

The Fleming Indian Investment Trust plc

Capital growth from investments in India



Objective

Capital growth from investments in India.

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.

Benchmark

The performance benchmark is the Bombay Stock Exchange National 100 Index expressed in sterling.

Continuation Vote

Under the Company's Articles of Association, the Directors are required to propose a resolution that the Company continues as an investment trust at the Annual General Meeting to be held in 2004.

The Fleming
Indian
Investment Trust plc

Financial Highlights

	2000	1999	Change
Net asset value	103.4p	84.8p	+21.9%
Share price	79.50p	61.75p	+28.7%
Bombay Stock Exchange National 100 Index expressed in sterling ¹			-1.1%

¹Source – Micropal (net income reinvested)

Annual General Meeting

The Annual General Meeting of The Fleming Indian Investment Trust plc will be held at The Insurance Hall, 20 Aldermanbury, London EC2 at 12 noon on 31st January 2001.

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Chairman's Statement

The Past Year

The year to September 2000 has been one of the most volatile for the Indian Market during recent times. For example, your Company's benchmark index started the year at 2213 and finished at 2075 having touched 3839 at the high and 1928 at its lowest point. The initial trigger for the market rise was the successful transition to the year 2000 without the "Millennium bug" problems which had been expected. The general buoyancy in technology stocks in the international markets, together with robust earnings growth estimates and the expectation of a reform oriented market friendly budget, added to the bullish fervour. Low inflation, a benign interest rate environment, easy liquidity conditions and a steady Rupee sustained this. The absence of reform initiatives and the feeble attempt at subsidy reduction in the budget without a medium term plan to address the fiscal problems fell far short of market expectations and resulted in a remarkable change in sentiment.

Michael Cannan

The market was further affected by doubts being raised about the tax status of some Foreign Institutional Investors investing through Mauritius. I am pleased to say that the matter was favourably clarified by the Indian Central Board of Direct Taxation in a circular issued in April 2000, however the Board continues to monitor relevant tax issues in India.

Performance

Whilst the volatility referred to resulted in a very difficult background against which to invest, I am pleased to report that our investment managers have outperformed the market and the rise in the net asset value of 21.9% compared favourably with the fall of 1.1% in the benchmark Bombay Stock Exchange National 100 Index in sterling terms.

Share Repurchases

During the year, the Company continued to use its ability to buy back shares, although fewer shares were bought back this year: 2,860,000 shares at an average discount of 27.1% resulting in an uplift of approximately 0.6 pence per share to remaining shareholders.

The Board continues to believe that the ability to buy back shares is of benefit to the Company and its shareholders, and accordingly proposes that the facility be renewed at the Annual General Meeting.

Outlook

The Board believes that the Manager's investment approach is well placed to achieve continuing outperformance.

Annual General Meeting

The Annual General Meeting will be held on Wednesday 31st January 2001 at 12 noon in The Insurance Hall which is located at 20 Aldermanbury in London. There will also be a presentation on the Company's investment strategy which I look forward to discussing with shareholders.

Michael Cannan

Chairman

6 December 2000

Summary of Results

	2000	1999	% change
Assets at 30th September			
Shareholders' funds (£'000)	81,856	69,566	+17.7
Number of shares in issue	79,144,792	82,001,392	-3.5
Net asset value per share	103.4p	84.8p	+21.9
Share price	79.50p	61.75p	+28.7
Discount of share price to net asset value	23.1%	27.2%	
Warrant price	19.25p	13.00p	+48.1
Revenue for year ended 30th September			
Gross return (£'000)	1,198	851	+40.8
Revenue return per share	(1.12)p	(0.36)p	-311.0
Dividend per share	nil	nil	
Total Return for year ended 30th September			
Return per ordinary share – revenue	(1.12)p	(0.36)p	
– capital	19.52p	34.74p	
Total return per share	18.40p	34.38p	
Market Data at 30th September			
Bombay Stock Exchange National 100 Share Index in £ ^{1,2}			-1.1%
Exchange Rates	£1=Rs68.06	£1=Rs71.79	
	US\$1=Rs46.03	US\$1=Rs43.60	
Actual Gearing Factor³	90.3%	105.3%	
Total Expense Ratio⁴	1.78%	1.86%	

¹ Source – Micropal (net income reinvested).

² Comparison of the Company's performance is made with the benchmark as stated on the inside front cover. 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 therefore there may be a degree of diversity in performance from the stated index.

³ Investments expressed as a percentage of ordinary shareholders' funds. Shows the effect of gearing on the undiluted net asset value if the assets were to increase by 100%.

⁴ Management fees and all other operating expenses (including tax relief, where allowable, but excluding interest payments) expressed as a percentage of average net assets over the year.

Ten Largest Group Investments

Company	Sector
<p>Infosys Technologies</p> <p>A leader in the high growth Information Technology sector in India, the company has generated a near 100% earnings growth for the last two years. Infosys is now looking at synergistic acquisitions after a successful ADR issue, to further fuel profitable growth.</p>	Information Technology & Media
<p>Hindustan Lever</p> <p>Is a 51% owned subsidiary of Unilever and is the largest consumer company in the country. It sells a wide range of products from soaps and detergents to food and is dominant in its markets. The company generates a 55% return on its average capital employed.</p>	Food, Beverages & Tobacco
<p>Reliance Industries</p> <p>India's largest private sector company which dominates the polyester, polymer and petrochemical markets. Economies of scale mean that the company can benefit in these cyclical markets.</p>	Chemicals & Derivatives
<p>Satyam Computer Services</p> <p>A software company that has seen explosive growth in the last few years based upon solving Year 2000 problems for overseas companies and then leveraging these relationships for offering high-end software services. The company generates near 50% return on equity.</p>	Information Technology & Media
<p>Sterlite Optical Technologies</p> <p>The company has seen a successful transition from a conventional telecom cables manufacturer to a leading player in optical fibre/cables. Rapid capacity additions and an export led growth strategy should allow it to capitalize on the strong global demand for optical fibre/cables while lower capital and operational costs would push up margins. It is a high quality, low cost producer of optical fibre and has a significant R&D spend. New initiatives in photonic equipment and turnkey services will drive value going forward.</p>	Telecommunications
<p>ITC</p> <p>The largest tobacco company in India. ITC is expanding its brand franchises with its popular India Kings and Wills cigarettes. Other interests include hotels and packaging.</p>	Food, Beverages & Tobacco
<p>State Bank of India</p> <p>It is India's largest commercial bank, with the government as its majority shareholder, and through its subsidiaries is a leading player in investment banking and asset management. A strong economy play, it has lost some ground due to the slow implementation of its technology strategy. It is likely to benefit significantly from a potential reduction in government holding.</p>	Banking & Financial Services
<p>Hindalco Industries</p> <p>Is one of the lowest cost producers of aluminium globally, with captive sources of bauxite and power. The company has become an integrated producer with significant downstream capacity additions.</p>	Non-ferrous Metals
<p>SSI</p> <p>India's leading provider of high-end IT education services, it also has one of the fastest growing software services business. Its joint venture with the NASDAQ, and the recent acquisition of Albion, a US based software consultancy, will provide strong client front-end infrastructure. Going forward a strong improvement in margins, post the significant ramp up in its employee base this year, will provide solid earnings growth. The pre-eminence in training also provides a good source of quality manpower.</p>	Information Technology & Media
<p>HCL Technologies</p> <p>India's third largest IT services exporter, with significant strengths in technology development, embedded software and networking, it enjoys high billing rates due to its strong front-end infrastructure. Its significant exposure to IT and network vendors and e-business solutions and higher revenue predictability from dedicated client offshore centres is likely to drive growth. Significant investments in R&D companies and technology funds could provide hidden value.</p>	Information Technology & Media

Investment Managers' Report

The year that was

The period October 1999 to September 2000 has been one of the most volatile during recent times with the bellwether Sensex gyrating by around 2500 points, which is a good 63% from the present index level. The initial trigger for the market rise was the successful transition to the year 2000 without the glitches that were expected earlier. The general buoyancy in technology stocks in the international markets, coupled with robust earnings growth estimates and the expectation of a reform oriented market-friendly budget, added to the bullish fervour. Low inflation, a benign interest rate environment, easy liquidity conditions and a steady Rupee sustained the sentiment. The absence of reform initiatives and the feeble attempt at subsidy reduction in the budget without a medium term plan to address the fiscal problems fell far short of market expectations and resulted in a remarkable change in sentiment. Some doubts about the tax status of some Foreign Institutional Investors investing through Mauritius added fuel to the already bearish sentiment. The disenchantment with technology stocks, especially the dot coms, in the international bourses at around this time caused a further fall in the market. Spiralling oil prices and a weakening Rupee spurred the Reserve Bank of India to abandon its low interest rate stance and increase the Bank rate by 100 basis points and the Cash Reserve Ratio for Banks by 50 basis points in July 2000. Most Banks immediately raised prime lending rates and the impact of hardening interest rates on corporate profitability and risk free rates were not lost on the market, which responded with a 12% correction in the week following the rate move. Corporate India has been quite effective in cutting costs and increasing efficiency levels as evidenced by the improving return ratios on capital employed and net worth of quite a few of the large market cap companies in India. Consolidation of capacities has been happening at a quick pace in some industries like cement, telecom and banking and the market for corporate control has been evolving, though with some hiccups on the regulatory front. The near complete dematerialisation of the stock market and the introduction of index futures have helped generate new interest in the market. There has been, however, some delay in introducing rolling settlements across the board with liquidity in the stocks in compulsory rolling settlement almost evaporating. The net inflow from Foreign Institutional Investors has been steady with around US\$1.4 billion coming in the first nine months of calendar 2000.

Edward Pulling
Investment Manager

UR Bhat
Investment Adviser

The Economy

News on the macro economy is not encouraging with industrial production showing a deceleration and agriculture growth estimates being pared down on account of problems in the spatial distribution of the monsoon. Even though the services sector, accounting for around 46% of GDP, is expected to show a steady growth, most observers have downgraded GDP growth estimates to sub 6% levels. With the perceptible deterioration in the growth environment and the receding likelihood of any privatisation inflows during this fiscal year, government finances would be under further strain. The fiscal situation needs to be put quickly into a corrective mode and there do not appear to be many options available to the government besides aggressive privatisation. The saga of the strategic sale of government's equity in Indian Petrochemicals Corp., which started three years ago, continues and does not inspire confidence in the privatisation process. Continuing hardness in international oil prices could add more than US\$5 billion to the import bill this year. To shore up the country's forex reserves, the India Millennium Deposit scheme has been launched and is expected to raise around US\$4 billion in the next few weeks. Significant progress has been achieved in opening up the insurance and telecom sectors to private enterprise. The market is expecting more decisive action on restructuring of the economy and appears to be distinctly disappointed with the turn of events.

Investment Manager's Report *continued*

Performance Review

The NAV of your company rose by around 22% during the year ended September 2000 as against a marginal 1% fall in the benchmark. Against the background of a distinctly volatile market, we have been able to restructure our portfolio in quick time. We removed the heavily overweight exposure to technology stocks. This and our underweight stance in the "Old Economy" sectors and the marked overweight stance in the telecom sector for part of the year, also contributed to the relative outperformance. The strategy is to continue to invest in companies offering earnings growth at a reasonable price, without being unduly swayed by market momentum, unsupported by fundamentals. In this regard we closely look at the trends in returns on capital, competitive dynamics of the industry and potential growth, and also a company management's commitment to shareholder value creation. We have a two stage stock selection process, where we first classify our stock universe based on our assessment of the management strategy and decide which stocks we would consider including in our portfolio. Thereafter we rate these stocks and decide at what prices we are prepared to buy or sell these. This strategy has been successful in constructing a high quality portfolio at the right prices and has been able to generate steady performance over the medium term. We believe that this is an appropriate strategy for the future.

Outlook

The market has already factored in the none-too-happy short-term macro economic outlook of the country. India is increasingly perceived as a technology heavy market and hence the gyrations in the NASDAQ will continue to exercise considerable influence on the Indian market. This is despite the fact that there are hardly any dot com companies listed on the Indian market and Indian listed technology companies have a steady revenue model and profit history, unlike many in the NASDAQ. Given the generally bearish sentiment prevalent in the NASDAQ, the outlook for the Indian market cannot be substantially different. That said, most institutional investors have rather high levels of cash in their portfolios and any positive trigger can cause a disproportionately large upswing in the market. The most potent positive trigger could be a refreshing change in the pace of reform by the government. Standard and Poors have recently revised India's foreign currency term loan credit rating from positive to stable based on concerns about the inability to reduce the fiscal deficit and accelerate the reform process. Much is expected from the Fiscal Responsibility Bill to be introduced in the parliament shortly. The government has the opportunity to put in place a long-term fiscal policy, which could pave the way for solving the serious fiscal imbalances and generate adequate surpluses to invest in the social sector. Aggressive privatisation and removing structural hurdles to labour mobility, could lead to quantum leaps in efficiency levels. These initiatives could bring a lot of cheer to the stock market. The market is hoping that, despite the many false starts in the past, this time it could be different. The other positive trigger could be softening oil prices. Without these triggers the market is expected to trade in a narrow trading range. We believe our investment strategy is well suited to achieve continuing outperformance.

Edward Pulling
Investment Manager

UR Bhat
Investment Adviser

Features of the Portfolio

◀ Infosys Technologies

VALUE (£'000): 9,055
% OF PORTFOLIO: 11.1

A leader in the high growth Information Technology sector in India, the company has generated a near 100% earnings growth for the last two years. Infosys is now looking at synergistic acquisitions after a successful ADR issue, to further fuel profitable growth.

▶ Reliance Industries

VALUE (£'000): 5,044
% OF PORTFOLIO: 6.2

The largest private sector corporate in India. Reliance Industries is an integrated conglomerate in the petrochemical business. It has promoted Reliance Petroleum, which has implemented the biggest oil-refining project in India of 27 million tonnes.

▲ Hindalco Industries

VALUE (£'000): 2,777
% OF PORTFOLIO: 3.4

Is one of the lowest cost producers of aluminium globally, with captive sources of bauxite and power.

◀ Hindustan Lever

VALUE (£'000): 7,328
% OF PORTFOLIO: 8.9

Is a 51% owned subsidiary of Unilever and is the largest consumer company in the country. It sells a wide range of products from soaps and detergents to food and is dominant in its markets.

▲ I.T.C.

VALUE (£'000): 3,777
% OF PORTFOLIO: 4.6

Being one of the largest Indian companies in the private sector, ITC dominates the Indian tobacco and cigarettes market with a presence in hospitality and paper businesses. ITC has an enviable distribution network of more than a million retail vendors covering almost every village in India.

Shareholder and Asset Analyses

Shareholder Analysis

at 30th September 2000

Class of Shareholders	Number of shares	% Holding
Pension funds	5,731,281	7.24
Insurance companies	9,469,453	11.97
Investment trusts	9,926,000	12.54
Unit trusts	4,760,000	6.01
Other institutions	9,369,389	11.84
Total institutions	39,256,123	49.60
Named individuals	17,514,471	22.13
Named individuals in Fleming Investment Trust Share Plan	9,864,130	12.46
Named individuals in Fleming investment Trust Pension Account	1,309,172	1.66
Named individuals in Fleming Investment Trust Personal Equity Plan	790,827	1.00
Named individuals in Fleming Investment Trust ISA	10,410,069	13.15
Total individuals	39,888,669	50.40
Total shares in issue	79,144,792	100.00

Institutional nominee accounts have been allocated to their appropriate institutional category.

Asset Analysis

at 30th September 2000

Type	%
Equities	100

List of Group Investments

at 30th September 2000

Stock	Market Value £'000
Information Technology & Media	
Infosys Technologies	9,055
Satyam Computer Services	5,021
SSI	2,213
HCL Technologies	1,741
Himanchal Futuristic	1,199
Cyberspace	1,068
Polaris Software	833
DSQ Software	766
Rediff.Com India	718
New Delhi Television ¹	672
Zee Telefilms	661
NIIT	635
Trigyn Technologies	536
UTV Software	463
Global Tele-Systems	427
ETC Networks	154
Encore Software	52
Moser-Baer	2
Total	26,216

Food, Beverages & Tobacco

Hindustan Lever	7,328
ITC	3,777
Cadbury India	624
Britannia Industries	1
Total	11,730

Telecommunications

Sterlite Optical Technologies	4,812
Videsh Sanchar Nigam (VSNL)	969
Shyam Telecom	843
Aksh Optifibre	415
Total	7,039

Pharmaceuticals

Morepen Laboratories	1,512
Hoechst Marion Roussel	1,239
Dr Reddys Laboratories	1,145
Sun Pharmaceutical	958
CIPLA	627
Lupin Laboratories	507
Wockhardt	400
Total	6,388

¹Unlisted

Stock	Market Value £'000
Chemicals & Derivatives	
Reliance Industries	5,044
Total	5,044

Banks & Finance

State Bank of India	3,295
HDFC Bank	1,116
Reliance Capital	620
Total	5,031

Non-ferrous Metals

Hindalco Industries	2,777
Sterlite Industries	940
Total	3,717

Diversified

Grasim Industries	1,181
Raymond	861
Total	2,042

Automobiles & Ancillaries

DC Design ¹	881
Mahindra & Mahindra	664
Hero Honda	244
Total	1,789

Transport

Great Eastern Shipping	1,007
Total	1,007

Power

BSES	635
Gujarat Industrial Power	301
Total	936

List of Group Investments *continued*

at 30th September 2000

Stock	Market Value £'000
Downstream Oil & Lubricant	
Reliance Petroleum	830
Total	830
Metals	
Tata Iron & Steel	761
Total	761
Capital Goods	
Larsen & Toubro	713
Total	713
Construction & Materials	
India Cement	463
Gujarat Ambuja Cement	219
Total	682
Total Portfolio	73,925

The total portfolio includes 2.1% in unlisted investments.

Group Investment Activity

during the year to 30th September 2000

	Value at 30th September 1999		Purchases £'000	Sales £'000	Change in Value £'000	Value at 30th September 2000	
	£'000	%				£'000	%
Equities	81,193	100	63,614	79,367	8,485	73,925	100
Convertibles and fixed interest	-	-	4,260	4,326	66	-	-
Total Portfolio	81,193	100	67,874	83,693	8,551	73,925	100

The above table includes the transactions undertaken by the subsidiary company translated at the exchange rate ruling at the balance sheet date.

Board of Directors

Michael Cannan

*(Chairman)**

Aged 68.

Chairman of Exeter Investment Group Plc and a director of a number of other investment trusts. He is a non-executive director of Fenner plc, and also a director of the Fleming Indian Investment Company (Mauritius) Limited.

Iain Saunders

Aged 53.

Deputy Chairman of Chase Fleming Asset Management UK Ltd. He is also a director of the Fleming Indian Investment Company (Mauritius) Limited and Non-Executive Chairman of Fleming Investment Trust Management Limited.

David Baker*

Aged 58.

Former managing director of Sun Life Investment Management Services Ltd and a director of a number of investment trusts.

Vijay Joshi*

Aged 59.

Fellow of Merton College, Oxford and a previous economic adviser to the Indian Ministry of Finance.

Philip Daubeney*

Aged 62.

Chief executive of the Electricity Association Ltd, a trade association for the UK electricity industry. He was formerly chief executive of ICI (India).

Jacques Harel

Aged 67.

Director of a number of companies operating in Mauritius. He is also a director of the Fleming Indian Investment Company (Mauritius) Limited.

**Members of the Audit Committee*

The Fleming Indian Investment Trust plc

Directors' Report & Accounts • *For the year ended 30th September 2000*

The Board, the Investment Manager and Advisor with Dr. Bimal Jalan, Governor of the Reserve Bank of India – Delhi, April 2000

Report of the Directors

Business of the Company

The Company carries on business as an investment trust. It was approved by the Inland Revenue as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th September 1998. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year. However, under Corporation Tax Self Assessment which applies to accounting periods ended after June 1999, the Inland Revenue have 12 months after the return filing date in which to give notice that they intend to enquire into the return and Section 842 approval may not be given until after that date.

At last year's Annual General Meeting, shareholders approved changes to the Company's Articles of Association that would enable the Company to regain investment company status. The necessary document to enable the Company to carry on its business as such was filed with Companies House on 11th February 2000. The Company is not a close company for taxation purposes.

The Company owns 100% of the share capital, together with options to acquire further shares, of its subsidiary undertaking, The Fleming 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 page 2 and in the Investment Manager's Report on pages 5 and 6.

Accounts

The accounts of the Company and of the Group for the year ended 30th September 2000 are shown on pages 18 to 30.

Revenue

Consolidated gross revenue for the year totalled £1,198,000 but after deducting management expenses, interest and taxation there was a deficit of £908,000. This, when transferred to the revenue reserve, increases the deficit to £2,375,000 as at 30th September 2000.

Investments

The consolidated investments were valued at £73,925,000 at 30th September 2000 and are listed on pages 9 and 10.

Going concern

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

Payment policy

It is the Company's policy to settle terms before business is agreed to ensure that suppliers are aware of them and to pay bills in accordance with those terms. As at 30th September 2000, there were no outstanding trade creditors in respect of the Company.

Directors

The Directors of the Company at the end of the year together with their interests in its shares and warrants, all beneficially owned, are given below.

	Ordinary shares		Warrants	
	30th September 2000	1st October 1999	30th September 2000	1st October 1999
MB Cannan (<i>Chairman</i>)	7,500	7,500	400	400
DE Baker	10,285	10,285	15,000	15,000
PEG Daubeney	4,147	4,147	--	--
FJ Harel	20,000	20,000	--	--
VR Joshi	3,900	3,900	4,000	4,000
IOS Saunders	10,000	10,000	400	400

No changes in the above holdings have been recorded by any Director to the date of this report.

In accordance with the Company's Articles, the Directors retiring by rotation are Mr. Cannan and Mr. Baker. They are eligible and offer themselves for re-election. During the year, an insurance policy has been maintained by the Company which indemnified the Directors of the Company against certain liabilities arising in the conduct of their duties.

Management

The manager and secretary, Chase Fleming Asset Management (UK) Limited ('CFAM'), is a wholly-owned subsidiary of Chase Manhattan which, through other subsidiaries, also provides banking, dealing and custodian services to the Company. Chase Manhattan took over the business of Robert Fleming Holdings Limited (including Fleming Investment Management Limited – as the manager was previously named) on 1st August 2000.

Management fee

The manager and secretary are employed under a contract terminable on one year's notice. The fees for their services are charged at an aggregate rate of 1.2% per annum of the Company's assets and they are paid monthly in arrears.

When the Company invests in funds managed or advised by CFAM or any of its associated companies they are excluded from the calculation and therefore attract no fee.

Notifiable share interests

At the date of this report the following had declared an interest in 3% or more of a class of the Company's issued share capital:

Shareholder	Number of shares held	%
Chase Manhattan Corporation	18,223,707	23.02
<i>Included within this are the following:</i>		
The Investment Trust Share Plan ⁽ⁱ⁾	10,082,362	12.74
Chase Fleming Asset Management (UK) Limited	7,055,695	8.91
Fleming Asian Investment Trust plc	1,085,650	1.37
Compagnie UAP	8,237,006	10.41

⁽ⁱ⁾ *Non-beneficial and held on behalf of Plan participants*

Auditors

Arthur Andersen have expressed their willingness to continue in office and a resolution to re-appoint them and authorise the directors to fix their remuneration for the ensuing year will be proposed at the Annual General Meeting.

Corporate Governance

To ensure the appropriate level of corporate governance, the Board has put in place arrangements which it believes are suitable for an investment trust and enable the Company to comply with the Principles of Good Governance and Code of Best Practice (the 'Combined Code'), published by the Committee on Corporate Governance in June 1998. The Board considers that the Company has complied with the provisions contained within Section 1 of the Combined Code throughout the accounting period ended 30th September 2000 with the exceptions noted below and the following describes how the relevant principles of governance are applied to the Company.

Internal Controls

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

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

The Board has undertaken a full review of all the aspects covered by the guidance and believes that there is a robust and dynamic framework in place to meet the requirements of the Turnbull guidance for the year ending 30 September 2001.

The Board

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

Directors are required to submit themselves for re-election at least every three years in compliance with the Combined Code.

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

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

Board Committees

The Board as a whole fulfils the functions of the Nomination and Remuneration Committees. It selects suitable candidates for appointment to the Board and reviews Directors' fees on a regular basis.

An Audit Committee, which consists of the independent non-executive Directors, meets at least twice each year. The Committee reviews the terms of the management agreement and reviews the effectiveness of the Company's internal control systems, receives information from the Manager's internal audit and compliance departments and also reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditors.

Directors' Remuneration

Directors' fees are set at a fixed rate of £15,000 for the Chairman and £11,000 for each other Director.

Relations with Shareholders

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

Compliance with the provisions of the Combined Code

Subject to the special circumstances of the Company as an investment trust, the Company has complied with the provisions of Section 1 of the Combined Code during the financial year.

Internal Financial Control

The Directors' statement on the Company's system of internal financial control is set out below. As permitted by the Financial Services Authority, the Company has complied with Combined Code provision D2.1 on Internal Controls by reporting on internal financial controls in accordance with the Guidelines for Directors on Internal Controls and Financial Reporting that were issued in December 1994.

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

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

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

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

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

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

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

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

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

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

Annual General Meeting

A resolution relating to the following item of special business will be proposed at the forthcoming Annual General Meeting.

Repurchase of the Company's Shares

At the Annual General Meeting held on 26th January 2000, shareholders gave authority to the Board to be able to purchase up to 14.99% of the then issued share capital. At that time shareholders were informed that this authority would expire on 13th June 2001 and would therefore need to be renewed at the Annual General Meeting to be held in 2001. The full text of the resolution is set out as Resolution number 5 in the Notice of Meeting on page 31.

The bulk of that authority remains in place, however, the Directors consider that the renewing of the authority would be in the interest of shareholders as a whole since the repurchase of shares at a discount to the underlying net asset value ("NAV") would enhance the NAV of the remaining shares.

Copies of the Memorandum and Articles of Association of the Company and a draft of the proposed amendments to the Articles of Association are available for inspection during normal business hours on any weekday (Saturday and public holidays excepted) up to and including the date of the Annual General Meeting at the offices of Linklaters & Alliance, 1 Silk Street, London EC2Y 8HQ and at the Annual General Meeting for at least 15 minutes prior to and during the meeting.

By order of the Board
Chase Fleming Asset Management (UK) Limited,
Secretary
15 December 2000



Directors' Responsibilities in Respect of the Accounts

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors confirm that the accounts comply with the above requirements.

The Directors are responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy, at any time, the financial position of the Company and Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report

Report of the Auditors

to the Shareholders of The Fleming Indian Investment Trust plc

We have audited the accounts on pages 18 to 30, which have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on page 23.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 16, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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

We review whether the Corporate Governance statement on pages 14 and 15 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by 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 Company's corporate governance procedures or its risk and control procedures.

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

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30th September 2000 and of the Group's revenue return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ARTHUR ANDERSEN

Chartered Accountants and Registered Auditors



London, 15 December 2000

Consolidated Statement of Total Return

for the year ended 30th September 2000

		2000			1999		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains on investments	11	-	12,980	12,980	-	5,212	5,212
Net change in unrealised appreciation	11	-	(4,441)	(4,441)	-	24,665	24,665
Currency translation difference	11	-	8,125	8,125	-	2,203	2,203
Currency losses on cash and short-term deposits held during the year	11	-	(546)	(546)	-	(124)	(124)
Other capital charges	11	-	(35)	(35)	-	(59)	(59)
Exchange adjustments	11	-	(220)	(220)	-	(921)	(921)
Unrealised exchange(loss)/gain on intercompany loan	11	-	(55)	(55)	-	80	80
Income from investments	1	1,035	-	1,035	816	-	816
Other income	1	163	-	163	35	-	35
Gross return		1,198	15,808	17,006	851	31,056	31,907
Management fee	2	(1,121)	-	(1,121)	(620)	-	(620)
Other administrative expenses	3	(569)	-	(569)	(428)	-	(428)
Interest payable	4	(416)	-	(416)	(124)	-	(124)
Return before taxation		(908)	15,808	14,900	(321)	31,056	30,735
Taxation	5	-	-	-	2	-	2
Transfer to reserves		(908)	15,808	14,900	(319)	31,056	30,737
Return per ordinary share	6	(1.12)p	19.52p	18.40p	(0.36)p	34.74p	34.38p

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

The notes on pages 23 to 30 form part of these accounts.

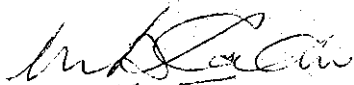
Consolidated Balance Sheet

at 30th September 2000

	Notes	2000 £'000	1999 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	7	73,925	73,267
Current assets			
Debtors	8	1,407	1,081
Cash and short-term deposits		8,956	2,646
		10,363	3,727
Creditors			
Amounts falling due within one year	9	2,432	7,428
Net current assets/(liabilities)		7,931	(3,701)
Total net assets		81,856	69,566
FINANCED BY			
Capital and reserves			
Called-up share capital	10	19,787	20,501
Share premium	11	3	-
Other reserve	11	48,557	51,170
Warrant reserve	11	5,886	5,887
Capital reserve – realised	11	(7,167)	(28,665)
Capital reserve – unrealised	11	13,894	19,634
Capital redemption reserve	11	3,271	2,556
Revenue reserve	11	(2,375)	(1,517)
Total equity shareholders' funds		81,856	69,566
Net asset value per ordinary share			
Ordinary – undiluted	12	103.43p	84.84p

The accounts on pages 18 to 30 were approved by the Directors on 15 December 2000 and are signed on their behalf by:

M. Cannan
Chairman



The notes on pages 23 to 30 form part of these accounts.

Parent Company Statement of Total Return

for the year ended 30th September 2000

		2000			1999		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gains on investments	11	-	9,365	9,365	-	1,220	1,220
Net change in unrealised appreciation	11	-	6,484	6,484	-	29,979	29,979
Currency gains/(losses) on cash and short-term deposits held during the year	11	-	73	73	-	(17)	(17)
Other capital charges		-	-	-	-	(50)	(50)
Unrealised exchange (loss)/gain on intercompany loan	11	-	(55)	(55)	-	80	80
Realised loss on intercompany loan	11	-	(151)	(151)	-	-	-
Income from investments	1	231	-	231	96	-	96
Other income	1	47	-	47	12	-	12
Gross return		278	15,716	15,994	108	31,212	31,320
Management fee	2	(572)	-	(572)	(284)	-	(284)
Other administrative expenses	3	(297)	-	(297)	(270)	-	(270)
Interest payable	4	(225)	-	(225)	(29)	-	(29)
Return before taxation		(816)	15,716	14,900	(475)	31,212	30,737
Taxation	5	-	-	-	-	-	-
Transfer to reserves		(816)	15,716	14,900	(475)	31,212	30,737
Return per ordinary share		(1.01)p	19.41p	18.40p	(0.53)p	34.93p	34.40p

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

The revenue column of this statement is the profit and loss statement of the Company.

The notes on pages 23 to 30 form part of these accounts.

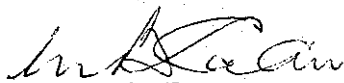
Parent Company Balance Sheet

at 30th September 2000

	Notes	2000 £'000	1999 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	7	84,478	73,066
Current assets			
Debtors	8	34	62
Cash and short-term deposits		25	2
		59	64
Creditors			
Amounts falling due within one year	9	2,681	3,564
Net current liabilities		(2,622)	(3,500)
Total net assets		81,856	69,566
FINANCED BY			
Capital and reserves			
Called-up share capital	10	19,787	20,501
Share premium	11	3	-
Other reserve	11	48,557	51,170
Warrant reserve	11	5,886	5,887
Capital reserve – realised	11	8,163	(1,419)
Capital reserve – unrealised	11	(1,044)	(7,178)
Capital redemption reserve	11	3,271	2,556
Revenue reserve	11	(2,767)	(1,951)
Total equity shareholders' funds		81,856	69,566
Net asset value per ordinary share	12	103.43p	84.84p

The accounts on pages 18 to 30 were approved by the Directors on 15 December 2000 and are signed on their behalf by:

M Cannan
Chairman



The notes on pages 24 to 31 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 30th September 2000

<i>Note 14</i>	2000 £'000	1999 £'000
Operating activities		
Cash received from investments	1,179	778
Deposit interest received	84	40
Management fee paid	(1,114)	(756)
Directors' fees	(61)	(52)
Other cash payments	(502)	(438)
Net cash outflow from operating activities	(414)	(428)
Servicing of finance		
Interest paid	(378)	(123)
Net cash outflow from servicing of finance	(378)	(123)
Taxation		
Taxation recovered	28	1
Total tax recovered	28	1
Capital expenditure and financial investment		
Purchases of investments	(69,219)	(29,799)
Sales of investments	83,341	32,872
Other capital charges	-	(59)
Net cash inflow from capital expenditure and financial investment	14,122	3,014
Net cash inflow before financing	13,358	2,464
Financing		
Debt due within one year:		
Short-term loan	(4,235)	4,590
Exercise of warrants	3	-
Repurchase of shares	(2,613)	(5,426)
Net cash outflow from financing	(6,845)	(836)
Increase in cash for the year	6,513	1,628

The notes on pages 23 to 30 form part of these accounts.

Notes to the Accounts

at 30th September 2000

ACCOUNTING POLICIES

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

(i) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable accounting standards and with the Statement of Recommended Practice (SORP) 'Financial statements of investment trust companies'. The Company did not have investment company status for the whole financial year, but as explained in note 17, the Directors consider it appropriate to present the accounts in accordance with the SORP.

(ii) Basis of consolidation

The consolidated statement of total return and balance sheet include the financial statements of The Fleming Indian Investment Trust plc and its wholly owned subsidiary undertaking. The acquisition method of accounting has been adopted.

(iii) Valuation of investments

Quoted investments are valued at middle market prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Unlisted investments have been included at directors' valuation.

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

(iv) Foreign Currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in the related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account, depending on whether the gain or loss is of a capital or revenue nature.

For the purposes of consolidation the closing rate method is used, under which translation gains or losses are shown as a movement on the capital reserve. The accounts of the overseas subsidiary undertaking are translated at the closing exchange rate.

(v) Income

Income from investments is included in the revenue account on an ex-dividend basis. Interest receivable on bonds is dealt with on an accruals basis. Unfranked income is included in the revenue account gross before deduction of income tax.

(vi) Expenses

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

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment; and
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(vii) Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

Notes to the Accounts *continued*

at 30th September 2000

	<i>GROUP</i>		<i>PARENT</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
1. Income				
Income from investments				
Overseas dividends	876	757	72	42
Overseas interest	159	59	159	54
	1,035	816	231	96
Other income				
Deposit interest	163	35	47	12
Total income	1,198	851	278	108
Total income comprises:				
Dividends	876	757	72	42
Interest	159	59	159	54
Other income	163	35	47	12
Total income	1,198	851	278	108
Analysis of income from investments:				
Listed overseas	1,035	816	231	96
	1,035	816	231	96
2. Management fee				
Management fee	1,114	598	565	262
Irrecoverable VAT thereon	7	22	7	22
	1,121	620	572	284
3. Other administrative expenses				
Other management expenses	485	347	219	193
Directors' fees ¹	61	52	61	52
Auditors' remuneration	21	19	15	15
Irrecoverable VAT	2	10	2	10
	569	428	297	270
4. Interest payable				
On short-term loans	416	124	225	29
5. Taxation				
Foreign taxation	-	1	-	-
Prior year adjustment	-	(3)	-	-
	-	(2)	-	-

¹The Chairman is paid at the rate of £15,000 per annum (1999: £12,000), other Directors at the rate of £11,000 per annum each (1999: £8,000).

The total Directors' fees of £61,000 (1999: £52,000) comprise £51,500 (1999: £44,000) in respect of aggregate emoluments paid to Directors and £9,500 (1999: £8,000) paid to a third party for making available the services of one Director (1999: same).

The tax charge as disclosed in these financial statements has been calculated on the basis that the Group benefits from the Mauritian Indian tax treaty. Access to this treaty results in reduced tax burdens for the Group.

	GROUP 2000			GROUP 1999		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
6. Return per ordinary share						
Return attributable to ordinary shareholders	(908)	15,808	14,900	(319)	31,056	30,737
Return per ordinary share	(1.12)p	19.52p	18.40p	(0.36)p	34.74p	34.38p

The undiluted return per ordinary share is based on the revenue on ordinary activities after taxation and on 80,976,527 ordinary shares, being the weighted average number of ordinary shares in issue during the year (1999: 89,386,769).

As the fully-diluted returns for both years would be in excess of the undiluted figures (or negative) no fully-diluted returns are shown.

7. Investments	GROUP		PARENT	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Investments listed on a recognised investment exchange	72,372	72,463	6,997	3,677
Unlisted investments	1,553	804	77,481	69,389
	73,925	73,267	84,478	73,066
		GROUP¹		PARENT²
	2000 Listed overseas £'000	Unlisted £'000	Total £'000	2000 Listed overseas £'000
Opening book cost	45,727	804	46,531	5,878
Currency translation difference	4,539	91	4,630	-
Restated opening book cost	50,266	895	51,161	5,878
Opening unrealised depreciation	30,032	-	30,032	(2,201)
Opening valuation	80,298	895	81,193	3,677
Movements in the year:				
Purchases at cost	66,929	945	67,874	18,136
Sales - proceeds	(82,710)	(983)	(83,693)	(22,585)
Sales - realised profits	12,194	798	12,992	9,377
Decrease in unrealised appreciation	(4,339)	(102)	(4,441)	(1,608)
	72,372	1,553	73,925	6,997
Closing book cost	63,250	1,655	64,905	11,021
Closing unrealised appreciation/(depreciation)	9,122	(102)	9,020	(4,024)
	72,372	1,553	73,925	6,997

¹ Included in the increase in unrealised appreciation during the year is £12,122,000 of prior year's appreciation which was realised during the year.

² Included in the increase in unrealised appreciation during the year is £215,000 of prior year's depreciation which was realised during the year.

Notes to the Accounts *continued*

at 30th September 2000

	<i>PARENT</i> <i>2000</i> <i>Total</i> <i>£'000</i>
Investment in subsidiary undertaking	
Opening book cost	74,331
Currency translation difference	7,903
Restated opening book cost	79,234
Opening unrealised depreciation	(1,942)
Opening valuation	77,292
Movements in the year:	
Purchases at cost	-
Sales – proceeds	-
Sales – realised gains	-
Increase in unrealised appreciation	189
	77,481

The Company owns 100% of the share capital, together with options to acquire further shares, of its subsidiary undertaking, The Fleming Indian Investment Company (Mauritius) Limited, an investment holding company registered in Mauritius.

	<i>GROUP</i>		<i>PARENT</i>	
	<i>2000</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>	<i>2000</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
8. Debtors				
Securities sold for future settlement	1,157	805	-	-
Taxation recoverable	8	28	8	28
Dividends and interest receivable	242	248	26	34
	1,407	1,081	34	62

9. Creditors: Amounts falling due within one year

Securities purchased for future settlement	1,253	2,598	-	508
Short-term loans	945	4,739	945	864
Loan interest payable	76	1	76	18
Amount owned to subsidiary company	-	-	1,599	2,125
Other creditors	158	90	61	49
	2,432	7,428	2,681	3,564

10. Share capital

	<i>2000</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
Authorised share capital		
200,000,000 ordinary shares of 25p each	50,000	50,000
	50,000	50,000
Allotted and fully-paid share capital		
Opening balance	20,501	23,057
Issue of 3,400 shares upon exercise of warrants (1999: nil)	1	-
Repurchase of 2,860,000 (1999: 10,225,000) shares	(715)	(2,556)
Closing balance	19,787	20,501

Represented by 79,144,792 ordinary shares of 25p each (1999: 82,001,392).

Warrants

There are 16,796,600 warrants in issue (1999: 16,800,000). Each warrant confers the right to subscribe for one ordinary 25p share at 100p on 1st February in any of the years 1998 to 2004 inclusive.

GROUP							
2000							
	<i>Share premium</i>	<i>Other reserve</i>	<i>Warrant reserve</i>	<i>Capital reserve – realised</i>	<i>Capital reserve – unrealised</i>	<i>Capital Redemption reserve</i>	<i>Revenue reserve</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
11. Reserves							
Opening balance	–	51,170	5,887	(28,665)	19,634	2,556	(1,517)
Exchange adjustment	–	–	–	(3,103)	2,833	–	50
Restated opening balance	–	51,170	5,887	(31,768)	22,467	2,556	(1,467)
Currency translation difference on consolidation of subsidiary	–	–	–	–	8,125	–	–
Currency losses on cash and short-term deposits held during the year	–	–	–	(546)	–	–	–
Realised gains on investments	–	–	–	12,992	–	–	–
Net premium on debt securities	–	–	–	(12)	–	–	–
Decrease in unrealised appreciation	–	–	–	–	(4,441)	–	–
Transfer on disposal of investments	–	–	–	12,122	(12,122)	–	–
Other capital charges	–	–	–	(35)	–	–	–
Unrealised loss on intercompany loan	–	–	–	–	(55)	–	–
Unrealised gain on intercompany loan now realised	–	–	–	80	(80)	–	–
Repurchase of ordinary shares	–	(2,613)	–	–	–	715	–
Issue on exercise of warrants	2	–	–	–	–	–	–
Realised warrant premium	1	–	(1)	–	–	–	–
Retained net revenue for the year	–	–	–	–	–	–	(908)
Closing balance	3	48,557	5,886	(7,167)	13,894	3,271	(2,375)

PARENT							
2000							
	<i>Share premium</i>	<i>Other reserve</i>	<i>Warrant reserve</i>	<i>Capital reserve – realised</i>	<i>Capital reserve – unrealised</i>	<i>Capital Redemption reserve</i>	<i>Revenue reserve</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Opening balance	–	51,170	5,887	(1,419)	(7,178)	2,556	(1,951)
Currency gains on cash and short-term deposits held during the year	–	–	–	73	–	–	–
Realised gains on investments	–	–	–	9,377	–	–	–
Net premium on debt securities	–	–	–	(12)	–	–	–
Increase in unrealised appreciation	–	–	–	–	6,484	–	–
Transfer on disposal of investments	–	–	–	215	(215)	–	–
Unrealised loss on intercompany loan	–	–	–	–	(55)	–	–
Realised loss on intercompany loan	–	–	–	(151)	–	–	–
Unrealised gain on intercompany loan now realised	–	–	–	80	(80)	–	–
Repurchase of ordinary shares	–	(2,613)	–	–	–	715	–
Premium on exercise of warrants	2	–	–	–	–	–	–
Realised warrant premium	1	–	(1)	–	–	–	–
Retained net revenue for the year	–	–	–	–	–	–	(816)
Closing balance	3	48,557	5,886	8,163	(1,044)	3,271	(2,767)

The premium arising on the issue of shares has been apportioned between the shares and the warrants as part of shareholders' funds on the basis of the market value of each on the first day of dealing. On the exercise of a warrant the attributable premium will be transferred to the share premium account.

Notes to the Accounts *continued*

at 30th September 2000

	Net asset value per share		GROUP		Net assets attributable	
	2000	1999	2000	1999	2000	1999
	p	p	£'000	£'000	£'000	£'000

12. Net asset value per share

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

Ordinary shares:

Undiluted	103.43	84.84	81,856	69,566
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Undiluted net asset value per ordinary share is based on net assets at the year end and on 79,144,792 ordinary shares, being the number of ordinary shares in issue at the year end (1999: 82,001,392).

As fully-diluted figures for both years would be in excess of the undiluted, fully diluted figures have not been shown.

	GROUP		PARENT	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000

13. Reconciliation of movement in shareholders' funds

Opening shareholders' funds	69,566	44,255	69,566	44,255
Total recognised gains for the year	14,900	30,737	14,900	30,737
Repurchase of shares	(2,613)	(5,426)	(2,613)	(5,426)
Exercise of warrants	3	-	3	-
Closing shareholders' funds	81,856	69,566	81,856	69,566

	GROUP	
	2000	1999
	£'000	£'000

14. Cash flow statement

Reconciliation of revenue to net cash outflow from operating activities

Income before interest payable and taxation	(492)	(197)
Net premium on debt securities	(12)	-
Decrease/(increase) in accrued income	6	(54)
Increase/(decrease) in other creditors	68	(175)
Tax on unfranked investment income	(8)	(5)
Currency translation difference	24	3
	(414)	(428)

Reconciliation of net cash flow to movement in net debt

Increase in cash for the year	6,513	1,628
Cash outflow/(inflow) from changes in debt for the year	4,235	(4,590)
Currency translation difference	(249)	24
Movement in net debt for the year	10,499	(2,938)
Currency losses on cash and short term deposits held during the year	(395)	(44)
Net (debt)/funds at beginning of the year	(2,093)	889
Closing net funds/(debt)	8,011	(2,093)

Analysis of net debt	At 1st	Cash flow	Exchange	At 30th
	October			September
	1999			2000
	£'000	£'000	£'000	£'000
Cash and short-term deposits	2,646	6,513	(203)	8,956
Debt due within one year	(4,739)	4,235	(441)	(945)
Total	(2,093)	10,748	(644)	8,011

15. Contingent liabilities

At 30th September 2000 and 30th September 1999 there were no commitments of uncalled capital for either the Group or Parent Company.

16. Transactions with Chase Fleming

Details of the management contract are set out on page 14. The management fee paid to CFAM for the year can be found in note 2, page 24. In addition, CFAM was paid £44,895 for marketing expenses (1999: £23,000). Included within the figure shown as other management expenses in note 3 on page 24 is a safe custody fee of £381 which was paid to Robert Fleming & Co. Limited as custodian of the Company (1999: £300).

CFAM carries out many transactions on behalf of the Company. Where some of these transactions are with Robert Fleming & Co. Limited, a fellow subsidiary of Robert Fleming Holdings, they are carried out at an arm's length basis. The Board satisfies itself that the terms of all transactions are at market competitive rates.

17. Investment Company Status

The Company was not an investment company, within the meaning of Section 266, Companies Act 1985 for the whole financial year as the Articles of the Company were not amended to absolutely prohibit the distribution of capital profits until the AGM in January 2000. However, it continues to manage its affairs to enable it to qualify as an investment trust for taxation purposes under section 842 of the Income and Corporation Taxes Act 1988. As such, the Directors consider it appropriate to continue to present the accounts in accordance with the Statement of Recommended Practice (SORP) applicable for investment trusts. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes the following capital items which, since the Company is not an investment company, the Companies Act and accounting standards would ordinarily require to be included in the profit and loss account: gains on disposal of investments, calculated by reference to their previous carrying amount, of £12,980,000 (1999: gains of £5,212,000), currency losses on cash and short-term deposits held during the year of £546,000 (1999: £124,000), currency translation difference of £8,125,000 (1999: £2,203,000), exchange losses of £220,000 (1999: gains of £921,000) and other capital charges of £35,000 (1999: £59,000). In the opinion of the Directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The Directors therefore consider that these exclusions are necessary to give a true and fair view. The exclusions have no effect on total return or on balance sheet totals or equity shareholders' funds.

18. Financial Instruments

The Company's financial instruments comprise:

- Equity shares with Indian exposure. These are held in accordance with the Company's investment objectives and policies.
- Bank loans denominated in US dollars, for which the main purpose is to raise finance for the Company's operations.
- Short-term debtors, creditors and cash amounts arising directly from its operations.

As an investment trust, the Company invests in securities for the long-term. Accordingly it is, and has been throughout the year under review, the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken. A review of the Company's investment strategy during the year is included in the Investment Manager's reports on pages 6 to 7.

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

Market price risk

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

The Board meets at least quarterly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

Notes to the Accounts *continued*

at 30th September 2000

Financial Instruments (continued)

Interest rate risk

The Company borrows at floating rates of interest.

Foreign currency risk

The Company has an exposure to foreign currency as part of the risk-reward inherent from a company that invests overseas.

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

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

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

The Company may be subject to short-term exposure to exchange rate movement, for instance where there is a difference between the date an investment purchase or sale is entered into and the date when settlement of the proceeds occurs.

Liquidity risk

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

Currency exposures

An analysis of the Group's net assets by currency at 30th September 2000 is:

	INR £m	US\$ £m	Total £m
Investments	73.9	-	73.9
Net current liabilities	1.8	6.0	7.8
Financial instruments outstanding at year end	75.7	6.0	81.7

An analysis of the Group's net assets by currency at 30th September 1999 is:

	INR £m	US\$ £m	Total £m
Investments	73.3	-	73.3
Net current liabilities	1.5	(3.9)	(2.4)
Financial instruments outstanding at year end	74.8	(3.9)	70.9

Interest rate risk profile of financial assets and financial liabilities

The majority of the Company's financial assets are equity shares or other investments which neither pay interest nor have a maturity date.

Liabilities

There were no long-term fixed liabilities at the year end (1999: same). The Company held one short-term floating US Dollar loan repayable 2nd October 2000 (value: £0.9m). At 30th September 1999 the Company held short-term floating rate US Dollar loans repayable 1st October 1999 (value: £3.9m) and one short-term floating rate sterling loan repayable 1st October 1999 (value: £0.9m).

Fair value of financial instruments

Financial assets and liabilities are included in the balance sheet at values which represent fair values without exception.

Notice of Annual General Meeting

Notice is hereby given that the seventh Annual General Meeting of The Fleming Indian Investment Trust plc will be held at The Insurance Hall, 20 Aldermanbury, London EC2 at 12 noon on Wednesday 31st January 2001 for the following purposes.

- 1 To receive the directors' report, the annual accounts and the auditors' report for the year ended 30th September 2000.
- 2 To re-elect Mr M B Cannan as a Director.
- 3 To re-elect Mr D E Baker as a Director.
- 4 To re-appoint Arthur Andersen as auditors to the Company and to authorise the directors to agree their remuneration.

5 Special Business

To consider the following resolution which will be proposed as a Special Resolution:

Authority to Repurchase the Company's shares.

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 shares of 25 pence each in the capital of the Company.

PROVIDED ALWAYS THAT

- (i) the maximum number of shares hereby authorised to be purchased shall be 11,863,804, or if less, that number of shares which is equal to 14.99 per cent of the Company's issued share capital as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for a share shall be 25 pence;
- (iii) the maximum price which may be paid for a share shall be an amount equal to 105 per cent. of the average of the middle market quotations for a 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 a share is purchased;
- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 13th June 2002 unless the authority is renewed at the Company's Annual General Meeting in 2002 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
Chase Fleming Asset Management (UK) Limited,
Secretary
15 December 2000

Notes

- 1 A shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote on their behalf. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if they so wish.
- 2 Proxy forms must be lodged not less than 48 hours before the meeting at the office of the Registrar.
- 3 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members 48 hours before the time of 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 at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- 4 Admittance to the meeting will be restricted to shareholders, guests will only be admitted by prior arrangement.

Information about the Company

History

The Company was launched in May 1994 by a public offer of shares which raised £84 million before expenses.

Financial Calendar

Financial year end	30th September
Half year announced	May
Full year announced	December
Dividend	None payable at present
Annual General Meeting	31st January

Company Number

2915926

Stock Exchange Code

0345035

Market Information

The Company's shares and warrants are listed on the London Stock Exchange. The market price of the shares is shown daily in the Financial Times, The Daily Telegraph, The Times and The Independent. The market price of the warrants is shown daily in the Financial Times.

Taxation

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

Share Transactions

The shares may be dealt in through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through The Fleming Investment Trust Share Plan, Investment Savings Account and Pension Accounts.

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

Investing through Chase Fleming

Chase Fleming has a range of "wrapper" products available which enable investors to purchase Fleming investment trusts as follows:

Share Plan

The Investment Trust Share Plan is a savings plan allowing investments in any of the Fleming investment trusts, as shown below. The minimum investment is £40 per month, or a lump sum of £400. There is a 1% transaction charge (plus 0.5% Government stamp duty) on all purchases, with a minimum charge of £1 and a maximum charge of £50 for each transaction in each trust.

Individual Savings Account ('ISA')

Tax-free savings in any of the Fleming investment trusts through either a mini or a maxi stocks and shares component ISA. Under current legislation, investments grow free of income and capital gains tax. The minimum investment is £100 per month per trust or a lump sum of £1,000 per trust subject to the overall annual allowances.

Personal Equity Plan ('PEP') Transfer

Available to investors with existing PEPs with other providers who would like to consolidate their investments. Under current legislation investments grow free of all income and capital gains tax. The minimum transfer value is £1,000 per trust.

Pension Account

Available for the self-employed, employees not currently members of a company pension scheme and those employees wishing to make additional voluntary contributions. Tax relief is available on all contributions at your highest rate of tax. All investments grow free of capital gains tax. The minimum investment is £100 gross per month or £1,000 gross lump sum.

The Range of Fleming Investment Trusts

Fleming American

Capital growth from North American investments

Fleming Asian

Capital growth from Asian investments, excluding Japan

Fleming Chinese

Capital growth from 'Greater China' investments

Fleming Claverhouse

Capital and income growth from UK investments

Fleming Continental European

Capital growth from Continental European investments

Fleming Emerging Markets

Capital growth from emerging markets worldwide

Fleming European Fledgling

Capital growth from smaller Continental European companies

Fleming Income & Capital

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

Fleming Income & Growth

Income and capital growth from higher-yielding investments through a split capital structure. Invests in equities and fixed interest securities

Fleming Indian

Capital growth from investment in India

Fleming Japanese

Capital growth from Japanese investments

Fleming Japanese Smaller Companies

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

Fleming Managed Growth

Long-term capital growth from investing in the range of investment trusts managed by Chase Fleming

Fleming Managed Income

Growth of income with potential of long-term capital growth from investing in Chase Fleming Managed Funds and fixed income securities.

Fleming Mercantile

Capital growth from a portfolio of medium and smaller UK companies

Fleming Mid Cap

Capital growth from medium-sized UK companies

Fleming Overseas

Capital growth from overseas markets

Fleming Smaller Companies

Capital growth from UK smaller companies

Fleming Technology

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

Fleming US Discovery

Capital growth from investing in US micro-cap companies

Fleming Worldwide Income

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

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

Issued by Fleming Investment Trust Services Limited ('FITS'). Chase Fleming Funds is a trading name of FITS, which is regulated by the Personal Investment Authority, and which sells unit trusts, recognised collective investment schemes, investment trust savings schemes, PEPs, ISAs, life assurance and pension products offered by the Chase Fleming Asset Management marketing group. Registered in England No.2566991. Registered office 10 Aldermanbury, London EC2V 7RF.

Contact Details

Manager, Secretary and Registered Office

Chase Fleming Asset Management (UK) Limited 10 Aldermanbury, London EC2V 7RF
Telephone number: 020 7742 6000
Fax number: 020 7742 3486

For secretarial and administrative matters, please contact Linda Field.

Auditors

Arthur Andersen 1 Surrey Street, London WC2R 2PS

Registrar

Lloyds TSB Registrars Reference 1087, The Causeway, Worthing, West Sussex BN99 6DA
Telephone: 01903 502541.

Notifications of changes of address and enquiries regarding 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.

Chase Fleming Brochureline

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

Please use this service to order Investment Savings Account, Pension Accounts or Share Plan literature and/or annual reports of the Fleming investment trusts.

Chase Fleming Helpline

Freephone 0500 500 324 or 01708 776 851 (8.00 a.m. to 6.00 p.m. Monday to Friday)

Please use this service if you have any general queries about the Fleming trusts or any other Chase Fleming products.

Account Queries

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

The Investment Trust Share Plan and ISA

Freephone 0500 500 324 or 01708 776 851

The Investment Trusts Pension Account

Freephone 0800 413 176 or 01722 414 888

You may also contact Flemings via the internet on

www.chaseflemingam.co.uk/its