Annual Report 08

JPMorgan Indian Investment Trust plc

Annual Report & Accounts for the year ended 30th September 2008

JPMorgan
Asset Management

Features

Contents

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 104,749,662 ordinary shares were in issue, including 1,979,788 shares held in Treasury.

Subsequent to the year end, as part of a bonus issue of subscription shares, placing and offer, the Company issued 261,944 new ordinary shares and 21,001,937 subscription shares. As at the date of this report, therefore, 105,011,606 ordinary shares, including 1,979,788 ordinary shares held in Treasury, and 21,001,937 subscription shares, were in issue.

Continuation Vote

The Company's Articles require that, at the Annual General Meeting to be held in 2014 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.

Financial Results

Total Returns (capital plus income)

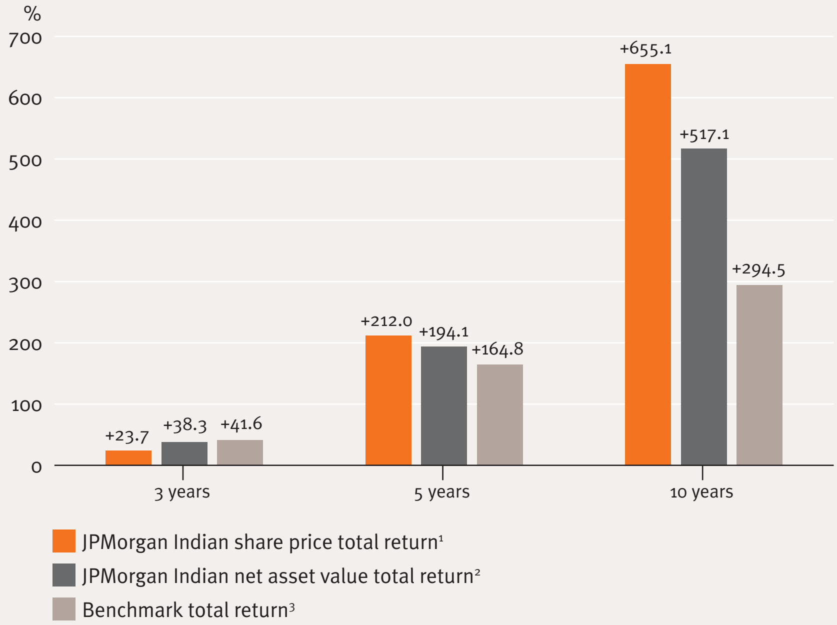
-30.9%
Return to shareholders
(2007: +44.1%)

-29.8%
Return on net assets
(2007: +49.9%)

-28.9%
Benchmark return[3]
(2007: +49.6%)

Long Term Performance

for periods ended 30th September 2008



A glossary of terms and definitions is provided on page 51.

[1]Source: Standard & Poor's – www.funds.morningstar.com

[2]Source: Fundamental Data Ltd – www.funddata.com

[3] Source: MSCI. The Company's benchmark is the MSCI India Index in sterling terms.

Chairman's Statement

Year Under Review

The Indian market, like other equity markets worldwide, has fallen substantially as global economic conditions have deteriorated. Over the year to 30th September 2008, your Company saw a decline in net assets of 29.8%, marginally underperforming our benchmark, the MSCI India Index (in sterling terms), which fell by 28.9%. The return to shareholders was a fall of 30.9%, reflecting a widening of the discount to net asset value of the Company's shares from 7.3% to 8.7%.

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 within the portfolio. The investment managers, in their Report on pages 4 and 5, set out in more detail a review of the underlying portfolio and the outlook for the future.

Board of Directors

During the year, the Board carried out evaluations of the Directors, the Chairman, the Board and its Committees. The Directors retiring by rotation at this year's Annual General Meeting are Richard Burns and Pierre Dinan who, being eligible, offer themselves for re-election. Both Richard, in his role as Chairman of the Audit Committee, and Pierre have proved invaluable in the Board's deliberations and I have no hesitation in recommending their re-election.

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 Issues and Repurchases

At the Annual General Meeting in January 2008 and again at the General Meeting held on 30th October 2008, shareholders granted the Directors authority to repurchase up to 14.99% of the Company's shares. Whilst the Company only repurchased 57,000 shares for cancellation during the year, the Company did purchase 765,000 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 over recent years, the Company's ordinary shares have traded at a premium to net asset value ("NAV") which has enabled the issue of new ordinary shares at various levels of premium. 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.

Bonus Issue of Subscription Shares

At a General Meeting held on 30th October 2008, shareholders approved the bonus issue of subscription shares, placing and offer for subscription as described in the Company's prospectus dated 30th September 2008. Pursuant to the approval of the Company's proposals, 21,001,937 subscription shares and 261,944 new ordinary shares were issued and trading in these securities began on 5th November 2008. The subscription shares were issued to qualifying shareholders on the basis of one subscription share for every five ordinary shares held. Each subscription share confers the right (but not the obligation) to subscribe for one ordinary share on any business day during the period from 2nd January 2009 to 2nd January 2014, after which the rights under the subscription shares will lapse.

Annual General Meeting

This year's Annual General Meeting will be held at Trinity House, Tower Hill, London EC3N 4DH at 12 noon on Wednesday 21st January 2009. 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.

Hugh Bolland
Chairman

18th December 2008

Investment Managers' Report


Edward Pulling


Rukhshad Shroff


Rajendra Nair

Review

In what might well turn out to be one of the most extraordinary periods in our lifetime, the crisis in the credit markets, which started in the sub prime mortgage arena last year, quickly engulfed asset markets around the world and ended the raging bull run of the preceding four years. While most Asian stock markets began their declines in October 2007, India continued to rally through the fourth quarter of 2007 before peaking in early January 2008. Over the course of the Company's financial year, the MSCI India Index fell by 28.9% in sterling terms.

As the credit crisis intensified, the severe aversion to risk that set in resulted in foreigners selling over US$12bn of Indian equities during the year, having been net investors to the tune of over US$50bn since 2003. This was partially offset by domestic mutual funds, who invested over US$2bn, and also insurance companies, which have grown rapidly over the past few years selling equity linked products.

Apart from the well documented global factors, a series of domestic concerns also added to India's misery. Inflation jumped sharply in the first half of 2008 on the back of rising oil and other commodity prices (before they fell due to the global recession). The rate of Wholesale Price Inflation peaked at an annual rate of around 12% in July after rising from 3-4% in the fourth quarter of 2007. The Indian rupee plunged over 25% against the US dollar over the course of 2008, making it one of the worst performing currencies in the region. This was due to a combination of US dollar strength and concerns over India's deteriorating balance of payments. Strong capital flows, which were funding the current account deficit in recent years, slowed sharply due to the deteriorating macro environment, while the deficit itself ballooned due to higher oil prices. The sharp correction in commodity prices (led by oil), however, should help ease the pressure.

The growth in the Index of Industrial Production slowed to 4.9% between April and September 2008 compared to the 9.5% recorded during the same period last year, suggesting a sharp slowdown in the growth momentum. As a result, Gross Domestic Product, which has grown at an average of 9% in the past 3 years, is expected to grow at 5-7% over the next couple of years. Concomitantly earnings forecasts for corporate India, which were quite optimistic a year ago, have been cut sharply, with consensus earnings growth forecasts for the SENSEX at around 5-10% for the financial years 2009 and 2010.

The Reserve Bank of India, having been in tightening mode for the past couple of years, changed tack and joined other central banks to ease the liquidity squeeze by aggressively cutting the cash reserve ratio and repo rate.

After vacillating over the Indo-US nuclear treaty for over two years due to opposition from the communist parties (who were part of the ruling coalition), Prime Minister Manmohan Singh, in the final year of his five year term, decided to go ahead with the deal after winning a vote of confidence in Parliament (following the withdrawal of support by the communists). While the treaty, which provides access to civilian nuclear technology, is unlikely to make a material difference in the short term, it is a positive from a longer term perspective as the contribution of nuclear power, which is tiny at the moment, is expected to rise substantially over the next decade.

Performance Attribution for the year to 30th September 2008

Contributions to Total Returns		%
Benchmark total return		-28.9
Currency Effect	-0.2	
Asset Allocation	0.3	
Stock Selection	-0.4	
Gearing/Cash	0.6	
Investment Manager Contribution		0.3
Portfolio Total Return		-28.6
Management Fees/ other Expenses	-1.4	
Share Repurchases	0.2	
Other Effects		-1.2
Net Asset Value Total Return		-29.8
Increase in Discount		-1.1
Share Price Total Return		-30.9

Source: Frank Russell/JPMAM/Fundamental Data
All figures are on a total return basis.

A glossary of terms and definitions is provided on page 51.

Performance

The Company marginally underperformed its benchmark, the MSCI India Index, over the financial year to 30th September 2008. The underweight in defensives, such as consumer staples and healthcare, and the overweight in industrials and financials, both of which had contributed positively over the past few years, detracted from relative performance. On the positive side, the underweight in materials and the large position in India's largest wireless telecommunications company, Bharti Airtel, contributed to relative performance.

Outlook

In the short term, markets are extremely oversold and we could see a bear market rally as the extraordinary measures taken by central banks and governments over the past few months begin to have an impact. However, in the medium term, emerging economies like India will feel the pain from the severe recession in the developed world.

Politics will also be a distraction for the markets in the medium term with elections to the centre to be held early next year. In the lead up to the polls, politicians will make populist promises (such as the waiver of farm loans announced by the Finance minister earlier this year) which could be perceived negatively.
While predicting election outcomes in India is notoriously difficult and therefore a futile exercise in our opinion, either a Congress led coalition being voted back to power or the principal opposition party, the BJP, emerging victorious is likely to be taken positively. However, the possibility of both the main parties faring poorly and a phalanx of regional parties forming a 'third front' government would be a distinct negative (based on the experience in the mid nineties).

Nonetheless, looking beyond the obvious near term concerns, there are several positives that are relevant from a long term investor's standpoint:

1. India remains a good investment opportunity in the long term despite the current downturn. Even in this dismal environment, India's growth momentum will be reasonable relative to the rest of the world.

2. Inflationary pressures have eased markedly, which is a distinct positive for a commodity importer like India.

3. Interest rates will continue to head lower in 2009 as the central bank continues with the easing bias. This is positive for equities.

4. Valuations have moderated following the sell off this year, with the SENSEX trading at around 11x earnings for the financial year 2008 (compared to the median of 17x over the past 15 years).

At the portfolio level, we will maintain reasonable cash levels in the near term which we will deploy at the opportune time, although the extreme volatility makes this a difficult task. We are also reducing some of the active bets which have outperformed this year while adding some defensive names to the portfolio.

Edward Pulling
Rukhshad Shroff
Rajendra Nair
Investment Managers

18th December 2008

Summary of Results

	2008	2007	
Total Returns for the year ended 30th September			
Return to shareholders	-30.9%	44.1%	
Return on net assets	-29.8%	49.9%	
Benchmark return[1]	-28.9%	49.6%	
Net Asset Value, Share Price, Discount and Market Data at 30th September			% change
Shareholders' funds (£'000)	303,999	436,186	-30.3
Net asset value per share	295.8p	421.1p	-29.8
Share price	270.0p	390.5p	-30.9
Discount of share price to net asset value	8.7%	7.3%	
Shares in issue – excluding shares held in Treasury	102,769,874	103,591,874	
Revenue for the year ended 30th September			
Net loss attributable to shareholders (£'000)	2,353	2,608	
Loss per share	2.29p	2.49p	
Actual Gearing Factor at 30th September[2]	94.7%	100.7%	
Total Expense Ratio ('TER')[3]	1.8%	1.5%	

A glossary of terms and definitions is provided on page 51.

[1]Source: MSCI. The Company's benchmark is the MSCI India Index in sterling terms.

[2]Investments expressed as a percentage of shareholders' funds.

[3]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

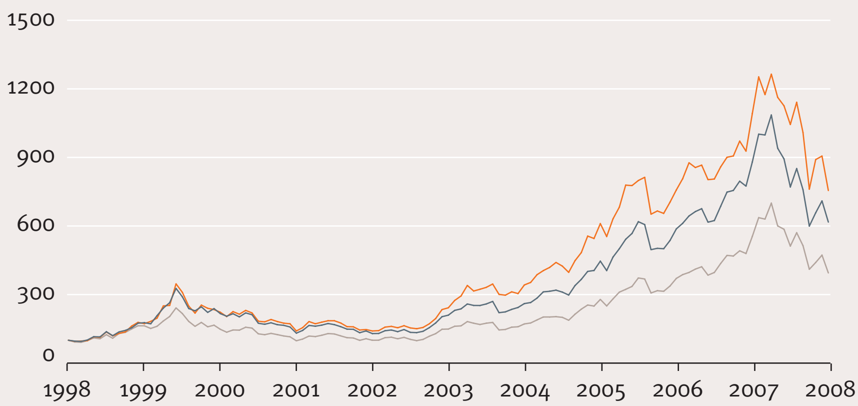
JPMorgan Indian – Net asset value

Benchmark

Source: Fundamental Data – www.funddata.com/Standard & Poor's – www.funds.morningstar.com/MSCI

Ten Year Performance

Figures have been rebased to 100 at 30th September 1998



JPMorgan Indian – Share price

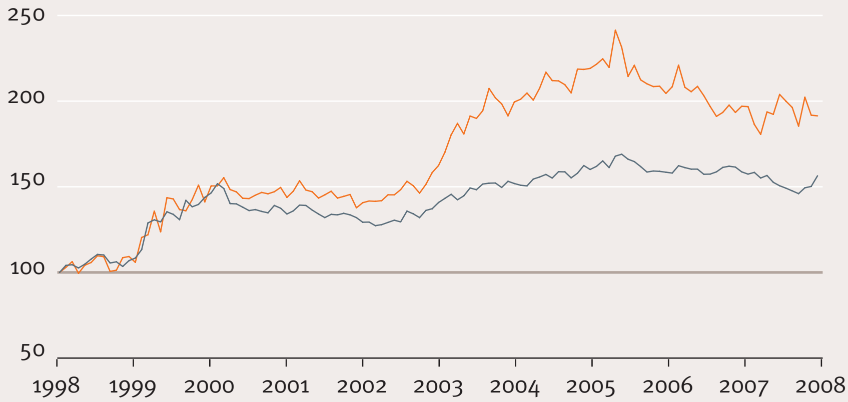
JPMorgan Indian – Net asset value

The benchmark is represented by the grey horizontal line

Source: Fundamental Data – www.funddata.com/Standard & Poor's – www.funds.morningstar.com/MSCI

Performance Relative to Benchmark

Figures have been rebased to 100 at 30th September 1998



Ten Year Financial Record

As at 30th September	1998	1999	2000	2001	2002	2003	2004[1]	2005[1]	2006	2007	2008
Shareholders' funds (£'000)	44,255	69,556	81,856	49,452	48,236	67,573	104,394	205,087	294,203	436,186	303,999
Net asset value per share (p)	48.0	84.8	103.4	62.8	62.0	100.6	124.4	212.8	281.0	421.0	295.8
Share price (p)	35.8	61.8	79.5	50.3	50.3	86.5	122.3	218.3	271.0	390.5	270.0
(Discount)/premium %	(25.5)	(27.2)	(23.1)	(20.0)	(18.9)	(14.1)	(1.7)	2.6	(3.6)	(7.3)	(8.7)
Actual gearing factor (%)	98.6	105.3	90.3	104.3	96.6	101.2	98.8	101.2	99.8	100.7	94.7
Year ended 30th September											
Gross revenue return (£'000)	765	851	1,198	999	941	1,065	1,756	2,240	2,922	3,759	3,856
Loss per share (p)	0.35	0.36	1.12	0.54	0.46	0.26	0.28	0.45	1.31	2.49	2.29
Total expense ratio ('TER') (%)	2.2	1.8	2.2	2.1	2.4	2.0	2.2	1.7	1.7	1.5	1.8
Rebased to 100 at 30th September 1998											
Share price total return[2]	100.0	172.7	222.4	140.5	140.6	242.0	341.9	610.3	757.8	1,092.3	755.1
Net asset value total return[3]	100.0	176.8	216.4	131.0	129.2	209.8	260.4	446.1	587.3	879.0	617.1
Benchmark[4]	100.0	163.1	147.8	97.7	99.9	149.0	171.4	278.6	370.6	554.6	394.5

A glossary of terms and definitions is included on page 51.

[1]Restated following the adoption of International Financial Reporting Standards.

[2]Source: Standard & Poor's – www.funds.morningstar.com

[3] Source: Fundamental Data – www.funddata.com

[4]Source: MSCI. The Company's benchmark is the MSCI India Index in sterling terms.

Ten Largest Group Investments

Company	Sector	As at 30th September 2008 Valuation £'000	Portfolio %[1]	Benchmark %	Active Position %	As at 30th September 2007 Valuation £'000	Portfolio %[1]	Benchmark %	Active Position %
Reliance Industries	Energy	44,777	14.8	16.7	-1.9	41,309	9.5	15.6	-6.1
Housing Development Finance	Financials	20,774	6.8	5.9	0.9	25,470	5.8	5.1	0.7
Infosys Technologies	Information Technology	18,720	6.2	8.3	-2.1	28,607	6.6	9.4	-2.8
Bharti Airtel	Telecommunications Services	18,274	6.0	–	6.0	28,425	6.5	–	6.5
HDFC Bank	Financials	17,730	5.8	4.4	1.4	16,560	3.8	3.6	0.2
Bharat Heavy Electricals	Industrials	16,020	5.3	2.4	2.9	27,597	6.3	2.6	3.7
Larsen & Toubro	Industrials	13,472	4.4	3.2	1.2	27,912	6.4	3.3	3.1
ITC[2]	Consumer Staples	12,601	4.1	2.7	1.4	11,909	2.7	2.2	0.5
ICICI Bank[2]	Financials	11,588	3.8	5.4	-1.6	14,308	3.3	8.8	-5.5
Oil & Natural Gas Commission[3]	Energy	8,970	3.0	3.8	-0.8	–	–	2.7	-2.7
Total[4]		182,926	60.2	52.8		222,097	50.9	53.3	

[1]Based on total assets less current liabilities of £304.0m (2007: £436.2m).
[2]Not included in the ten largest investments at 30th September 2007.
[3]Not held in the portfolio as at 30th September 2007.
[4]As at 30th September 2007, the value of the ten largest investments amounted to £250,270 representing 57.4% of total assets less current liabilities.

Group Portfolio Analysis

Sector	30th September 2008 Portfolio %[1]	Benchmark %	Active Position %	30th September 2007 Portfolio %[1]	Benchmark %	Active Position %
Financials	27.3	24.0	3.3	27.5	27.5	–
Energy	18.2	23.2	(5.0)	11.9	18.8	(6.9)
Industrials	13.2	9.3	3.9	20.5	11.1	9.4
Information Technology	8.5	13.5	(5.0)	11.1	14.6	(3.5)
Telecommunication Services	7.6	3.1	4.5	8.1	4.5	3.6
Utilities	5.8	5.8	–	3.0	3.0	–
Consumer Staples	4.5	6.4	(1.9)	2.7	4.9	(2.2)
Healthcare	3.8	3.8	–	3.4	3.4	–
Materials	2.4	7.7	(5.3)	7.2	7.1	0.1
Consumer Discretionary	0.5	3.2	(2.7)	5.3	5.1	0.2
Fixed Interest	2.9	–	2.9	–	–	–
Net current assets/(liabilities)	5.3	–	5.3	(0.7)	–	(0.7)
	100.0	100.0		100.0	100.0	

[1] Based on total assets less current liabilities of £304.0m (2007: £436.2m).

List of Group Investments

at 30th September 2008

Company	Valuation £'000
Consumer Discretionary	
Indian Hotels	1,277
Maruti Suzuki India	332
DC Design	1
Total Consumer Discretionary	**1,610**
Consumer Staples	
ITC	12,601
Advanta India	937
Total Consumer Staples	**13,538**
Energy	
Reliance Industries	44,777
Oil & Natural Gas Commission	8,970
Petronet	1,122
Bharat Petroleum	600
Total Energy	**55,469**
Financials	
Housing Development Finance	20,774
HDFC Bank	17,730
ICICI Bank	11,588
Kotak Mahindra Bank	6,944
Axis Bank	6,459
Reliance Capital	4,525
State Bank of India	2,586
Centurion Bank of Punjab[1]	2,488
Power Finance	2,470
Yes Bank	2,324
Infrastructure Development Finance	2,126
Shriram Transport	1,562
DLF	657
Indiabulls Financial Services	444
Bajaj Holdings & Investment	161
Bajaj Finserv	136
Total Financials	**82,974**
Healthcare	
Sun Pharmaceuticals Industries	6,926
DIVI's Laboratories	3,233
Biocon	1,429
Total Healthcare	**11,588**

Company	Valuation £'000
Industrials	
Bharat Heavy Electricals	16,020
Larsen & Toubro	13,472
Asea Brown Boveri	3,097
Exide Industries	1,838
Cummins India	1,522
Aditya Birla Nuvo	1,217
Punj Lloyd	1,208
Arshiya	1,035
Lloyd Electric & Engineering	426
Gammon India	297
Total Industrials	**40,132**
Information Technology	
Infosys Technologies	18,720
Satyam Computer Services	5,655
Financial Technologies (India)	1,321
Total Information Technology	**25,696**
Materials	
Ambuja Cements	2,334
Associated Cement	2,185
Jindal Steel & Power	1,393
Godrej	1,340
Total Materials	**7,252**
Telecommunication Services	
Bharti Airtel	18,274
Reliance Communications	4,695
Total Telecommunication Services	**22,969**
Utilities	
National Thermal Power	7,834
Reliance Infrastructure	3,701
Tata Power	3,032
Indraprastha Gas	2,049
PTC India	1,097
Total Utilities	**17,713**
Total Equity Investments	**278,941**
UK Treasury Stock 4.75% 7th June 2010	**8,957**
Total Investments at fair value	**287,898**

[1] Comprises GDR's

Board of Directors

Hugh Bolland*†‡
(Chairman of the Board and Nomination Committee)
A Director since September 2004. Appointed Chairman in January 2008

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*†‡
(Chairman of the Audit Committee)
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 Indian Investment Company (Mauritius) Limited.

Vijay Joshi*†
A Director since May 1995

Fellow of St. John's College, Oxford and Emeritus Fellow of Merton College, Oxford. Former economic adviser to the Ministry of Finance, Government of India.

Peter Sullivan*†‡
A Director since October 2007

Until 31st March 2008 he was Chief Executive Officer for Standard Chartered Bank (Hong Kong) Limited, responsible for the Bank's daily business and operations. He joined Standard Chartered in 1994 having previously spent fourteen years with Citibank where he was Regional Director of Cash Management Services for Citibank Europe, Middle East and Africa.

*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 2008.

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 2007. 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 2007 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 833 of the Companies Act 2006. 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 and 3, and in the Investment Managers' Report on pages 4 and 5.

The Group's portfolio of investments has been listed on page 10.

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 Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various 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.

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

These limits and restrictions may be varied by the Board at any time at its discretion.

Performance

In the year to 30th September 2008, the Company produced a negative total return to shareholders of 30.9% and a negative total return on net assets of 29.8%. This compares with the negative return on the Company's benchmark index of 28.9%. As at 30th September 2008, the value of the Company's investment portfolio was £287.9m.
The Investment Managers' Report on pages 4 and 5 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

Gross revenue for the year totalled £3,856,000 (2007: £3,759,000) and distributable revenue after deducting interest, administrative expenses and taxation amounted to a deficit of £2,353,000 (2007 deficit: £2,608,000).

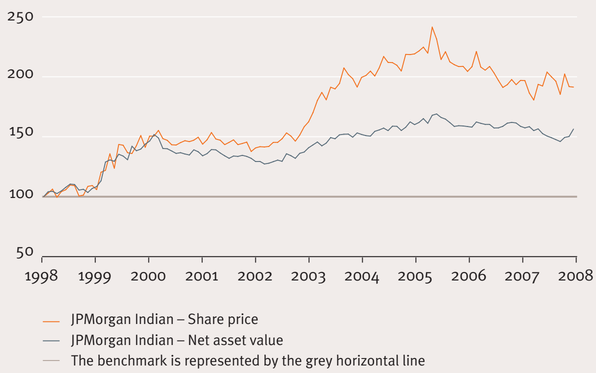
Key Performance Indicators ('KPIs')

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

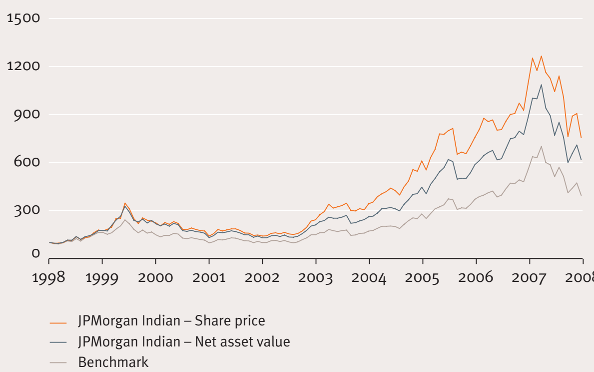
Figures have been rebased to 100 at 30th September 1998



Source: Fundamental Data – www.funddata.com/Standard & Poor's – www.funds.morningstar.com/MSCI.

Ten Year Performance

Figures have been rebased to 100 at 30th September 1998



Source: Fundamental Data – www.funddata.com/Standard & Poor's – www.funds.morningstar.com/MSCI.

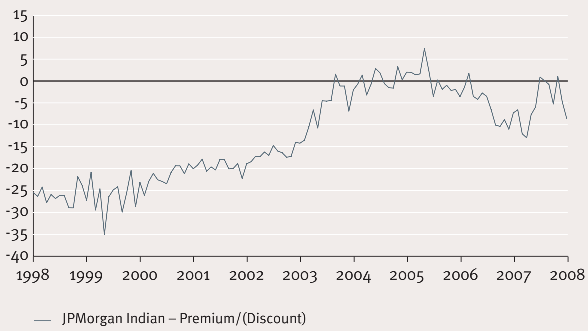
- **Performance against the Company's peers**
The principal objective is to achieve capital growth and out-performance relative to the benchmark. The Board also monitors the performance relative to both the benchmark and a broad range of competitor funds.

- **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, stock selection and gearing. Details of the attribution analysis for the year ended 30th September 2008 are given in the Investment Managers' Report on page 5.

- **Discount to net asset value ('NAV')**
The Board has for several years operated a share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade. In the year to 30th September 2008, the shares traded between a premium of 1.1% and a discount of 13.0%.

The Board also has the ability to purchase shares into Treasury and to issue them at a later date at a narrower discount. Further details on Treasury shares can be found in the Chairman's Statement on pages 2 and 3.

Premium/(Discount)



Source: Datastream

- **Total expense ratio ('TER')**
The TER is an expression of the Company's 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 2008 was 1.8% (2007: 1.5%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Directors' Report continued

Share Capital

The Company has authority to issue new shares, to repurchase shares into Treasury and to repurchase shares for cancellation.

During the year to 30th September 2008, the Company repurchased and cancelled 57,000 (2007: nil) shares for a total consideration of £274,000 and bought 765,000 (2007: 1,214,788) shares into Treasury for a total consideration of £3,234,000.

In the year to 30th September 2008, the Company did not issue any new ordinary shares.

Bonus Issue of Subscription Shares, Placing and Offer for Subscription

Subsequent to the year end, at a General Meeting held on 30th October 2008, shareholders approved the bonus issue of subscription shares placing and offer for subscription as described in the Company's Prospectus dated 30th September 2008.

Pursuant to the approval of the Company's proposals, the Company issued 261,944 new ordinary shares and 21,001,937 subscription shares. The issue of new ordinary shares raised £493,000 net of expenses. Trading in both the new ordinary shares and the subscription shares commenced on 5th November 2008.

For the purposes of UK taxation, the issue of subscription shares is treated as a reorganisation of the Company's share capital. Whereas such reorganisations do not trigger a chargeable disposal for the purposes of the taxation of capital gains, they do require shareholders to reallocate the base costs of their ordinary shares between ordinary shares and subscriptions shares received.

At the close of business on 5th November 2008 the middle market prices of the Company's ordinary shares and subscription shares were as follows:

Ordinary shares: 246p

Subscription shares: 67.5p

Accordingly, an individual investor who on 4th November 2008 held five ordinary shares (or a multiple thereof) would have received a bonus issue of one subscription share (or the relevant multiple thereof) and would apportion the base cost of such holding 94.8% to the five ordinary shares and 5.2% to the subscription shares.

The Board will seek Shareholder approval at the forthcoming Annual General Meeting to renew the Directors' authority to issue new shares and repurchase shares for cancellation. More details are given on pages 16 and 17 and the full text of the resolutions are set out on page 49.

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 asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark Index and peer companies, resulting 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 by the Manager JPMorgan Asset Management (UK) Limited ("JPMAM"). 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 show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing, within a strategic range set by the Board.
- 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.
  Were the Company to breach Section 842, it would lose its investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains 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 Acts and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could 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 to ensure compliance with The Companies Acts 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: Loss of key staff by JPMAM, such as the Investment Managers, could affect the performance of the Company. Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could 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, liability risk and credit risk. Further details are disclosed in note 18 on pages 39 to 45. Additional disclosures are provided this year for the first time in accordance with IFRS7.
- Political and Economic: Adminstrative risks, such as the imposition of restrictions on the free movement of capital.

Future Developments

Clearly, the future development of the Company is much 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 5.

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract which can be terminated 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 Manager, noting performance against the benchmark over the long term and the quality of 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 current 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 current 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 management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, 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 those terms. As at 30th September 2008, the Company had no outstanding trade creditors (2007: 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 shares are shown below.

	30th September 2008	30th September 2007
Hugh Bolland	10,000	10,000
Richard Burns	10,000	10,000
Pierre Dinan	–	–
Vijay Joshi	3,900	3,900
Peter Sullivan	–	–

Since the year end Hugh Bolland and Vijay Joshi have acquired a further 10,000 and 5,800 shares respectively.

In accordance with the Company's Articles of Association and Combined Code on Corporate Governance, the Directors retiring by rotation at the forthcoming Annual General Meeting will be Richard Burns and Pierre Dinan who, being eligible, offer themselves for re-election by shareholders.

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. There is no cover against fraudulent or dishonest actions.

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:

Directors' Report continued

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act) of which the Company's auditors are unaware, and

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) 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 Section 234 ZA of the Companies Act 1985.

Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 11 to the Notice of Annual General Meeting on page 50.

Notifiable Interests in the Company's Voting Rights

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
Chase Nominees Limited[1,2]	13,460,756	13.1
Legal & General Investment Management	4,183,458	4.1

[1] Held on behalf of JPMAM ISA and Share Plan participants.

[2] Non-beneficial.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Acts 1985 and 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for loss of office.

Independent Auditors

From 1st December 2008 Deloitte & Touche LLP will be changing its legal name from Deloitte & Touche LLP to Deloitte LLP.

Deloitte LLP have expressed their willingness to continue in office as Auditors and a resolution to re-appoint them and authorise the Directors to determine their remuneration for the ensuing year, will be proposed at the Annual General Meeting.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial advisor authorised under the Financial Services and Markets Act 2000.

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)

The Directors will seek renewal of the authority at the AGM to issue 10,501,160 new shares or shares held in Treasury other than by a pro rata issue to existing shareholders up to an aggregate nominal amount of £2,625,290, such amount being equivalent to approximately 10% of the present issued share capital. The full text of the resolutions is set out in the Notice of Meeting on page 49.

It is advantageous for the Company to be able to issue new shares to investors purchasing shares through the JPMAM savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the NAV, thereby increasing the assets underlying each share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's market capitalisation, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's shares (resolution 8)

The authority to repurchase up to 14.99% of the Company's issued share capital, renewed by shareholders at the 2008 Annual General Meeting, will expire on 25th July 2009 unless renewed at the forthcoming Annual General Meeting.
The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder

approval at the Annual General Meeting to renew this authority, which will last until 20th July 2010 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 49. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

Recommendation

The Board considers that resolutions 6 to 8 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amount in aggregate to 39,700 shares representing approximately 0.04% of the existing issued share capital of the Company.

By order of the Board
Andrew Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
18th December 2008

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 Financial Reporting Council 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 the appointment of 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 to the Board for 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 the Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by Hugh Bolland, consists of five non-executive Directors, four 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 above, 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 maximum term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the requirements of the Combined Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

The Board confirms that Richard Burns and Pierre Dinan, who retire by rotation at this year's Annual General Meeting, continue to be effective Directors and demonstrate commitment to their role and therefore recommends their re-election.

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 11. 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[1]	2	1	–
David Baker[1]	2	1	–
Hugh Bolland	5	2	1
Richard Burns	5	2	1
Pierre Dinan[2]	4	1	1
Vijay Joshi	5	2	1
Peter Sullivan[3]	4	1	1

[1] Resigned as a Director on 24th January 2008.

[2] Not an independent Director and therefore precluded from acting as a Member of the Audit Committee. Attended at the invitation of the Committee.

[3] Appointed a Director on 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 conducts a formal evaluation of the Manager, its own performance and of that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. 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, chaired by Hugh Bolland, 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 and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary.

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

The Committee reviews the actions and judgements of the Manager in relation to the half year 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, receives information from the Managers' Compliance department and reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit and the independence and objectivity of the external auditors. In the Directors' opinion the auditors are considered independent. The Audit Committee also has a primary responsibility for making recommendations to the Board on the re-appointment and removal of external auditors. Representatives of the Company's auditors attend the Audit 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.

Terms of Reference

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.

Corporate Governance continued

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 of the annual report and accounts, the half year financial report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders 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 shareholders and answer their 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 47.

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 submit questions via the Company's website or write to the Company Secretary at the address shown on page 47.

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 which reports any material failings or weaknesses. This arrangement is kept under review.

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, either directly or through the Audit Committee, 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:

- reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department;
- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviews 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 2008 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 or 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 the internet as follows: go to www.jpmorganassetmanagement.co.uk/institutional and within the "Commentary & Analysis" tab you will find a section on Corporate Governance.

"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, remuneration, as well as social and environmental issues (see below). 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."

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 pages 24 and 25.

Directors' fees were last adjusted on 1st October 2007 and for the year to 30th September 2008, the Chairman was paid at the rate of £27,500 per annum, the Audit Committee Chairman was paid at the rate of £22,500 per annum and the other Directors at the rate of £20,000 per annum.

Directors' Remuneration[1]

Director	2008 £	2007 £
Philip Daubeney[2]	8,779	25,000
David Baker[2]	6,385	17,500
Hugh Bolland	26,045	20,000
Richard Burns	21,817	14,583
Pierre Dinan	20,000	17,500
Vijay Joshi	20,000	17,500
Iain Saunders[3]	–	5,654
Peter Sullivan	20,000	–
Total	123,026	117,737

[1] Audited information.

[2] Resigned as a Director on 24th January 2008.

[3] resigned on 25th January 2007.

The total Directors' fees of £123,026 (2007: £117,737) in respect of aggregate emoluments have been paid to Directors. No amounts (2007: nil) have been paid to third parties for making available the services of Directors.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles.

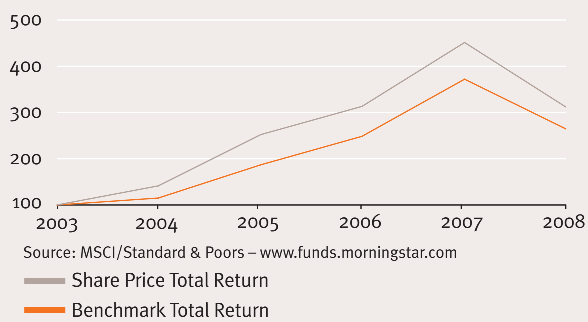
As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, and industry research carried out by 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 terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on pages 18 and 19.

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. The Directors do not have service contracts and 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 total return compared with its benchmark, 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
18th December 2008

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
- provided additional disclosures when compliance with the specific requirements in IFRSs are 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.

For and on behalf of the Board
Hugh Bolland
Chairman
18th December 2008

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 2008 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 21. 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 in respect of the accounts

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 in respect of the accounts.

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 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 2006 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 30th September 2008 and of its loss 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 Company's affairs as at 30th September 2008;
- 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.

DELOITTE LLP
Chartered Accountants and Registered Auditors
London, United Kingdom 18th December 2008

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.

Group Income Statement

for the year ended 30th September 2008

		Year ended 30th September 2008			Year ended 30th September 2007		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	3	3,397	–	3,397	3,519	–	3,519
Other income	3	459	–	459	240	–	240
		3,856	–	3,856	3,759	–	3,759
(Losses)/gains from investments held at fair value through profit or loss	10(d)	–	(125,797)	(125,797)	–	148,193	148,193
Foreign exchange (losses)/gains		–	(529)	(529)	–	61	61
Total income/(loss)		3,856	(126,326)	(122,470)	3,759	148,254	152,013
Expenses							
Management fee	4	(5,064)	–	(5,064)	(4,321)	–	(4,321)
Other administrative expenses	5	(1,485)	–	(1,485)	(1,254)	–	(1,254)
VAT recoverable	6	734	–	734	–	–	–
(Loss)/profit before finance costs and taxation		(1,959)	(126,326)	(128,285)	(1,816)	148,254	146,438
Finance costs	7	(396)	–	(396)	(668)	–	(668)
(Loss)/profit before taxation		(2,355)	(126,326)	(128,681)	(2,484)	148,254	145,770
Taxation	8	2	–	2	(124)	–	(124)
Net (loss)/profit		(2,353)	(126,326)	(128,679)	(2,608)	148,254	145,646
(Loss)/earnings per share	9	(2.29)p	(122.78)p	(125.07)p	(2.49)p	141.79p	139.30p

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 46 form an integral part of these accounts.

Group and Company Statement of Changes in Equity

for the year ended 30th September 2008

Group — Year ended 30th September 2008

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Capital reserves £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30th September 2007	26,202	50,914	41,929	5,886	312,958	6,348	(8,051)	436,186
Purchase of shares into Treasury	–	–	–	–	(3,234)	–	–	(3,234)
Repurchase and cancellation of shares	(14)	–	–	–	(274)	14	–	(274)
Loss for the year	–	–	–	–	(126,326)	–	(2,353)	(128,679)
Balance as at 30th September 2008	26,188	50,914	41,929	5,886	183,124	6,362	(10,404)	303,999

Group — Year ended 30th September 2007

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Capital reserves £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30th September 2006	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

Company — Year ended 30th September 2008

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Capital reserves £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30th September 2007	26,202	50,914	41,929	5,886	316,179	6,348	(11,272)	436,186
Purchase of shares into Treasury	–	–	–	–	(3,234)	–	–	(3,234)
Repurchase and cancellation of shares	(14)	–	–	–	(274)	14	–	(274)
Loss for the year	–	–	–	–	(126,588)	–	(2,091)	(128,679)
Balance as at 30th September 2008	26,188	50,914	41,929	5,886	186,083	6,362	(13,363)	303,999

Company — Year ended 30th September 2007

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Exercised warrant reserve £'000	Capital reserves £'000	Capital redemption reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30th September 2006	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

The notes on pages 30 to 46 form an integral part of these accounts.

Group and Company Balance Sheets

at 30th September 2008

	Notes	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Non current assets					
Investments held at fair value through profit or loss	10	287,898	439,249	302,483	438,170
Current assets	11				
Other receivables		2,955	1,192	880	104
Cash and cash equivalents		14,445	8,159	748	1,024
		17,400	9,351	1,628	1,128
Current liabilities	12				
Other payables		(1,299)	(12,414)	(112)	(3,112)
Net current assets/(liabilities)		16,101	(3,063)	1,516	(1,984)
Net assets		303,999	436,186	303,999	436,186
Equity attributable to equity holders					
Called up share capital	13	26,188	26,202	26,188	26,202
Share premium	14	50,914	50,914	50,914	50,914
Other reserve	14	41,929	41,929	41,929	41,929
Exercised warrant reserve	14	5,886	5,886	5,886	5,886
Capital reserves	14	183,124	312,958	186,083	316,179
Capital redemption reserve	14	6,362	6,348	6,362	6,348
Revenue reserve	14	(10,404)	(8,051)	(13,363)	(11,272)
Total equity		303,999	436,186	303,999	436,186
Net asset value per share	15	295.8p	421.1p	295.8p	421.1p

The accounts on pages 26 to 29 were approved by the Directors and authorised for issue on 18th December 2008 and signed on its behalf by:

H. W. Bolland
Chairman

The notes on pages 30 to 46 form an integral part of these accounts.

Group and Company Cash Flow Statements

at 30th September 2008

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Operating activities				
(Loss)/profit before taxation	(128,681)	145,770	(128,678)	145,646
Add back interest	396	668	161	124
Add back losses/(gains) on investments held at fair value through profit or loss	125,797	(148,193)	126,457	(148,151)
Foreign exchange gains	144	–	144	–
Net sales of investments held at fair value through profit or loss	25,554	2,442	9,231	1,265
Increase in prepayments, VAT and other receivables	(686)	(207)	(776)	(63)
(Increase)/decrease in amounts due from brokers	(1,077)	213	–	–
Increase/(decrease) in other payables	25	58	3	(6)
Increase/(decrease) in amounts due to brokers	959	(858)	–	(858)
Net cash inflow/(outflow) from operating activities before interest payable and taxation	22,431	(107)	6,542	(2,043)
Interest paid	(407)	(657)	(166)	(121)
Tax paid	(86)	(58)	–	–
Net cash inflow/(outflow) from operating activities	21,938	(822)	6,376	(2,164)
Financing activities				
Net proceeds from the issue of shares	–	303	–	303
Repurchase of shares	(3,508)	(3,966)	(3,508)	(3,966)
Net (repayment)/drawdown of short term loans	(12,144)	8,391	(3,144)	3,000
Net cash (outflow)/inflow from financing activities	(15,652)	4,728	(6,652)	(663)
Increase/(decrease) in cash and cash equivalents	6,286	3,906	(276)	(2,827)
Cash and cash equivalents at the start of the year	8,159	4,253	1,024	3,851
Cash and cash equivalents at the end of the year	14,445	8,159	748	1,024

The notes on pages 30 to 46 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th September 2008

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.

There are no new Standards, Amendments or Interpretations to existing Standards that are not yet effective and have not been early adopted by the Group at 30th September 2008, which are relevant or are expected to have a material impact on the Group accounts.

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 833 of the Companies Act 2006, 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 10(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.

Notes to the Accounts continued

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.

(j) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 6 on page 33.

	Group	
	2008 £'000	2007 £'000
3. Income		
Income from investments listed overseas		
Dividends	3,294	3,351
Interest	103	168
	3,397	3,519
Other income		
Deposit interest	459	240
Total income	3,856	3,759

	Group	
	2008 £'000	2007 £'000
4. Management fee		
Management fee	5,064	4,135
VAT thereon	–	186
	5,064	4,321

Details of the terms of the management agreement are given on page 15.

	Group	
	2008 £'000	2007 £'000
5. Other administrative expenses		
Other management expenses	1,185	991
Directors' fees[1]	123	118
Savings product[2]	132	112
Auditors' remuneration for audit services[3,4]	40	32
Auditors' remuneration for all other services	5	1
	1,485	1,254

[1]Full disclosure is given in the Directors' Remuneration Report on page 22.
[2]These fees were paid to JPMAM for the marketing of "Wrapper" products.
[3]Includes nil (2007: £1,000) irrecoverable VAT.
[4]Auditors' remuneration includes £15,000 (2007: £9,000) payable to Lamusse Sek Sum & Co, the auditor of the subsidiary undertaking.

6. VAT recoverable

In November 2007, HM Revenue & Customs announced that it had withdrawn its appeal in the case, brought jointly by the AIC and JPMorgan Claverhouse Investment Trust plc, challenging the imposition of VAT on management fees paid by investment trust companies. The Company ceased paying VAT on management fees with effect from 1st October 2007 and is entitled to seek reimbursement of VAT paid in the past. The VAT stated as recoverable represents VAT which is expected to be recovered from the Manager with sufficient certainty in respect from the period of incorporation to 30th September 2007. The amount will not be actually received by the Company from the Manager until HM Revenue & Customs refunds certain amounts to the Manager.

	Group	
	2008 £'000	2007 £'000
7. Finance costs		
Loans repayable within one year	396	668

	Group	
	2008 £'000	2007 £'000
8. Taxation		
(a) Taxation on ordinary activities		
Prior year adjustment	(2)	–
Overseas income tax	–	124
Current tax	(2)	124

(b) Factors affecting the tax charge for the year

The tax charge for the year is lower than the Company's applicable rate of corporation tax of 29% (2007: 30%). The difference is explained below.

	Group	
	2008 £'000	2007 £'000
(Loss)/profit before taxation	(128,681)	145,770
Corporation tax at 29% (2007: 30%)	(37,317)	43,731
Effects of:		
Non taxable capital returns	36,634	(44,476)
Deferred tax asset not recognised	683	745
Prior year adjustment	(2)	–
Overseas income tax	–	124
Current tax	(2)	124

(c) Provision for deferred taxation

No provision for deferred taxation has been made in the current year or prior year. Neither the Company nor its subsidiary have provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments as they are exempt from tax on these items due to their status as Investment Companies.

(d) Factors that may affect future tax charges

The Company has an unrecognised deferred tax asset of £3,185,000 based on a prospective corporation tax rate of 28% (2007: £2,785,000 based on a corporation tax rate of 30%). 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. Deferred taxation for the subsidiary is calculated at the tax rate enacted by the balance sheet date an applicable rate of 15% (2007:15%).

Notes to the Accounts continued

	Group 2008 Revenue £'000	Group 2008 Capital £'000	Group 2008 Total £'000	Group 2007 Revenue £'000	Group 2007 Capital £'000	Group 2007 Total £'000
9. (Loss)/earnings per share						
(Loss)/profit attributable to equity shareholders	(2,353)	(126,326)	(128,679)	(2,608)	148,254	145,646
(Loss)/earnings per share[1]	(2.29)p	(122.78)p	(125.07)p	(2.49)p	141.79p	139.30p

[1] The (loss)/earnings per share is based on the (loss)/profit for the year after taxation and on 102,882,855 (2007: 104,562,209) shares, being the weighted average number of shares in issue during the year .

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
10. Investments held at fair value through profit or loss				
(a) Group and Company				
Investments listed on a recognised investment exchange	287,898	439,249	19,486	34,803
Unlisted investments	–	–	282,997	403,367
	287,898	439,249	302,483	438,170

	Group[1] 2008 Listed £'000	Company[2] 2008 Listed £'000
Opening book cost	203,993	24,483
Opening unrealised gains	235,256	10,320
Opening valuation	439,249	34,803
Movements in the year:		
Purchases at cost	177,346	21,958
Sales – proceeds	(202,946)	(31,203)
Sales – realised (losses)/gains	(18,855)	1,434
Movement in revaluation gains/losses	(106,896)	(7,506)
Closing valuation	287,898	19,486
Closing book cost	249,275	22,547
Closing revaluation gains/(losses)	38,623	(3,061)
Closing valuation	287,898	19,486

[1] During the year, prior year revaluation gains of £89,737,000 have been transferred to realised as disclosed in note 14.
[2] During the year, prior year revaluation gains of £5,873,000 have been transferred to realised as disclosed in note 14.

10. Investments (continued)

(b) Transaction costs

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Transaction costs on purchases	563	405	22	31
Transaction costs on sales	638	401	9	27
	1,201	806	31	58

The above costs comprise mainly broker commission.

(c) Investment in subsidiary undertaking

	Company 2008 Total £'000	Company 2007 Total £'000
Opening book cost	5,254	5,254
Opening revaluation gains	398,113	262,489
Opening valuation	403,367	267,743
Movements in the year:		
Movement in revaluation gains	(120,370)	135,624
Closing valuation	282,997	403,367

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.

(d) Gains from investments held at fair value through profit or loss

	Group 2008 £'000	Group 2007 £'000
Realised gains based on historical cost	70,882	49,581
Amounts recognised as revaluation gains in previous year	(89,737)	(39,392)
Realised (losses)/gains based on carrying value at previous balance sheet date	(18,855)	10,189
Movement in revaluation gains/losses	(106,896)	138,038
Other capital charges	(46)	(34)
Total (losses)/gains from investments held at fair value through profit or loss	(125,797)	148,193

Notes to the Accounts continued

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
11. Current assets				
Loans and receivables				
Securities sold awaiting settlement	2,000	923	–	–
Prepayments and accrued income	221	177	146	12
VAT recoverable	734	–	734	–
Other receivables	–	92	–	92
	2,955	1,192	880	104

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 represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
12. Current liabilities				
Financial liabilities measured at amortised cost				
Securities purchased awaiting settlement	959	–	–	–
Bank loan	–	12,000	–	3,000
Other creditors and accruals	340	414	112	112
	1,299	12,414	112	3,112

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

The bank loan at 30th September 2007 was drawn down on the Group's revolving loan facility with Lloyds TSB and was repaid during the year. Further details are given in note 18(a)(ii) on page 42.

	2008 £'000	2007 £'000
13. Called up share capital		
Authorised share capital		
200,000,000 (2007: 200,000,000)ordinary shares of 25p each	50,000	50,000
Allotted and fully-paid share capital		
Opening balance of 103,591,874 (2007: 104,706,662) shares of 25p each excluding shares held in Treasury	25,898	26,177
Issue of nil (2007: 100,000) shares	–	25
Repurchase of 57,000 (2007: nil) shares for cancellation[1]	(14)	–
Purchase of 765,000 (2007: 1,214,788) shares into Treasury[2]	(191)	(304)
Subtotal 102,769,874 (2007: 103,591,874) shares	25,693	25,898
1,979,788 (2007: 1,214,788) shares held in Treasury	495	304
Closing balance[3]	26,188	26,202

[1] During the year the Company repurchased 57,000 shares, with a nominal value of £14,250, for cancellation, representing 0.05% of the shares outstanding at the beginning of the year including shares held in Treasury. The total consideration paid for these shares was £274,000 and the reason for the purchases was to reduce the volatility of the share price discount to net asset value.

[2] During the year 765,000 (2007: 1,214,788) shares were bought into Treasury for a total consideration of £3,234,000 (2007: £3,966,000).

[3] Comprises 104,749,662 (2007: 104,806,662) shares of 25p each including 1,979,788 (2007: 1,214,788) shares held in Treasury.

	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
14. Reserves							
At 1st October 2007	50,914	41,929	5,886	77,702	235,256	6,348	(8,051)
Repurchase and cancellation of shares	–	–	–	(274)	–	14	–
Purchase of shares into Treasury	–	–	–	(3,234)	–	–	–
Realised losses on investments	–	–	–	(18,855)	–	–	–
Transfer on disposal of investments	–	–	–	89,737	(89,737)	–	–
Movement in revaluation losses	–	–	–	–	(106,896)	–	–
Other capital charges	–	–	–	(46)	–	–	–
Net losses on foreign currency transactions	–	–	–	(529)	–	–	–
Retained revenue loss for the year	–	–	–	–	–	–	(2,353)
At 30th September 2008	50,914	41,929	5,886	144,501	38,623	6,362	(10,404)

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
14. Reserves (continued)							
At 1st October 2007	50,914	41,929	5,886	(92,252)[1]	408,431[1]	6,348	(11,272)
Repurchase and cancellation of shares	–	–	–	(274)	–	14	–
Purchase of shares into Treasury	–	–	–	(3,234)	–	–	–
Realised gains on investments	–	–	–	1,434	–	–	–
Transfer on disposal of investments	–	–	–	5,873	(5,873)	–	–
Movement in revaluation losses	–	–	–	–	(127,876)	–	–
Other capital charges	–	–	–	(14)	–	–	–
Net losses on foreign currency transactions	–	–	–	(132)	–	–	–
Retained revenue loss for the year	–	–	–	–	–	–	(2,091)
At 30th September 2008	50,914	41,929	5,886	(88,599)	274,682	6,362	(13,363)

[1] The allocation between opening capital realised and capital unrealised reserves has been revised to reflect the capital contribution to the subsidiary undertaking made in financial years 2004 to 2006.

15. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £303,999,000 (2007: £436,186,000) and on the 102,769,874 (2007: 103,591,874) shares in issue at the year end, excluding 1,979,788 (2007: 1,214,788) 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.

16. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2007: nil).

17. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 15. The management fee payable to JPMorgan Asset Management Limited (JPMAM) by the Group and Company for the year was £5,064,000 and £2,719,000 respectively, excluding VAT, (2007: £4,135,000 and £2,249,000 respectively) of which nil (2007: £28,000) was outstanding in both the Group's and Company's accounts at the year end. In addition £132,000 (2007: £112,000) was payable by the Group and Company to JPMAM for the marketing and administration of "wrapper" products of which nil (2007: nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 32 are safe custody fees payable to JPMorgan Chase as custodian by the Group and Company amounting to £800,000 and £11,000 respectively (2007: £621,000 and £6,000 respectively) of which £167,000 and £2,000 respectively was outstanding at the year end (2007: £167,000 and £1,000 respectively).

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 £85,000 and £13,000 respectively (2007: £80,000 and £25,000 respectively) of which nil (2007: nil) was outstanding at the year end.

17. Transactions with the Manager (continued)

Handling charges payable on dealing transactions undertaken by overseas sub custodians on behalf of the Group and Company amounted to £46,000 and £14,000 respectively (2007: £34,000 and £7,000 respectively) of which nil and nil respectively was outstanding at the year end (2007: nil and nil respectively).

At the year end, the Group and Company held bank balances of £1,169,000 and £774,000 respectively with JPMorgan Chase (2007: £6,000,000 and £121,000 respectively). Interest amounting to £26,000 and £5,000 was receivable by the Group and Company respectively during the year from JPMorgan Chase (2007: £17,000 and £17,000 respectively).

18. Financial Instruments' exposure to risk and risk management policies

The Company is an investment trust and its wholly owned subsidiary is an investment company and they both invest in equities and other securities for the long term so as to secure the investment objective stated on page 12. The financial instruments of the Company and its subsidiary, both comprising the Group, are exposed to the same risks and the risk management policy detailed below applies to the Group. In pursuing the objective, the Group is exposed to a variety of risks that could result in a reduction in net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Group's risk management.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Group's financial instruments may comprise the following:

- investment in equity shares of Indian companies and other securities which are held in accordance with the investment objective;
- UK Treasury Stock;
- short term debtors, creditors and cash arising directly from its operations;
- derivative transactions including short term forward currency contracts for the purpose of settling short term liabilities; and
- sterling bank loans for the purpose of raising finance for the Company's operations and providing leveraged returns for the Company's shareholders.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks, which policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

Certain of the Group's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and the presentational currency of the Group). As a result, movements in exchange rates may affect the sterling value of those items.

Notes to the Accounts continued

18. Financial Instruments' exposure to risk and risk management policies (continued)

Management of currency risk

The Manager monitors the Group's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Group of the foreign currency exposure by considering the effect on the Group's net asset value and income of a movement in the rates of exchange to which the Group's assets, liabilities, income and expenses are exposed. Income denominated in foreign currencies is converted to sterling on receipt. The Group may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair value of the Group's and Company's monetary items that have foreign currency exposure at 30th September are shown below. Where equity investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	Group 30th September 2008				Company 30th September 2008			
	INR £'000	US$ £'000	Others £'000	Total £'000	INR £'000	US$ £'000	Others £'000	Total £'000
Investments at fair value through profit or loss that are monetary items	–	–	–	–	–	–	–	–
Current assets	2,069	128	–	2,197	–	88	–	88
Creditors	–	–	–	–	–	–	–	–
Foreign currency exposure on net monetary items	2,069	128	–	2,197	–	88	–	88
Investments at fair value through profit or loss that are equities	278,941	–	–	278,941	293,526	–	–	293,526
Total net foreign currency exposure	281,010	128	–	281,138	293,526	88	–	293,614

18. Financial Instruments' exposure to risk and risk management policies (continued)

	Group 30th September 2007				Company 30th September 2007			
	INR £'000	US$ £'000	Others £'000	Total £'000	INR £'000	US$ £'000	Others £'000	Total £'000
Investments at fair value through profit or loss that are monetary items	–	–	–	–	–	–	–	–
Current assets	6,496	22	–	6,518	–	18	–	18
Creditors	(138)	–	–	(138)	–	–	–	–
Foreign currency exposure on net monetary items	6,358	22	–	6,380	–	18	–	18
Investments at fair value through profit or loss that are equities	423,486	7,981	5,328	436,795	422,485	7,981	5,328	435,794
Total net foreign currency exposure	429,844	8,003	5,328	443,175	422,485	7,999	5,328	435,812

The above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of profit after taxation for the year and equity with regard to the monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on monetary currency financial instruments held at each balance sheet date and assumes a 10% appreciation or depreciation in sterling against the Indian Rupee, US Dollar and the other currencies to which the Group and Company are exposed, which is deemed a reasonable illustration based on the volatililty of exchange rates during the year.

If sterling had weakened this would have had the following effect:-

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Income statement return after taxation				
Revenue return	340	352	70	58
Capital return	220	638	9	2
Total return after taxation for the year	560	990	79	60
Net assets	560	990	79	60

Notes to the Accounts continued

18. Financial Instruments' exposure to risk and risk management policies (continued)

Conversely if sterling had strengthened this would have had the following effect:-

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Income statement return after taxation				
Revenue return	(340)	(352)	(70)	(58)
Capital return	(220)	(638)	(9)	(2)
Total return after taxation for the year	(560)	(990)	(79)	(60)
Net assets	(560)	(990)	(79)	(60)

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate cash borrowings.

Management of interest rate risk

The Group does not normally hold significant cash balances. Short term borrowings are used when required. The Group may finance part of its activities through borrowings at levels approved and monitored by the Board. The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when drawings are made on a loan facility. For part of the year, the Group had a loan facility with Lloyds TSB which expired in July 2008. Drawings on this facility were for short term, one month periods only and therefore exposure to interest rate risk was not significant.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below.

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Exposure to floating interest rates:				
Cash at bank	14,445	8,159	748	1,024
Creditors: amounts falling due within one year				
– borrowings on the loan facility	–	(12,000)	–	(3,000)
Total exposure	14,445	(3,841)	748	(1,976)

Interest receivable on cash balances is at a margin below LIBOR.

For part of the year, the Company had a £15 million revolving loan facility with Lloyds TSB. This facility expired in July 2008 and has not been renewed. Under the terms of this agreement, the Company and the Subsidiary combined were able to 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. During the year the Group had drawn down/repaid between £0.7 million and £14.9 million, which included USDollar loans between US$5.9m and US$7.4m. At 30th September 2007, the Company and Subsidiary had drawn down £3.0 million and £9.0 million respectively on this facility at an interest rate of 6.7%.

18. Financial Instruments' exposure to risk and risk management policies (continued)

The exposure to floating interest rates has fluctuated during the year between net cash and loan balances as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Maximum interest rate exposure to floating rates – net loan balances	(3,841)	(10,861)	(1,976)	(2,273)
Maximum interest rate exposure to floating rates – net cash balances	21,715	13,375	9,754	6,574

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue after taxation for the year and net assets to a 1% increase or decrease in interest rate in regards to monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the monetary financial instruments held at the balance sheet date, with all other variables held constant.

Effect of a 1% increase in interest rate:

	2008		2007	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Income statement – return after taxation				
Revenue return increase/(decrease)	144	7	(38)	(20)
Capital return increase/(decrease)	–	–	–	–
Total increase/(decrease) in return after taxation for the year	144	7	(38)	(20)
Net assets increase/(decrease)	144	7	(38)	(20)

Effect of a 1% decrease in interest rate:

	2008		2007	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Income statement – return after taxation				
Revenue return (decrease)/increase	(144)	(7)	38	20
Capital return increase/(decrease)	–	–	–	–
Total (decrease)/increase in return after taxation for the year	(144)	(7)	38	20
Net assets (decrease)/increase	(144)	(7)	38	20

In the opinion of the Directors, the above sensitivity analysis may not be representative as the level of exposure to floating interest rates may fluctuate between net loan balances and net cash balances as shown above. The highest amount drawn down on the loan facility during the year amounted to £14.9 million and the interest rate on these drawings fluctuated between 5.1% and 6.7%.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of investments.

Management of other price risk

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

Notes to the Accounts continued

18. Financial Instruments' exposure to risk and risk management policies (continued)

Other price risk exposure

The exposure to changes in market prices at 30th September comprises holdings in equity investments as follows:

	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Equity investments at fair value through profit or loss	278,941	293,523	439,249	438,170

The above data is broadly representative of the exposure to other price risk during the year.

Concentration of exposure to other price risk

An analysis of the Group's investments is given on pages 9 and 10 This shows that the investments' value is almost entirely in India. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not necessarily be wholly exposed to the economic conditions in its country of domicile.

Other price risk sensitivity

The following table illustrates the sensitivity of net assets to an increase or decrease of 10% in the fair value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on equity investments and adjusting for change in the management fee, but with all other variables held constant.

Effect of a 10% increase in fair value:

	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Income statement – return after taxation				
Revenue return – decrease	(335)	(352)	(527)	(526)
Capital return – increase	27,894	29,352	43,925	43,817
Total return after taxation and net assets – increase	27,559	29,000	43,398	43,291

Effect of a 10% decrease in fair value:

	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Income statement – return after taxation				
Revenue return – increase	335	352	527	526
Capital return – decrease	(27,894)	(29,352)	(43,925)	(43,817)
Total return after taxation and net assets – decrease	(27,559)	(29,000)	(43,398)	(43,291)

(b) Liquidity risk

This is the risk that the Group will encounter difficulty in settling financial liabilities as they fall due.

Management of the risk

Liquidity risk is not significant as the Group's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Group as appropriate. The Group had a loan facility available for part of the year which expired in July 2008 and has not been renewed. Further details are given in part (a) (ii) to this note on page 42.

18. Financial Instruments' exposure to risk and risk management policies (continued)

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:-

	2008			
	Group		Company	
	Less than three months £'000	Total £'000	Less than three months £'000	Total £'000
Creditors : amounts falling due within one year				
Purchases of investments for future settlement	959	959	–	–
Other creditors and accruals	340	340	112	112
	1,299	1,299	112	112

	2007			
	Group		Company	
	Less than three months £'000	Total £'000	Less than three months £'000	Total £'000
Creditors : amounts falling due within one year				
Short term loan	12,000	12,000	3,000	3,000
Other creditors and accruals	414	414	112	112
	12,414	12,414	3,112	3,112

(c) Credit risk

Credit risk is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction which could result in a loss to the Group.

Management of credit risk

This risk is not significant and is managed by:

– only dealing with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies; and

– setting limits to the maximum exposure to any one counterparty at any time.

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year ends.

Cash at bank comprises balances held at banks with an A credit rating or higher (2007: same).

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value.

Notes to the Accounts continued

19. Capital management policies and procedures

The capital management objectives are to ensure that the Group will continue as a going concern and to optimise capital return to the Company's equity shareholders through gearing up to a maximum level of 15% of shareholders' funds.

	2008		2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Investments	287,898	302,483	439,249	438,170
Net assets	303,999	303,999	436,186	436,186
Gearing	94.7%	99.5%	100.7%	100.5%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing, which takes into account the Manager's views on the market;

– the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and

– the need for issues of new shares, including issues from Treasury.

20. Post balance sheet events

Issue of shares after the year end

On 5th November 2008 the Company issued 21,001,937 Subscription shares by way of a bonus issue to Qualifying Shareholders on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share confers the right to subscribe for one Ordinary share on any business day during the period from 2nd January 2009 to 2nd January 2014, after which the rights under the Subscription shares will lapse. The conversion prices have been determined as follows:

(a) If exercised between 2nd January 2009 and 2nd January 2010 – 227 pence;

(b) If exercised between 3rd January 2010 and 2nd January 2012 – 247 pence; and

(c) If exercised between 3rd January 2012 and 2nd January 2014 – 291 pence.

The Company also issued 261,944 new ordinary shares on 5th November 2008, through a Placing and Offer for Subscription, which raised £493,000 net of expenses.

Stock market events

Subsequent to the year end, there have been significant fluctuations in company share prices around the world including India. As a result the Company's NAV has dropped by 12.6% from 295.1 pence per share on 30th September 2008 to 257.8 pence per share on 10th December 2008.

21. 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
Final results announced	December
Half year end	31st March
Half year results announced	May
Interim Management Statements announced	January/July
Dividends	N/A
Annual General Meeting	January

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 Sedol number: 0345035
ISIN: GB0003450359
Bloomberg ticker: JII LN

Market Information
The Company's net asset value ('NAV') is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan website at www.jpmindian.co.uk where the share price is updated every fifteen minutes during trading hours.

Website
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 Pension Account.

Taxation
On 30th October 2008, Shareholders approved the bonus issue of subscription shares, as described in the Company's Prospectus dated 30th September 2008. Trading in subscription shares commenced on 5th November 2008. For capital gains tax purposes, the base cost of the Company's ordinary shares and subscription shares as at 5th November 2008 were as follows:

Ordinary Shares: 246p
Subscription Shares: 67.5p

For further details on the bonus issue of subscription shares, please refer to page 14 of this report.

Manager and Company 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: 0871 384 2327

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

Auditors
Deloitte 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, 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 2008

		2008
	Number of shares	% holding
Private Client Brokers	38,758,924	37.0
Retail Investors[1]	30,429,040	29.0
Individuals in the Investment Trust Share Plan[2]	9,854,321	9.4
Individuals in the Investment Trust Individual Savings Account[2]	3,588,766	3.4
Individuals in the Investment Trust Pension Account[2]	1,058,032	1.0
Total Retail Holdings	83,689,083	79.8
Unit Trusts	6,788,595	6.5
Other Institutions	4,228,522	4.0
Pension Funds	2,997,918	2.9
Insurance Companies	1,973,423	1.9
Foreign Government	1,112,269	1.1
Investment Trusts[3]	1,355,569	1.3
Charities	624,495	0.6
Total Institutions	19,080,791	18.3
Treasury Shares[4]	1,979,788	1.9
Total shares in issue	104,749,662	100.0

[1]Includes shareholders below 10,000 threshold.

[2]Savings product managed by JPMorgan.

[3]Includes 443,000 shares held by JPMorgan Elect plc.

[4]Shares held in Treasury do not carry any voting rights.

Source: Thomson Reuters.

Notice of Annual General Meeting

Notice is hereby given that the fifteenth Annual General Meeting of JPMorgan Indian Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Wednesday 21st January 2009 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 2008.

2 To approve the Directors' Remuneration Report for the year ended 30th September 2008.

3 To re-elect Mr Richard Burns as a Director.

4 To re-elect Mr Pierre Dinan as a Director.

5 To re-appoint Deloitte 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 £2,625,290 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 2010, 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 £2,625,290, 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 2010, 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 and subscription shares.

PROVIDED ALWAYS THAT

(i) the maximum number of ordinary shares and subscription shares hereby authorised to be purchased shall be 15,741,239 or 3,148,190 respectively or if different, that number of ordinary shares or subscription shares which is equal to 14.99% of the Company's issued share capital of the relevant share class as at the date of the passing of this Resolution;

(ii) the minimum price which may be paid for an ordinary share and subscription share shall be 25 pence and 1 pence respectively;

(iii) the maximum price which may be paid for a share shall be an amount equal to (a) 105 per cent of the average of the middle market quotations for the 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 or (b) the price of the last independent trade or (c) the highest current independent bid;

(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 20th July 2010 unless the authority is renewed at the Company's Annual General Meeting in 2010 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of 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
18th December 2008

Notice of Annual General Meeting continued

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.

3 A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

4 Any instrument appointing a proxy, to be valid,must be lodged in accordance with the instructions given on the proxy form.

5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded.Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

6 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.

7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

9 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, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.

10 No Director has any contract of service with the Company.

11 As at 16th December 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 105,011,606 ordinary shares, carrying one vote each and 21,001,937 subscription shares with no voting rights. Therefore the total voting rights in the Company are 103,031,818. (The shares held in Treasury, totalling 1,979,788, do not carry voting rights).

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. See further instructions on the proxy form.

Glossary of Terms and Definitions

Return to shareholders
Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received 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 were reinvested in the shares of the Company at the NAV 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 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

JPMorgan Helpline
Freephone 0800 20 40 20 or 0207 742 9999
9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline
Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 5.00 pm Monday to Friday
Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

www.jpmindian.co.uk