

# Annual Report 07

JPMorgan Indian  
Investment Trust plc

Annual Report & Accounts for the year ended 30th September 2007

# Features

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## Objective

Capital growth from investments in India.

## Investment Policies

- To invest in a diversified portfolio of equity and equity-related securities of Indian companies.
- To invest also in companies which earn a material part of their revenues from India.
- The Company will not invest in the other countries of the Indian sub-continent nor in Sri Lanka.
- To invest no more than 15% of gross assets in other investment companies (including investment trusts).
- To use gearing when appropriate to increase potential returns to shareholders; the Company's gearing policy is to use short-term gearing for tactical purposes, up to a maximum level of 15% of shareholders' funds.

## Benchmark

MSCI India Index expressed in sterling.

## Risk

Investors should note that there can be significant economic and political risks inherent in investing in a single emerging economy such as India. As such, the Indian market can exhibit more volatility than developed markets and this should be taken into consideration when evaluating the suitability of the Company as a potential investment.

## Capital Structure

The Company has an authorised ordinary share capital of 200,000,000 shares of 25p each.

As at the year end 104,806,662 shares were in issue, including 1,214,788 shares held in treasury.

## Continuation Vote

The Company's Articles of Association require that, at the Annual General Meeting to be held in 2009 and at every fifth year thereafter, the Directors will propose a resolution that the Company continues as an investment trust.

## Management Company

The Company employs JPMorgan Asset Management (UK) Limited to manage its assets.

## AIC

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

# Financial Results

Total Returns (capital plus income)

**+44.1%**

Return to shareholders<sup>1</sup>  
(2006: +24.1%)

**+49.9%**

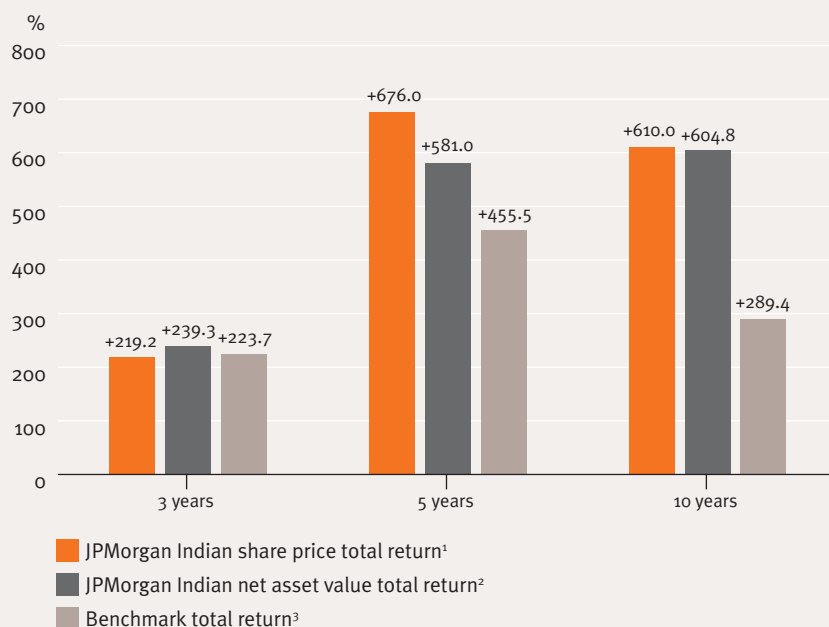
Return on net assets<sup>2</sup>  
(2006: +32.0%)

**+49.6%**

Benchmark return<sup>3</sup>  
(2006: +33.0%)

## Long Term Performance

for periods ended 30th September 2007



A glossary of terms and definitions is provided on page 46.

<sup>1</sup>Source: Standard & Poor's – www.funds.morningstar.com.

<sup>2</sup>Source: Fundamental Data – www.funddata.com.

<sup>3</sup>Source: MSCI. The benchmark is the MSCI India Index in Sterling terms.

## Chairman's Statement



It is very pleasing to report that, for a fifth consecutive year, your Company has provided substantial absolute returns to its shareholders.

### Year Under Review

Over the year to 30th September 2007, your Company produced a total return on net assets of 49.9%, marginally outperforming the total return of our benchmark, the MSCI India Index (in Sterling terms), of 49.6%. The return to shareholders over the period was somewhat lower, at 44.1%, reflecting the widening of the discount to net asset value of the Company's shares from 3.6% to 7.2%. It is very pleasing to report that, for a fifth consecutive year, your Company has provided substantial absolute returns to its shareholders. Indeed, your Company's net asset value has increased by 581.0% over the five years to 30th September 2007, compared to the rise in our benchmark index of 455.5%.

Despite the concerns engendered by the turmoil in global capital markets, the Indian economy continued to strengthen over the course of the year and this strength, combined with unprecedented levels of direct foreign investment, has meant that the stockmarket again performed strongly. Our investment managers remain confident about the long term prospects for the Indian market and have maintained the themes of infrastructure and capital projects and high quality domestic consumer investments whilst avoiding global cyclicals.

The investment managers, in their Report on pages 5 to 6, set out in more detail a review of the underlying portfolio and the outlook for the future.

### Board of Directors

As I indicated in my Statement last year, the Board has been conscious of the need to refresh its membership. As part of a phased programme of renewal, Iain Saunders retired as a Director in January 2007 and David Baker and I committed ourselves to stand down in January 2008. Therefore, of the Directors retiring by rotation at the Company's Annual General Meeting, Vijay Joshi, will seek re-election, whilst David Baker and I will not seek re-election. In addition, Peter Sullivan, a former CEO of Standard Chartered Bank (Hong Kong) Limited, who was identified as a suitable Director during the course of the year and appointed on 1st October 2007, will stand for election to the Board. Following my retirement, it has been agreed that Hugh Bolland will assume the Chairmanship of the Company and that Richard Burns will become Chairman of the Audit Committee.

I would like to take this opportunity to thank David Baker for his considerable contribution to the success of the Company over the last 13 years and to formally welcome Peter Sullivan to the Board. It has been an honour to chair the Company over the last five years and indeed to serve as a Director since the Company's inception in 1994. I believe we have the right people in place on the Board to ensure that the Company continues to flourish and I wish the Board every success in the future.

### **Investment Manager**

The Board has reviewed the investment management, secretarial and marketing services provided to the Company by JPMorgan Asset Management (UK) Limited ('JPMAM'). This annual review has included their performance record, management processes, investment style, resources and risk control mechanisms. The Board was satisfied with the results of the review and therefore in the opinion of the Directors, the continuing appointment of JPMAM for the provision of these services, on the terms agreed, is in the best interests of shareholders as a whole.

### **Share Capital**

At the Annual General Meeting in January 2007, shareholders granted the Directors authority to repurchase up to 14.99% of the Company's shares. Whilst the Company did not repurchase any shares for cancellation during the year, the Company did purchase 1,214,788 shares to be held in treasury. The Board believes that a facility to reduce discount volatility is important and is, therefore, seeking approval from shareholders to renew the authority at the forthcoming Annual General Meeting. Shares repurchased in this way might not be cancelled but rather held as treasury shares. Purchases of shares to be held in treasury will be made in accordance with the Listing Rules of the UK Listing Authority and the Companies (Acquisitions of Own Shares) (Treasury Shares) Regulations 2003 as amended.

Shareholders also granted the Directors authority to issue new ordinary shares. At times during the year, the Company's ordinary shares traded at a premium to net asset value ("NAV") and, consequently, 100,000 new ordinary shares were issued at a premium of 1.9%. The Board has established guidelines relating to the issue of shares and if the conditions are met, this authority will be utilised to enhance the Company's NAV per share and therefore benefit existing shareholders.

To supplement this authority the Board proposes to issue treasury shares when appropriate, as issuing shares out of treasury would be cheaper since they will avoid the necessity of the Company paying listing fees to the London Stock Exchange and the UK Listing Authority. The Board will only buy back shares at a discount to their prevailing net asset value, and issue shares when they trade at a premium to their net asset value, so as not to prejudice remaining shareholders.

The Board believes that the judicious use of share repurchase and issuance powers can minimise discount volatility by enabling the repurchase of shares at a discount and the issuance of new shares at a premium to their NAV. By undertaking such a programme the Board expects that the share price will move in a reasonable range around NAV, which your Directors believe is in the best interests of shareholders as a whole.

## Chairman's Statement continued

### Annual General Meeting

This year's Annual General Meeting will be held at Salters' Hall, 4 Fore Street, London EC2Y 5DE at 12 noon on Thursday 24th January 2008. As in previous years, in addition to the formal part of the meeting, there will be a presentation from representatives of the Manager, Ted Pulling and Rukhshad Shroff, who will answer questions on the portfolio and performance. There will also be an opportunity to meet the Board and representatives of JPMorgan.

If you have any detailed or technical questions, it would be helpful if you could raise them in advance with the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes.

**Philip Daubeney**  
Chairman

17th December 2007

# Investment Managers' Report



Edward Pulling

The financial year ended 30th September 2007 was another stellar year for Indian equities with the MSCI India Index rising by almost 50% in sterling terms.



Rukhshad Shroff

## Review

As in previous years, there were phases during the year (e.g. February and August) when markets corrected due to macro global concerns, however, ultimately these turned out to be irrelevant and the exceptional bottom up fundamentals prevailed.

Foreign investors continued to drive liquidity into the markets with 2007 to date witnessing inflows of \$17bn which is more than twice the inflows of 2006. On the other hand domestic mutual funds only invested around \$1bn over the same period which is less than a third of their investments in the previous year.

The sharp jump in foreign capital flows, and US\$ Dollar weakness, caused the Indian rupee to rise by over 10% during the year which hurt exporters (such as IT services and Textiles). This prompted the Reserve Bank of India ('RBI') to take several measures to moderate the inflows, the most significant of which were the regulations to phase out the issuance of offshore derivative instruments. These are used by investors (mainly hedge funds) who do not have direct access to the market and account for 40% of the total foreign portfolio investments. While this is ostensibly intended to improve transparency (as investors are expected to access the market directly by obtaining a Foreign Institutional Investor ('FII') registration) it is also expected to moderate incremental inflows to some extent, at least in the short term.

On the macro front the economy has continued to forge ahead with GDP growth in the region of 9%. Inflation (WPI), which had risen to 6.5% at the beginning of the year, dropped to around 3% due to the base effect and in response to RBI's tightening measures. As a result interest rates, which had risen by 2-3% earlier this year, are expected to roll over early next year. Earnings continued to surprise positively as corporate India capitalised on the macro tailwind to deliver profit growth in excess of 30% in financial year 2007. Telecoms, Industrials and Financials were the key contributors to the strong results. Overall earnings are expected grow at 18-20% over the next couple of years.

Politics also threatened to spoil proceedings during the year as the communists, who are an important part of the ruling coalition threatened to withdraw support to the government over the Indo-US Nuclear treaty, which proposes to give India access to nuclear fuel and technology for civilian purposes. However, they backed down after the government bought time by effectively delaying implementation of the deal. While this proved marginally negative it seems to have reduced the possibility of early elections which are scheduled to be held in the first half of 2009.

Equity issuance by corporate India rose sharply during the year. In fact, issuance during 2007 has almost doubled to \$14.7bn (2006: \$7.4bn). The other key development in the capital markets during the year was the emergence of the property sector with the listing of India's largest developer-DLF Limited. This is a sector which hitherto was largely unorganised and had very little transparency. However, with a cumulative market capitalisation of over \$80bn the sector already accounts for 5% of the total market.



Rajendra Nair

# Investment Managers' Report continued

Performance attribution for the year to 30th September 2007

1 Year  
%

## Contributions to Total Returns

Benchmark total return	<b>+49.6</b>
Currency effect	+0.0
Allocation effect	+0.6
Selection effect	+1.4
Gearing/cash effect	+0.3
Investment manager contribution	<b>+2.3</b>
Fees/expenses	-1.6
Share buyback	+0.3
Residual	-0.7
Other effects	<b>-2.0</b>
Return on net assets	<b>+49.9</b>
Increase in discount	<b>-5.8</b>
Return to shareholders	<b>+44.1</b>

Source: Frank Russell/JPMAM/Fundamental Data

The table provides a breakdown, relative to the benchmark, of the contributions to total return.

A glossary of terms and definitions is provided on page 46.

## Performance

The fund marginally outperformed the benchmark for the year with the key overweights in stocks such as Larsen & Toubro, Bharat Heavy Electrical, Bharti Airtel, and Housing Development Finance Corporation contributing to relative performance. On the other hand the structural underweight in Reliance Industries detracted value, although we have been steadily increasing the fund's exposure in the stock over the past few months and now are just under the maximum exposure limit.

Reliance's outstanding performance has been due to the better than expected performance of its core businesses – petrochemicals and refining and the increasing value attributed to its upstream business, although the quantum of its oil & gas reserves remains unclear due to ongoing exploration activity. While valuations at current levels are undeniably rich they are likely to remain well supported by the company's excellent track record in delivering strong growth.

## Outlook

We remain positive on India from a long term perspective notwithstanding the spectacular performance over the past four years. This is borne out of a strong belief that the economy can grow at around 8% over the next 3-5 years, driven by rising Infrastructure spending and the growing level of consumption in the economy, resulting from rising income levels.

To appreciate the opportunity in the Infrastructure sector consider this: the government intends to channel investments to the tune of almost \$500bn into infrastructure over the next five years. This will be 2.5 times the investments made over the past five years and, while the execution of such an ambitious goal will remain a key challenge, the experience in roads a few years back and more recently in airports and power has shown that it is possible to attract foreign and domestic private sector investment if the government can create a conducive policy environment. Needless to say the multiplier effect of this on the overall economy can be substantial.

In the near term however, the markets are admittedly pricing in a fair bit of this growth with valuations at around 21-23 times financial year 2008 & 17-19 times financial year 2009 earnings estimates. This could result in a period of consolidation for the markets. Besides, ongoing concerns in the global credit markets and the concomitant impact on US & global economic growth could also affect market sentiment.

The news flow on politics will increase next year with elections to be held in the first half of 2009, if not earlier. Whilst this will inevitably result in higher volatility we are not too concerned about it as past experience has shown that the policy agenda of the government in power has been fairly consistent regardless of the ideologies of the various political parties. Besides, predicting election outcomes in India has been notoriously difficult and is therefore a futile exercise in our opinion.

For our portfolio strategy we continue to prefer sectors dependent on infrastructure spending and consumption demand such as Industrials, Financials, Telecoms and Utilities, whilst on the margin we have been adding selectively to the fund's exposure in energy, commodities and property.

**Edward Pulling, Rukhshad Shroff and Rajendra Nair**

Investment Managers

17th December 2007

## Summary of Results

	2007	2006	
<b>Total Returns</b> for the year to 30th September			
Return to shareholders <sup>1</sup>	44.1%	24.1%	
Return on net assets <sup>2</sup>	49.9%	32.0%	
Benchmark return <sup>3</sup>	49.6%	33.0%	
<b>Assets</b> at 30th September			
			% change
Shareholders' funds (£'000)	436,186	294,203	+48.3
Net asset value per ordinary share	421.1p	281.0p	+49.9
Ordinary share price	390.5p	271.0p	+44.1
Discount of share price to net asset value	7.2%	3.6%	
<b>Revenue</b> for the year ended 30th September			
Total income (£'000)	3,759	2,922	+28.6
Net loss attributable to shareholders (£'000)	2,608	1,336	
Loss per share	2.49p	1.31p	
<b>Actual Gearing Factor</b> <sup>4</sup>	100.7%	99.8%	
<b>Total Expense Ratio</b> <sup>5</sup>	1.5%	1.7%	

A glossary of terms and definitions is provided on page 46.

<sup>1</sup>Source: Standard & Poor's – [www.funds.morningstar.com](http://www.funds.morningstar.com).

<sup>2</sup>Source: Fundamental Data – [www.funddata.com](http://www.funddata.com).

<sup>3</sup>Source: MSCI. The Company's benchmark is the MSCI India Index in Sterling terms.

<sup>4</sup>Investments expressed as a percentage of total equity.

<sup>5</sup>Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets.

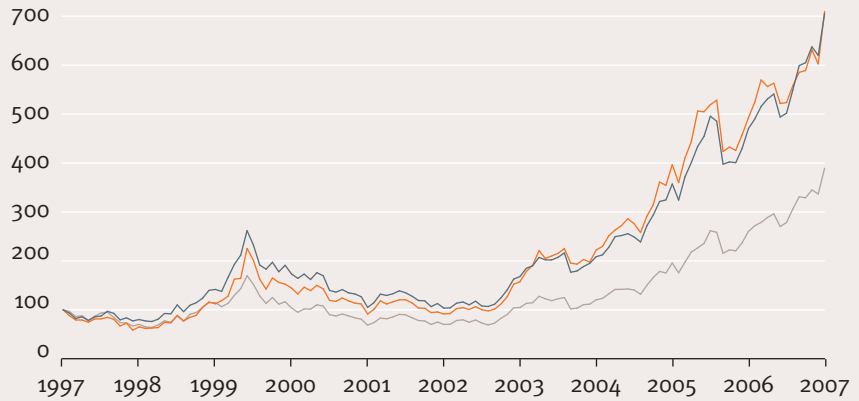
# Performance

- JPMorgan Indian – Share price
- JPMorgan Indian – Net asset value per share
- Benchmark

Source: Fundamental Data – [www.funddata.com/](http://www.funddata.com/)  
 Standard & Poor's – [www.funds.morningstar.com/MSCI](http://www.funds.morningstar.com/MSCI)

## Ten Year Performance

Figures have been rebased to 100 at 30th September 1997



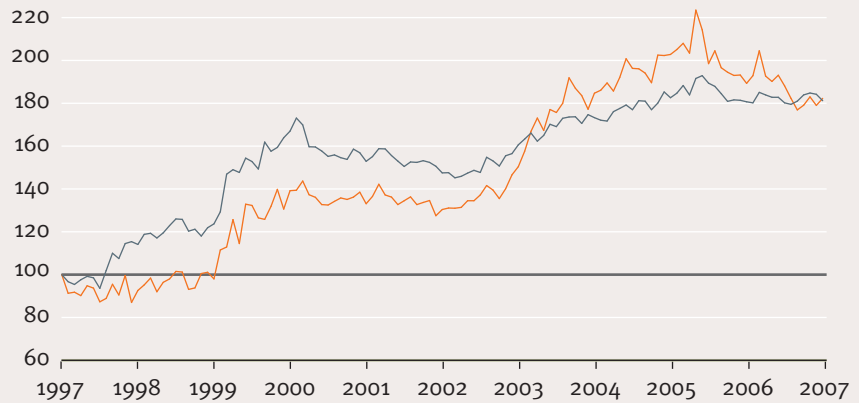
- JPMorgan Indian – Share price
- JPMorgan Indian – Net asset value per share

The benchmark is represented by the bold horizontal line.

Source: Fundamental Data – [www.funddata.com/](http://www.funddata.com/)  
 Standard & Poor's – [www.funds.morningstar.com/MSCI](http://www.funds.morningstar.com/MSCI)

## Performance Relative to Benchmark

Figures have been rebased to 100 at 30th September 1997



## Ten Year Financial Record

<b>As at 30th September</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004<sup>1</sup></b>	<b>2005<sup>1</sup></b>	<b>2006</b>	<b>2007</b>
Shareholders' funds (£'000)	55,267	44,255	69,556	81,856	49,452	48,236	67,573	104,394	205,087	294,203	436,186
Net asset value per share (p)	59.9	48.0	84.8	103.4	62.8	62.0	100.6	124.4	212.8	281.0	421.0
Share price (p)	55.0	35.8	61.8	79.5	50.3	50.3	86.5	122.3	218.3	271.0	390.5
(Discount)/premium (%)	(8.2)	(25.5)	(27.2)	(23.1)	(20.0)	(18.9)	(14.1)	(1.7)	2.6	(3.6)	(7.2)
Actual gearing (%)	97.1	98.6	105.3	90.3	104.3	96.6	101.2	98.8	101.2	99.8	100.7
Total Expense Ratio (%)	1.9	2.2	1.8	2.2	2.1	2.4	2.0	2.2	1.7	1.7	1.5
<b>Year ended 30th September</b>											
Gross revenue return (£'000)	637	765	851	1,198	999	941	1,065	1,756	2,240	2,922	3,759
Loss per share (p)	0.54	0.35	0.36	1.12	0.54	0.46	0.26	0.28	0.45	1.31	2.49
<b>Rebased to 100 at 30th September 1997</b>											
Share price total return <sup>2</sup>	100.0	65.1	112.4	144.5	91.5	91.5	157.3	222.4	396.9	492.7	710.0
Net asset value per share total return <sup>3</sup>	100.0	80.1	141.6	172.6	104.8	103.5	167.9	207.7	355.3	470.2	704.8
Benchmark total return <sup>4</sup>	100.0	70.2	114.5	103.8	68.6	70.1	104.6	120.3	195.6	260.3	389.4

A glossary of terms and definitions is included on page 46.

<sup>1</sup>Restated following the adoption of International Financial Reporting Standards.

<sup>2</sup>Source: Standard & Poor's – [www.funds.morningstar.com](http://www.funds.morningstar.com).

<sup>3</sup>Source: Fundamental Data – [www.funddata.com](http://www.funddata.com).

<sup>4</sup>Source: MSCI. The Company's benchmark is the MSCI India Index in Sterling terms.

## Ten Largest Group Investments

as at 30th September 2007

Company	Sector	As at 30th September 2007 Valuation		As at 30th September 2006 Valuation	
		£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Reliance Industries <sup>2</sup>	Energy	41,309	9.5	786	0.3
Infosys Technologies	Information Technology	28,607	6.6	22,940	7.8
Bharti Airtel	Telecommunication Services	28,425	6.5	14,737	5.0
Larsen & Toubro	Industrials	27,912	6.4	17,681	6.0
Bharat Heavy Electrical	Industrials	27,597	6.3	21,981	7.5
Housing Development Finance <sup>2</sup>	Financials	25,470	5.8	8,204	2.8
Satyam Computer Services	Information Technology	19,997	4.6	12,861	4.4
Associated Cement	Materials	18,339	4.2	16,291	5.5
HDFC Bank <sup>2</sup>	Financials	16,560	3.8	7,403	2.5
Kotak Mahindra Bank <sup>2</sup>	Financials	16,054	3.7	5,453	1.9
<b>Total<sup>3</sup></b>		<b>250,270</b>	<b>57.4</b>		

<sup>1</sup>Based on total assets less current liabilities of £436.2m (2006: £294.2m).

<sup>2</sup>Not included in the ten largest investments at 30th September 2006.

<sup>3</sup>As at the 30th September 2006, the value of the ten largest investments amounted to £152,960,000 representing 52.0% of total assets less current liabilities.

## Group Portfolio Analysis

Sector	30th September 2007		30th September 2006	
	Portfolio <sup>1</sup> %	Benchmark <sup>2</sup> %	Portfolio %	Benchmark %
Financials	27.5	27.5	12.7	19.2
Industrials	20.5	11.1	21.3	9.3
Energy	11.9	18.8	2.2	15.8
Information Technology	11.1	14.6	16.0	20.9
Telecommunication Services	8.1	4.5	8.7	4.6
Materials	7.2	7.1	10.0	7.2
Consumer Discretionary	5.3	5.1	10.9	7.4
Healthcare	3.4	3.4	6.5	5.3
Utilities	3.0	3.0	6.6	2.5
Consumer Staples	2.7	4.9	4.9	7.8
Net current (liabilities)/assets	(0.7)	–	0.2	–
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>Based on total assets less current liabilities of £436.2m (2006: £294.2m).

<sup>2</sup>The benchmark is the MSCI India Index in Sterling terms.

# List of Group Investments

at 30th September 2007

Company	Market Value £'000	Company	Market Value £'000
<b>Consumer Discretionary</b>		<b>Industrials</b>	
Mahindra & Mahindra	15,755	Larsen & Toubro	27,912
Indian Hotels	6,713	Bharat Heavy Electrical	27,597
Maruti Suzuki India	813	Asea Brown Boveri	7,087
<b>Total Consumer Discretionary</b>	<b>23,281</b>	Gammon India	5,686
<b>Consumer Staples</b>		Aditya Birla Nuvo	4,849
ITC	11,909	Container	4,081
<b>Total Consumer Staples</b>	<b>11,909</b>	Nagarjuna Construction	3,448
<b>Energy</b>		Cummins India	2,189
Reliance Industries	41,309	Exide Industries	1,889
Reliance Energy	8,351	Godrej Industries	1,597
Petronet	2,002	Lloyd Electric & Engineering	1,446
<b>Total Energy</b>	<b>51,662</b>	Sical Logistics	636
<b>Financials</b>		Gateway Distriparks	480
Housing Development Finance	25,470	Punjab Tractors	154
HDFC Bank	16,560	Asahi India Glass	152
Kotak Mahindra Bank	16,054	<b>Total Industrials</b>	<b>89,203</b>
ICICI Bank	14,308	<b>Information Technology</b>	
State Bank of India	13,428	Infosys Technologies	28,607
Axis Bank	8,655	Satyam Computer Services	19,997
Centurion Bank of Punjab	3,873	<b>Total Information Technology</b>	<b>48,604</b>
Citigroup Global Mkts	3,656	<b>Materials</b>	
DLF	3,517	Associated Cement	18,339
Infrastructure Development Finance	3,496	Ambuja Cements	7,177
Financial Technologies	2,881	Ultra Tech Cement	5,837
Power Finance	2,478	<b>Total Materials</b>	<b>31,353</b>
Unitech Corporate Parks	2,454	<b>Telecommunication Services</b>	
Advanta India	1,560	Bharti Airtel	28,425
Andhra Bank	1,181	Reliance Communications	6,943
Ascendas India Trust Units	338	<b>Total Telecommunication Services</b>	<b>35,368</b>
<b>Total Financials</b>	<b>119,909</b>	<b>Utilities</b>	
<b>Healthcare</b>		National Thermal Power	9,091
Sun Pharmaceuticals Industries	4,991	Indraprastha Gas	1,984
Divis Laboratories	3,433	PTC India	1,667
Glaxo India	2,747	Power Grid Corporation Of India	290
Dr Reddy's Laboratories	1,910	<b>Total Utilities</b>	<b>13,032</b>
Aventis Pharmaceuticals	797	<b>Total</b>	
Sun Pharma Advanced Research	560	<b>439,249</b>	
Biocon	490		
<b>Total Healthcare</b>	<b>14,928</b>		

## Board of Directors



### Philip Daubeney\*†‡

(Chairman of the Board and Nomination Committee).  
Chairman since September 2002 and a Director since April 1994  
He was formerly chief executive of ICI (India).



### David Baker\*†‡

A Director since April 1994  
Former managing director of Sun Life Investment Management Services Ltd.



### Hugh Bolland\*†‡

(Chairman of the Audit Committee)  
A Director since September 2004  
Currently serving as a director of Fidelity Asian Values plc and Alliance Trust plc. Previously a director of Schroder Investment Management Limited, Schroder European Property Advisors Limited, Schroder Property Investment Limited and Schroder Split Fund plc.



### Richard Burns\*†‡

A Director since December 2006  
Former Joint Senior Partner and Head of Investment at Baillie Gifford. He is a Director of The Bankers Investment Trust plc, EP Global Opportunities Trust plc, Mid Wynd International Investment Trust plc and Standard Life Equity Income Trust plc.



### Pierre Dinan‡

A Director 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 and a wholly owned subsidiary of DCDM. Multiconsult are employed to act as secretary and administrator to the Company's wholly owned subsidiary JPMorgan Fleming Indian Investment Company (Mauritius) Limited.



### Vijay Joshi\*†

A Director since May 1995  
Fellow of Merton College, Oxford and a previous economic adviser to the Indian Ministry of Finance.



### Peter Sullivan\*†‡

Appointed 1st October 2007  
He is 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.

\*Member of the Audit Committee.  
†Considered independent of the manager.  
‡Member of Nomination Committee.

# Directors' Report

The Directors present their report for the year ended 30th September 2007.

## Business Review

### Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th September 2006. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 30th September 2006 is subject to review, should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. The Company is not a close company for taxation purposes.

The Company owns 100% of the share capital of its subsidiary undertaking JPMorgan Indian Investment Company (Mauritius) Limited, an investment holding company registered in Mauritius.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 4, and in the Investment Managers' Report on pages 5 to 6.

The Group's portfolio of investments has been listed on pages 10 and 11.

### Objective

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

### Investment Policies and Risk Management

In order to achieve its objective, the Company invests in a diversified portfolio and employs a Manager with a strong focus on research and company visits that enables it to identify what it believes to be the most attractive stocks in the market.

The Board has sought to manage the Company's risk by imposing various investment limits and restrictions. These limits and restrictions may be varied at any time by the Board at its discretion.

The Company does not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts). The Company does not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

### Investment Limits and Restrictions

- The Company will not normally invest in the other countries of the Indian sub-continent nor in Sri Lanka.
- The Company can invest in companies that earn a material part of their revenues from India.
- At time of purchase, the maximum permitted exposure to any individual stock is 14.99% of total assets.
- No more than 10% of the Company's assets will be invested in unquoted investments.
- To use gearing when appropriate to increase potential returns to shareholders; the Company's gearing policy is to use short-term gearing for tactical purposes, up to a maximum level of 15% of shareholders funds.

### Performance

In the year to 30th September 2007, the Company produced a total return to shareholders of 44.1% and a total return on net assets of 49.9%. This compares with the return on the Company's benchmark index of 49.6%. As at 30th September 2007, the value of the Company's investment portfolio was £439.2m. The Investment Managers' Report on pages 5 to 6 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

### Total Return, Revenue and Dividends

Total gross revenue for the year totalled £3,759,000 (2006: £2,922,000) and distributable revenue after deducting interest, administrative expenses and taxation amounted to a deficit of £2,608,000 (2006 deficit: £1,336,000).

# Directors' Report continued

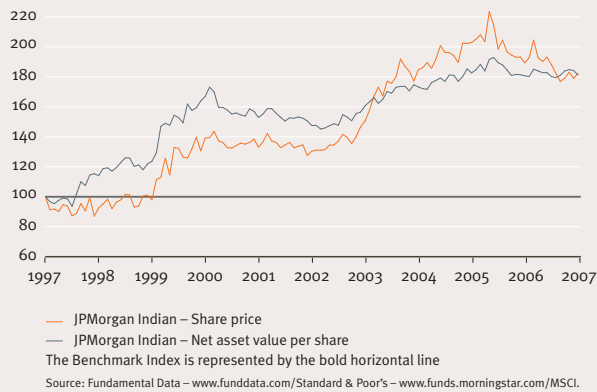
## Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index:**  
This is the most important KPI by which performance is judged.

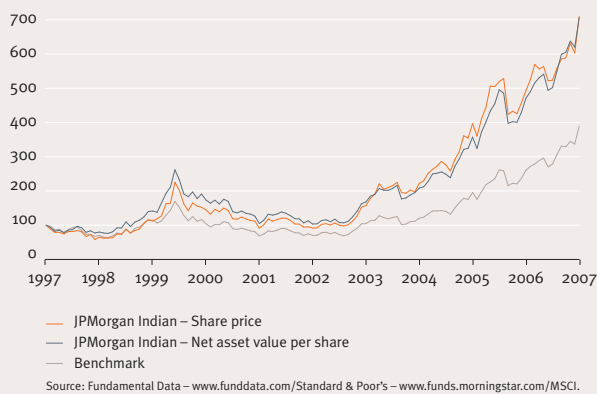
### Performance Relative to Benchmark Index

Figures have been rebased to 100 at 30th September 1997



### Ten Year Performance

Figures have been rebased to 100 at 30th September 1997



- **Performance against the Company's peers**  
The principal objective is to achieve capital growth relative to the benchmark. The Board monitors performance relative to both the benchmark and a broad range of competitor funds.

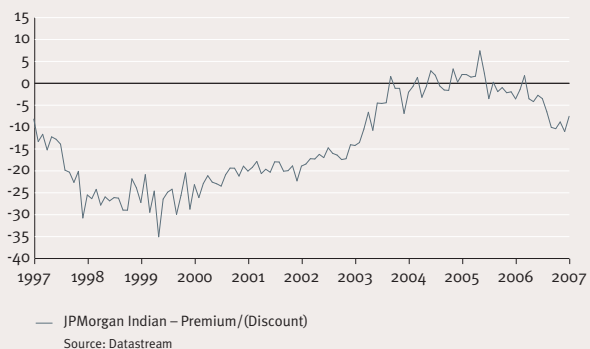
- **Performance Attribution**

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 30th September 2007 are given in the Investment Managers' Report on page 6.

- **Discount to net asset value ('NAV')**

The Board has a share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This minimises the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers in the sector. In the year to 30th September 2007, the shares traded between a premium of 1.9% and a discount of 13.2%.

### Premium/(Discount)



- **Total expense ratio ('TER')**

The TER represents management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 30th September 2007 was 1.5% (2006: 1.7%). The Board reviews the TER of the Company regularly and on an annual basis compares its TER against other companies with similar investment objectives and policies.

### Share Capital

The Company has authority both to repurchase shares for cancellation and issue new shares in the market for cash.

The Company did not repurchase any shares for cancellation during the year (2006: 305,000).

The Company bought 1,214,788 (2006: nil) shares into treasury for a total consideration of £3,966,000.

A special resolution to renew the Company's authority to repurchase shares will be put to shareholders for approval at the Annual General Meeting as detailed on page 17.

In the year to 30th September 2007, the Company issued a total of 100,000 new ordinary shares for cash for a total consideration of £303,000. An ordinary resolution to renew the Company's issuance powers will be put to shareholders for approval at the Annual General Meeting as detailed on page 17.

### Principal Risks

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- **Investment and Strategy:** An inappropriate investment strategy, for example excessive concentration of investment asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, which may result in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and review data which shows statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing tactically, within a strategic range set by the Board. In addition to regular Board reviews of investment and strategy, the Board holds a separate meeting devoted to strategy each year.
- **Market:** Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the Investment process with the Manager.

- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Should the Company breach Section 842, it may lose investment trust status and as a consequence gains within the Company's portfolio would be subject to Corporation Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of The Companies Act 1985 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or subject to criminal proceedings. Breach of the UKLA Listing Rules may result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act 1985 and The UKLA Listing Rules.
- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 18 to 21.
- **Operational:** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included with the Internal Control section of the Corporate Governance report on page 20.
- **Financial:** The financial risks faced by the Company include market price risk, interest rate risk, foreign currency risk, liability risk and credit risk. Further details are disclosed in note 17 on pages 39 to 41.

### Future Developments

Clearly the future development of the Company is dependent upon the success of the Company's investment strategy in the light of economic and equity market developments; the investment managers discuss the outlook in their report on page 6.

## Directors' Report continued

### Management

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract terminable on one year's notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

JPMAM is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Investment Managers, noting consistent out performance of the benchmark over the long term and the support that the Company receives from JPMAM.

### Management Fee

The Manager is remunerated at a rate of 1.2% of the Group's assets less liabilities. Included in this is the fee payable by the Company's subsidiary JPMorgan Indian Investment Company (Mauritius) Limited of 0.6% of its assets less liabilities. The above fees are paid monthly in arrears.

Investments in funds managed or advised by JPMAM or any of its associated companies are excluded from the calculations and therefore attract no fee.

### Going Concern

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

### Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 30th September 2007, the Company had no outstanding trade creditors (2006: none).

### Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's ordinary share capital, are given below:

	30th September 2007	30th September 2006
PEG Daubeney (Chairman)	7,147	7,147
DE Baker	15,285	15,285
HW Bolland	10,000	10,000
Richard Burns	10,000	–
P Dinan	–	–
VR Joshi	3,900	3,900
PD Sullivan	–	–

There have been no changes in the above holdings since the year end.

In accordance with the Articles of Association, Peter Sullivan, who was appointed a Director on 1st October 2007, offers himself for election. The Directors retiring by rotation at the Annual General Meeting will be David Baker, Philip Daubeney and Vijay Joshi. Vijay Joshi, being eligible, offers himself for re-election by shareholders. David Baker and Philip Daubeney will not be seeking re-election.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

### Disclosure of Information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

- (a) so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information (as defined in the Companies Act) and to establish that the Company's auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of S234 ZA of the Companies Act 1985.

### Notifiable Share Interests

At the date of this report the Company was aware of the following interests in excess of 3% or more of its issued share capital:

Shareholders	Number of shares held	%
Puddle Dock Nominees Limited <sup>1,2</sup>	14,054,212	13.41
HBOS plc	5,759,117	5.28
Legal & General Investment Management	4,183,458	4.03
Sarasin Chiswell <sup>2</sup>	4,149,695	3.96
Rathbone Nominees Limited	3,205,984	3.06

<sup>1</sup> Held on behalf of JPMAM ISA, PEP and Share Plan participants.

<sup>2</sup> Non-beneficial.

### Independent Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditor to the Company and a resolution proposing their re-appointment, and authorising the Directors to determine their remuneration for the ensuing year, will be put to shareholders at the Annual General Meeting.

### Registrars

Lloyds TSB Group plc completed the sale of the Lloyds TSB Registrars business to Advent International, a global private equity firm, on 30th September 2007. Equiniti Limited ("Equiniti") is now the new name for the Company's share registrar.

### Annual General Meeting

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

#### (i) Authority to issue relevant securities and disapply pre-emption rights (Resolutions 6 and 7)

Resolutions 6 and 7 in the Notice of Meeting on page 44 will give Directors specific 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% of the present issued share capital. Share Issues would only be undertaken at prices in excess of the prevailing net asset value of the existing shares.

The Directors consider that the renewal of the share issuance authority is in the interests of shareholders as a whole and unanimously recommend that shareholders vote in favour of Resolutions 6 and 7.

#### (ii) Authority to Repurchase the Company's Shares (Resolution 8)

The authority to repurchase up to 14.99 per cent of the Company's issued share capital, granted by shareholders at the 2007 AGM, will expire on 24th July 2008 unless renewed at the forthcoming AGM. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

The Board will seek shareholder approval at the AGM to renew this authority, which will last until 25th July 2009 or until the whole of the 14.99 per cent has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on page 44. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing Net Asset Value per share as and when market conditions are appropriate.

The Directors consider that the renewal of the share repurchase authority is in the interests of shareholders as a whole and unanimously recommend all shareholders to vote in favour.

By order of the Board  
Andrew Norman, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Secretary  
17th December 2007

# Corporate Governance

## Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 23, indicates how the Company has applied the principles of good governance of the revised Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of Corporate Governance and considers that the Company has complied with the best practice provisions of the Combined Code, other than in respect of the provision relating to a senior independent director, and the AIC Code throughout the year under review.

## Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration, and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved for Board decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are followed.

## Board Composition

The Board consists of seven non-executive Directors, chaired by Philip Daubeney, six of whom are considered to be independent of the Company's 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.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

The Board is responsible for ensuring appropriate level of corporate governance and considers that, save for the exceptions noted below, the Company has complied with the best practice provisions of the Combined Code and the AIC Code, insofar as they are relevant to the Company's business, throughout the year under review.

## Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be re-elected by shareholders. Thereafter, a Director's appointment will run for a term of three years. A Director may then be invited by the Board to serve for a further three years. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that at least one third of the Board must retire by rotation each year.

The Board confirms that Vijay Joshi, who retires by rotation at this year's Annual General Meeting, continues to be an effective Director and demonstrates his commitment to his role, and therefore recommends his re-election. Peter Sullivan will be seeking election, David Baker and Philip Daubeney retire by rotation, but will not be seeking re-election at the forthcoming Annual General Meeting.

### Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 12. Directors who are not members of committees may attend at the invitation of the Chairman.

The table below details the number of Board, Audit Committee and Nomination Committee meetings attended by each Director. During the year there were five Board meetings, two Audit Committee meetings and one Nomination Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Philip Daubeney	5	2	1
David Baker	5	2	1
Hugh Bolland	5	2	1
Richard Burns	5	2	1
Pierre Dinan <sup>1</sup>	5	2	1
Vijay Joshi	5	2	1
Iain Saunders <sup>1,2</sup>	2	1	–
Peter Sullivan <sup>3</sup>	–	–	–

<sup>1</sup>Not independent Directors and therefore precluded from acting as Members of the Audit Committee. Attended at the invitation of the Committee.

<sup>2</sup>Resigned 25th January 2007.

<sup>3</sup>Appointed 1st October 2007.

### Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter regular briefings are provided on changes in regulatory requirements that affect the Company and Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board has agreed procedures for the formal evaluation of the Manager, its own performance and of that of its committees and individual Directors. The evaluation of individual Directors is led by the Chairman, whilst the other Directors evaluate the performance of the Chairman himself. The Board as a whole evaluates the Manager, its own performance and that of its committees.

### Board Committees

#### Nomination Committee

The Nomination Committee, which in any one year consists of those Directors who are not standing for election or re-election at the next Annual General Meeting, meets at least annually to ensure that the Board has an appropriate balance of skills to carry out its fiduciary duties and to select and propose suitable candidates when necessary for appointment. A variety of sources, including the use of external search consultants, may be used to ensure that a wide range of candidates are considered.

The Committee undertakes an annual performance evaluation as described above to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

#### Audit Committee

The Audit Committee, chaired by Hugh Bolland and comprising of all the Independent Non-Executive Directors, meets at least twice each year. The members of the Committee consider that they have the requisite skills including financial skills and experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the manager in relation to the interim and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems and receives information from the Managers' Compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. Representatives of the Company's auditors attend the Committee meeting at which the draft Annual Report and Accounts are considered. The Directors' statement on the Company's system of internal control is set out on page 20.

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website and for inspection on request at the Company's registered office and at the Company's Annual General Meeting.

#### Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders four times a year by way

## Corporate Governance continued

of the Annual Report and Accounts, Half Year report and two Interim Management Statements. This is supplemented by the daily publication, through the London Stock Exchange, of the NAV of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with shareholders and answer questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Secretary whose details are shown on page 42.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Secretary at the address shown on page 42.

Details of the proxy voting position on each Resolution will be published on the Company website shortly after the Annual General Meeting.

### Internal Control

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided

by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM. The key elements designed to provide effective internal control are as follows:

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

**Management Agreement** – Appointment of a Manager and custodian regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement.

**Management Systems** – The Managers' system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's compliance department which regularly monitors compliance with FSA rules.

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

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

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMAM's compliance department;
- the Board reviews the report on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- the Directors review every six months an independent report on the internal controls and the operations of JPMAM.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th September 2007 and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

### **Corporate Governance and Voting Policy**

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from [www.jpmorgan.com](http://www.jpmorgan.com):

"JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect those companies to demonstrate high standards of governance in the management of their business.

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable we will vote at all of the meetings called by companies in which we are invested.

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, director independence and remuneration, as well as social and environmental issues. These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote."

All votes cast against resolutions are reported to the Board.

### **Corporate Social Responsibility**

The following is a summary of JPMAM's policy statement on corporate social responsibility which has been noted by the Board:

"We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision."

## Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 25.

For the year to 30th September 2007, the Chairman was paid at the rate of £25,000 per annum, the Audit Committee Chairman was paid at the rate of £20,000 per annum and the other Directors at the rate of £17,500 per annum. With effect from 1st October 2007 the Directors' fees were increased to £27,500 for the Chairman, £22,500 for the Audit Committee Chairman and £20,000 for the Directors.

### Directors' Remuneration (Audited information)

Director	2007 £	2006 £
Philip Daubeney	25,000	22,500
David Baker	17,500	15,000
Hugh Bolland	20,000	15,000
Richard Burns <sup>1</sup>	14,583	–
Pierre Dinan	17,500	15,000
Vijay Joshi	17,500	15,000
Iain Saunders <sup>2</sup>	5,654	15,000
Peter Sullivan <sup>3</sup>	–	–
<b>Total</b>	<b>117,737</b>	<b>97,500</b>

<sup>1</sup> Appointed on 1st December 2006.

<sup>2</sup> Resigned on 25th January 2007.

<sup>3</sup> Appointed on 1st October 2007.

The total Directors' fees of £117,737 (2006: £97,500) in respect of aggregate emoluments have been paid to Directors. Within this amount fees of £nil (2006: £nil) have been paid to third parties for making available the services of Directors.

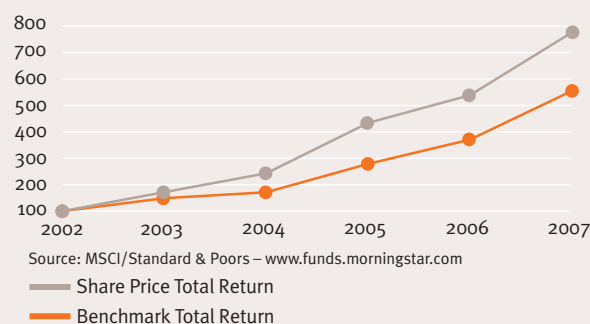
As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular

basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, 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 Directors' fees are not performance-related. The Articles stipulate that aggregate fees must not exceed £150,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

A graph showing the Company's share price compared with its benchmark index, the MSCI India Index expressed in Sterling terms, over the last five years is shown below.

### Five year share price and benchmark total return to 30th September



The Company's benchmark is the MSCI India Index (in Sterling terms). Comparison of the Company's performance is made with this benchmark. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or track this index and, consequently, there may be some divergence between its performance and that of the Company.

By order of the Board  
Andrew Norman, for and on behalf of  
JPMorgan Asset Management (UK) Limited  
Secretary  
17th December 2007

## Directors' Responsibilities in Respect of the Accounts

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under IFRSs (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The accounts are published on the [www.jpmorganassetmanagement.co.uk](http://www.jpmorganassetmanagement.co.uk) website, which is maintained by the Company's Investment Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM.

# Independent Auditors' Report

## Independent Auditors' Report to the members of JPMorgan Indian Investment Trust Plc

We have audited the group and parent company financial statements (the "financial statements") of JPMorgan Indian Investment Trust Plc for the year ended 30th September 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information that is cross referred from the Investment Managers' Report and the Chairman's Statement.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 September 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

## DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

17th December 2007

# Group Income Statement

for the year ended 30th September 2007

	Notes	Year ended 30th September 2007			Year ended 30th September 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	3	3,519	–	3,519	2,790	–	2,790
Other income	3	240	–	240	132	–	132
		3,759	–	3,759	2,922	–	2,922
Gains from investments held at fair value through profit or loss	9(d)	–	148,193	148,193	–	69,172	69,172
Foreign exchange gain/(loss)		–	61	61	–	(404)	(404)
<b>Total income</b>		3,759	148,254	152,013	2,922	68,768	71,690
<b>Expenses</b>							
Management fee	4	(4,321)	–	(4,321)	(3,165)	–	(3,165)
Other administrative expenses	5	(1,254)	–	(1,254)	(967)	–	(967)
<b>(Loss)/profit before finance costs and taxation</b>		(1,816)	148,254	146,438	(1,210)	68,768	67,558
Finance costs	6	(668)	–	(668)	(107)	–	(107)
<b>(Loss)/profit before taxation</b>		(2,484)	148,254	145,770	(1,317)	68,768	67,451
Taxation	7	(124)	–	(124)	(19)	–	(19)
<b>Net (loss)/profit</b>		(2,608)	148,254	145,646	(1,336)	68,768	67,432
<b>(Loss)/earnings per share</b>	8	(2.49)p	141.79p	139.30p	(1.31)p	67.29p	65.98p

The “Total” column of this statement represents the Group’s Income Statement, prepared in accordance with IFRS. The supplementary “Revenue” and “Capital” columns are prepared under guidance published by the Association of Investment Companies.

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

All income is attributable to the equity shareholders of JPMorgan Indian Investment Trust plc, the Company. There are no minority interests.

The notes on pages 30 to 41 form an integral part of these accounts.

# Group and Company Statement of Changes in Equity

for the year ended 30th September 2007

	Group Year ended 30th September 2007							Total £'000
	Called up share capital £'000	Share premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Capital redemption reserves £'000	Capital redemption reserve £'000	Revenue reserve £'000	
<b>Balance as at 30th September 2006</b>	26,177	50,636	41,929	5,886	168,670	6,348	(5,443)	294,203
Shares issued	25	278	–	–	–	–	–	303
Purchase of shares into treasury	–	–	–	–	(3,966)	–	–	(3,966)
Profit/(loss) for the year	–	–	–	–	148,254	–	(2,608)	145,646
Balance as at 30th September 2007	26,202	50,914	41,929	5,886	312,958	6,348	(8,051)	436,186

	Group Year ended 30th September 2006							Total £'000
	Called up share capital £'000	Share Premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Capital redemption reserves £'000	Capital redemption reserve £'000	Revenue reserve £'000	
<b>Balance as at 30th September 2005</b>	24,091	30,450	41,929	5,886	100,566	6,272	(4,107)	205,087
Shares issued	2,162	20,186	–	–	–	–	–	22,348
Repurchase and cancellation of shares	(76)	–	–	–	(664)	76	–	(664)
Profit/(loss) for the year	–	–	–	–	68,768	–	(1,336)	67,432
Balance as at 30th September 2006	26,177	50,636	41,929	5,886	168,670	6,348	(5,443)	294,203

	Company Year ended 30th September 2007							Total £'000
	Called up share capital £'000	Share Premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Capital redemption reserves £'000	Capital redemption reserve £'000	Revenue reserve £'000	
<b>Balance as at 30th September 2006</b>	26,177	50,636	41,929	5,886	171,930	6,348	(8,703)	294,203
Shares issued	25	278	–	–	–	–	–	303
Purchase of shares into treasury	–	–	–	–	(3,966)	–	–	(3,966)
Profit/(loss) for the year	–	–	–	–	148,215	–	(2,569)	145,646
Balance as at 30th September 2007	26,202	50,914	41,929	5,886	316,179	6,348	(11,272)	436,186

	Company Year ended 30th September 2006							Total £'000
	Called up share capital £'000	Share Premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Capital redemption reserves £'000	Capital redemption reserve £'000	Revenue reserve £'000	
<b>Balance as at 30th September 2005</b>	24,091	30,450	41,929	5,886	103,256	6,272	(6,797)	205,087
Shares issued	2,162	20,186	–	–	–	–	–	22,348
Repurchase and cancellation of shares	(76)	–	–	–	(664)	76	–	(664)
Profit/(loss) for the year	–	–	–	–	69,338	–	(1,906)	67,432
Balance as at 30th September 2006	26,177	50,636	41,929	5,886	171,930	6,348	(8,703)	294,203

The notes on pages 30 to 41 form an integral part of these accounts.

# Group and Company Balance Sheets

at 30th September 2007

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
<b>Non current assets</b>					
Investments held at fair value through profit or loss	9	439,249	293,498	438,170	291,283
<b>Current assets</b>					
Other receivables	10	1,192	1,198	104	41
Cash and cash equivalents		8,159	4,253	1,024	3,851
		9,351	5,451	1,128	3,892
<b>Current liabilities</b>					
Other payables	11	(12,414)	(4,746)	(3,112)	(972)
<b>Net current (liabilities)/assets</b>					
		(3,063)	705	(1,984)	2,920
<b>Net assets</b>					
		436,186	294,203	436,186	294,203
<b>Equity attributable to equity holders</b>					
Called up share capital	12	26,202	26,177	26,202	26,177
Share premium	13	50,914	50,636	50,914	50,636
Other reserve	13	41,929	41,929	41,929	41,929
Exercised warrant reserve	13	5,886	5,886	5,886	5,886
Capital reserves	13	312,958	168,670	316,179	171,930
Capital redemption reserve	13	6,348	6,348	6,348	6,348
Revenue reserve	13	(8,051)	(5,443)	(11,272)	(8,703)
<b>Total equity</b>					
		436,186	294,203	436,186	294,203
<b>Net asset value per share</b>					
	14	421.1p	281.0p	421.1p	281.0p

The accounts on pages 26 to 41 were approved by the Directors and authorised for issue on 17th December 2007 and signed on its behalf by:

**PEG Daubeney**  
Chairman

The notes on pages 30 to 41 form an integral part of these accounts.

# Group and Company Cash Flow Statements

at 30th September 2007

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
<b>Operating activities</b>				
Profit before taxation	145,770	67,451	145,646	67,432
Add back interest	668	107	124	28
Gains on investments held at fair value through profit or loss	(148,193)	(69,172)	(148,151)	(69,275)
Foreign exchange gain	–	(37)	–	(37)
Net sales/(purchases) of investments held at fair value through profit or loss	2,442	(16,736)	1,265	74
Gifted money to subsidiary company	–	–	–	(14,407)
(Increase)/decrease in other receivables	(207)	1,017	(63)	(33)
Decrease/(increase) in amounts due from brokers	213	(95)	–	–
Increase/(decrease) on other payables	58	(778)	(6)	(5)
Decrease in amounts due to brokers	(858)	(3,013)	(858)	(1,963)
<b>Net cash outflow from operating activities before interest payable and taxation</b>	<b>(107)</b>	<b>(21,256)</b>	<b>(2,043)</b>	<b>(18,186)</b>
Interest paid	(657)	(107)	(121)	(28)
Tax paid	(58)	(29)	–	–
<b>Net cash outflow from operating activities</b>	<b>(822)</b>	<b>(21,392)</b>	<b>(2,164)</b>	<b>(18,214)</b>
<b>Financial activities</b>				
Net proceeds from the issue of shares	303	22,348	303	22,348
Repurchase of shares	(3,966)	(664)	(3,966)	(664)
Net drawdown of short term loans	8,391	3,536	3,000	37
<b>Net cash inflow/(outflow) from financing activities</b>	<b>4,728</b>	<b>25,220</b>	<b>(663)</b>	<b>21,721</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>3,906</b>	<b>3,828</b>	<b>(2,827)</b>	<b>3,507</b>
Cash and cash equivalents at start of year	4,253	425	3,851	344
<b>Cash and cash equivalents at end of year</b>	<b>8,159</b>	<b>4,253</b>	<b>1,024</b>	<b>3,851</b>

The notes on pages 30 to 41 form an integral part of these accounts.

# Notes to the Accounts

for the year ended 30th September 2007

## 1. Principal activity

The principal activity of the Company is that of an investment holding company within the meaning of section 842 of the Income and Corporation Taxes Act 1988. The principal activity of its subsidiary company, JPMorgan Indian Investment Company (Mauritius) Limited, is that of an investment company.

## 2. Accounting policies

### (a) Basis of accounting

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), International Accounting Standards and Standing Interpretations Committee and interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect and to the extent that they have been adopted by the European Union.

The accounts have been prepared on the going concern basis. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in December 2005 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Company's share capital is denominated in Sterling and this is the currency in which its shareholders operate and expenses are generally paid. The Directors have therefore determined the functional currency to be Sterling.

### (b) Basis of consolidation

The Group accounts incorporate the accounts of the Company and its wholly owned subsidiary JPMorgan Indian Investment Company (Mauritius) Limited. Intra group balances are eliminated on consolidation.

### (c) Presentation of the Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue nature and a capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988.

The Company has taken advantage of the exemption conferred by section 230 of the Companies Act 1985, and omitted the Company's profit and loss account from the annual accounts.

### (d) Investments held at fair value through profit or loss

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within a timeframe established by the market concerned.

Investments are designated upon initial recognition as held at fair value through profit or loss. At subsequent reporting dates investments are valued at fair values which are bid market prices. Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by using various valuation techniques. These may include recent arm's length market transactions, the current fair value of another instrument that is substantially the same or discounted cash flow analysis or net asset value. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. Where no reliable fair value can be estimated for such stocks, they are carried at cost, subject to any provision for impairment.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Income Statement within "Gains or losses from investments held at fair value through profit or loss". Transaction costs incurred on the acquisition and disposal of investments are also included within this caption.

**(e) Income**

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature, in which case it is taken to capital.

Income from fixed interest debt securities is recognised using the effective interest rate method.

Deposit interest receivable is taken to revenue on an accruals basis.

**(f) Expenses**

All expenses and interest payable are accounted for on an accruals basis. All administration expenses, including the management fee and interest payable, are charged to the revenue column of the Income Statement. Expenses which are incidental to the purchase or sale of an investment are charged to the capital column of the Income Statement and allocated to the other capital reserves. These expenses are commonly referred to as transaction costs and are disclosed in note 9(b).

**(g) Financial instruments**

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Other debtors are non interest bearing, short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Interest bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Other creditors are non interest bearing, short term in nature and are accordingly stated at nominal value.

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method.

**(h) Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. Tax payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is more likely than not that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval under section 842 of the Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**(i) Foreign currency**

For the purpose of the consolidated financial statements, the results and financial position of both entities in the Group are expressed in Sterling which is the functional currency of the Company and the presentational currency of the Group.

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items and non monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains or losses arising on retranslation are included in net profit or loss for the year and presented as revenue or capital as appropriate.

## Notes to the Accounts continued

	Group	
	2007 £'000	2006 £'000
<b>3. Income</b>		
Income from investments listed overseas		
Dividends	3,351	2,775
Interest	168	15
	3,519	2,790
Other income		
Deposit interest	240	132
<b>Total income</b>	<b>3,759</b>	<b>2,922</b>
Total income comprises:		
Dividends	3,351	2,775
Interest	168	15
Other income	240	132
<b>Total income</b>	<b>3,759</b>	<b>2,922</b>

	Group	
	2007 £'000	2006 £'000
<b>4. Management fee</b>		
Management fee	4,135	3,030
Irrecoverable VAT thereon	186	135
	4,321	3,165

Details of the terms of the management agreement are given on pages 15 and 16.

	Group	
	2007 £'000	2006 £'000
<b>5. Other administrative expenses<sup>1</sup></b>		
Other management expenses	991	767
Directors' fees <sup>2</sup>	118	98
Savings product <sup>3</sup>	112	72
Auditors' remuneration for audit services <sup>4</sup>	32	30
Auditors' remuneration for all other services <sup>4</sup>	1	–
	1,254	967

<sup>1</sup>Expenses include the related irrecoverable VAT.

<sup>2</sup>Full disclosure is given in the Directors' Remuneration Report on page 22.

<sup>3</sup>These fees were paid to JPMAM for the marketing of "Wrapper" products.

<sup>4</sup>Includes £1,000 (2006: £1,000) irrecoverable VAT.

	Group	
	2007 £'000	2006 £'000
<b>6. Finance costs</b>		
Loans repayable within one year	668	107

	Group	
	2007 £'000	2006 £'000
<b>7. Taxation</b>		
<b>(a) Taxation on ordinary activities</b>		
Overseas income tax	124	19
Current tax	124	19

**(b) Factors affecting the tax charge for the year**

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%). The difference is explained below.

	Group	
	2007 £'000	2006 £'000
Profit before taxation	145,770	67,451
Corporation tax at 30% (2006: 30%)	43,731	20,235
Effects of:		
Non taxable capital returns	(44,476)	(20,630)
Deferred tax asset not recognised	745	395
Overseas income tax	124	19
Current tax	124	19

**(c) Provision for deferred taxation**

No provision for deferred taxation has been made in the current year or prior year. The Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items due to its status as an Investment Trust Company.

**(d) Factors that may affect future tax charges**

The Company has an unrecognised deferred tax asset of £2,785,000 (2006: £2,035,000). This has arisen from deductible expenses exceeding taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

## Notes to the Accounts continued

	2007 Revenue £'000	Group 2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	Group 2006 Capital £'000	2006 Total £'000
<b>8. (Loss)/earnings per share</b>						
(Loss)/profit attributable to equity shareholders	(2,608)	148,254	145,646	(1,336)	68,768	67,432
(Loss)/earnings per share <sup>1</sup>	(2.49)p	141.79p	139.30p	(1.31)p	67.29p	65.98p

<sup>1</sup> The (loss)/earnings per share is based on the (loss)/profit for the year after taxation and on 104,562,209 shares, being the weighted average number of shares in issue during the year (2006: 102,202,688).

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>9. Investments held at fair value through profit or loss</b>				
<b>(a) Group and Company</b>				
Investments listed on a recognised investment exchange	439,249	293,497	34,803	23,540
Unlisted investments	–	1	403,367	267,743
	439,249	293,498	438,170	291,283

	Group <sup>1</sup> 2007		Company <sup>2</sup> 2007	
	Listed overseas £'000	Unlisted £'000	Total £'000	Listed overseas £'000
Opening book cost	156,098	790	156,888	20,942
Opening unrealised gains/(losses)	137,399	(789)	136,610	2,598
Opening valuation	293,497	1	293,498	23,540
Movements in the year:				
Purchases at cost	134,701	–	134,701	27,457
Sales – proceeds	(137,177)	–	(137,177)	(28,729)
Sales – realised gains	10,189	–	10,189	2,953
Movement in unrealised gains/(losses)	138,039	(1)	138,038	9,582
Closing valuation	439,249	–	439,249	34,803
Closing book cost	203,993	–	203,993	24,483
Closing unrealised gains	235,256	–	235,256	10,320
Closing valuation	439,249	–	439,249	34,803

<sup>1</sup> During the year, prior year unrealised gains of £39,392,000 have been transferred to realised as disclosed in note 13.

<sup>2</sup> During the year, prior year unrealised gains of £1,860,000 have been transferred to realised as disclosed in note 13.

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>9. Investments (continued)</b>				
<b>(b) Transaction costs</b>				
Transaction costs on purchases	405	330	31	16
Transaction costs on sales	401	263	27	16
	806	593	58	32

The above costs comprise mainly broker commission.

	Company	
	2007 Total £'000	2006 Total £'000
<b>(c) Investment in subsidiary undertaking</b>		
Opening book cost	5,254	5,254
Opening unrealised gains	262,489	183,309
Opening valuation	267,743	188,563
Movements in the year:		
Gifted money to subsidiary	–	14,407
Movement in unrealised gains	135,624	64,773
Closing valuation	403,367	267,743

The Company owns 100% of the ordinary share capital of its subsidiary undertaking JPMorgan Indian Investment Company (Mauritius) Limited, an investment company registered in Mauritius.

	Group	
	2007 £'000	2006 £'000
<b>(d) Gains from investments held at fair value through profit or loss</b>		
Realised gains based on historical cost	49,581	31,826
Amounts recognised as unrealised in previous year	(39,392)	(22,586)
Realised gains based on carrying value at previous balance sheet date	10,189	9,240
Movement in unrealised gains	138,038	60,104
Other capital charges	(34)	(172)
Total gains from investments held at fair value through profit or loss	148,193	69,172

## Notes to the Accounts continued

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>10. Current assets</b>				
Other receivables				
Securities sold awaiting settlement	923	1,135	–	–
Prepayments and accrued income	177	23	12	1
Other receivables	92	40	92	40
	1,192	1,198	104	41

The Directors consider that the carrying amount of other receivables approximates to their fair value.

### Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash held by the Group, including short term bank deposits. The carrying amount of these approximates to their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>11. Current liabilities</b>				
Other payables				
Securities purchased awaiting settlement	–	858	–	858
Bank loan	12,000	3,609	3,000	–
Other creditors and accruals	414	279	112	114
	12,414	4,746	3,112	972

The Directors consider that the carrying amount of other payables approximates to their fair value.

The bank loan is drawn down on the Group's revolving loan facility with Lloyds TSB. Further details are given in note 17(c).

	2007 £'000	2006 £'000
<b>12. Called up share capital</b>		
<b>Authorised share capital</b>		
200,000,000 ordinary shares of 25p each	50,000	50,000
	50,000	50,000
<b>Allotted and fully-paid share capital</b>		
Opening balance of 104,706,662 (2006: 96,365,392) ordinary shares of 25p each	26,177	24,091
Issue of 100,000 (2006: 8,646,270) shares <sup>1</sup>	25	2,162
Repurchase of nil (2006: 305,000) shares	–	(76)
Purchase of 1,214,788 shares into treasury <sup>2</sup>	(304)	–
Subtotal	25,898	26,177
1,214,788 shares held in treasury <sup>2</sup>	304	–
Closing balance of 104,806,662 (2006: 104,706,662) ordinary shares of 25p each	26,202	26,177

<sup>1</sup> During the year, the Company issued a total of 100,000 (2006: 8,646,270) shares, nominal value £25,000 (2006: £2,162,000) to brokers and members of savings plans. The shares were issued at prices in excess of the net asset value per share and the total consideration received was £303,000 (2006: £22,348,000).

<sup>2</sup> During the year 1,214,788 (2006: nil) shares were bought into treasury at a consideration of £3,966,000 (2006: nil).

	Share premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Group Capital reserve realised £'000	Capital reserve unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000
<b>13. Reserves</b>							
At 1st October 2006	50,636	41,929	5,886	32,060	136,610	6,348	(5,443)
Shares issued	278	–	–	–	–	–	–
Purchase of shares into treasury	–	–	–	(3,966)	–	–	–
Realised gains on investments	–	–	–	10,189	–	–	–
Transfer on disposal of investments	–	–	–	39,392	(39,392)	–	–
Movement in unrealised gains	–	–	–	–	138,038	–	–
Other capital charges	–	–	–	(34)	–	–	–
Net gains on foreign currency transactions	–	–	–	61	–	–	–
Retained revenue loss for the year	–	–	–	–	–	–	(2,608)
At 30th September 2007	50,914	41,929	5,886	77,702	235,256	6,348	(8,051)

## Notes to the Accounts continued

	Share premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Company Capital reserve realised £'000	Capital reserve unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000
<b>13. Reserves (continued)</b>							
At 1st October 2006	50,636	41,929	5,886	(58,517)	230,447	6,348	(8,703)
Shares issued	278	–	–	–	–	–	–
Purchase of shares into treasury	–	–	–	(3,966)	–	–	–
Realised gains on investments	–	–	–	2,953	–	–	–
Transfer on disposal of investments	–	–	–	1,860	(1,860)	–	–
Movement in unrealised gains	–	–	–	–	145,207	–	–
Other capital charges	–	–	–	(7)	–	–	–
Net gains on foreign currency transactions	–	–	–	62	–	–	–
Retained revenue loss for the year	–	–	–	–	–	–	(2,569)
30th September 2007	50,914	41,929	5,886	(57,615)	373,794	6,348	(11,272)

### 14. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £436,186,000 (2006: £294,203,000) and on the 103,591,874 (2006: 104,706,662) shares in issue at the year end, excluding 1,214,788 (2006: nil) shares held in treasury.

The Company will re-issue shares held in treasury only at a premium to NAV. There are no securities in issue that could dilute the net asset value per share.

### 15. Contingent assets/liabilities and capital commitments

In 2004 the AIC lodged a joint appeal with JPMorgan Claverhouse Investment Trust plc for the payment of investment trust management fees to be exempt from VAT. In June 2007 the European Court of Justice found in favour of the applicants and in November 2007 HM Revenue and Customs ('HMRC') announced their withdrawal from the case. This means VAT will no longer be charged on investment management fees and for some investment trusts, it may be possible to recover some of the VAT paid in the past. Nevertheless, a number of legal and procedural matters remain to be resolved before certainty is reached in respect of entitlement to repayment of VAT paid in the past. In the absence of a definitive agreement with the Manager or specific guidance from HMRC as to how the reclaims will be effected, it is not practicable to quantify the amount of any potential recovery. Moreover, the Company has in past years been able to recover a significant percentage of the VAT suffered and therefore the amount of any recovery is not expected to be material in relation to the value of the Group's assets.

There were no contingent liabilities or capital commitments on the balance sheet date (2006: nil).

### 16. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on pages 15 and 16. The management fee payable to JPMorgan Asset Management Limited (JPMAM) by the Group and Company for the year was £4,135,000 and £2,249,000 respectively, excluding VAT, (2006: £3,030,000 and £1,660,000 respectively) of which £28,000 (2006: nil) was outstanding in both the Group's and Company's accounts at the year end. In addition £112,000 (2006: £72,000) was payable by the Group and Company to JPMAM for the marketing and administration of "wrapper" products of which nil (2006: £46,000) was outstanding at the year end.

Included in other management expenses in note 5 on page 32 are safe custody fees payable by the Group and Company amounting to £621,000 and £6,000 respectively (2006: £517,000 and £5,000 respectively) payable to JPMorgan Chase as custodian of which £167,000 and £1,000 respectively was outstanding at the year end (2006: £149,000 and £1,000 respectively).

## 16. Transactions with the Manager (continued)

JPMAM carries out some of its dealing transactions through Group subsidiaries. These transactions are carried out at arms' length. The commission payable to JPMorgan Securities for the year by the Group and Company was £80,000 and £25,000 respectively (2006: £55,000 and nil respectively) of which nil (2006: nil) was outstanding at the year end. The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

Handling charges payable on dealing transactions undertaken by overseas sub custodians on behalf of the Group and Company amounted to £24,000 and £7,000 respectively (2006: £17,000 and £1,000 respectively) of which nil and nil respectively was outstanding at the year end (2006: £4,000 and nil respectively).

At the year end, the Group and Company held bank balances of £6,000,000 and £121,000 respectively with JPMorgan Chase (2006: £306,000 and £94,000 respectively). The Group and Company received interest amounting to £17,000 and £17,000 respectively during the year from JPMorgan Chase (2006: £10,000 and £7,000 respectively).

## 17. Financial instruments

### (a) Management of risk

The Group's financial instruments comprise:

- Investments in Indian equity shares, which are held in accordance with the Group's investment objective;
- Short term debtors, creditors and cash arising directly from its operations; and
- Sterling bank loans, the main purpose of which is to finance investment operations.

The Company is an investment trust and invests in shares and securities for the long term. It is the Group's policy that no short term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Group's operations are market price risk, liquidity risk, interest rate risk, credit risk and foreign currency risk. A description of these risks is given below, together with the Board's policy for managing these risks where appropriate.

#### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss which the Group might incur as a result of holding a portfolio of investments when market prices fall.

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio in order to consider the risk associated with particular industry sectors. Investment management teams have responsibility for monitoring the portfolios, which are selected in accordance with the investment objective and seeks to ensure that individual stocks meet an acceptable risk reward profile.

#### Liquidity risk

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

#### Interest rate risk

The Group finances its operations through bank borrowings and retained profits. It may borrow at both fixed and floating rates of interest to both generate the desired interest rate profile and to manage the exposure to interest rate fluctuations.

#### Credit Risk

The Group's financial assets are bank balances, debtors and investments, which represent its maximum exposure to credit risk in relation to financial assets. When buying and selling investments, it is exposed to the risk that the counterparty will not deliver the investment or cash. It will only deal with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies. Limits have been set as to the maximum exposure to any one counterparty at any time.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

## Notes to the Accounts continued

### 17. Financial instruments (continued)

#### Foreign currency risk

The Group has exposure to foreign currency as part of the risk reward inherent in companies that invest overseas.

The income and capital value of investments can be affected by exchange rate movements as some assets and income are denominated in currencies other than Sterling which is the reporting currency.

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

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

The Group may be exposed to currency risk due to exchange rate movement in the period between investment trade date and the date of settlement. This exposure is short term and therefore the risk is not significant.

#### (b) Currency exposures

An analysis of net currency assets is as follows:

	Group 30th September 2007				Company 30th September 2007			
	Others £m	INR £m	US\$ £m	Total £m	Others £m	INR £m	US\$ £m	Total £m
Investments	5.3	423.5	8.0	436.8	5.3	422.5	8.0	435.8
Net current assets	–	6.5	–	6.5	–	–	–	–
Financial instruments outstanding at year end	5.3	430.0	8.0	443.3	5.3	422.5	8.0	435.8

	Group 30th September 2006				Company 30th September 2006			
	HKD £m	INR £m	US\$ £m	Total £m	HKD £m	INR £m	US\$ £m	Total £m
Investments	6.7	278.5	8.3	293.5	6.7	276.2	8.4	291.3
Net current assets	–	1.6	2.9	4.5	–	–	2.9	2.9
Financial instruments outstanding at year end	6.7	280.1	11.2	298.0	6.7	276.2	11.3	294.2

## 17. Financial instruments (continued)

### (c) Interest rate risk profile of financial assets and financial liabilities

#### Financial assets

The Group's financial assets comprise investments, debtors and cash. At 30th September 2007, the Group's investments are all equity shares and participation notes, which neither pay interest nor have a maturity date. The Group's debtors comprise unsettled broker balances for securities sold, dividends receivable, prepayments and other small balances on which no interest accrues. Cash balances in excess of a predetermined amount are placed on short term deposit and earn market rates of interest.

#### Financial liabilities

The Group's liabilities include unsettled broker balances for securities purchased, other accruals on which no interest is payable, short term loans and overdrafts. Overdraft interest is payable at the prevailing market rate. The interest rate profile of financial liabilities is:

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Floating rate financial liabilities	12,000	3,609	3,000	–
Liabilities on which no interest is paid	414	1,137	112	972
	12,414	4,746	3,112	972

The Group has arranged a £15 million revolving loan facility with Lloyds TSB. Under the terms of this agreement the Company and the Subsidiary combined may draw down up to £15 million in total at an interest rate of LIBOR, as offered in the market for the loan period, plus a margin of 0.6% per annum plus the "associated cost", which is the cost of complying with certain regulatory requirements. At 30th September 2007, the Company and Subsidiary had drawn down £3.0m and £9.0m respectively on this facility repayable on 9th October 2007, at an interest rate of 6.66%. At 30th September 2006, the Subsidiary had drawn down £3.6m on this facility repayable on 8th October 2006, at an interest rate of 5.55%.

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>(d) Maturity of financial liabilities</b>				
Falling due in one year or less or on demand	12,414	4,746	3,112	972

### (e) Fair values of financial instruments

All financial assets and liabilities are included in the balance sheet at fair values, or at amounts which approximate to their fair values.

## 18. Post balance sheet events

The Company has not issued any new ordinary shares since the year end.

## 19. Business and geographical segments

The Directors are of the opinion that the Group is engaged in a single segment of business of investing in equity and equity related securities of companies operating and generating revenue in India.

# Information about the Company

## Financial Calendar

Financial year end	30th September
Interim results announced	May
Full year results announced	December
Dividend payable (if any)	None payable at present
Annual General Meeting	January
Interim Management Statements	June and December

### History

The Company was launched in May 1994 by a public offer of shares which raised £84 million before expenses. In February 2002, the Company changed its name to JPMorgan Fleming Indian Investment Trust plc. In November 2005 it adopted its present name JPMorgan Indian Investment Trust plc.

### Company Numbers

Company registration number: 2915926  
 London Stock Exchange code: 0345035  
 ISIN: GB0003450359  
 Bloomberg JII LN  
 Reuters JII.L

### Market Information

The shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan internet site at [www.jpmindian.co.uk](http://www.jpmindian.co.uk), where the share price is updated every 15 minutes during trading hours.

### Website

[www.jpmindian.co.uk](http://www.jpmindian.co.uk)

### Share Transactions

The shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the Investment Trust Share Plan, Individual Savings Account (ISA) and Personal Equity Plan (PEP).

### Taxation

Investors who purchased shares on the launch of the Company should apportion 90.3% of the cost of their holding to the shares and 9.7% to the warrants. This ratio is based on the closing prices of the shares and warrants on 26th May 1994, which was their first day of trading on the London Stock Exchange.

### Manager and Secretary

JPMorgan Asset Management (UK) Limited

### Company's Registered Office

Finsbury Dials  
 20 Finsbury Street  
 London EC2Y 9AQ  
 Telephone: 020 7742 6000

For company secretarial and administrative matters please contact Andrew Norman.

### Registrars

Equiniti  
 Reference 1087  
 Aspect House  
 Spencer Road  
 Lancing  
 West Sussex  
 BN99 6DA  
 Telephone: 0870 600 3984

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1087.

Registered shareholders can obtain further details on individual holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk)

### Auditors

Deloitte & Touche LLP  
 Stonecutter Court  
 1 Stonecutter Street  
 London EC4A 4TR

### Brokers

JPMorgan Cazenove  
 20 Moorgate  
 London EC2R 6DA

### Savings Plan Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details on the reverse of this report.

**aic**

The Association of  
 Investment Companies

A member of the AIC

# Shareholder Analysis

as at 30th September 2007

	Number of shares	2007 % holding	2006 % holding
Unit Trusts	9,761,828	9.3	12.0
Other Institutions	3,019,141	2.8	3.3
Pension Funds	4,812,753	4.6	4.3
Insurance Companies	2,456,317	2.3	2.6
Investment Trusts <sup>1</sup>	2,480,064	2.4	1.6
Charities	624,200	0.7	1.1
<b>Total Institutions</b>	<b>23,154,303</b>	<b>22.1</b>	<b>24.9</b>
Private Client Brokers	37,279,504	35.6	29.1
Retail Investors holding shares directly or through nominee accounts <sup>2</sup>	27,005,694	25.8	30.1
Individuals in the Investment Trust Share Plan <sup>3</sup>	10,412,291	9.9	10.4
Individuals in the Investment Trust Individual Savings Account <sup>3</sup>	2,962,579	2.8	2.8
Individuals in the Investment Trust Pension Account <sup>3</sup>	1,079,265	1.0	1.1
Individuals in the Investment Trust Personal Equity Plan <sup>3</sup>	219,571	0.2	0.2
<b>Total Retail</b>	<b>78,958,904</b>	<b>75.3</b>	<b>73.7</b>
Market Trading Accounts	2,693,455	2.6	1.4
<b>Total Shares in Issue</b>	<b>104,806,662</b>	<b>100.0</b>	<b>100.0</b>

Nominee accounts have been allocated to their appropriate category.

<sup>1</sup>Includes 550,000 shares held by JPMorgan Elect plc.

<sup>2</sup>Includes shares below 10,000 threshold.

<sup>3</sup>Savings products managed by JPMorgan.

Source: Thomson Financial

# Notice of Annual General Meeting

Notice is hereby given that the fourteenth Annual General Meeting of JPMorgan Indian Investment Trust plc will be held at Salters' Hall, 4 Fore Street, London EC2Y 5DE on Thursday 24th January 2008 at 12.00 noon for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th September 2007.
- 2 To approve the Directors' Remuneration Report for the year ended 30th September 2007.
- 3 To elect Mr Peter Sullivan as a Director.
- 4 To re-elect Mr Vijay Joshi as a Director.
- 5 To re-appoint Deloitte & Touche LLP as Auditors to the Company and to authorise the Directors to agree their remuneration.

## Special Business

To consider the following resolutions

### Ordinary Resolution

#### Authority to allot relevant securities

- 6 THAT in substitution for all previous authorities the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (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% 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.

### Special Resolutions

#### Authority to disapply pre-emption rights:

- 7 THAT subject to the passing of Resolution 6 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% 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.

#### Authority to repurchase the Company's shares:

- 8 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (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% 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 London Stock Exchange Daily Official List 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 25th July 2009 unless the authority is renewed at the Company's Annual General Meeting in 2008 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.

By order of the Board  
 Andrew Norman, for and on behalf of  
 JPMorgan Asset Management (UK) Limited,  
 Secretary  
 17th December 2007

**Notes**

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote on their behalf. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if he so wishes.
- (ii) Any instrument appointing a proxy, to be valid, must be lodged at the Company's Registrar not less than two business days before the time of the meeting.
- (iii) To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the meeting (the 'specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- (iv) Entry to the above Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.
- A corporation, which is a shareholder, may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with section 375 of the Companies Act 1985. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Company's registrars.
- (v) The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.
- (vi) No Director has any contract of service with the Company.

**Electronic appointment – CREST members**

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's CREST Manual. The CREST message must be transmitted so as to be received by the issuer's agent (ID7RA01) by not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

# Glossary of Terms

## Return to shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received (net of tax) were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

## Return on net assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company (net of tax) were reinvested in the shares of the Company at the time the shares were quoted ex-dividend.

## Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received (net of tax) were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or "track" this index and consequently, there may be some divergence between the Company's performance and that of the stated index.

## Actual Gearing Factor

Investments expressed as a percentage of shareholders' funds. This shows the effect of gearing on the NAV if the market value of the portfolio was to increase by 100%.

## Total Expense Ratio

Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets.

## Discount/Premium

If the share price of an investment company is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than a premium.

## Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

## Performance Attribution Definitions:

### Asset Allocation

Measures the impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

### Stock Selection

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities outside the benchmark.

### Gearing/Cash

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

### Management Fees/Other Expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

# Notes

# Notes

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