.6 *General meetings*

Annual general meetings of the Company shall be held at least once each year. Other meetings of the Company shall be called extraordinary general meetings.

The notice period for annual general meetings of the Company and any extraordinary general meeting at which it is proposed to pass a special resolution shall be not less than 21 clear days. The notice period for any other extraordinary general meeting shall not be less than 14 clear days. Notices of general meetings shall specify the time and place of the meeting. In every notice there should appear a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member.

The quorum for a general meeting shall be two members present in person or by proxy and entitled to vote. If within five minutes after the time appointed for the meeting a quorum is not present, or if during a meeting a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. If otherwise convened, it shall stand adjourned to such other day and such time and place as may have been specified for the purpose in the notice convening the meeting or (if not so specified) as the chairman may determine. The chairman of the Board or, failing him, a deputy chairman, shall preside as chairman at a general meeting of the Company, subject to the right of the Directors present at any meeting to appoint a chairman if neither the chairman nor deputy chairman of the Board is present within five minutes after the time appointed for holding the meeting, and subject to the right of the members present to appoint a chairman from among their number should no Director be present or should all of the Directors present decline to act as chairman.

#### 4.2.7 *Votes of members*

Subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for each share of which he is the holder. No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a general meeting or a meeting of the holders of any class of shares either personally or by proxy or to exercise any other right conferred by membership in relation to such meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid or if that member or

any other person appearing to be interested in shares held by him in the Company shall have been served with a notice under Section 212 of the Act and be in default for a period of 14 days from such service in supplying the information thereby required.

#### 4.2.8 *Dividends*

- (i) The Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.
- (ii) No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. Any surplus over the book value derived from the sale or realisation of any capital asset and any other sums representing capital profits within the meaning of Section 265 of the Act or other accretions to capital assets shall not be available for dividend or other distribution within the meaning ascribed thereto by Section 263(2) of the Act otherwise than by way of the redemption or purchase of any of the Company's own shares in accordance with Section 160 or 162 in Chapter VII or Part V of the Act.
- (iii) Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and revert to the Company.

#### 4.2.9 *Untraced shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years, no communication has been received by the Company from the member or the person entitled by transmission and no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the member or person entitled by transmission at his address on the register of members or other last known address given by such person has been cashed and at least three dividends have become payable in relation to such shares during those 12 years and no such dividend has been claimed and within a further period of three months from the date of newspaper advertisements giving notice of its intention to sell such shares placed after the expiry of the period of 12 years the Company has not received any communication from the member or the person entitled by transmission and notice has been given by the Company to the London Stock Exchange of its intention to make such sale. The Company shall be obliged to account to the former member or person entitled by transmission for the net proceeds of the sale of such shares but no trust shall be created in respect of the debt and no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds.

#### 4.2.10 *Suspension of share rights*

If a member or any person appearing to be interested in shares held by such member has been duly served with a notice pursuant to Section 793 of the 2006 Act and the Company has not received the information required with the prescribed period, then, unless the Directors otherwise determine, the member shall not be entitled to attend or vote (personally or by proxy) at a general meeting or to exercise any other right conferred by membership in relation to general meetings.

Where the shares in respect of which the Company has not received the information required represent 0.25 per cent. or more of the issued shares of the class the Directors may further direct in their absolute discretion that:

- (i) any dividend or other monies otherwise payable in respect of such shares shall be retained by the Company; and/or
- (ii) no transfer of any of the shares held by the member shall be registered unless the transfer is an approved transfer or:
  - (a) the member is not himself in default in supplying the required information; and
  - (b) the transfer is only part of the member's holding and when presented for registration is accompanied by a certificate certifying that the shares transferred are not shares in relation to which the default has occurred.

#### 4.2.11 *Directors*

- (i) Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than three nor more than eight in number.
- (ii) Directors shall not be required to hold any shares in the Company by way of qualification. A Director who is not a member shall nevertheless be entitled to attend and speak at any general meeting.
- (iii) The ordinary remuneration of the Directors shall from time to time be determined by the Directors but shall not in aggregate exceed £150,000 per annum or such higher amount as may from time to time be determined by an ordinary resolution of the Company. Such remuneration shall be divisible among the Directors as they may agree or, failing agreement equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. The Directors may also be paid all reasonable expenses incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings or otherwise in connection with the business of the Company. Any Director who holds any executive office or who serves on any committee of the Directors or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine. The Directors shall have power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director or ex-Director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums. The Directors may purchase and maintain insurance for, or for the benefit of, any persons who are or were directors, officers or employees of the Company or any associated company or who are or were trustees of any pension fund in which employees of the Company or any associated company are interested.
- (iv) The Directors may from time to time appoint one or more of their body to any executive office (including, where considered appropriate, the office of Chairman or Deputy Chairman) on such terms and for such periods as they may (subject to the provisions of the Statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.
- (v) A Director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of auditor) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefor and in any such case as aforesaid (save as otherwise agreed by

him) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

- (vi) Save as otherwise provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he, together with any person connected with him, has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of, or otherwise in or through, the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote. Subject to the provisions of the Statutes, a Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
  - (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which offer he is or is to be interested as a participant;
  - (d) any proposal concerning any other body corporate in which he is interested, directly or indirectly, and whether as an officer or member or otherwise, provided that he (together with persons connected with him) is not beneficially interested in one per cent. or more of the issued shares of any class of such body corporate (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed to be a material interest in all circumstances);
  - (e) any proposal concerning the adoption, modification or operation of a superannuation fund, retirement, death or disability benefits scheme or employees' share scheme under which he may benefit and which either (a) has been approved, or is conditional upon approval, by the HM Revenue and Customs for taxation purposes or (b) relates to both employees and Directors of the Company (or any of its subsidiary undertakings) and does not accord him any privilege or benefit not accorded to the employees to whom the scheme or fund relates; or
  - (f) any proposal concerning the giving to him of any indemnity pursuant to the provisions of the Articles or concerning insurance which pursuant to the provisions of the Articles the Company is empowered to maintain and/or purchase for the benefit of any Directors or persons who include Directors.
- (vii) At each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation. Subject to the provisions of the Statutes, the Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those subject to retirement by rotation who have been longest in office since their last re-election and so that as between persons who became or were last re-elected Directors on the same day

those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

- (viii) Any provision of the Statutes which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as a Director or liable to vacate office as a Director on account of his having reached any specified age or requiring special notice or any other special formality in connection with the appointment of any Director over a specified age, shall not apply to the Company.

## **5. Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares**

### **5.1 *Mandatory bid***

The City Code on Takeovers and Mergers (the **City Code**) applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquiror or his concert parties during the previous 12 months.

### **5.2 *Compulsory acquisition***

Under sections 974 – 991 of the 2006 Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the 2006 Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## **6. Valuation policy**

The NAV per Ordinary Share is calculated each Business Day by the Manager. For the purposes of calculating the NAV per Ordinary Share, the Company's listed investments are valued at bid 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. Where premiums are payable by foreign investors, the market value, for the purpose of the accounts, includes the premium. Unlisted investments are valued by the Board. In making their valuations, the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

As at 24 September 2008 (being the latest practicable date prior to the publication of this document), the unaudited NAV per Ordinary Share was 306.5 pence per Ordinary Share and the unaudited NAV of the Company was £314,989,519.

## **7. Borrowing**

Subject to the Companies Acts, the Memorandum of Association of the Company and the Articles and to any directions given to the Company in the general meeting, the Directors shall manage the Company's business and can use all the Company's powers. In particular, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Group and for the time being owing to persons outside the Group shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the adjusted capital and reserves (as defined in the Articles).

The Company currently has no long-term fixed liabilities.

## **8. Interests of directors, major shareholders and related party transactions**

### **8.1 Directors' interests**

As at 24 September 2008 (being the latest practicable date before the publication of this document), the Directors had a beneficial interest in the following number of Ordinary Shares:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued ordinary share capital</i>
Hugh Bolland	10,000	—
Vijay Joshi	3,900	—
Pierre Dinan	—	—
Richard Burns	10,000	—
Peter Sullivan	—	—

8.2 The Directors do not intend to subscribe for any New Ordinary Shares (with Subscription Shares attached) pursuant to the Issue.

8.3 Save as disclosed in paragraphs 8.1 and 8.2 above, immediately following Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiary undertakings.

#### 8.4 *Directors' contracts with the Company*

8.4.1 None of the Directors provides his services to the Company pursuant to a service contract with the Company. Their appointments are subject to the terms of their letters of appointment.

Hugh Bolland is engaged by the Company as a non-executive director. Mr. Bolland commenced in that office on 22 September 2004. He will be subject to re-election at the annual general meeting of the Company to be held in 2010.

Vijay Joshi is engaged by the Company as a non-executive director. Mr. Joshi commenced in that office on 17 May 1995. He will be subject to re-election at the annual general meeting of the Company to be held in 2011.

Pierre Dinan is engaged by the Company as a non-executive director. Mr. Dinan commenced in that office on 31 December 2002. He will be subject to re-election at the annual general meeting of the Company to be held in 2009.

Richard Burns is engaged by the Company as a non-executive director. Mr. Burns commenced in that office on 1 December 2006. He will be subject to re-election at the annual general meeting of the Company to be held in 2009.

Peter Sullivan is engaged by the Company as a non-executive director. Mr. Sullivan commenced in that office on 1 October 2007. He will be subject to re-election at the annual general meeting of the Company to be held in 2010.

8.4.2 In the financial year ended 30 September 2007, Philip Daubeney received a Director's fee of £25,000, Hugh Bolland received a Director's fee of £20,000, David Baker received a Director's fee of £17,500, Richard Burns received a Director's fee of £14,583, Iain Saunders received a Director's fee of £5,654 and both Pierre Dinan and Vijay Joshi received a Director's fee of £17,500. The Directors were not paid any amount of remuneration by way of benefits in kind, pension contributions and any contingent or deferred compensation by the Company for their services in all capacities to the Company. Accordingly, there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors.

8.4.3 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.

#### 8.5 *Other interests*

Over the five years preceding the date hereof, the Directors have held the following directorships (apart from their directorships of the Company) and/or partnerships:

8.5.1 Hugh Bolland is currently also director of JPMorgan Indian Investment Company (Mauritius) Limited, Alliance Trust plc, Ark Group Limited, Fidelity Asian Values plc, Schroder Split Fund plc and St. Edwards School. He was previously director of Schroder Investment Management (UK) Limited, Schroder Investment Management Limited, Schroder European Property Advisors Limited, Schroder Property Investment Management, Schroder & Co Limited and Newsphere Trading Company Limited.

8.5.2 Pierre Dinan is currently also a director of JPMorgan Indian Investment Company (Mauritius) Limited. He was also formerly a director of Multiconsult, which is employed to act as secretary and administrator to the Mauritian Subsidiary.

8.5.3 Richard Burns is currently a director of JPMorgan Indian Investment Company (Mauritius) Limited, The Bankers Investment Trust plc, EP Global Opportunities Trust plc, Mid Wynd International Investment Trust plc, Standard Life Equity Income Trust plc, Adaptive Venture Managers Ltd., AE Patents Ltd., AE Investments Ltd., and The Army and Navy Investment Company Ltd. He retired as a director of The Baillie Gifford Japan Trust Ltd. in 2005 and as a partner of Baillie Gifford & Co in 2006 and ceased to be a director of Tartan TV Ltd. in 2008.

- 8.5.4 Peter Sullivan is currently chief executive officer for Standard Chartered Bank (Hong Kong) Limited.
- 8.5.5 Save as set out above, none of the Directors has any conflict of interest between any duties to the Company and to his private interest or to any other duties.
- 8.6 The Directors in the five years before the date of this Prospectus:
- 8.6.1 do not have any convictions in relation to fraudulent offences;
- 8.6.2 have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and
- 8.6.3 do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management of supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

8.7 **Major shareholders**

- 8.7.1 As at 24 September 2008 (being the latest practicable date before publication of this document) insofar as known to the Company, the following parties were known to be interested in three per cent. or more of the Ordinary Shares (being the threshold of notification under the Disclosure and Transparency Rules):

<i>Shareholder</i>	<i>Holding</i>	<i>%</i>
Puddle Dock Nominees Limited	14,054,212	13.42
Sarasin Chiswell	6,516,296	6.34
HBOS plc	5,015,838	4.88
Legal & General Investment Management	4,183,458	4.03
Rathbone Nominees Limited	3,205,984	3.06

- 8.7.2 All Shareholders have the same voting rights in respect of the share capital of the Company.
- 8.7.3 The Company and the Directors are not aware of any person, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 8.7.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

8.8 **Related party transactions**

The Company was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three financial years to 30 September 2005, 2006 and 2007 or during the period 1 October 2007 to 24 September 2008 (being the latest practicable date before publication of this document) other than entry into the Management Agreement (described in paragraph 11 of this Part V).

8.9 **Other material interests**

The Company is receiving legal and financial advice from Norton Rose LLP and JPMorgan Cazenove respectively, in addition to certain administrative services from third parties in connection with the Bonus Issue and the Issue. The legal and financial advisers act for many other clients, including others in the investment funds sector and, on occasion, the professional advisers may face conflicts of interest as a result of acting both for the Company and such other clients. In the event of a conflict of interest, the legal and financial advisers will take such reasonable steps to ensure it is resolved fairly.

None of the directors has any conflict of interest between any duties to the Company and his private interests and any other duties. The Manager, any of its directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an **Interested Party**) may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

## **9. Share options and share scheme arrangements**

Subject to the Subscription Share Rights attaching to the Subscription Shares, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

## **10. Investment restrictions**

The Company will at all times invest and manage its assets in accordance with its published investment policy as set out on page 23 of this document.

In order to comply with the Listing Rules, the Company will not invest more than 10 per cent., in aggregate, of the value of its total assets (calculated at the time of any relevant investment) in other closed-ended investment funds admitted to the Official List (save to the extent that those closed-ended investment funds have stated investment policies to invest no more than 15 per cent. of their gross assets in such other closed-ended investment funds).

In order to gain approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988, the Company is required to operate under certain constraints. These include the following limits on investments and operations:

- no single investment may exceed 15 per cent. of the Company's investments at the time of investment;
- the Company may not retain more than 15 per cent. of its eligible investment income;
- at least 70 per cent. of income must be eligible investment income, consisting of income deriving from shares and securities or eligible rental income but not bank deposit income; and
- the Company may not distribute capital profits by way of dividend.

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager through an announcement via a Regulatory Information Service.

## **11. Material contracts**

Save as described below, the Company has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this document; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this document.

### **11.1 *The Placing and Offer Agreement***

Under the Placing and Offer Agreement, dated 30 September 2008, between the Company, the Manager and JPMorgan Cazenove, JPMorgan Cazenove has been appointed as sole sponsor and financial adviser to the Company in connection with the Issue and the Bonus Issue and has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for New Ordinary Shares (with Subscription Shares attached) under the Placing at the Issue Price and to act as sponsor for the purposes of the Listing Rules in respect of the Offer. For its services in connection with the Issue and provided the Placing and Offer Agreement becomes wholly unconditional and is not terminated, JPMorgan Cazenove is entitled to fees and commission at the rates specified below:

- (i) a corporate finance fee of £150,000; and
- (ii) a commission of 1 per cent. on an amount equal to the number of New Ordinary Shares, multiplied by the Issue Price, issued pursuant to the Issue.

In addition, JPMorgan Cazenove will be entitled to be reimbursed for its properly incurred out-of-pocket expenses incurred in connection with the Issue and Admission. Under the Placing and Offer Agreement, which may be terminated by JPMorgan Cazenove in certain limited circumstances prior to Admission, the Company and the Manager have given certain market standard warranties and indemnities to JPMorgan Cazenove concerning, *inter alia*, the accuracy of the information contained in this document.

### 11.2 **Management Agreement**

Under the terms of the Management Agreement, dated 24 September 2003, the Manager is responsible for the investment management of the Company's portfolio of assets on a discretionary basis, subject, *inter alia*, to the Company's investment objectives and restrictions and the overall supervision of the Directors, and for the provision of all services of a secretarial, accounting and administrative nature (excluding registration services) to the Company (including the provision of periodic statements to the Company, setting out the value and composition of the Company).

The Management Agreement provides for the Manager to receive a management fee at the annual rate of 0.6 per cent. of the Company's total assets less current liabilities, calculated and paid monthly in arrears. Funds and similar schemes, both closed and open-ended, managed or advised by the Manager or any of its associated companies, on which a fee is already charged by the Manager or any of its associated companies, are excluded from the calculation and therefore attract no direct management fee.

The Management Agreement may be terminated by either party giving to the other at least twelve months' notice in writing. It is a requirement of the Articles that a vote be put to Shareholders at certain general meetings for the continuation of the Company as an investment trust. If such a vote is not passed the Management Agreement may be terminated at a date which could be less than the required twelve months' notice. In such circumstances the Manager will not be entitled to receive a management fee for a period which exceeds the termination date.

The Management Agreement contains an indemnity in favour of the Manager against claims by third parties, except insofar as the same may result from the negligence, wilful default or fraud of the Manager or its employees, or any party to whom the Manager has delegated any of its functions.

The Manager and any associate may effect transactions, in which it or an associate has directly, or indirectly, a material interest or a relationship with another party, which may involve a potential conflict with its duty to the Company. The Manager will ensure that such transactions are effected on terms which are not materially less favourable to the Company than if the potential conflict had not existed. The Manager will normally act as the agent of the Company. Nevertheless none of the services to be provided to the Company will give rise to fiduciary or equitable duties which would prevent or hinder the Manager, or any associate, in transactions with or for the Company, from acting as both market maker and broker or principal and agent, or generally effecting transactions to which the Company consents accordingly.

### 11.3 **Mauritian Subsidiary Management Agreement**

Under the terms of the Mauritian Subsidiary Management Agreement dated 1 October 1999, the Mauritian Subsidiary Manager is responsible for the management of the Mauritian Subsidiary's portfolio of assets entrusted to them on a full discretionary basis subject, *inter alia*, to the investment objectives, restrictions and guidelines set out in the Mauritian Subsidiary Management Agreement. The Mauritian Subsidiary Manager is also responsible for providing the Mauritian Subsidiary with written valuations of the Fund, summaries of transactions and an investment manager's report.

The Mauritian Subsidiary Management Agreement provides for the Mauritian Subsidiary Manager to receive a management fee of the annual rate of 0.6 per cent. of the chargeable assets of the portfolio of assets entrusted to the Mauritian Subsidiary Manager for their management calculated and paid monthly in arrears. Where investments of the Mauritian Subsidiary are in units or shares in collective investment schemes managed or issued by the Mauritian Subsidiary Manager or any of its associated companies, the value of such units or shares shall be deducted from the value of the portfolio of assets for the purposes of calculating the management fee. The Mauritian Subsidiary Management Agreement may be terminated by the Mauritian Subsidiary on one year's written notice (such termination to be effective on receipt by the Mauritian Subsidiary Manager of such notice subject to the completion of outstanding transactions). The Mauritian Subsidiary Manager may also terminate the Mauritian Subsidiary Management Agreement by immediate notice if required to do so by any competent regulatory authority. Either party may terminate the Agreement forthwith if the other commits any breach of its obligations under the Mauritian Subsidiary Management Agreement and fails to make good such breach within 30 days of receipt of notice requiring it to do so or if the other party shall go into liquidation (except voluntary liquidation for the purposes of reconstruction or amalgamation upon previously approved terms) or a receiver is appointed over any of its assets. In the event of a termination, the Mauritian Subsidiary shall be required to pay, *inter alia*, the Mauritian Subsidiary Manager's fee *pro rata* to the date of termination.

The Mauritian Subsidiary Management Agreement contains an indemnity in favour of the Mauritian Subsidiary Manager's liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements except where they result from the wilful misfeasance, negligence, bad faith or reckless disregard of the obligations of the Mauritian Subsidiary Manager's duties by the Mauritian Subsidiary Manager, its directors, officers or employees.

#### 11.4 *Custody Agreement*

JPMorgan Chase Bank, National Association, London Branch, acts as Custodian pursuant to the Custody Agreement. The Custodian is a company organised under the laws of the State of New York with limited liability. Its main office is in Ohio, USA and it was registered as a branch in England and Wales with registration number BR000746 on 11 April 1960. The Custodian is authorised and regulated by the FSA with firm reference number 124491. The telephone number of the Custodian is +44 (0) 20 7777 4153.

The fees of the Custodian are paid by the Group and the Company. The fees of the Custodian vary depending on the value of assets under custody and the countries in which those assets are located. In the year to 30 September 2007 the fees of the Custodian were £621,000 payable by the Group and £6,000 payable by the Company. The Custody Agreement contains an indemnity in favour of the Custodian against claims by third parties except to the extent that the claim arises from the negligence, fraud or wilful default of the Custodian. The Custody Agreement may be terminated by either party giving to the other not less than 60 days' notice in writing or otherwise in circumstances where, *inter alia*, either party goes into liquidation or there is an un-remedied material breach.

Subject to exercising its duties of supervision and control as prescribed by the rules of the FSA, the Custodian is authorised to act through and hold the Company's investments with sub-custodians. The Custodian will use reasonable care in the selection and appointment of sub-custodians. The applicable sub-custodians who are appointed by the Custodian as at the date of this document and who might be relevant for the purposes of holding the Company's investments are:

<i>Country</i>	<i>Name of sub-custodian</i>	<i>Regulatory status of sub-custodian</i>
Hong Kong	The Hong Kong and Shanghai Banking Corporation Limited	Regulated as a licensed bank by the Hong Kong Monetary Authority
India	The Hong Kong and Shanghai Banking Corporation Limited	Regulated as a foreign bank by the Reserve Bank of India
	Standard Chartered Bank	Regulated as a foreign bank by the Reserve Bank of India

## **12. UK taxation**

### **12.1 Introduction**

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

The information contained in this Prospectus relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors and is based upon the law and practice currently in force and is subject to changes therein. All potential investors, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of subscribing for, purchasing, holding, converting or selling Ordinary Shares or Subscription Shares under the laws of their country and/or state of citizenship, domicile or residence.

### **12.2 The Company and the Mauritian Subsidiary**

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. However, neither the Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following the issue of New Ordinary Shares or Subscription Shares pursuant to the Issue or the Bonus Issue. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way. Income arising from any overseas investments may be subject to foreign withholding tax at the relevant jurisdiction's applicable rate, but relief may be available under the terms of an applicable double tax treaty.

### **12.3 Shareholders**

12.3.1 For the purposes of United Kingdom capital gains tax and corporation tax on chargeable gains (CGT), the receipt of the Subscription Shares arising from the Bonus Issue will be a re-organisation of the share capital of the Company. Accordingly, the Subscription Shares will be treated as the same asset as the Shareholder's holding of Ordinary Shares and as having been acquired at the same time as the Shareholder's holding of Ordinary Shares was acquired. As a result of the Bonus Issue the Shareholder's original base cost in his or her Ordinary Shares will be apportioned between his or her Ordinary Shares and the Subscription Shares by reference to their respective market values on the day in which the Subscription Shares are admitted to trading on the London Stock Exchange's Main List. That is to say, the base cost of such a Shareholder's Ordinary Shares is deemed to be the actual base cost to the Shareholder of those Ordinary Shares multiplied by a fraction whose numerator is a and whose denominator is (a+b), where a is the market value of the Ordinary Shares on the day on which the Subscription Shares are admitted to trading, and b is the market value of the Subscription Shares on the same date. The base cost of the Subscription Shares is deemed to be the actual base cost of the Ordinary Shares less the deemed base cost of the Ordinary Shares calculated as described above.

The Issue Price paid for New Ordinary Shares will be apportioned between those New Ordinary Shares and any Subscription Shares attaching thereto by reference to their respective market values on the day on which the Subscription Shares are admitted to trading.

On the exercise of the right to convert any Subscription Shares into Ordinary Shares, the Ordinary Shares issued pursuant to the Subscription Share Rights will be treated as the same asset as the Subscription Shares in respect of which the Subscription Share Rights are exercised. The base cost of each such Ordinary Share will be the deemed base cost of the Subscription Share that it replaces, calculated as described above, plus the Conversion Price.

### 12.3.2 *Taxation of capital gains*

Individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax at the flat rate of 18 per cent. in respect of any gain arising on a disposal or deemed disposal of their Ordinary Shares or Subscription Shares. No indexation allowance will be available to such Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £9,600 for the tax year 2008-2009.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Capital losses realised on a disposal of Ordinary Shares or Subscription Shares must be set as far as possible against chargeable gains for the same tax year (or accounting period in the case of a Corporate Shareholder), even if this reduces an Individual Shareholder's total gain below the annual exemption. Any balance of losses is carried forward without time limit and set off against net chargeable gains (that is, after deducting the annual exemption) in the earliest later tax year. Losses cannot generally be carried back, with the exception of losses accruing to an individual Shareholder in the year of his death.

### 12.3.3 *Taxation of dividends*

Under current tax law, the Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual UK resident shareholder will be liable to income tax on the sum of the tax credit and the dividend (the **gross dividend**) which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a UK resident individual liable to income tax at the higher rate will be 32.5 per cent. to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for higher rate income tax. In the case of such Shareholder's liability, the tax credit will be set against, but will

not fully match, their tax liability on the gross dividend. After taking account of the 10 per cent. tax credit, such Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which equals 25 per cent. of the cash dividend received) to the extent that it falls above the threshold for higher rate income tax.

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit. This will include a Shareholder who holds the Ordinary Shares or the Subscription Shares through an ISA.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

UK resident corporate Shareholders will generally not be subject to corporation tax on dividends paid by the Company but will not be able to claim a repayment of the tax credit attaching to the dividends.

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. It is particularly important that shareholders who are not resident in the UK for tax purposes obtain their own tax advice concerning tax liabilities on dividends received from the Company.

#### 12.3.4 *Stamp duty and stamp duty reserve tax*

Transfers on sale of Ordinary Shares or Subscription Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares or Subscription Shares will normally give rise to a charge to stamp duty reserve tax (**SDRT**) at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares or Subscription Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

Where Ordinary Shares or Subscription Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the Ordinary Shares or the Subscription Shares. This liability for stamp duty or SDRT will strictly be payable by the clearance service or depositary receipt operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt scheme.

#### 12.3.5 *ISAs*

The Ordinary Shares or Subscription Shares should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits (£7,200 for the 2008-2009 tax year). Investments held in ISAs will be free of UK tax on both capital gains and income. The

opportunity to invest in Ordinary Shares or Subscription Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. The Conversion Price paid upon any exercise of the right to convert Subscription Shares into Ordinary Shares would contribute towards the annual subscription limit in the year in which the Subscription Share Right was exercised, unless the Conversion Price were paid out of cash already within the Shareholder's stocks and shares ISA, or with cash subscribed in the same tax year to a cash ISA held by the Shareholder and transferred to the Shareholder's stocks and shares ISA. Sums received by a Shareholder on a disposal of Ordinary Shares or Subscription Shares would not count towards the Shareholder's annual limit; but a disposal of Ordinary Shares or Subscription Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year. Individuals wishing to invest in Ordinary Shares or Subscription Shares through an ISA should contact their professional advisers regarding their eligibility.

#### 12.3.6 *Self-Invested Personal Pensions ("SIPPs")*

The Shares in the Company will constitute permitted investments for SIPPs.

### **13. Indian and Mauritian Taxation**

#### ***India***

The Company as an investor in the Mauritian Subsidiary is not taxed in India in respect of its income from the Mauritian Subsidiary unless the Company and/or the Mauritian Subsidiary is tax resident in India or such income is received in India. The Company will be tax resident in the United Kingdom and such income will not be received in India. The Company is not liable to Indian capital gains tax on Indian securities issued outside India and quoted on non-Indian Stock Exchanges.

As described below under "Mauritius", the Mauritian Subsidiary is tax resident in Mauritius and therefore eligible for the benefits under the India/Mauritius Double Tax Treaty. Also, it is intended that the activities of the Mauritian Subsidiary will be conducted in a manner that it does not result in a permanent establishment in India.

Based on the above, under the India/Mauritius Double Tax Treaty, capital gains derived from the transfer of shares of the Indian investee companies will not be subject to tax in India.

Dividends received from companies in India are not chargeable to tax in the hands of Indian shareholders. However, the companies declaring the dividends are subject to a dividend distribution tax at an effective rate of 14.025 per cent. (inclusive of a surcharge at 10 per cent. and education cess at 2.5 per cent.).

In the event the benefits of the India/Mauritius Double Tax Treaty are denied or are not available to the Mauritian Subsidiary, then the Mauritian Subsidiary would be liable to tax as per the Indian domestic taxation laws as follows.

The Mauritian Subsidiary is registered as an FII. The long-term capital gains derived by an FII from the transfer of shares on a recognized stock exchange in India are not chargeable to tax. However, if the sale of shares is not on a recognized stock exchange in India, then the same is chargeable to tax at 10 per cent. Further, short-term capital gains arising from the transfer of shares on a recognized stock exchange in India would be charged to tax at 10 per cent. and at 30 per cent. if the sale is otherwise than on a recognized stock exchange in India. The above rates would be further subject to surcharge (currently at 2.5 per cent.) and education cess (currently at 2 per cent.). A securities transaction tax is payable in the case of the transfer of shares on a recognized stock exchange in India.

#### ***Mauritius***

The Mauritian Subsidiary holds a category one global business licence under the Mauritius Financial Services Act 2007. As such the Mauritian Subsidiary will be tax resident in Mauritius.

Capital gains derived from the sale of shares in Indian companies held by the Mauritian Subsidiary are not subject to Mauritian tax. The Company does not pay tax in Mauritius on the subscription for or disposal of shares held in the Mauritian Subsidiary. Further, dividend and capital distributions by means of a redemption of shares from the Mauritian Subsidiary to the Company are exempt from Mauritian income tax.

Under current rules, the Mauritian Subsidiary is subject to Mauritian income tax on dividends it receives from its Indian investments at the rate of 15 per cent. However, the Mauritian Subsidiary is allowed a credit for foreign tax on its income which is not derived from Mauritius against the Mauritius tax computed by reference to that same income. If no written evidence is presented to the Mauritius Revenue Authority showing the amount of foreign tax charged on income derived by the Mauritian Subsidiary outside of Mauritius, the amount of foreign tax shall be conclusively presumed to be equal to 80 per cent. of the Mauritius tax chargeable with respect to that income, which would reduce the rate of tax effectively to 3 per cent.

#### **14. Corporate governance**

The Board, as constituted from time to time, is responsible for ensuring the appropriate level of corporate governance and considers that, apart from certain matters noted below which the Board believes are not relevant to the business of an investment trust company with only non-executive Directors, the Company complies with the best practice provisions of the 2003 Financial Reporting Council Combined Code and the AIC Code.

The Board consists of five non-executive Directors, four of whom are considered to be independent of the Manager, including the Chairman. The Board considers that under the terms of the AIC Code, Pierre Dinan is not an independent director.

The Board does not feel that it would be appropriate to adopt a policy whereby Directors serve for a limited period of time, given the specialist nature of the Company's investment universe. However, in order to achieve a balance of skills, experience, length of service and ages, it is the Board's policy to induct new Directors to provide an orderly succession over time.

The Board does not consider it necessary to appoint a senior independent director as all of the current Directors are non-executives.

The Company's Audit Committee is chaired by Richard Burns and consists of Richard Burns, Hugh Bolland, Peter Sullivan and Vijay Joshi and meets at least twice a year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee reviews the actions and judgements of the Manager in relation to the interim and annual financial statements and the Company's compliance with the 2003 Financial Reporting Council Combined Code. It reviews the terms of the Management Agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMorgan Asset Management, and relevant third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally.

The Nomination Committee consists of those Directors who in any one year are not standing for election or re-election at the next Annual General Meeting. It ensures that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary.

## 15. Litigation

The Group has not at any time in the 12 months immediately preceding the date of this document been engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability.

## 16. Significant change

Save for the fall in the unaudited value of the Company's net assets from £378,935,000 as at 31 March 2008 to £314,989,519 (unaudited) as at 24 September 2008 (being the latest practicable date prior to the publication of this document) and a corresponding fall in the unaudited NAV per Ordinary Share from 368.7 pence per Ordinary Share to 306.5 pence per Ordinary Share over the same period, there has been no significant change in the financial or trading position of the Group since 31 March 2008, being the date to which the latest unaudited half-yearly results of the Company were published.

## 17. Third party information and consents

- 17.1 JPMorgan Cazenove is acting as sponsor to the Bonus Issue and the Issue.
- 17.2 JPMorgan Asset Management (UK) Limited as Manager, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 17.3 In relation to information provided by Fundamental Data, the Manager and Bloomberg, the Company confirms that that information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

## 18. Investment portfolio

As at the close of business on 24 September 2008 (being the latest practicable date prior to the publication of this document), further to the details set out on page 24, the Group's largest twenty investments are as follows:

### *Top twenty investments*

<i>Security Issuer</i>	<i>Book Cost</i> <i>£'000</i>	<i>Market</i> <i>value</i> <i>£'000</i>	<i>% of issued</i> <i>shares held</i>	<i>Exchange</i>
1 Reliance Industries Ltd	44,207	46,511	0.13	National SE of India
2 Housing Development Finance Corporation Ltd	14,869	21,306	0.29	National SE of India
3 Infosys Technologies Limited	18,913	20,075	0.20	National SE of India
4 HDFC Bank Ltd	12,422	18,020	0.28	National SE of India
5 Bharti Airtel Limited	4,934	17,133	0.09	National SE of India
6 Bharat Heavy Electricals Limited	1,206	16,409	0.17	Mumbai SE
7 ICICI Bank Limited	26,779	14,285	0.18	National SE of India
8 Larsen & Toubro Ltd	4,723	13,960	0.16	National SE of India
9 ITC Limited	10,078	12,783	0.23	National SE of India
10 Oil & Natural Gas Corp Ltd	10,680	9,062	0.03	National SE of India
11 NTPC Ltd	8,715	8,001	0.05	National SE of India

<i>Security Issuer</i>	<i>Book Cost</i>	<i>Market</i>	<i>% of issued</i>	<i>Exchange</i>
	<i>£'000</i>	<i>value</i>	<i>shares held</i>	
		<i>£'000</i>		
12 Kotak Mahindra Bank Limited	1,699	7,434	0.31	Mumbai SE
13 Sun Pharmaceuticals Industries Limited	3,224	6,781	0.19	Mumbai SE
14 Satyam Computer Services Limited	6,983	6,462	0.24	Mumbai SE
15 Axis Bank Ltd	4,708	6,358	0.21	National SE of India
16 Reliance Capital Limited	9,124	5,226	0.15	National SE of India
17 Reliance Communications Ltd	5,306	5,152	0.06	National SE of India
18 Reliance Infrastructure Ltd	2,688	4,112	0.17	Mumbai SE
19 Tata Power Company Limited	3,565	3,369	0.13	Mumbai SE
20 Divi's Laboratories Ltd	744	3,305	0.31	Mumbai SE

*Source:* JPMorgan Asset Management (unaudited).

## 19. General

- 19.1 The Group does not conduct any trading activity which is significant in the context of the Group as a whole.
- 19.2 The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 19.3 The ISIN for the Subscription Shares is GB00B3CSXS18, the SEDOL Code is B3CSXS1, and the TIDM is JIIS.
- 19.4 The most recent annual fees of the auditors were £19,500 (excluding VAT). Apart from these fees and the fees payable to JPMorgan Cazenove, the Manager, the Mauritian Subsidiary Manager and the Custodian as disclosed in paragraphs 11.1, 11.2, 11.3 and 11.4 above there are no other material fees payable by the Company.
- 19.5 The typical investors for whom the New Ordinary Shares (with Subscription Shares attached) are intended are professionally advised private investors, or institutional investors, seeking long-term capital growth from investment in India. The New Ordinary Shares (with Subscription Shares attached) may also be suitable for financially sophisticated non-advised private investors who are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss that may result from such an investment. However, such investors should consider consulting an independent financial adviser authorised under FSMA before investing.
- 19.6 In the event that the Issue is fully subscribed the total expenses payable by the Company are estimated to amount to £1,512,000. Accordingly, on the basis of the expenses stated above, the estimate net proceeds to the Company would be approximately £98,488,000. The maximum number of New Ordinary Shares available under the Issue should not be taken as an indication of the final number of New Ordinary Shares to be issued. The aggregate net proceeds will ultimately be invested in accordance with the Company's investment policy. The effect of the Issue, assuming it is fully subscribed will be to increase the net assets of the Company by approximately £98,488,000.

## 20. Costs and Expenses

The fixed costs of the Bonus Issue, the Issue and the preparation of this Prospectus (including all advisers' fees, printing and other ancillary costs) are expected to be approximately £468,000 (excluding VAT), which will be borne by the Company.

## 21. Auditors

The auditors to the Company for the three financial years ended 30 September 2005, 2006 and 2007 were Deloitte & Touche LLP of Stonecutter Court, 1 Stonecutter Street, London EC2R 6DA.

## **22. Documents on display**

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ for so long as this document remains valid:

- 22.1 this Prospectus;
- 22.2 the Memorandum of Association and Articles of the Company together with the New Articles;
- 22.3 the audited accounts of the Company for the financial years ended 30 September 2005, 2006 and 2007 respectively together with the half yearly report for the six months ended 31 March 2008;
- 22.4 the letters of appointment referred to in paragraph 8.4 above;
- 22.5 the material contracts referred to in paragraph 11 above; and
- 22.6 the letters of consent referred to in paragraph 17 above.

Dated: 30 September 2008

## PART VI

### TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER

In the case of a joint Application, references to you in these terms and conditions of Application are to each of you, and your liability is joint and several. **Please ensure you read these terms and conditions in full before completing the Application Form.** Save where the context otherwise requires and unless otherwise defined, words and expressions defined in the Prospectus have the same meanings when used in the Application Form and these terms and conditions.

If you have a query concerning the Application Form, please contact Equiniti Limited on 0871 384 2907 from inside the UK or +44 121 415 0286 from outside of the UK. Prospective investors should note that Equiniti Limited can only answer queries in relation to your Application and cannot give any tax or investment advice.

In these terms and conditions, which apply to the Offer for Subscription:

**Applicant** means a person or persons (in the case of joint applicants) whose name(s) appear(s) on the registration details of an Application Form;

**Application** means the offer made by an Applicant by completing and delivering an Application Form by post or by hand (during normal business hours) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by 3.00 p.m. on 28 October 2008;

**Application Form** means the application form in connection with the Offer which is attached to this document;

**Money Laundering Regulations** means the Money Laundering Regulations 2007, the Proceeds of Crime Act 2002, the Terrorism Act 2000 (as amended by the Anti-Terrorism Crime and Security Act 2001) and the Serious Organised Crime and Police Act 2005; and

**Prospectus** means the prospectus dated 30 September 2008 published by the Company.

If you apply for New Ordinary Shares under the Offer for Subscription, you will be agreeing with the Company and the Receiving Agent (for itself and as agent for the Company) as follows:

1. The contract created by the acceptance of an Application under the Offer for Subscription will be conditional on:
  - 1.1 the admission to the Official List of the New Ordinary Shares and the Subscription Shares, issued pursuant to the Placing and the Offer for Subscription and of the Subscription Shares issued pursuant to the Bonus Issue and the admission to trading of the same on the main market of the London Stock Exchange (**Admission**) becoming effective by not later than 8.00 a.m. (London time) on 5 November 2008 (or such later date, not being later than 31 December 2008, as may be agreed between the Company and JPMorgan Cazenove); and
  - 1.2 the Placing and Offer Agreement referred to in paragraph 11 of Part V of the Prospectus becoming unconditional in all respects (save for any condition relating to Admission) and not being terminated in accordance with its terms.
2. Completed Application Forms accompanied by a cheque or banker's draft in relation to the Offer for Subscription must be delivered to Equiniti Limited by post or by hand (during normal business hours) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by 3.00 p.m. on 28 October 2008.
3. The Company reserves the right to present all cheques and bankers' drafts for payment on receipt and to retain application monies and share certificates and refrain from delivering an Applicant's Shares into CREST, pending clearance of successful Applicants' cheques and bankers' drafts. The Company

also reserves the right to reject in whole or part, or to scale down or limit, any Application. The Company may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offer for Subscription. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the first-named Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

4. Payments must be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society that is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or that has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or bankers' draft must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of an individual Applicant where they have sole or joint title to the funds, should be made payable to "Equiniti Limited A/C JPMorgan Indian Investment Trust plc Offer for Subscription". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping/endorsing the cheque or banker's draft to that effect. The account name should be the same as that shown on the Application Form.
5. By completing and delivering an Application Form, you, as an Applicant (and, if you sign the Application Form on behalf of somebody else or a corporation, that person or corporation, except as referred to in paragraph 5.11 below):
  - 5.1 offer to subscribe for the New Ordinary Shares (with Subscription Shares attached on a one for five basis) of the value specified in your Application Form (or such lesser value for which your Application is accepted) on the terms of and subject to the conditions in the Prospectus, including these terms and conditions, and subject to the Memorandum of Association and Articles;
  - 5.2 agree that, in consideration of the Company agreeing to process your Application, your Application cannot be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Application Form subject to your statutory right of withdrawal in the event of the publication of a supplementary prospectus by the Company;
  - 5.3 agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the New Ordinary Shares of the value you specified on your Application Form or the Subscription Shares attached thereto or have any New Ordinary Shares or Subscription Shares credited to your stock account in CREST until you make payment in cleared funds for the relevant New Ordinary Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, JPMorgan Cazenove and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe for New Ordinary Shares of the value you specified on your Application Form or have, and may issue or allot New Ordinary Shares of such value (together with Subscription Shares attached thereto) to some other person, in which case you will not be entitled to any payment in respect of New Ordinary Shares of such value or such Subscription Shares, other than the refund to you at your risk of the proceeds (if any) of the cheque or banker's draft accompanying your application, without interest;

- 5.4 agree that any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance, investigation of any suspected breach of the warranties contained in these terms and conditions and the completion of any verification of identity required by the Money Laundering Regulations and that such monies will not bear interest;
- 5.5 undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Receiving Agent) to ensure compliance with the Money Laundering Regulations;
- 5.6 agree that if evidence of identity satisfactory to the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Receiving Agent) following a request therefor, the Receiving Agent or the Company may terminate the agreement with you to allot New Ordinary Shares (with Subscription Shares attached on a one for five basis) and, in such case, the New Ordinary Shares and Subscription Shares which would otherwise have been allotted to you may be reallocated or sold to some other party and the lesser of your application monies and such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned to the bank account on which the payment accompanying the Application was first drawn without interest and at your risk;
- 5.7 agree that, where on your Application Form a request is made for New Ordinary Shares and Subscription Shares to be deposited into a CREST account, the Receiving Agent may in its absolute discretion amend the Application Form so that such New Ordinary Shares and Subscription Shares may be issued in certificated form registered in the name(s) of the holder(s) specified in your Application (and recognise that the Receiving Agent will so amend the Application Form if there is any delay in satisfying the identity of the Applicant or the owner of the CREST account or in receiving your remittance in cleared funds);
- 5.8 agree that you are not applying on behalf of a person engaged in money laundering;
- 5.9 agree that, in respect of those New Ordinary Shares (with Subscription Shares attached thereto) for which your Application has been received and is not rejected, acceptance of your Application shall be constituted, at the election of the Company, or JPMorgan Cazenove on behalf of the Company, either (a) by notification to the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (b) by notification of acceptance thereof to the Receiving Agent;
- 5.10 where the Applicant wishes to hold his New Ordinary Shares and Subscription Shares in certificated form, authorise the Receiving Agent to send share certificate(s) in respect of New Ordinary Shares of the value for which your Application is accepted and the Subscription Shares attached thereto and/or a crossed cheque for any monies returnable by post without interest, at the risk of the person(s) entitled thereto to the address of the person (or, in the case of joint holders, the first-named person) named as an Applicant in the Application Form and to procure that your name (together with the name(s) of any other joint Applicant(s)) is/are placed on the register of members of the Company in respect of such New Ordinary Shares and Subscription Shares;
- 5.11 warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Application Form;
- 5.12 undertake to ensure that, in the case of an Application signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;

- 5.13 warrant that in connection with your Application you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue or transfer or other taxes due in connection with your Application in any territory and that you have not taken any legal action which will or may result in the Company, the Receiving Agent and/or JPMorgan Cazenove acting in breach of the local regulatory or legal requirements of any territory in connection with the Offer for Subscription or your Application;
- 5.14 agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales, and that you submit to the jurisdiction of the courts of England and Wales and agree that nothing shall limit the right of the Company or JPMorgan Cazenove to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- 5.15 confirm that, in making such Application, neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to the Company other than the information contained in the Prospectus and, accordingly, you agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
- 5.16 irrevocably authorise the Receiving Agent and/or JPMorgan Cazenove, or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares and Subscription Shares subscribed by or issued to you into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such New Ordinary Shares and Subscription Shares has been transferred and authorise any representative of the Receiving Agent or of JPMorgan Cazenove to execute any document required therefor;
- 5.17 confirm that you have reviewed the restrictions contained in these terms and conditions;
- 5.18 agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company, the New Ordinary Shares and the Subscription Shares contained therein;
- 5.19 warrant that, if you are an individual, you are not under the age of 18;
- 5.20 agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent, will be sent at your risk or at the risk of the person(s) entitled thereto and in the case of documents, returned application cheques and payments to be sent to you, may be sent to you at your address (or in the case of joint holders, the address of the first-named holder) as set out in your Application;
- 5.21 agree that if a fractional entitlement to a New Ordinary Share arises on your application, the number of New Ordinary Shares issued to you will be rounded down to the nearest whole number and any fractions shall be retained by the Company for its benefit;
- 5.22 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in the Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, JPMorgan Cazenove or the Receiving Agent;
- 5.23 agree, on request by the Company, or JPMorgan Cazenove on behalf of the Company, to disclose promptly in writing to the Company any information which the Company or JPMorgan Cazenove may reasonably request in connection with your Application and authorise the Company and JPMorgan Cazenove to disclose any information relating to your Application as it considers appropriate; and

5.24 agree that JPMorgan Cazenove will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the New Ordinary Shares or the suitability for you of New Ordinary Shares and the Subscription Shares, or be responsible to you for providing the protections afforded to its customers.

6. No person receiving a copy of this document and/or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him; nor should he in any event use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used without contravention of any, or compliance with any unfulfilled registration or other legal or regulatory requirements. It is the responsibility of any person outside the UK wishing to apply for New Ordinary Shares under the Offer for Subscription to satisfy himself as to full observance of the laws of any relevant territory in connection with any such application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in any such territory and paying any issue, transfer or other taxes required to be paid in any such territory.
7. The New Ordinary Shares and Subscription Shares are being offered outside of the United States in reliance on Regulation S under the Securities Act. None of the New Ordinary Shares or the Subscription Shares have been or will be registered under the Securities Act. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province of Canada, Australia, the Republic of South Africa, New Zealand, or Japan and, accordingly, unless an exemption under the Securities Act or any other relevant legislation or regulations is applicable, none of the New Ordinary Shares and Subscription Shares may be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States, Canada, Australia, the Republic of South Africa, New Zealand, or Japan or to any US Person. In addition, the Company has not been and will not be registered under the Investment Company Act and JPMorgan Asset Management (UK) Limited has not been and will not be registered under the United States Investment Advisers Act of 1940, as amended. Accordingly, unless the Company has expressly agreed in writing that it is satisfied that an exemption under the Securities Act or any other relevant legislation or regulation is applicable to you and may be relied on by you, you represent and warrant to the Company that:
- (a) you are not a US Person;
  - (b) you are located outside of the United States;
  - (c) you are not a resident of Canada, Australia, the Republic of South Africa, New Zealand, or Japan; and
  - (d) that you are not subscribing for such New Ordinary Shares or Subscription Shares for the account of any US Person, any person located inside the United States or resident of Canada, Australia, the Republic of South Africa, New Zealand, or Japan (otherwise than on a discretionary basis);

and that you will not offer, sell, renounce, transfer or deliver, directly or indirectly, New Ordinary Shares or Subscription Shares subscribed for by you in the United States, Canada, Australia, the Republic of South Africa or Japan or to any US Person, person located inside the United States or resident of Canada, Australia, the Republic of South Africa or Japan. No Application will be accepted if it bears an address in the United States, Canada, Australia, the Republic of South Africa or Japan unless an appropriate exemption is available as referred to above.

As used in this paragraph, **United States** means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction and **US Person** means any person who is a US Person within the meaning of Regulation S adopted under the Securities Act.

8. You, as an Applicant, warrant that, if the laws of any territory or jurisdiction outside the UK are applicable to your Application, that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue,

transfer or other taxes due in connection with your Application in any territory and that you have not taken any action or omitted to take any action which will result in the Company, JPMorgan Cazenove, or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the UK in connection with the Offer for Subscription in respect of your Application.

9. The basis of allocation will be determined by JPMorgan Cazenove in its absolute discretion after consultation with the Directors. The right is reserved to reject in whole or in part and/or scale down and/or ballot any Application or any part thereof. The right is reserved to treat as valid any Application not in all respects completed in accordance with the instructions relating to the Application Form. Dealings prior to the issue of New Ordinary Share and Subscription Share certificates will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not be accepted to the extent anticipated or at all.
10. Save where the context otherwise requires, words and expressions defined in the Prospectus have the same meanings when used in these terms and conditions and in the Application Form and explanatory notes in relation thereto.

## DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

<b>2006 Act</b>	the Companies Act 2006
<b>the Act</b>	the Companies Act 1985, as amended, modified, consolidated, re-enacted or replaced from time to time
<b>Admission</b>	the admission, as the context requires, of the New Ordinary Shares and the Subscription Shares (i) to the Official List and (ii) to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards
<b>Admission and Disclosure Standards</b>	the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking to be admitted to trading, as amended from time to time
<b>AGM</b>	annual general meeting of the Company
<b>AIC Code</b>	the Association of Investment Companies Code of Corporate Governance, as amended from time to time
<b>Application Form</b>	the application form in connection with the Offer which is attached to this document
<b>Articles</b>	the articles of association of the Company, as amended from time to time
<b>Board</b>	the board of Directors of the Company or any duly constituted committee thereof
<b>Bonus Issue</b>	the issue without cost to Qualifying Shareholders on the Register at the Record Date of new Subscription Shares on the basis of 1 new Subscription Share for every 5 Existing Ordinary Shares held
<b>Chairman</b>	the chairman of the Company
<b>Circular</b>	the circular of the Company dated 30 September 2008 containing the Notice of General Meeting
<b>Companies Acts</b>	the 2006 Act and the Act
<b>Company</b>	JPMorgan Indian Investment Trust plc
<b>Conversion Price</b>	the price at which the Subscription Share Rights are exercised in accordance with the terms and conditions of the Subscription Shares
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001
<b>Custodian</b>	JPMorgan Chase Bank, National Association
<b>Custody Agreement</b>	the agreement between the Custodian and the Company regarding the custody of the assets of the Company

<b>Directors</b>	the directors of the Company or any duly constituted committee thereof
<b>Disclosure and Transparency Rules</b>	the disclosure rules made by the FSA under Part VI FSMA
<b>EEA</b>	the European Economic Area
<b>EPS</b>	earnings per share
<b>Euroclear</b>	Euroclear UK & Ireland Limited, being the operator of CREST
<b>Existing Articles</b>	the articles of association of the Company as at the date of this document
<b>Existing Ordinary Shares</b>	the Ordinary Shares in issue on the Record Date
<b>Financial Services Authority or FSA</b>	the single regulatory authority for the UK financial services industry
<b>Form of Proxy</b>	the form of proxy provided with this document for use in connection with the General Meeting by Shareholders
<b>FSMA</b>	the Financial Services and Markets Act 2000
<b>General Meeting</b>	the general meeting of the Company convened for 30 October 2008 at 10.30 a.m., or any adjournment thereof
<b>GDP</b>	gross domestic product
<b>Group</b>	the Company and the Mauritian Subsidiary
<b>HMRC</b>	HM Revenue & Customs
<b>India/Mauritius Double Tax Treaty</b>	the double tax treaty between India and Mauritius
<b>ISA</b>	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
<b>Issue</b>	the Placing and Offer for Subscription
<b>JPMorgan Cazenove</b>	JPMorgan Cazenove Limited
<b>Listing Rules</b>	the listing rules issued by the UK Listing Authority
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Management Agreement</b>	the agreement dated 24 September 2003 between the Manager and the Company
<b>Manager</b>	JPMorgan Asset Management (UK) Limited
<b>Mauritian Subsidiary</b>	JPMorgan Indian Investment Company (Mauritius) Limited
<b>Mauritian Subsidiary Management Agreement</b>	the agreement dated 1 October 1999 between the Mauritian Subsidiary and the Mauritian Subsidiary Manager
<b>Mauritian Subsidiary Manager</b>	JF Asset Management Limited
<b>Memorandum of Association</b>	the memorandum of association of the Company, as amended from time to time

<b>Net Asset Value or NAV</b>	net asset value as calculated in accordance with the Company's accounting policies and the Articles or the value of the net assets per Share, as the context requires
<b>New Articles</b>	the articles of association of the Company which will be adopted if the resolution numbered 1 set out in the Notice of General Meeting is passed at the General Meeting and becomes unconditional
<b>New Ordinary Shares</b>	the new Ordinary Shares to be issued pursuant to the Placing and Offer
<b>Notice of General Meeting</b>	the notice of General Meeting as set out in the Circular
<b>Offer or Offer for Subscription</b>	the offer for subscription of New Ordinary Shares with Subscription Shares attached on a one for five basis, as described in this Prospectus
<b>Official List</b>	the Official List maintained by the UK Listing Authority
<b>Ordinary Share or Shares</b>	an ordinary share of 25 pence each in the capital of the Company with TIDM: JII and ISIN: GB0003450359
<b>Overseas Shareholders</b>	Shareholders who are resident in territories other than the United Kingdom
<b>Pension Plan</b>	the JPMorgan Personal Pension Plan
<b>Placing</b>	the placing by JPMorgan Cazenove of New Ordinary Shares with Subscription Shares attached on a one for five basis, as described in this Prospectus
<b>Placing and Offer Agreement</b>	the conditional agreement between the Company, the Manager and JPMorgan Cazenove, a summary of which is set out in paragraph 11 of Part V of this document.
<b>Plans</b>	together, the JPMorgan Investment Trust Individual Savings Account, the JPMorgan Personal Pension Plan and the JPMorgan Investment Trust Share Plan
<b>Proposals</b>	the proposals and the Resolutions described in this document for the Bonus Issue, the Placing and Offer, the continuation vote, renewal of the Company's share buy back and share issuance authorities, the changes to the Articles and all ancillary matters
<b>Prospectus</b>	this document
<b>Prospectus Rules</b>	the rules and regulations made by the FSA under Part V of FSMA (as amended from time to time)
<b>Qualifying Shareholders</b>	Shareholders whose names are entered on the Register at the close of business on the Record Date
<b>Record Date</b>	the date on which Qualifying Shareholders' entitlements to the Bonus Issue will be assessed against the register of members, expected to be 5.00 p.m. on 3 November 2008
<b>Register</b>	the register of members of the Company
<b>Registrars or Receiving Agent</b>	Equiniti Limited

<b>Regulatory Information Service</b>	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
<b>Resolutions</b>	the resolutions to be proposed at the General Meeting, details of which are contained in the Notice to General Meeting
<b>Securities Act</b>	the US Securities Act of 1933, as amended
<b>Shareholder</b>	holder of Ordinary Shares
<b>Shares</b>	the Existing Ordinary Shares, the New Ordinary Shares and/or the Subscription Shares as the context requires
<b>Sterling</b>	the lawful currency of the United Kingdom
<b>Subscription Shareholders</b>	holders of Subscription Shares
<b>Subscription Share Rights</b>	the right conferred by each Subscription Share to subscribe for one Ordinary Share as detailed in Part IV of this Prospectus
<b>Subscription Shares</b>	the subscription shares of one pence each in the capital of the Company with ISIN GB00B3CSXS18 to be issued pursuant to the Bonus Issue and the Issue
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Listing Authority</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes of admissions to the Official List
<b>United States</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>VAT</b>	UK value added tax
<b>Voting Instruction Form</b>	the voting instruction form provided with this document for use in connection with the General Meeting by Shareholders who hold Shares through any of the Plans
<b>\$</b>	the lawful currency of the United States

# JPMORGAN INDIAN INVESTMENT TRUST PLC

## APPLICATION FORM

Please send this completed form by post or by hand (during normal business hours) to **Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA** as to be received no later than 3.00 p.m. on 28 October 2008

FOR OFFICIAL  
USE ONLY

Log No.

**Important:** before completing this form, you should read the accompanying notes.

Box 1 (minimum  
of £500 and then in  
multiples of £1)

The amount I wish  
to invest is

£

To: **JPMorgan Indian Investment Trust plc and Equiniti Limited**

### 1. APPLICATION

I/We the person(s) detailed in section 2A below offer to subscribe the amount shown in Box 1 for New Ordinary Shares (with Subscription Shares attached on a one for five basis) subject to the terms and conditions set out in Part VI of the Prospectus dated on or around 30 September 2008 and subject to the Memorandum of Association and Articles of the Company.

### 2A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) NEW ORDINARY SHARES AND SUBSCRIPTION SHARES WILL BE ISSUED

(BLOCK CAPITALS)

1: Mr., Mrs., Miss, Ms. or Title:

Forenames (in full):

Surname/Company name:

Address (in full):

Post Code:

Designation (if any):

2: Mr., Mrs., Miss, Ms. or Title:

Forenames (in full):

Surname/Company name:

Address (in full):

Post Code:

3:	Mr., Mrs., Miss, Ms. or Title:	Forenames (in full):
----	--------------------------------	----------------------

Surname/Company name:
-----------------------

Address (in full):
Post Code:

4:	Mr., Mrs., Miss, Ms. or Title:	Forenames (in full):
----	--------------------------------	----------------------

Surname/Company name:
-----------------------

Address (in full):
Post Code:

**2B. CREST DETAILS**

**(Only complete this section if New Ordinary Shares and Subscription Shares allotted are to be deposited in a CREST account which must be in the same name as the holder(s) given in section 2A).**

CREST Participant ID:					
-----------------------	--	--	--	--	--

CREST Member Account ID:								
--------------------------	--	--	--	--	--	--	--	--

**3. SIGNATURE(S) FOR ALL HOLDERS MUST SIGN**

First holder signature:
-------------------------

Second holder signature:
--------------------------

Third holder signature:
-------------------------

Fourth holder signature:
--------------------------

Dated:
--------

**4. CHEQUE/BANKER'S DRAFT DETAILS**

Pin or staple to this form your cheque or banker's draft for the exact amount shown in section 1 made payable to "Equiniti Limited A/C JPMorgan Indian Investment Trust plc" and crossed "A/C Payee". Cheques and bankers' payments must be drawn in Sterling on an account at a bank branch in the United Kingdom and must bear a United Kingdom bank sort code number in the top right hand corner. If you use a banker's draft or a building society cheque, you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the banker's draft or cheque and adds its stamp.

## 5. RELIABLE INTRODUCER DECLARATION

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 6 of this form.

The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm (the **Firm**)) which is itself subject in its own country to operation of “know your customer” and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom. Acceptable countries include Austria, Belgium, Canada, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland and the United States of America.

### **DECLARATION: To the Company and the Receiving Agent**

With reference to the holder(s) detailed in section 2A, all persons signing at section 3 and the payer identified in section 6 if not also a holder (collectively **the subjects**) WE HEREBY DECLARE:

1. we operate in one of the above mentioned countries and our Firm is subject to money laundering regulations under the laws of that country which, to the best of our knowledge, are no less stringent than those which prevail in the United Kingdom;
2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
3. each of the subjects are known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
4. we confirm the accuracy of the names and residential/business address(es) of the holder(s) given at section 2A and if a CREST account is cited at section 2B that the owner thereof is named in section 2A;
5. having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the New Ordinary Shares pursuant to the Offer; and
6. where the payer and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payer being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its officials.

Signed:

Name:

Position:

having authority to bind the firm

Name of regulatory authority:

Firm's licence number:

Website address or telephone number of regulatory authority:

STAMP of firm giving full name and business address:

## 6. IDENTITY INFORMATION

Only complete this section if the declaration in section 5 cannot be signed and the value of your application is greater than £10,000.

In accordance with internationally recognised standards for the prevention of money laundering the undermentioned documents and information must be provided.

Holders				Payer
1	2	3	4	5

### A. For each holder being an individual enclose:

- (1) a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport – Government or Armed Forces identity card – driving licence; and
- (2) certified copies of at least two of the following documents which purport to confirm that the address given in section 2A is that person's residential address: a recent gas, electricity, water or telephone (not mobile) bill – a recent bank statement – council rates bill – or similar document issued by a recognised authority; and
- (3) if none of the above documents show their date and place of birth, enclose a note of such information; and
- (4) details of the name and address of their personal bankers from which the Receiving Agent may request a reference if necessary.


### B. For each holder being a company (a holder company) enclose:

- (1) a certified copy of the certificate of incorporation of the holder company; and
- (2) the name and address of the holder company's principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (3) a statement as to the nature of the holder company's business, signed by a director; and
- (4) a list of the names and residential addresses of each director of the holder company; and
- (5) for each director provide documents and information similar to that mentioned in A above; and
- (6) a copy of the authorised signatory list for the holder company; and
- (7) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also complete C below and, if another company is named (hereinafter a **beneficiary company**), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.


### C. For each person named in B(7) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(1) to (4)

--	--	--	--	--

### D. For each beneficiary company named in B(7) as a beneficial owner of a holder company enclose:

- (1) a certified copy of the certificate of incorporation of that beneficiary company; and
- (2) a statement as to the nature of that beneficiary company's business signed by a director; and
- (3) the name and address of that beneficiary company's principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (4) enclose a list of the names and residential/registered address of each beneficiary owner owing more than 5 per cent. of the issued share capital of that beneficiary company.


<b>E. If the payer is not a holder and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:</b>
(1) if the payer is a person, for that person the documents mentioned in A(1) to (4); or
(2) if the payer is a company, for that company the documents mentioned in B(1) to (7); and
(3) explanation of the relationship between the payer and the holder(s).


<p><b>7. CONTACT DETAILS</b></p> <p>To ensure the efficient and timely processing of this Application please enter below the contact details of a person who the Receiving Agent may contact with all enquiries concerning this Application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are entered here and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your Application being rejected or revoked.</p>
--

Contact name:
---------------

E-mail address:
-----------------

Contact address:
Post Code:

Telephone No:
---------------

Fax No:
---------

