JPMorgan Fleming

Asset Management

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The Fleming Indian Investment Trust plc

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ANNUAL REPORT & ACCOUNTS YEAR ENDED 30th SEPTEMBER 2001

THE FLEMING INDIAN INVESTMENT TRUST PLC

Results.

-39.3% Net asset value return[1]
(2000: +21.9%)

-36.8% Share price return[1]
(2000: +28.7%)

-38.8% Benchmark return[1]
(2000: -1.1%)

[1]Capital only returns

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Chairman's Statement

Michael Cannan CHAIRMAN

Performance

India has been in the grip of a bear market during most of the Company's financial year which is reflected by a fall in the Indian stockmarket (as measured by our benchmark, the Bombay Stock Exchange National 100 Index) of 38.8% over the reporting period. The net asset value per share in the Company matched this decline, falling 39.3%. The share price fell 36.8% and the discount narrowed to 20.0%. The fall in value is explained in greater detail in the Investment Managers report on page 3 and 4.

In essence, the Indian economy has been adversely affected by the failure of the current Government to drive forward much needed economic reforms, particularly those relating to taxation and employment and the promised privatisation of state owned industries. This has been coupled with a cyclical downturn in the industrial sector.

The tragic events of 11th September further exacerbated the stockmarket decline as investors took fright at the economic consequences of a war and particularly the effect on markets close to Afghanistan.

The low in the Indian stockmarket unfortunately corresponded with this Company's financial reporting period. Since 30th September, markets have returned to more stable trading patterns and the Company's net asset value and share price at the time of writing has recovered to 78.9p and 64.8p representing a 26% and 29% uplift to the year end figures, respectively. In addition the discount has narrowed to 17.9%.

Although the absolute performance of the Company this year reflects the turmoil in the Indian stockmarket, the Board is satisfied with the Company's performance relative to the benchmark index. The Board believes that the investment strategy remains sound and the preference for quality companies identified by the rigorous analysis by the investsment management teams in both Hong Kong and India has helped to avoid those companies unable to withstand the sharp turns in economic fortune.

Even after the markets recent recovery valuations remain very low. In a world context India's overall growth remains high and the investment strategy positions the Company well to capture the opportunities.

Share Repurchases

During the year the Company used its ability to buy back shares modestly.

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 forthcoming Annual General Meeting.

Change of Name

The Company is now managed by JPMorgan Fleming Asset Management, following the consolidation of the businesses of JPMorgan, Flemings and Chase Manhattan Bank. Accordingly, the Board believes that it is appropriate to re-brand itself by changing the Company's name to "JPMorgan Fleming Indian Investment Trust plc". A resolution proposing this change will be put to shareholders at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held on 30th January 2002 at The Insurance Hall which is located at 20 Aldermanbury, London EC2. There will also be a presentation by the Company's Investment Manager and an opportunity to meet the Company's Directors. I look forward to seeing you there.

Michael Cannan
Chairman 19th December 2001

“In a world context India’s overall growth remains high and our investment strategy positions the Company well to capture the opportunities.”

Investment Managers' Report

Edward Palling
INVESTMENT MANAGER

Ur Bhat
INVESTMENT MANAGER

The year that was

The Indian stockmarket was under pressure for virtually the whole of the year under review. Investor confidence was unsettled by political and stockmarket scandals, which were compounded by the suspension of redemptions in a popular open-ended scheme of the public sector Unit Trust of India. In addition the series of profit warnings from US technology companies and the decline in NASDAQ had an adverse impact on the Indian technology sector. Finally, the slowdown in the economy with historic lows in industrial growth and the consequent low corporate credit demand added to woes. The market plunged further in response to the terrorist attacks in the US on 11th September to give a return on our benchmark of –38.8% (in sterling) for the year as a whole.

The economy

The budget presented in February 2001 attempted to deal with the economic slowdown by tax cuts and lower interest rates, along with proposals for fiscal prudence and labour reforms. The initiatives on fiscal prudence, in the form of the Fiscal Responsibility Bill and on the labour front, in allowing medium scale establishments to retrench without Government permissions, has, however, not yet seen light of the day. With crucial provincial elections scheduled for early 2002 the political will to see these measures through has been found wanting. There has been little progress on the privatisation front and the actual revenue collection of the Government is behind budget projections. Foreign exchange reserves, however, are at a comfortable nine months' imports, thanks to a steady inflow from expatriate Indians, software exports and foreign portfolio inflows. In addition, low crude oil prices, lower interest rates and inflation, coupled with abundant liquidity are all positives. Current expectations are that agricultural growth will be around 4% compared with near flat growth in the last two years. This is expected to be the mainstay of a forecast 5% economic growth, a figure which will stand out against likely recessions elsewhere.

Performance review

In a year in which it would have been easy to get a lot wrong, we generated near benchmark return, a performance, which, although perhaps respectable in relative terms, is very disappointing in absolute terms.

We have maintained our investment process over this difficult time as we believe it will generate superior long term returns. The first stage is a detailed analysis of stocks and sectors to determine their strategic attractions in terms of long term value. Next we look at the valuation of individual companies against expected growth and finally ask ourselves what would be a catalyst for the value we have identified to be recognised by the stock market. Against the very uncertain background described above, this process led us to concentrate on the large cap liquid segment of the market which was somewhat less affected by the sudden fall in trading volumes on the introduction of rolling statements in the stock market. We have also been largely unaffected by the drastic de-rating of the second line technology stocks. Our preference for companies with high quality managements, which are able to generate high shareholder returns, held us in good stead during the trying times last year. In terms of sector exposure we have been relatively close to benchmark during periods of higher risk and have also held some cash.

Outlook

The terrorist attacks in the US and the subsequent socio-political polarisation across the world have substantially changed the investment climate. The general aversion to risk and the subsequent "flight to quality" have decreased the international flow of investment funds into emerging markets. India, however, should nonetheless have attractions to investors. The revised 5% GDP growth rate will make India one of the fastest growing economies in the world and the domestically oriented nature of the Indian economy will generate opportunities despite recessions elsewhere. A good agricultural harvest is likely to feed into aggregate demand, generating several growth opportunities in specific sectors like fast moving consumer goods and domestic cyclicals. The Government may pump-prime the economy with a number of infrastructure projects and there is also the potential for the outsourcing revolution, whether it be in call centres, software services, financial services back office initiatives or pharmaceutical R&D, which is gradually being exploited by a new generation of entrepreneurs.

Despite the recent rebound in share prices, market valuations remain toward historic lows. The downside thus appears limited and indeed a number of factors, such as agriculture-led demand, Government pump-priming or some large out-sourcing initiatives, could result in significant upside. The portfolio is well positioned to capture these emerging opportunities and we hope to be able to report a much improved return at the same time next year.

Edward Pulling
Investment Manager

UR Bhat
Investment Adviser

19th December 2001

Directors' Report & Accounts.

Facts.

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.

Figures.

Summary of Results

	30th SEPTEMBER 2001	30th SEPTEMBER 2000	% CHANGE
ASSETS			
at 30th September			
Shareholders' funds (£'000)	**49,452**	81,856	-39.6
Number of shares in issue	**78,694,792**	79,144,792	-0.6
Net asset value per share	**62.84p**	103.43p	-39.3
Share price	**50.25p**	79.50p	-36.8
Discount of share price to net asset value	**20.0%**	23.1%	
Warrant price	**8.50p**	19.25p	-55.8
REVENUE			
for year ended 30th September			
Gross revenue return (£'000)	**999**	1,198	-16.6
Revenue return per share	**(0.54)p**	(1.12)p	–
Dividend per share	**nil**	nil	
TOTAL RETURN			
for year ended 30th September			
Return per ordinary share – revenue	**(0.54)p**	(1.12)p	
– capital	**(40.09)p**	19.52p	
Total return per share	**(40.63)p**	18.40p	
MARKET DATA			
at 30th September			
Bombay Stock Exchange National 100 Share Index in £[1,2]	18.66	30.50	-38.8%
Exchange rates	£1=Rs70.32	£1=Rs68.06	
	US$=Rs47.85	US$1=Rs46.03	
ACTUAL GEARING FACTOR[3]	**104.3%**	90.3%	
TOTAL EXPENSE RATIO[4]	**1.90%**	1.78%	

[1] *Source – Micropal, capital only*

[2] *Comparison of the Company's performance is made with the benchmark as stated on page 6. 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*

at 30th September 2001

Company	Description	Market value £'000	% of assets
Hindustan Lever	Food Beverages & Tobacco 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.	6,567	13.3
Reliance Industries	Chemicals & Derivatives 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.	4,722	9.5
ITC	Food Beverages & Tobacco 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.	4,286	8.7
Wipro	Information Technology Specialises in IT and computer related techologies. The group's services encompass a number of areas, including software architecture, business intelligence systems, e-commerce, data warehousing etc. Wipro is India's largest IT company by market capitalisation. It's long term prospects seem assured a long as outsourcing remains a global trend.	3,270	6.6
Infosys Technologies	Information Technology A leader in the high growth Information Technology sector in India. Infosys is now looking at synergistic acquisitions after a successful ADR issue, to further fuel profitable growth.	3,170	6.4
Reliance Petroleum	Downstream Oil & Lubricants Is a subsidiary of Reliance Industries, India's largest petrochemical company. Reliance Petroleum is India's largest private sector refinery. It will soon be making a strategic move into marketing petroleum products.	3,130	6.3
HDFC Bank	Banking & Finance Is a subsidiary of mortgage giant HDFC. HDFC Bank is considered to be India's most dynamic and professionally managed bank. It has consistently taken market share from public sector banks and will continue to do so, thereby assuring its long term growth.	2,247	4.5
Larsen & Toubro	Capital Goods Is the largest private sector turnkey contractor in India, with leadership in the construction and cement industries. The company is restructuring by hiving off some of the divisions and focusing on the EPC business.	2,229	4.5
Hindalco Industries	Non-ferrous Metals 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.	2,057	4.2
State Bank of India	Banking & Finance Is India's largest bank by every measurement. After years of mediocre management and a questionable commitment to reform, the Bank is now enjoying better management. As a consequence performance measurements are improving.	1,609	3.3
		33,287	**67.3**

*Equity investments only. At the year end the Company also owned a US Treasury bill representing 12.5% of assets.

Sector and Shareholder Analyses

Sector Analyses

at 30th September 2001

Sector	Sector 2001 %	Benchmark Index 2001 %
Food Beverages & Tobacco	21	16
Information Technology & Media	19	35
Fixed Interest	12	–
Pharmaceuticals	10	9
Chemicals & Derivatives	9	7
Banks & Finance	9	7
Downstream Oil & Lubricants	6	1
Non-Ferrous Metals	5	5
Capital Goods	4	1
Construction & Materials	2	1
Transport	2	1
Automobiles & Ancillaries	1	2
Telecommunications	–	10
Diversified	–	3
Power	–	1
Metals	–	1

Analysis of Shareholders

at 30th September 2001

Sector of Owner	Number of shares	% holding
Other institutions	10,479,356	13.3
Insurance companies	9,061,581	11.5
Unit trusts	8,385,000	10.7
Investment trusts	5,950,000	7.5
Pension funds	3,450,563	4.4
Total institutions	**37,326,500**	**47.4**
Retail investors held directly or through nominee accounts	28,526,490	36.3
Individuals in the Investment Trust Share Plan	10,204,280	12.9
Individuals in the Investment Trust Pension Plan	1,415,483	1.8
Individuals in the Investment Trust ISA	1,219,575	1.6
Individuals in the Investment Trust Personal Equity Plan	2,464	—
Total individuals	**41,368,292**	**52.6**
Total shares in issue	**78,694,792**	**100.0**

Nominee accounts have been allocated to their appropriate category

Performance

Seven Year Performance (capital only)

Figures have been rebased to 100 at 30th September 1994

Performance Relative to Benchmark Index (capital only)

Financial Record

As at 30th September	First day of trading 26th May 1994	1994	1995	1996	1997	1998	1999	2000	**2001**
Shareholders' funds (£'000)	80,640	80,576	52,213	43,995	55,267	44,255	69,556	81,856	**49,452**
Net asset value (p)	96.0	95.9	61.1	47.7	59.9	48.0	84.8	103.4	**62.8**
Share price (p)	90.5	96.0	67.5	49.5	55.0	35.75	61.75	79.5	**50.25**
Bombay Stock Exchange National 100 Share Index in £	38.15	41.22	29.54	26.01	28.96	19.15	30.83	30.50	**18.66**
Discount (%)	5.7	(0.10)	(10.5)	(3.8)	8.2	25.5	27.2	23.1	**20.0**
Gearing[1]	–	91.2	105.1	91.6	97.1	98.6	105.3	90.3	**104.3**
Total Expense Ratio[1]	–	1.64	2.06	2.11	1.89	2.24	1.86	1.78	**1.90**
Rebased to 100 at 26th May 1994									
Net Asset Value	100	99.9	63.6	49.7	62.4	50.0	88.3	107.7	**65.4**
Share Price	100	106.1	74.6	54.7	60.8	39.5	68.2	87.8	**55.5**
Benchmark Index	100	108.0	77.4	68.2	75.9	50.2	80.8	79.9	**48.9**
Years to 30th September									
Revenue (£'000)	–	1,147	1,309	1,411	637	765	851	1,198	**999**
Earnings Per Share (p)	–	0.56	(0.28)	(0.27)	(0.54)	(0.35)	(0.36)	(1.12)	**(0.54)**
Dividend (p)	–	0.45	nil	nil	nil	nil	nil	nil	**nil**

[1] Definitions shown on page 7.

List of Group Investments

at 30th September 2001

Stock	Market value £'000
Food, Beverages & Tobacco	
Hindustan Lever	6,567
ITC	4,286
	10,853
Information Technology & Media	
Wipro[2]	3,270
Infosys Technologies	3,170
Moser-Baer	944
HCL Technologies	853
Satyam Computer Services	758
New Delhi Television[1]	650
UTV Software[1]	239
	9,884
Pharmaceuticals	
Wockhardt	1,432
Ranbaxy Laboratories	1,357
Sun Pharmaceutical	1,326
CIPLA	794
	4,909
Chemicals & Derivatives	
Reliance Industries	4,722
	4,722
Banking & Finance	
HDFC Bank[2]	2,247
State Bank of India	1,609
ICI Bank	513
	4,369

[1]Unlisted

[2]Includes or comprises ADR's

List of Group Investments continued

at 30th September 2001

Stock	Market value £'000
Downstream Oil & Lubricants	
Reliance Petroleum	3,130
Bharat Petroleum	101
	3,231
Non-ferrous Metals	
Hindalco Industries[2]	2,057
Sterlite Industries	627
	2,684
Capital Goods	
Larson & Toubro	2,229
	2,229
Construction & Materials	
Associated Cement	1,277
	1,277
Transport	
Great Eastern Shipping	817
	817
Automobiles & Ancillaries	
DC Design[1]	273
	273

[1]Unlisted

[2]Includes or comprises ADR's

List of Group Investments continued

at 30th September 2001

Stock	Market value £'000
Diversified	
Grasim Industries	139
	139
Fixed Interest	
US Treasury	6,167
	6,167
Total	**51,554**

The total portfolio includes 2.3% in unlisted investments.

Group Investment Activity

during the year to 30th September 2001

	Value at 30th September 2000 £'000	%	Purchases £'000	Sales £'000	Changes in value £'000	**Value at 30th September 2001 £'000**	**%**
Equities	73,925	100.0	75,326	72,022	(31,842)	45,387	88.0
Convertibles and fixed interest	—	—	10,030	3,780	(83)	6,167	12.0
Total Portfolio	**73,925**	**100.0**	**85,356**	**75,802**	**(31,925)**	**51,554**	**100.0**

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

Faces.

Board of Directors

Michael Cannan (Chairman)*†
Born 1932
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
Born 1947
He is a director of the Fleming Indian Investment Company (Mauritius) Limited. He is also a director of The Fleming American Investment Trust plc.

David Baker*†
Born 1942
Former managing director of Sun Life Investment Management Services Ltd and a director of a number of investment trusts.

Vijay Joshi*†
Born 1941
Fellow of Merton College, Oxford and a previous economic adviser to the Indian Ministry of Finance.

Philip Daubeney*†
Born 1938
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†
Born 1933
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.
† Considered independent of the manager.

Directors' Report

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 2000. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. Approval for the year ended 30th September 2000 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. 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 1 and in the Investment Managers' Report on pages 3 to 4.

Accounts

The accounts of the Company and of the Group for the year ended 30th September 2001 are shown on pages 22 to 36.

Revenue

Consolidated gross revenue for the year totalled £999,000 but after deducting management expenses, interest and taxation there was a deficit of £423,000. This, when transferred to the revenue reserve, increases the deficit to £2,796,000 as at 30th September 2001. In view of this, no dividend is being declared.

Investments

The consolidated investments were valued at £51,554,000 at 30th September 2001 and are listed on pages 11 to 13.

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 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 our policy to abide by these terms. As at 30th September 2001, the Company had no outstanding trade creditors.

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 2001	1st October 2000	30th September 2001	1st October 2000
MB Cannan (Chairman)	7,500	7,500	400	400
DE Baker	10,285	10,285	15,000	15,000
PEG Daubeney	7,147	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. Joshi and Mr. Saunders. Both are eligible and offer themselves for re-election by shareholders at the Annual General Meeting.

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.

Directors' Report continued

Management

Following the merger between Chase Manhattan and JPMorgan which became effective on 2nd January 2001, the Manager, Chase Fleming Asset Management (UK) Limited, changed its name to J.P. Morgan Fleming Asset Management (UK) Limited ("JPMFAM") with effect from 14th May 2001. JPMFAM is a wholly-owned subsidiary of JPMorgan Chase & Co. which through other subsidiaries also provides banking, dealing and custodian services to the Company.

Management Fee

JPMFAM is employed under a contract terminable on one year's notice. The fee is charged at a rate of 1.2% per annum of the Company's assets less liabilities and is paid monthly in arrears.

When the Company invests in funds managed or advised by JPMFAM 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 a notifiable interest in the Company's issued share capital:

Shareholder	Number of shares held	%
AXA S.A.	8,237,066	10.4

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 2001 and the following describes how the relevant principles of governance are applied to the Company.

The Board

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

All Directors submit themselves for re-election at least every three years.

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

The Board meets regularly each year and between these meetings there is regular contact with the Manager who provides the Board with appropriate and timely management information. JPMFAM 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.

The Audit Committee 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 compliance department and also reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditors. The Directors' statement on the Company's system of internal control can be found below.

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

In aggregate, fees must not exceed £100,000. Directors fees are reviewed regularly and any increase in the aggregate limit requires both Board and shareholder approval.

Going Concern
The Directors' statement on going concern can be found on page 15.

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 Company's Brokers, the Investment Manager and JPMFAM hold regular discussions with institutional shareholders. The Directors are made fully aware of any views raised by institutional shareholders and responses are tailored as necessary. The Chairman and Directors make themselves available as and when required to address shareholder queries.

Accountability and Audit
The Directors' responsibilities in respect of the Accounts are set out on page 19 and the statement of the Auditors' responsibilities is given on page 21.

Internal Controls
The Combined Code requires the Directors to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. 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 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 administrative services are provided to the Company by JPMFAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMFAM 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 control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including revenue projections, analyses 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 Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMFAM's Compliance Department which regularly monitors compliance with FSA rules.

Directors' Report continued

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

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

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMFAM's Compliance Departments;
- the Board reviews the report on the internal controls and the operation of the custodian JPMorgan Chase Bank, which is independently reviewed; and
- the Board reviews every six months a report on the internal controls and operations of JPMFAM which is independently reported on.

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 2001.

Annual General Meeting

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

a) Repurchase of the Company's Shares

At the Annual General Meeting held on 31st January 2001, 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 2002 and would therefore need to be renewed at the Annual General Meeting to be held in 2002. The full text of the resolution is set out as Resolution number 5 in the Notice of Meeting on page 20.

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.

b) Change of Company Name

The Directors recommend that the Company's name be changed to 'JPMorgan Fleming Indian Investment Trust plc.' Details of this recommendation are given in the Chairman's Statement on page 1.

By order of the Board
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
19th December 2001

Directors' Report continued

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.

Notice of Annual General Meeting

Notice is hereby given that the eighth 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 30th January 2002 for the following purposes:

1 To receive the Directors' report, the annual accounts and the auditors' report for the year ended 30th September 2001.

2 To re-elect Mr. V. R. Joshi as a Director.

3 To re-elect Mr. I. O. S. Saunders as a Director.

4 To re-appoint Arthur Andersen as auditors to the Company and to authorise the directors to agree their remuneration.

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

5 **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 11,796,349 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 30th July 2003 unless the authority is renewed at the Company's Annual General Meeting in 2003 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.

6 THAT, subject to the consent of the Registrar of Companies, the name of the Company be changed to JPMorgan Fleming Indian Investment Trust plc.

By order of the Board
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
19th December 2001

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 shareholder of the Company. The lodging of a form of proxy does not prevent a shareholder 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, shareholders 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 agreement.

Auditors' Report

To the shareholders of The Fleming Indian Investment Trust plc

We have audited the financial statements of The Fleming Indian Investment Trust plc for the year ended 30 September 2001 which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement, and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 other members of the group is not disclosed.

We review whether the Corporate Governance Statements reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if they do 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, including the Corporate Governance Statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Investment Managers' Report, Directors' Report, Corporate Governance Statements, and Statement of Directors' Responsibilities. 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 other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. 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 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 financial statements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 30 September 2001 and of the group's revenue return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

ARTHUR ANDERSEN

Chartered Accountants and Registered Auditors

180 Strand

London

WC2R 1BL

19th December 2001

Consolidated Statement of Total Return

for the year ended 30th September 2001

	Notes	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000
Realised (losses)/gains on investments	11	–	(14,335)	(14,335)	–	12,980	12,980
Net change in unrealised appreciation	11	–	(17,648)	(17,648)	–	(4,441)	(4,441)
Currency translation difference	11	–	476	476	–	8,125	8,125
Currency losses on cash and short-term deposits held during the year	11	–	(158)	(158)	–	(546)	(546)
Other capital charges	11	–	(77)	(77)	–	(35)	(35)
Exchange adjustments	11	–	(12)	(12)	–	(220)	(220)
Unrealised exchange gain/(loss) on intercompany loan	11	–	50	50	–	(55)	(55)
Realised gains on intercompany loan	11	–	10	10	–	–	–
Income from investments	1	884	–	884	1,035	–	1,035
Other income	1	115	–	115	163	–	163
Gross return		999	(31,694)	(30,695)	1,198	15,808	17,006
Management fee	2	(830)	–	(830)	(1,121)	–	(1,121)
Other administrative expenses	3	(531)	–	(531)	(569)	–	(569)
Interest payable	4	(60)	–	(60)	(416)	–	(416)
Return before taxation		(422)	(31,694)	(32,116)	(908)	15,808	14,900
Taxation	5	(1)	–	(1)	–	–	–
Transfer (from)/to reserves		(423)	(31,694)	(32,117)	(908)	15,808	14,900
Return per ordinary share	6	(0.54)p	(40.09)p	(40.63)p	(1.12)p	19.52p	18.40p

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 27 to 36 form part of these accounts.

Consolidated Balance Sheet

at 30th September 2001

	Notes	2001 £'000	2000 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	7	51,554	73,925
Current assets			
Debtors	8	1,266	1,407
Cash and short-term deposits		150	8,956
		1,416	10,363
Creditors			
Amounts falling due within one year	9	(3,518)	(2,432)
Net current (liabilities)/assets		(2,102)	7,931
Total net assets		49,452	81,856
FINANCED BY			
Capital and reserves			
Called-up share capital	10	19,674	19,787
Share premium	11	3	3
Other reserve	11	48,270	48,557
Warrant reserve	11	5,886	5,886
Capital reserve – realised	11	(14,699)	(7,167)
Capital reserve – unrealised	11	(10,270)	13,894
Capital redemption reserve	11	3,384	3,271
Revenue reserve	11	(2,796)	(2,375)
Total equity shareholders' funds		49,452	81,856
Net asset value per ordinary share			
Ordinary – undiluted	12	62.84p	103.43p

The accounts on pages 22 to 36 were approved by the Directors on 19th December 2001 and are signed on their behalf by:

M. Cannan
Chairman

The notes on pages 27 to 36 form part of these accounts.

Parent Company Statement of Total Return

for the year ended 30th September 2001

	Notes	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000
Realised gains on investments	11	—	437	437	—	9,365	9,365
Net change in unrealised appreciation	11	—	(31,849)	(31,849)	—	6,484	6,484
Currency (losses)/gains on cash and short-term deposits held during the year	11	—	(9)	(9)	—	73	73
Other capital charges		—	(12)	(12)	—	—	—
Unrealised exchange gain/(loss) on intercompany loan	11	—	50	50	—	(55)	(55)
Realised gain/(loss) on intercompany loan	11	—	10	10	—	(151)	(151)
Income from investments	1	86	—	86	231	—	231
Other income	1	31	—	31	47	—	47
Gross return		117	(31,373)	(31,256)	278	15,716	15,994
Management fee	2	(441)	—	(441)	(572)	—	(572)
Other administrative expenses	3	(358)	—	(358)	(297)	—	(297)
Interest payable	4	(62)	—	(62)	(225)	—	(225)
Return before taxation		(744)	(31,373)	(32,117)	(816)	15,716	14,900
Taxation	5	—	—	—	—	—	—
Transfer (from)/to reserves		(744)	(31,373)	(32,117)	(816)	15,716	14,900
Return per ordinary share		(0.94)p	(39.69)p	(40.63)p	(1.01)p	19.41p	18.40p

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 27 to 36 form part of these accounts.

Parent Company Balance Sheet

at 30th September 2001

	Notes	2001 £'000	2000 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	7	53,364	84,478
Current assets			
Debtors	8	36	34
Cash and short-term deposits		65	25
		101	59
Creditors			
Amounts falling due within one year	9	(4,013)	(2,681)
Net current liabilities		(3,912)	(2,622)
Total net assets		49,452	81,856
FINANCED BY			
Capital and reserves			
Called-up share capital	10	19,674	19,787
Share premium	11	3	3
Other reserve	11	48,270	48,557
Warrant reserve	11	5,886	5,886
Capital reserve – realised	11	6,919	8,163
Capital reserve – unrealised	11	(31,173)	(1,044)
Capital redemption reserve	11	3,384	3,271
Revenue reserve	11	(3,511)	(2,767)
Total equity shareholders' funds		49,452	81,856
Net asset value per ordinary share	12	62.84p	103.43p

The accounts on pages 22 to 36 were approved by the Directors on 19th December 2001 and are signed on their behalf by:

M. Cannan

Chairman

The notes on pages 27 to 36 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 30th September 2001

	Note 14	**2001** £'000	2000 £'000
Operating activities			
Cash received from investments		**898**	1,179
Deposit interest received		**182**	84
Management fee paid		**(790)**	(1,114)
Directors' fees		**(70)**	(61)
Other cash payments		**(362)**	(502)
Net cash outflow from operating activities		**(142)**	(414)
Servicing of finance			
Interest paid		**(97)**	(378)
Net cash outflow from servicing of finance		**(97)**	(378)
Taxation			
Taxation recovered		**—**	28
Total tax recovered		**—**	28
Capital expenditure and financial investment			
Purchases of investments		**(84,824)**	(69,219)
Sales of investments		**75,756**	83,341
Other capital charges		**(77)**	—
Net cash (outflow)/inflow from capital expenditure and financial investment		**(9,145)**	14,122
Net cash (outflow)/inflow before financing		**(9,384)**	13,358
FINANCING			
Debt due within one year:			
Changes in short-term loan		**901**	(4,235)
Exercise of warrants		**—**	3
Repurchase of shares		**(287)**	(2,613)
Net cash inflow/(outflow) from financing		**614**	(6,845)
(Decrease)/increase in cash for the year		**(8,770)**	6,513

The notes on pages 27 to 36 form part of these accounts.

Notes to the Accounts

at 30th September 2001

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 historic 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'.

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

	Group 2001 £'000	Group 2000 £'000	Parent 2001 £'000	Parent 2000 £'000
1. Income				
Income from investments				
Overseas dividends	**826**	876	**28**	72
Overseas interest	**58**	159	**58**	159
	884	1,035	**86**	231
Other income				
Deposit interest	**115**	163	**31**	47
Total income	**999**	1,198	**117**	278
Total income comprises:				
Dividends	**826**	876	**28**	72
Interest	**58**	159	**58**	159
Other income	**115**	163	**31**	47
Total income	**999**	1,198	**117**	278
Analysis of income from investments:				
Listed overseas	**884**	1,035	**86**	231
	884	1,035	**86**	231

	Group 2001 £'000	Group 2000 £'000	Parent 2001 £'000	Parent 2000 £'000
2. Management fee				
Management fee	**820**	1,114	**431**	565
Irrecoverable VAT thereon	**10**	7	**10**	7
	830	1,121	**441**	572

	Group 2001 £'000	Group 2000 £'000	Parent 2001 £'000	Parent 2000 £'000
3. Other administrative expenses				
Other management expenses	**434**	485	**268**	219
Directors' fees[1]	**70**	61	**70**	61
Auditors' remuneration	**23**	21	**16**	15
Irrecoverable VAT	**4**	2	**4**	2
	531	569	**358**	297

[1]The Chairman is paid at the rate of £15,000 per annum (2000: £15,000), other Directors at the rate of £11,000 per annum each (2000: £11,000).

The total Directors' fees of £70,000 (2000: £61,000) comprise £59,000 (2000: £51,500) in respect of aggregate emoluments paid to Directors and £2,750 (2000: £9,500) paid to a third party for making available the services of one Director (2000: same).

Notes to the Accounts continued

	Group		Parent	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
4. Interest payable				
On short-term loans	**60**	416	**62**	225

	Group		Parent	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
5. Taxation				
Foreign tax	**1**	–	**–**	–
	1	–	**–**	–

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			Group	
	2001	**2001**	**2001**	2000	2000	2000
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
6. Return per ordinary share						
Return attributable to ordinary shareholders	**(423)**	**(31,694)**	**(32,117)**	(908)	15,808	14,900
Return per ordinary share	**(0.54)p**	**(40.09)p**	**(40.63)p**	(1.12)p	19.52p	18.40p

The undiluted return per ordinary share is based on the revenue on ordinary activities after taxation and on 79,051,396 ordinary shares, being the weighted average number of ordinary shares in issue *during the year (2000: 80,976,527).*

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

Notes to the Accounts continued

	Group 2001 £'000	Group 2000 £'000	Parent 2001 £'000	Parent 2000 £'000
7. Investments				
Investments listed on a recognised investment exchange	**50,392**	72,372	**7,607**	6,997
Unlisted investments	**1,162**	1,553	**45,757**	77,481
	51,554	73,925	**53,364**	84,478

	Group[1] 2001 Listed overseas £'000	Group[1] 2001 Unlisted £'000	Group[1] 2001 Total £'000	Parent[2] 2001 Listed overseas £'000
Opening book cost	63,250	1,655	64,905	11,021
Currency translation difference	315	8	323	–
Restated opening book cost	63,565	1,663	65,228	11,021
Opening unrealised appreciation/(depreciation)	8,807	(110)	8,697	(4,024)
Opening valuation	72,372	1,553	73,925	6,997
Movements in the year:				
Purchases at cost	84,532	824	85,356	13,386
Sales – proceeds	(75,802)	–	(75,802)	(13,146)
Sales – realised (losses)/gain	(14,277)	–	(14,277)	495
Decrease in unrealised appreciation	(16,433)	(1,215)	(17,648)	(125)
	50,392	1,162	51,554	7,607
Closing book cost	64,872	2,487	67,359	10,141
Closing unrealised depreciation	(14,480)	(1,325)	(15,805)	(2,534)
	50,392	1,162	51,554	7,607

[1] Included in the decrease in unrealised appreciation during the year is £7,255,000 of prior year's appreciation which was realised during the year.

[2] Included in the decrease in unrealised appreciation during the year is £1,615,000 of prior year's appreciation which was realised during the year.

Notes to the Accounts continued

	Parent 2001 Total £'000
Investment in subsidiary undertaking	
Opening book cost	79,455
Currency translation difference	464
Restated opening book cost	79,919
Opening unrealised depreciation	(1,963)
Opening valuation	77,956
Movements in the year:	
Increase in unrealised depreciation	(32,199)
	45,757

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.

	Group		Parent	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
8. Debtors				
Securities sold for future settlement	1,204	1,157	–	–
Taxation recoverable	9	8	9	8
Other debtors	15	–	–	–
Dividends and interest receivable	38	242	27	26
	1,266	1,407	36	34

	Group		Parent	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
9. Creditors: Amounts falling due within one year				
Securities purchased for future settlement	1,399	1,253	275	–
Short-term loans	1,846	945	–	945
Loan interest payable	–	76	128	76
Tax payable	2	–	–	–
Amount owed to subsidiary company	–	–	3,470	1,599
Accrued expenses	248	158	140	61
Other creditors	23	–	–	–
	3,518	2,432	4,013	2,681

Notes to the Accounts continued

	2001 £'000	2000 £'000
10. Share capital		
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	**19,787**	20,501
Issue of nil shares upon exercise of warrants (2000: 3,400)	**—**	1
Repurchase of 450,000 (2000: 2,860,000) shares	**(113)**	(715)
Closing balance	**19,674**	19,787

Represented by 78,694,792 ordinary shares of 25p each (2000: 79,144,792).

Warrants

There are 16,796,600 warrants in issue (2000: 16,796,600). 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 2001						
	Share premium £'000	Other reserve £'000	Warrant reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Redemption reserve £'000	Revenue reserve £'000
11. Reserves							
Opening balance	3	48,557	5,886	(7,167)	13,894	3,271	(2,375)
Exchange adjustment	—	—	—	(172)	158	—	2
Restated opening balance	3	48,557	5,886	(7,339)	14,052	3,271	(2,373)
Currency translation difference on consolidation of subsidiary	—	—	—	—	476	—	—
Currency losses on cash and short-term deposits held during the year	—	—	—	(158)	—	—	—
Realised gain on intercompany loan	—	—	—	10	—	—	—
Realised loss on investments	—	—	—	(14,277)	—	—	—
Net premium on debt securities	—	—	—	(58)	—	—	—
Decrease in unrealised appreciation	—	—	—	—	(17,648)	—	—
Transfer on disposal of investments	—	—	—	7,255	(7,255)	—	—
Other capital charges	—	—	—	(77)	—	—	—
Unrealised gain on intercompany loan	—	—	—	—	50	—	—
Unrealised loss on intercompany loan now realised	—	—	—	(55)	55	—	—
Repurchase of ordinary shares	—	(287)	—	—	—	113	—
Retained net revenue for the year	—	—	—	—	—	—	(423)
Closing balance	3	48,270	5,886	(14,699)	(10,270)	3,384	(2,796)

Notes to the Accounts continued

	Share premium £'000	Other reserve £'000	Warrant reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Redemption reserve £'000	Revenue reserve £'000
	Parent 2001						
Opening balance	3	48,557	5,886	8,163	(1,044)	3,271	(2,767)
Currency loss on cash and short-term deposits held during the year	—	—	—	(9)	—	—	—
Realised gains on investments	—	—	—	495	—	—	—
Net premium on debt securities	—	—	—	(58)	—	—	—
Increase in unrealised depreciation	—	—	—	—	(31,849)	—	—
Transfer on disposal of investments	—	—	—	(1,615)	1,615	—	—
Unrealised gain on intercompany loan	—	—	—	—	50	—	—
Realised gain on intercompany loan	—	—	—	10	—	—	—
Unrealised loss on intercompany loan now realised	—	—	—	(55)	55	—	—
Repurchase of ordinary shares	—	(287)	—	—	—	113	—
Other capital charges	—	—	—	(12)	—	—	—
Retained net revenue for the year	—	—	—	—	—	—	(744)
Closing balance	3	48,270	5,886	6,919	(31,173)	3,384	(3,511)

	Group			
	Net asset value per share		Net assets attributable	
	2001 p	2000 p	2001 £'000	2000 £'000
12. *Net asset value per share*				
The net asset value per share at the year end is calculated as follows:				
Ordinary shares:				
Undiluted	62.84	103.43	49,452	81,856

Undiluted net asset value per ordinary share is based on net assets at the year end and on 78,694,792 ordinary shares, being the number of ordinary shares in issue at the year end (2000: 79,144,792).

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

Notes to the Accounts continued

	Group		Parent	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
13. Reconciliation of movement in shareholders' funds				
Opening shareholders' funds	**81,856**	69,566	**81,856**	69,566
Total recognised (losses)/gains for the year	**(32,117)**	14,900	**(32,117)**	14,900
Repurchase of shares	**(287)**	(2,613)	**(287)**	(2,613)
Exercise of warrants	**—**	3	**—**	3
Closing shareholders' funds	**49,452**	81,856	**49,452**	81,856

	Group	
	2001	2000
	£'000	£'000
14. Cash flow statement		
Reconciliation of revenue to net cash outflow from operating activities:		
Income before interest payable and taxation	**(362)**	(492)
Net premium on debt securities	**(58)**	(12)
Decrease in accrued income	**204**	6
Increase in other debtors	**(15)**	68
Increase in accrued expenses	**90**	—
Tax on unfranked investment income	**—**	(8)
Currency translation difference	**(1)**	24
	(142)	(414)
Reconciliation of net cash flow to movement in net debt:		
(Decrease)/increase in cash for the year	**(8,770)**	6,513
Cash (inflow)/outflow from changes in debt for the year	**(901)**	4,235
Currency translation difference	**122**	(249)
Movement in net debt for the year	**(9,549)**	10,499
Currency losses on cash and short term deposits held during the year	**(158)**	(395)
Net funds/(debt) at beginning of the year	**8,011**	(2,093)
Closing net (debt)/funds	**(1,696)**	8,011

Analysis of net debt

	At 1st October 2000 £'000	*Cash flow* £'000	Exchange *movement* £'000	**At 30th September 2001 £'000**
Cash and short-term deposits	8,956	(8,770)	(36)	**150**
Debt due within one year	(945)	(901)	–	**(1,846)**
Total	8,011	(9,671)	(36)	**(1,696)**

Notes to the Accounts continued

15. Contingent liabilities

At 30th September 2000 and 30th September 2001 there were no commitments of uncalled capital for either the Group or Parent Company.

16. Transactions with JPMorgan Fleming

Details of the rate of the management fee are set out on page 16. The management fee paid to JPMFAM for the year can be found in note 2, page 28. In addition, JPMFAM was paid £66,892 for marketing expenses (2000: £44,895). Included within the figure shown as other management expenses in note 3 on page 28 is a safe custody fee of £218 which was paid to JPMorgan Chase as custodian of the Company (2000: £381).

JPMFAM carries out many transactions on behalf of the Company. Where some of these transactions are with JPMorgan Securities, an associated company, they are carried out on an arm's length basis. The Board satisfies itself that the terms of all transactions are at market competitive rates.

17. 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. From time to time for short-term purposes, the Company will hold US Treasury bills.
- 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 Managers' reports on pages 3 to 4.

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 regularly 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.

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.

Notes to the Accounts continued

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 movements, 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 2001 is:

	INR *£m*	*US$* *£m*	*Total* *£m*
Investments	45.4	6.2	51.6
Net current assets/(liabilities)	0.2	(3.5)	(3.3)
Financial instruments outstanding at year end	45.6	(2.7)	48.3

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 assets	1.8	6.0	7.8
Financial instruments outstanding at year end	75.7	6.0	81.7

Interest rate risk profile of financial assets and financial liabilities
The majority of the Group's financial assets are equity shares or other investments which neither pay interest nor have a maturity date. However, the portfolio does contain two investments which exhibit one or both of these characteristics. The interest rate profile of such investments at 30th September is:

	2001 *£m*	*2000* *£m*
US Treasury Zero Coupon bond expiring 25.10.2001	2.5	–
US Treasury Zero Coupon bond expiring 27.12.2001	3.7	–
	6.2	–

Liabilities
There were no long-term fixed liabilities at the year end (2000: same). The Group held one short-term floating US Dollar loan repayable on 1st October 2001 (value: £1.8m). At 30th September 2000 the *Group held one short term floating US Dollar loan repayable 2nd October 2000 (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.

Information about the Company

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

History

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

Company Number

Company registration number: 2915926
London 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.

Manager, Secretary and Company's Registered Office

J.P. Morgan Fleming Asset Management (UK) Limited, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ
Telephone number: 020 7742 6000
Fax number: 020 7742 3486
For secretarial and administrative matters, please contact Fraser Easton.

Auditor

Arthur Andersen, 180 Strand, London WC2R 1BL

Registrars

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

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

Investing through JPMorgan Fleming

JPMorgan 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 £50 per month or a lump sum of £500. 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 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.

You can visit our web site at
www.jpmorganfleming.com/its

The investment trust range from JPMorgan Fleming

Fleming American	Capital growth from North American investments
Fleming Asian	Capital growth from Asian investments, excluding Japan
JPMorgan Fleming Chinese	Capital growth from 'Greater China' investments
Fleming Claverhouse	Capital and income growth from UK investments
Fleming Continental European	Capital growth from Continental European investments
Fleming Emerging Markets	Capital growth from emerging markets worldwide
Fleming European Fledgeling	Capital growth from smaller Continental European companies
Fleming Income & Capital	Income and capital growth from UK investments through a split-capital structure
Fleming Income & Growth	Income and capital growth from higher-yielding investments through a split-capital structure. 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 JPMorgan Fleming.
Fleming Managed Income	Growth of income with potential of long-term capital growth from investing in JPMorgan Fleming managed funds and fixed income securities
Fleming Mercantile	Capital growth from a portfolio of medium and smaller UK companies
JPMorgan 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 investment in the global technology sector
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.

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JPMorgan Fleming Brochureline

Freephone 0800 40 30 30

8.00 am to 6.00 pm Monday to Friday, 9.00 am to 5.00 pm 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.

JPMorgan Fleming Helpline

Freephone 0500 500 324 or 01708 776 851

8.00 am to 6.00 pm Monday to Friday

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

Account queries

If you have an account query and your Fleming investment trust shares are held in one of the JPMorgan 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 Trust Pension Account

Freephone 0800 413 176 or 01722 414 888

You can visit the JPMorgan Fleming Investment Trusts web site at **www.jpmorganfleming.com/its**