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Annual Report **2011**
JPMorgan Claverhouse Investment Trust plc
Annual Report & Accounts for the year ended 31st December 2011

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Features

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Objective

Capital and income growth from UK investments

Investment Policies

- To invest in a portfolio consisting mostly of leading UK companies
- To use long term gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 95% to 120% invested in normal market conditions
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts)
- To invest no more than 15% of gross assets in any individual investment (including unit trusts and open ended investment companies)

Further details on investment policies and risk management are given in the Directors' Report on page 24

Benchmark

The FTSE All-Share Index

Capital Structure

At 31st December 2011, the Company's share capital comprised 56,765,653 ordinary shares of 25p each, including 2,031,674 shares held in Treasury

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets

AIC

The Company is a member of the Association of Investment Companies

Financial Results

Total returns (includes dividends reinvested)

-7.9%

Return to shareholders¹
(2010: +15.1%)

-7.6%

Return on net assets²
(2010: +16.8%)

-3.5%

Benchmark³
(2010: +14.5%)

18.25p

Dividend
(2010: 17.5p)

Long Term Performance

Total returns for periods ended 31st December 2011

■ JPMorgan Claverhouse - return to shareholders¹
■ JPMorgan Claverhouse - return on net assets²
■ Benchmark³

A glossary of terms and definitions is provided on page 61

¹Source Morningstar

²Source J.P. Morgan

³Source Datastream. The Company's benchmark is the FTSE All-Share Index

Chairman's Statement

Performance and Manager Review

The year to 31st December 2011 proved to be another difficult one for equity markets and, following a recovery in relative performance in 2010, it is disappointing to report that your Company underperformed its benchmark, the FTSE All-Share Index. The total return on net assets was negative at -7.6%, compared with the total return on the benchmark of -3.5% for the year. In their report on pages 7 to 13, the Investment Managers provide a review of the market and portfolio performance and a breakdown of the factors contributing to performance is set out on page 8. The total return to shareholders was -7.9%, as the discount widened slightly over the course of the year from 7.0% to 7.1%.

This result is particularly disappointing, especially since I reported in August that for the first six months of the year total return on net assets was marginally ahead of the benchmark which itself had shown modest positive performance. However, the seeds of the summer turmoil were already planted. In July Eurozone leaders failed to grasp the critical risks facing the Euro and a few days later the crisis in the bond markets of the weaker members of the Eurozone spilled over into equity markets which, once again tumbled amidst considerable volatility.

Your Company was by no means alone amongst actively managed funds in failing to outperform its benchmark in 2011. However, the results for the full year show that the Net Asset Value ("NAV") per share has underperformed its benchmark for four years out of the last five, which is not satisfactory. As shareholders will be aware, your Board has accepted the Manager, J P Morgan Asset Management's ('JPMAM') assurance that their behavioural finance investment process would, over the long-term, deliver superior performance. However, we did not feel it possible to accept an unchanged approach in the light of the record for the past five years, however well the JPMAM behavioural finance process may have worked in an earlier era, it did appear to be unsuited to the market environment in the United Kingdom since 2007. Your Board therefore formally asked JPMAM to reconsider the manner in which Claverhouse's portfolio would be managed in the future.

This resulted in JPMAM putting a proposal to your Board detailing a revised investment management approach. The Board reviewed the proposal with the assistance of an independent consultant. Following a series of discussions and meetings involving JPMAM and the consultant, your Board has accepted JPMAM's proposal that they should continue as Manager but that a number of material changes designed to improve the investment performance would take effect from 1st March 2012.

Henceforth the portfolio will be constructed in a more fundamentally driven way, expressing greater conviction for the individual stocks. Your Board welcomes this development, as we have always had a high regard for JPMAM's analytical skills. In the future, Claverhouse's portfolio is likely to consist of between 60 and 80 individual stocks for which JPMAM has high conviction as compared with the 100-plus holdings that have made up the portfolio at times in the past. The Board has agreed with JPMAM that the performance target will continue to be to achieve a total return on the underlying portfolio, before taking account of the effect of gearing fees and the

expenses of running the Company, of 2% per annum over the benchmark, the FTSE All-Share Index, averaged over a three year period

It is not intended that these changes will have a material effect on the income yield of the investment portfolio and thus the future dividend policy is likely to remain unchanged. At present your Company's shares yield 4.3%, which is amongst the highest in the Association of Investment Companies ('AIC') UK Growth sector and is well within the range of yields exhibited by other investment companies within the AIC UK Growth & Income sector. Your Board and JPMAM have, therefore, agreed that the Company will apply to move from the AIC UK Growth sector to the AIC Growth & Income sector, being a sector more representative of companies similar to Claverhouse.

As a result of the more fundamentally driven investment approach, your Board and JPMAM have agreed that William Meadon, head of JPMAM's UK institutional business will assume joint responsibility for the investment management of the Company together with Sarah Emly who has been co-manager for the last six years. It has also been agreed that the notice period under the Company's contract with JPMAM will be shortened from six months to three, but only if that notice results from poor investment performance. Otherwise it will remain at 12 months.

Your Board can confirm that all other services provided to the Company by JPMAM are of an exceptionally high standard, in particular, we continue to have great faith in the quality of the research and economic analysis which is available within the J.P. Morgan group. I am happy to report to shareholders that all discussions have taken place in a thoroughly constructive and professional manner with one single aim, namely to optimise shareholder value, consistent with Claverhouse remaining a core UK equity focussed investment company which is well placed to be at the centre of a conservative portfolio. James Illsley, your Company's lead manager for the past ten years remains a key member of JPMAM's UK investment management team and will continue to manage other investment mandates, I wish to express my thanks to James and to wish him well for the future.

Revenue and Dividends

In 2011 the revenue per share increased significantly, by 22.7%, to 16.73p per share. Your Board decided that the total dividend for the year should be increased from 17.50p to 18.25p, a rise of 4.3%, thus increasing the total dividend for the 39th successive year. The Board remains of the opinion that it is appropriate to draw on the revenue reserve which has been built up over a number of years in order to maintain its progressive dividend policy. It also recognises the importance of quarterly dividends to our many individual shareholders, particularly when interest rates on cash savings are so low, as they are at present.

The payment of the annual dividend necessitated a transfer from the revenue reserve, albeit a small one, for the third consecutive year. Your Company still has a revenue reserve equivalent to 16.0p per share after the latest transfer and, based on JPMAM's forecasts of future earnings, we hope to return soon to a position of our revenue covering our own dividends.

Chairman's Statement continued

It remains your Board's aim to increase the dividend each year and, taking a run of years together, we continue to aspire to deliver increases in dividends that will at least match the rate of inflation as long as the present increase in the rate is temporary and that we do not return to the high inflation era epitomised by the 1970s

Gearing

The Company ended the year approximately 73% geared. During the year the gearing varied between 73% and 12.6%. Following discussions with JPMAM, it has been agreed that repayment of the Company's £30 million 7% 2020 debenture would be excessively expensive at present and therefore the neutral gearing position will be to have this fully invested. JPMAM, through William Meadon, will be accountable for tactically managing the gearing, normally within a +/-5% range around the 'neutral' gearing position. Thus, as in the past, the Company is likely always to have an element of gearing.

Share Repurchases and Discount

During the year the Company repurchased 635,504 shares at an average discount to NAV (with debt at par value) of 8.5%. These shares are all held in Treasury for possible re-issue, should the Company's shares move to premium to NAV. The Board's objective remains to use the share repurchase authority to assist in managing any imbalance between supply and demand for the Company's shares, thereby reducing the volatility of the discount. Shares held in Treasury will only be re-issued at a premium to NAV unless shareholders were to grant authority for them to be re-issued at less than NAV. No such authority exists currently and the Board does not intend to seek such authority at the present time.

Should it not prove possible to re-issue shares held in Treasury at a premium to NAV then a sufficient number of shares so held will be cancelled so as to keep the Treasury holding within 5% of the issued share capital.

Board of Directors

Directors conduct a self-assessment of their performance each year and this is followed up by a conversation with me as Chairman. My own performance is assessed by the Senior Independent Director after he has consulted with all other Directors. A report is made to the Nomination Committee which meets annually to evaluate the performance of the Board, its Committees and the individual Directors. I became Chairman of your Company in April 2005. In my absence, the members of the Nomination Committee considered my service and confirmed that they recommend that I should continue as Chairman.

In 2011 the Company adopted corporate governance best practice by requiring all Directors to stand for annual reappointment and therefore all Directors will stand for reappointment at the forthcoming AGM.

I am aware that a number of Directors, including myself, have served for quite a number of years and that we have not appointed a new director since 2008. In the light of the changes in the investment process which I have detailed above, the Board are of the view that stability of the make-up of the Board is at present important. However, I am mindful of the need to look to the future and possible retirements and thus expect to appoint a further director within the next 12 months.

Annual General Meeting

This year's AGM will be held at J P Morgan's offices at 20 Moorgate, London EC2R 6DA on Friday, 20th April 2012 at 2.00 p.m. William Meadon and Sarah Emly will give a presentation to shareholders, reviewing the past year and commenting on the outlook for the current year. The meeting will be followed by afternoon refreshments thus providing shareholders with the opportunity to meet the Directors and the Investment Managers. We look forward to seeing as many shareholders as possible at the AGM which we consider to be an important annual event, allowing the Board and the Manager to interact directly with shareholders and to receive their feedback.

Please would you submit in writing, or via the Company's website (www.jpmlclaverhouse.co.uk) by clicking on the Investment Trust Information link, any detailed questions that you wish to raise at the AGM to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes. Shareholders are now able to lodge their proxy votes electronically, whether their shares are held through CREST or in certificate form, and full details are set out on the form of proxy.

The Future

The UK stock market has got off to a better start in 2012 with the FTSE All-Share Index rising by some 7.8%. In my view this performance has resulted principally from a significant easing, for the time being at least, of the Eurozone crisis combined with central banks continuing to flood money into the system to reduce the risks both of renewed recession and of major banking collapse. However, such action can only buy time. What is urgently needed is a return to sustainable growth in developed economies such that the debt burdens of governments, banks and their customers become manageable. Although government deficits have to be reined back, there seems insufficient focus in many countries on plans for growth in the private sector – the engine of prosperity. Some governments have preferred to support populist policies rather than encouraging entrepreneurs and innovators on whom long-term growth depends.

The last ten years have often been extremely difficult ones for equity investors and 2011 was no exception. However, many companies have prospered and have strong balance sheets and cash reserves. Company valuations do not look stretched and dividends provide a yield at a time when that has almost disappeared on

Chairman's Statement continued

bank deposits. Monetary policy looks likely to remain very loose in many countries and that, combined with action already taken, causes me to worry about a resurgence of inflation at some point in the future. It remains my view that equities will reassert their role as stores of long-term value, albeit that volatility looks likely to continue to be much more prevalent than in earlier periods. Portfolio management needs to adapt to changing conditions and JPMAM have confidence that the changes agreed between them and your Board will prove appropriate for the future. Your Board will continue to monitor the performance closely and to support William Meadon and Sarah Emly as they strive to deliver value for shareholders.

All of my fellow Directors and I look forward to meeting shareholders at the AGM and discussing the prospects further at that time.

Michael Bunbury
Chairman

13th March 2012

Investment Managers' Report

Market Review

Investors have had a challenging year. With stubbornly high inflation to contend with, weak macroeconomic data and a rise in market volatility, achieving a real return on capital has been difficult. The FTSE All-Share Index fell 3.5%, although performance varied widely across the market cap range. The large cap FTSE 100 index was down 2.2% in the year, while mid to small cap stocks suffered much worse from investor risk aversion, with the FTSE 250 Index falling 10.1% and the FTSE Small Cap Index falling 12.5%.

James Illsley

Persistent Eurozone sovereign debt concerns weighed on the UK market throughout the year as policymakers failed to find a solution to the crisis. In August, worries that Greece could default on its debt and fears of contagion to Italy and Spain undermined confidence and led to a sharp increase in stock market volatility. Towards the end of the year, a more aggressive policy response from European Union leaders and action by the European Central Bank to alleviate the rising stress in the European banking system helped boost sentiment, although a long-term solution to the crisis remained out of reach.

Sarah Emly

Other external factors also had a negative impact on UK investor sentiment. Political unrest in the Middle East and North Africa caused disruptions to the production of oil. This rise in fuel costs contributed to a spike in UK inflation. The Japanese earthquake in March resulted in considerable supply chain disruption globally as many Japanese factories were seriously damaged by the disaster. Nuclear power concerns also shook confidence amid fears that the Fukushima nuclear plant would go into meltdown.

Against this uncertain global backdrop, and with the UK government embarking on a programme of austerity measures, the UK economy struggled to gain traction. The unemployment rate rose to its highest in 17 years in November, while house price data did not fair much better, with prices dropping to a 19-month low in July. Manufacturing activity started to contract, with the purchasing managers' index dropping below 50 for the first time in almost three years in November, to 47.6, although it has since bounced back.

UK inflation, as measured by the consumer price index, remained high for much of the year, peaking at 5.2% in September. This was well above the Bank of England's ('BoE') 2.0% target, and, although inflation did come down towards the year end, it meant the BoE had to walk a difficult line between sluggish growth and high inflation for much of the year.

With fears growing that the economy may be heading back into recession, in October the BoE announced another round of quantitative easing, committing to buy a further £75 billion of Gilts over the next four months. In a precautionary measure against any deterioration in the Eurozone debt crisis, the BoE also announced a new short-term lending facility for use in times of severe market stress. The BoE said the move underlined its 'commitment to take appropriate measures to maintain monetary and financial stability'.

Investment Managers' Report continued

Performance attribution for the year ended 31st December 2011

	%	%
Contributions to total returns		
Benchmark		-3.5
Stock selection	-0.6	
Asset allocation	-1.3	
Gearing/cash	-1.2	
Investment managers contribution		-3.1
Portfolio total return		-6.6
Management fee/ other expenses	-0.7	
Use of prior year revenue reserve	-0.4	
Repurchase of shares into Treasury	0.1	
Other effects		-1.0
Return on net assets		-7.6
Effect of increase in discount		-0.3
Return to shareholders		-7.9

Source: Xamin/Datastream/JPMAM/Morningstar
All figures are on a total return basis

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark

A glossary of terms and definitions is provided on page 61

The Government also had to tread carefully for much of the year, as it tried to maintain control of the country's deficit without stifling growth. In March, despite downward revisions to growth forecasts, The Chancellor stuck to his plan to cut public sector borrowing in his 2011 budget. This was a necessary move to maintain confidence in UK credit worthiness and retain the UK's AAA credit rating, which the major rating agencies warned was at risk if the Government eased efforts to reduce the deficit. By the end of 2011, UK borrowing costs had fallen to record lows, with ten-year Gilts yielding just 2%.

Performance Review

In the year to 31st December 2011 the Company delivered a total return on net assets (capital plus dividends re-invested) of -7.6%, behind the less negative return of the benchmark FTSE All-Share Index, which delivered a total return of -3.5%. A detailed breakdown of the performance is given in the accompanying table. In contrast to last year, both stock selection and gearing during the volatile and declining equity market negatively impacted the Company's performance. The performance of both the Company and its benchmark was highly volatile during 2011, with a modestly encouraging first half being followed by much more turbulent market conditions during the second half, especially over the summer months. The Company was broadly in line with the modestly rising benchmark return during the first six months of the year, before declining more markedly during the second half, particularly from July to October 2011.

In terms of the underlying performance of the equity portfolio, the combination of the two styles that we focus on to deliver outperformance (being overweight in both value and growth/momentum) contributed mixed returns. During the first half of the year, those stocks that were beating the market's profit expectations generally outperformed the market, whilst those that announced disappointing results underperformed, hence earnings momentum was a positive contributor to performance. However, during the second half of the year, particularly during the third quarter, returns to both value and to price momentum were highly volatile and negative. The chart below illustrates how those shares that were trading at cheap valuations, as measured by the price/earnings ratio, substantially underperformed

Performance of cheap, low price/earnings stocks during 2011

Source: UBS

the wider market during the second half of 2011. This was particularly the case during the torrid months of August and September when investors took fright from the Eurozone sovereign crisis and possible default of Greece and switched to defensive stocks, whatever their valuation.

Some of the value stocks, particularly those with premium and sustainable dividend yields such as Royal Dutch Shell and Vodafone, did outperform the volatile and falling market in the second half of the year, but overall value struggled, as did price momentum.

At a stock level, the most significant contributor to performance was the overweight position in Royal Dutch Shell. The Company has long held a significant position in this major oil company due to its attractive valuation, premium dividend yield and strong cash generation. During 2011 Royal Dutch Shell delivered a total return of +22%, in comparison with the FTSE All-Share's return of -3.5%. Other strong performers included the general retailer Next, which continued to deliver profits ahead of market expectations, despite the very challenging UK consumer environment. This consistency of profits delivery resulted in the shares returning +43% to shareholders during 2011, in stark contrast to a number of other retail stocks which fell by more than 50%, including Kesa Electricals and Home Retail Group, neither of which we owned. Being underweight in two banks, Lloyds Banking Group and Standard Chartered, benefited us, with the relative position in Lloyds Banking Group contributing positively to returns as it consistently missed profit forecasts and underperformed significantly the volatile market.

Although we benefited from our overweight positions in some of the relatively defensive stocks during 2011, such as AstraZeneca, Vodafone and Drax Group, not owning a number of the most defensive stocks during the turbulent market conditions of the summer and autumn hurt performance. Such detractors from performance included underweight positions in British American Tobacco and Diageo, whilst not owning National Grid hindered performance. We were underweight in these stocks as their valuations were not attractive and their prospects, although solid, were not sufficiently compelling. However, during the market turbulence caused by the Eurozone sovereign debt crisis, investors rushed to safety, irrespective of valuations and such defensive stocks outperformed the falling market. Other negative contributors to performance in 2011 were the overweight positions in some of the cheap cyclical stocks, such as the diversified miner Rio Tinto, and Ferrexpo, the industrial metals group. Both of these stocks underperformed the market substantially in the second half, when cyclicals fell out of fashion as the global economic outlook worsened, amidst uncertainty over the future demand for their products. Unusually, the Company's positions in our two in-house UK smaller companies funds were negative contributors to performance during 2011. They both outperformed their own benchmarks in 2011, but the small-cap index significantly underperformed the wider UK market, delivering a return of -12.5% over the 12 months.

Portfolio Review

The full impact of the Euro crisis will take years to become clear, but the immediate effect during August and September 2011 was a flight of investors from any perceived 'risk' asset into hoped-for safe havens. For us this was a double-edged sword, we benefited from our holdings in undervalued 'blue-chip' companies that were held throughout 2011 such as Royal Dutch Shell, AstraZeneca, GlaxoSmithKline, Vodafone

Investment Managers' Report continued

and BP which all outperformed but more economically sensitive stocks, including many lowly valued stocks, were sold down by investors worried about economic growth prospects

To protect the portfolio in the early part of the crisis, when the outlook was particularly uncertain, our gearing was reduced in July and August to less than 10%, representing the investment from the long term debenture, with up to £10 million of cash being held as an investment reserve

Despite the turmoil engulfing Europe, we still viewed the UK market as an attractively valued equity market and selective opportunities were taken to add to companies that were viewed as particularly over-sold. Within the mining sector, we had sold our exposure to the pure play copper producers during 2010 and the first half of 2011 to focus on Rio Tinto and BHP Billiton, which gave a greater exposure to iron-ore. Like most mining companies, Xstrata's share price fell sharply in the second half on concerns over slowing global growth. Despite these fears, we continued to believe in the longer term strengths of the sector and Xstrata due to the ongoing industrialisation and urbanisation of China which has generated tight supply and elevated prices in many key commodities. With the sharp fall in the Xstrata share price creating an opportunity, we bought a significant position in the company through the fourth quarter of the year. Subsequent to the year end we have now seen Glencore propose a merger with Xstrata, and the Xstrata share price rise substantially.

In addition to the mining sector, we continue to believe that many lowly valued stocks remain attractive companies for the longer term, despite the fears over economic growth. Within the portfolio we express that view with significant positions in companies such as the automotive supplier GKN, in which we bought further shares in the second half of the year. It is the world's leading supplier of driveline components to motor manufacturers, with demand once again being fuelled by the rising numbers of middle class consumers in emerging economies such as China, India and Brazil.

Within the industrial sector we built a position in the electronics control company Spectris whose products are used to increase productivity across many industries. We continue to hold our position in pump specialist Weir, which is benefiting from demand from the mining and energy sectors.

Another out of fashion area that is trading very cheaply is the UK house building sector. Whilst the UK consumer is undoubtedly over-borrowed, there still exists an underlying demand for new housing. UK house builders are trading at less than 75% of the value of their land and current housing stock and we have added to our exposure with purchases of Bellway and Berkeley Group.

The FTSE All-Share Index is more a play on global growth than it is on the UK domestic economy. Around 70% of the sales of UK quoted companies arise overseas, as can be seen from the pie chart below.

UK equity market revenue split %

Source: Citi Global Research

Allied to the global nature of the UK equity market is its current very low absolute and relative valuation. The graph below shows the prospective dividend yield on offer from major equity markets, cash and UK Gilts, with the UK dividend yield being 4%. Unlike Gilts, UK companies continue to grow profits and UK dividends should continue to rise in future years.

2012 equity market prospective dividend yields, UK cash and Gilts %

Source: UBS Research and JPMAM

Investment Managers' Report continued

The following chart shows the prospective Price Earnings (PE) valuation of the UK market over a long period of time, with the long term average being a 13x PE ratio. Whilst this valuation opportunity has existed for some time now, the chart does highlight the current attractive valuation at which investors can purchase world leading companies, domiciled in the UK.

FTSE All-Share 12 months forward prospective price/earnings (x)

Source: UBS

Long term average

UBS forward pre-exceptionals PE (x)

Market Outlook

The first 2011 fourth-quarter GDP estimate for the UK confirmed worries that the economy had contracted in the last three months of the year, shrinking at an annualised rate of 0.8%. The industry breakdown showed that only the Government sector expanded, contributing 0.3% to total growth. This small gain was more than offset by a 0.7% drop in the manufacturing and production sector.

Economic growth forecasts for 2012 have been repeatedly reduced, to levels at which a dip back into recession cannot be ruled out. Fortunately, the US economy is beginning to show signs of revival and domestic inflationary pressures are starting to wane, both of which may provide the UK with a little respite. China is also now setting policy to accelerate growth. Current UK economic expectations are very low, so even small positive surprises should be well received.

UK company valuations are cheap by historical standards, both in relation to UK Government bonds, with the equity dividend yield almost double ten-year Gilt yields, and in relation to inflation. The UK market is also cheap in comparison to other developed equity markets globally. Current consensus expectations are for earnings growth in both 2011 (to be delivered by the end of March) and 2012, of 13% and 4% respectively (source: IBES aggregates). Some of this growth may prove optimistic, but with an improving outlook for the US and Chinese economies this year, and the recent stabilisation in the Eurozone, there may be room for positive surprises.

The UK stock market's income attractions are also well protected by high levels of dividend cover and high levels of cash on UK company balance sheets. If the economic outturn is more benign, the case for UK equities will be all the stronger, they are currently under-owned institutionally and sentiment is fragile, but this has created an opportunity.

James Illsley
Sarah Emly
Investment Managers

13th March 2012

Summary of Results

	2011	2010	
Total returns for the year ended 31st December			
Return to shareholders ¹	-7.9%	+15.1%	
Return on net assets ²	-7.6%	+16.8%	
Benchmark ³	-3.5%	+14.5%	
			% change
Net asset value, share price and discount at 31st December			
Shareholders' funds (£'000)	248,418	281,172	-11.6
Net asset value per share with debt at par value	453.9p	507.8p	-10.6
Net asset value per share with debt at fair value ⁴	439.4p	500.5p	-12.2
Share price	416.0p	470.0p	-11.5
Share price discount to net asset value with debt at par value ⁵	7.1%	7.0%	
Shares in issue, excluding shares held in Treasury	54,733,979	55,369,483	
Revenue for the year ended 31st December			
Gross revenue return (£'000)	11,137	9,437	+18.0
Net revenue return on ordinary activities after taxation (£'000)	9,226	7,611	+21.2
Return per share	16.73p	13.63p	+22.7
Dividend per share	18.25p	17.50p	+4.3
Actual Gearing Factor at 31st December⁶	107.3%	108.6%	
Total Expense Ratio⁷	0.72%	0.72%	

A glossary of terms and definitions is provided on page 61

¹Source Morningstar

²Source J P Morgan

³Source Datastream The Company's benchmark is the FTSE All-Share Index

⁴The fair value of the £30m (2010 £30m) debenture issued by the Company has been calculated using discounted cash flow techniques using the yield on a similarly dated gilt plus a margin based on the 5 year average for the AA Barclays Corporate Bond. This is a change in methodology from that used in prior years. However, the comparative figure has not been restated, as the change is not material.

⁵Source Bloomberg The discount is calculated using the net asset value at 31st December 2011, excluding the current year revenue account balance

⁶Actual gearing represents investments, excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds

⁷Management fee and all other operating expenses, excluding finance costs and any performance fee payable, expressed as a percentage of the average of the month end net assets during the year. The total expense ratio is calculated in accordance with guidance issued by the Association of Investment Companies

Performance

Ten Year Performance

Figures have been rebased to 100 at 31st December 2001

Source Morningstar/Datastream

- JPMorgan Claverhouse - share price total return
- JPMorgan Claverhouse - net asset value per share total return
- Benchmark

Relative to Benchmark

Figures have been rebased to 100 at 31st December 2001

Source Morningstar/Datastream

- JPMorgan Claverhouse - share price total return
- JPMorgan Claverhouse - net asset value per share total return
- The benchmark is represented by the grey horizontal line

Ten Year Financial Record

At 31st December	2001	2002	2003	2004¹	2005	2006	2007	2008	2009	2010	2011
Total assets less current liabilities (£'000)	410,691	302,398	316,198	302,024	350,200	384,505	357,562	240,764	284,034	310,903	278,175
Net asset value per share (p)	422.7	291.4	355.8	403.8	495.9	577.6	562.1	371.7	451.3	507.8	453.9
Share price (p)	432.5	277.5	342.0	381.8	469.0	544.5	521.5	340.0	425.0	470.0	416.0
Share price premium/(discount) (%) ²	2.3	(4.8)	(3.9)	(5.4)	(5.4)	(6.3)	(6.3)	(5.2)	(4.9)	(7.0)	(7.1)
Actual gearing factor (%)	119.9	122.8	117.4	112.8	113.4	112.2	107.7	109.7	110.3	108.6	107.3
Total expense ratio (%) ³	0.99	1.01	0.92	0.90	0.84	0.75	0.79	0.75	0.83	0.72	0.72
Year ended 31st December											
Revenue attributable to shareholders (£'000)	8,070	8,938	8,721	7,653	8,359	9,256	9,714	13,426	8,377	7,611	9,226
Return per share (p)	9.83	10.73	11.25	10.59	12.76	14.84	16.28	23.38	14.77	13.63	16.73
Dividend per share (p)	8.50	9.65	10.20	10.65	11.50	13.50	15.30	20.00 ⁴	16.90	17.50	18.25
Rebased to 100 at 31st December 2001											
Share price - total return ⁵	100.0	65.8	84.0	96.7	122.1	145.2	142.9	96.5	127.9	147.2	135.6
Net asset value per share - total return ⁵	100.0	70.8	89.3	103.7	130.7	155.5	155.2	104.4	135.4	158.1	146.1
FTSE All-Share Index - total return ⁶	100.0	77.4	93.5	105.5	128.8	150.4	158.4	111.0	144.4	165.3	159.6
Retail Price Index ⁶	100.0	102.9	105.8	109.5	111.9	116.9	121.6	122.8	125.7	131.7	136.2

A glossary of terms and definitions is provided on page 61

¹The results for the year ended 31st December 2004 have been restated in accordance with Financial Reporting Standards 21, 25 and 26. Years prior to 2004 have not been restated.

²From 2006 onwards premium/(discount) figures have been sourced from Bloomberg and are calculated using the net asset value at the year end, excluding the current year revenue account balance. Prior year figures have not been restated.

³Management fee and all other operating expenses excluding finance costs and any performance fee payable, expressed as a percentage of the average of the month end net assets during the year (2008 and prior years: the average of the opening and closing net assets).

⁴Includes a special dividend of 3.60p

⁵Source: Morningstar

⁶Source: Datastream

Ten Largest Equity Investments

at 31st December 2011

Company	Sector	2011 Valuation		2010 Valuation	
		£'000	% ¹	£'000	% ¹
Royal Dutch Shell Royal Dutch Shell is a major global oil company which explores for, produces, and refines petroleum. The company produces fuels, chemicals and lubricants and operates gasoline filling stations worldwide.	Oil & Gas Producers	27,735	10.0	27,463	8.8
BP BP is a major oil and petrochemicals company. The company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy and manufactures and markets chemicals.	Oil & Gas Producers	17,133	6.2	17,035	5.5
Vodafone Vodafone is a leading mobile telecommunications company providing a range of services including voice and data communications. The company operates in Continental Europe, the United Kingdom, the United States, Asia Pacific, Africa and the Middle East.	Mobile Telecommunications	16,241	5.8	18,033	5.8
GlaxoSmithKline GlaxoSmithKline is a research-based pharmaceutical company. The company develops, manufactures and markets vaccines, prescription and over-the-counter medicines as well as health related consumer products. The company provides products for infections, depression, skin conditions, asthma, heart and circulatory disease and cancer.	Pharmaceuticals & Biotechnology	13,567	4.9	11,960	3.8
HSBC HSBC provides a variety of international banking and financial services including retail and corporate banking, trade, trusteeship, securities, custody, capital markets, treasury, private and investment banking and insurance. The company operates worldwide.	Banks	13,242	4.8	17,029	5.5
British American Tobacco British American Tobacco manufactures, markets and sells cigarettes and other tobacco products including cigars and roll-your-own tobacco.	Tobacco	11,287	4.0	11,506	3.7
AstraZeneca AstraZeneca researches, manufactures, and sells pharmaceutical and medical products. The company focuses its operations on the following therapeutic areas: Gastrointestinal, Oncology, Cardiovascular, Respiratory, Central Nervous System, Pain Control, Anaesthesia and Infection.	Pharmaceuticals & Biotechnology	9,888	3.5	11,991	3.9
Rio Tinto Rio Tinto is an international mining company. The company has interests in mining for aluminum, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide, feedstock, diamonds, talc and zircon. The company's various mining operations are located in Australia, New Zealand, South Africa, the United States, South America, Europe and Indonesia.	Mining	8,921	3.2	13,011	4.2
Prudential Prudential provides a wide assortment of insurance and investment products and services. Insurance products include life, accident and health, property and casualty insurance, as well as fixed and variable annuities. Financial and investment services include personal and group pensions, equity plans, mortgages and deposit accounts.	Life Insurance	7,296	2.6	-	-
BHP Billiton BHP Billiton is an international resources company. The company's principal business lines are mineral exploration and production, including coal, iron ore, gold, titanium ferroalloys, nickel and copper concentrate, as well as petroleum exploration, production and refining.	Mining	6,856	2.5	12,672	4.1
Total¹		132,166	47.5		

¹Based on total assets less current liabilities of £278.2m (2010: £310.9m)

²Not held in the portfolio at 31st December 2010

³At 31st December 2010, the value of the ten largest equity investments amounted to £148.6m representing 47.8% of total assets less current liabilities

Sector Analysis

	31st December 2011		31st December 2010	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials ¹	20.6	19.1	22.4	22.6
Oil & Gas	20.1	18.9	18.2	16.9
Consumer Goods	12.6	13.4	9.2	11.3
Basic Materials	9.5	11.2	15.2	14.1
Health Care	9.0	8.0	8.1	6.9
Telecommunications	7.7	6.5	6.6	6.0
Consumer Services	7.6	9.5	8.7	9.7
Industrials	5.2	8.0	7.1	7.3
Utilities	2.9	3.9	1.6	3.7
Technology	0.7	1.5	1.1	1.5
Net current assets ²	4.1	—	1.8	—
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £278.2m (2010: £310.9m)

¹Includes the Company's investments in the JPMorgan UK Smaller Companies Fund and JPMorgan Smaller Companies Investment Trust of 1.8% and 2.0% of the portfolio respectively

²Includes the Company's investment in the JPMorgan Sterling Liquidity Fund

List of Investments

at 31st December 2011

Company	Valuation £'000	Company	Valuation £'000
Financials		Oil & Gas	
<i>Banks</i>		<i>Oil & Gas Producers</i>	
HSBC	13,242	Royal Dutch Shell	27,735
Barclays	5,364	BP	17,133
Lloyds	1,314	BG	5,896
	19,920	Tullow Oil	1,953
<i>Non-Life Insurance</i>			52,717
Lancashire	2,659	<i>Oil Equipment, Services & Distribution</i>	
Catlin	1,568	Petrofac	2,576
Beazley	1,081	Kentz Corporation	682
	5,308		3,258
<i>Life Insurance</i>		Total Oil & Gas	
Prudential	7,296		55,975
Legal & General	3,145	Consumer Goods	
Aviva	2,125	<i>Tobacco</i>	
	12,566	British American Tobacco	11,287
<i>Real Estate</i>		Imperial Tobacco	3,837
Hammerson	2,769		15,124
Derwent London	1,733	<i>Food Producers</i>	
Capital & Counties Properties	1,403	Unilever	4,165
Savills	726	Tate & Lyle	775
Grainger	699	Dairy Crest	598
	7,330		5,538
<i>General Financial</i>		<i>Household Goods</i>	
Provident Financial	1,458	Berkeley	2,618
	1,458	Bellway	1,561
<i>Equity Investment Instruments</i>		Barratt Developments	1,131
JPMorgan Smaller Companies Investment Trust	5,685		5,310
JPMorgan UK Smaller Companies Fund	5,109	<i>Beverages</i>	
	10,794	Diageo	3,606
Total Financials		SABMiller	1,174
	57,376		4,780
		<i>Automobiles & Parts</i>	
		GKN	2,717
			2,717
		<i>Personal Goods</i>	
		Burberry	1,566
			1,566
		Total Consumer Goods	
			35,035

List of Investments continued

Company	Valuation £'000	Company	Valuation £'000
Basic Materials		Consumer Services	
<i>Chemicals</i>		<i>General Retailers</i>	
Elementis	909	Next	4,622
	909	Kingfisher	1,720
<i>Industrial Metals</i>		Sports Direct International	1,239
Ferrexpo	1,473	WH Smith	1,056
	1,473		8,637
<i>Mining</i>		<i>Food & Drug Retailers</i>	
Rio Tinto	8,921	Morrison (WM)	3,893
BHP Billiton	6,856	Tesco	1,751
Xstrata	5,870		5,644
Anglo American	2,280	<i>Travel & Leisure</i>	
	23,927	Stagecoach Group	1,367
Total Basic Materials	26,309	William Hill	1,139
		Rank	1,136
			3,642
Health Care		<i>Media</i>	
<i>Pharmaceuticals & Biotechnology</i>		British Sky Broadcasting	1,271
GlaxoSmithKline	13,567	Rightmove	1,184
AstraZeneca	9,888	ITE	697
Shire	1,577		3,152
	25,032	Total Consumer Services	21,075
Total Health Care	25,032		
Telecommunications			
<i>Mobile Telecommunications</i>			
Vodafone	16,241		
	16,241		
<i>Fixed Line Telecommunications</i>			
BT	4,734		
Telecom Plus	558		
	5,292		
Total Telecommunications	21,533		

Company	Valuation £'000	Company	Valuation £'000
Industrials		Utilities	
<i>Support Services</i>		<i>Electricity</i>	
Atkins (WS)	1,387	Drax	4,494
Interserve	903		4,494
Bunzl	818	<i>Gas, Water & Multiutilities</i>	
De La Rue	723	Pennon	3,560
Howden Joinery	710		3,560
	4,541	Total Utilities	8,054
<i>Aerospace & Defence</i>		Technology	
Rolls Royce	3,669	<i>Software & Computer Services</i>	
	3,669	Computacenter	1,128
<i>Industrial Engineering</i>		Micro Focus International	768
Weir	2,196		1,896
	2,196	Total Technology	1,896
<i>Electronics & Electrical Equipment</i>		Liquidity Funds	
Spectris	1,745	JPMorgan Sterling Liquidity Fund	10,546
Oxford Instruments	282		10,546
	2,027	Total Liquidity Funds	10,546
<i>General Industrials</i>		Total Portfolio	277,219
RPC	1,498		
	1,498		
<i>Construction & Materials</i>			
Kier	457		
	457		
Total Industrials	14,388		

The portfolio comprises investments in equity shares, equity investment instruments and liquidity funds

Board of Directors

**Sir Michael Bunbury Bt , KCVO, DL††
(Chairman of the Board and Nomination Committee)**

A Director since 1996

Last reappointed to the Board 2011

Remuneration £32,000

A consultant at Smith & Williamson, a director of Foreign & Colonial Investment Trust plc, Invesco Perpetual Select Trust plc and Chairman of HarbourVest Global Private Equity Limited. Formerly Chairman of the Council of the Duchy of Lancaster and Chairman of the Fleming High Income Investment Trust plc

Shared directorships with other Directors None

Shareholding in Company 9,250

John Scott*††

A Director since 2004

Last reappointed to the Board 2011

Remuneration £21,000

Chairman of Scottish Mortgage Investment Trust plc and of Dunedin Income Growth Investment Trust plc and Deputy Chairman of Endace Ltd. A Director of Martin Currie Pacific Trust plc, Schroder Japan Growth Fund plc, Alternative Asset Opportunities PCC Limited and Miller Insurance Services Limited. Formerly an executive Director of Lazard Brothers & Co, Limited

Shared directorships with other Directors None

Shareholding in Company 10,148

**Virginia Holmes*††
(Chairman of the Audit Committee)**

A Director since 2004

Last reappointed to the Board 2011

Remuneration £25,000

Director and chair of the investment committee of Universities Superannuation Scheme, director and chair of the investment committee of Alberta Investment Management Corporation and director of Standard Life Investments Limited and Standard Life (Holdings) Limited. Formerly Chief Executive of AXA Investment Managers in the UK and Managing Director of Barclays Bank Trust Company

Shared directorships with other Directors None

Shareholding in Company 4,575

Anne McMeehan*‡†

A Director since 2006

Last reappointed to the Board 2011

Remuneration £21,000

A founder director of Cauldron Consulting, a City-based communications consultancy specialising in the provision of marketing and PR services to organisations operating in the financial arena. Formerly Director of Communications at AUTIF (now the Investment Management Association), the trade association for the UK Investment funds industry, she was previously a director of Framlington Group plc and Managing Director of its unit trust subsidiary

Shared directorships with other Directors None

Shareholding in Company 7,250

Humphrey van der Klugt*‡†

A Director since 2008

Last reappointed to the Board 2011

Remuneration £21,000

Chairman of Fidelity European Values plc and a director of Murray Income Trust plc and BlackRock Commodities Income Investment Trust plc. Previously a director of Schroder Investment Management Limited, where he was a member of the group investment and asset allocation committees and a UK equity portfolio manager. Chartered Accountant

Shared directorships with other Directors None

Shareholding in Company 5,000

* Member of the Audit Committee

‡ Member of the Nomination Committee

† Considered independent by the Board

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st December 2011

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 for the year ended 31st December 2010. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify as an investment trust under the HM Revenue & Customs' qualifying rules.

Approval in previous years is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 6 and in the Investment Managers' Report on pages 7 to 13.

Objective

The Company's objective is to achieve capital and income growth from UK investments.

Investment Policies and Risk Management

In order to achieve its investment objective and to seek to manage risk, the Company invests in a diversified portfolio consisting mostly of leading UK companies. It uses long-term gearing to increase potential returns to shareholders. The number of investments in the portfolio has normally ranged between 60 to 120.

The Company seeks to manage its risk relative to its benchmark index by limiting the active portfolio exposure to individual stocks and sectors. The maximum exposure to an investment will normally range between +/-3% relative to its weight in the FTSE 100, FTSE 250 or FTSE Small Cap indices. The maximum exposure to a sector will normally range between +/-5% relative to the benchmark index. Total exposure to small cap companies will normally range between +/-5% of the FTSE Small Cap Index weighting within the FTSE All-Share Index. A maximum of 5% of the Company's assets may be invested in companies outside the FTSE All-Share Index. These limits and restrictions may be varied by the Board at any time at its discretion. To gain the appropriate exposure, the Investment

Managers are permitted to invest in pooled funds. The Company's assets are managed by two Investment Managers based in London, supported by a 40 strong European equity team.

Subsequent to the year end, the Board has agreed with JPMAM a number of changes to the investment management of the Company's portfolio. With effect from 1st March 2012, the Manager's performance target will be to achieve a total return on the underlying portfolio, i.e. before the effect of gearing, fees and the expenses of running the Company, of 2% per annum over the benchmark, the FTSE All-Share Index, averaged over a three year period. The portfolio will be constructed in a more fundamentally driven way, expressing greater conviction for the individual stocks. In the future, the Company's portfolio is likely to consist of between 60 and 80 individual stocks for which the Manager has high conviction.

The neutral gearing position will be to have the Company's £30 million 7% 2020 debenture fully invested and the Manager will be accountable for tactically managing the gearing, normally within a +/- 5% range around that neutral gearing level.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions.

- The Company will not invest more than 15% of its assets in other UK listed investment companies.
- The Company will not invest more than 10% of assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company will not invest more than 15% of its assets in any one individual stock at the time of acquisition.
- The Company's gearing policy is to operate within a range of 95% to 120% invested in normal market conditions.
- Any derivative transactions are subject to the prior approval of the Board.

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

Performance

In the year to 31st December 2011, the Company produced a total return to shareholders of -7.9% and a total return on net assets of -7.6%. This compares with the return on the Company's benchmark of -3.5%. At 31st December 2011, the

value of the Company's investment portfolio was £277.2 million. The Investment Managers' Report on pages 7 to 13 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross loss for the year amounted to £16,024,000 (2010 £44,694,000 return) and net loss after accounting for the management fee, other administrative expenses, finance costs and taxation amounted to £20,274,000 (2010 £40,636,000 return). Distributable income for the year totalled £9,226,000 (2010 £7,611,000). The Directors declared a fourth quarterly interim dividend of 7.75 pence per share which was paid on 1st March 2012 to shareholders on the register at the close of business on 10th February 2012. This when added to the three quarterly interim dividends paid during 2011, made a total dividend for the year of 18.25 pence (2010 17.5 pence) costing £10.0 million (2010 £9.7 million). Following payment of the fourth quarterly interim dividend, the revenue reserve will amount to £8.8 million.

Key Performance Indicators ('KPIs')

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

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

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st December 2001.

Source: Morningstar/Datastream

- JPMorgan Claverhouse - share price total return
- JPMorgan Claverhouse - net asset value per share total return
- The benchmark is represented by the grey horizontal line

Ten Year Performance

Figures have been rebased to 100 at 31st December 2001.

Source: Morningstar/Datastream

- JPMorgan Claverhouse - share price total return
- JPMorgan Claverhouse - net asset value per share total return
- Benchmark

Performance against the Company's peers

The principal objective is to achieve capital growth and out-performance relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

Performance Attribution

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st December 2011 are given in the Investment Managers' Report on page 8.

Share price discount to net asset value ('NAV') per share

The Board has for several years operated a share repurchase programme that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby seek to manage the volatility and absolute level of the discount to NAV per share at which the Company's shares trade. In the year to 31st December 2011, the Company's shares traded at a discount of between 6.4% and 10.0% (using month end data).

Directors' Report continued

Premium/(Discount)

Source Datastream (month end data)

— JPMorgan Claverhouse - Premium/(discount) (with debt at par value)

• Total expense ratio ('TER')

The TER is an expression of the Company's management fee and all other operating expenses, excluding finance costs and any performance fee payable, expressed as a percentage of the average of the month end net assets during the year. The TER for the year ended 31st December 2011 was 0.72% (2010 0.72%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Share Capital

The Company has authority both to repurchase shares in the market (for cancellation or to be held in Treasury) and to issue new shares for cash at a premium to net asset value.

During the year, the Company repurchased a total of 635,504 ordinary shares into Treasury for a total consideration of £2,821,000. No shares were repurchased for cancellation.

At the year end, 2,031,674 shares were held in Treasury, representing 3.6% of the issued share capital. The Company will reissue shares held in Treasury only at a premium to NAV per share. Since the end of the financial year the Company has repurchased a further 10,000 ordinary shares to hold in Treasury.

The Company did not issue any new shares during the year.

Resolutions to renew the authorities to issue new shares and to repurchase shares will be put to shareholders at the forthcoming Annual General Meeting.

Principal Risks

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

- **Investment and Strategy** – an inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. JPMAM provides the Directors with timely and accurate management information including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.
- **Market** – market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.
- **Accounting, Legal and Regulatory** – in order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 1158, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure & Transparency Rules ('DTRs'). A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being

suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act and the UKLA Listing Rules and DTRs

- **Corporate Governance and Shareholder Relations** details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 29 to 33
- **Operational** disruption to, or failure of JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on pages 31 and 32
- **Financial** the financial risks arising from the Company's financial instruments include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 52 to 57

Future Developments

Clearly, the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The Investment Managers discuss the outlook in their report on pages 12 and 13. Since the year end, the Board has agreed with the Manager a number of changes to the investment management of the Company's portfolio. More details are given in the Chairman's Statement on pages 2 and 3 and in the Business Review on page 24.

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract which can be terminated on six months' notice in the event of the Board giving notice as a result of poor investment performance, the notice period is 12 months for all other circumstances, in both cases without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

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

The Board conducts a formal evaluation of the Manager on an annual basis. The evaluation includes consideration of the investment strategy and process of the Manager, performance against the benchmark over the long term and the support that the Company receives from JPMAM. As a result of the evaluation process the Board has agreed with the Manager a number of changes to the investment management of the Company's portfolio. More details are given in the Chairman's Statement on pages 2 and 3 and in the Business Review on page 24.

Management and Performance Fees

The management fee is charged at the annual rate of 0.55% of the value of the Company's market capitalisation which is proportionately reduced by the value of any investments on which JPMAM earns a management fee. The fee is calculated and paid monthly in arrears. In addition, the Company reimburses JPMAM for the costs of administering its shareholders who hold their shares through the JPMAM savings products.

A performance fee is also payable based on 15% of the difference between the Company's net asset value total return for the year and the benchmark, as inflated by a hurdle of 0.5%, calculated in absolute terms and applied to the Company's gross assets. The fee is calculated annually with any underperformance carried forward and offset against any future out-performance. Any fee payable is charged to capital and spread evenly over three years. The actual amount paid in respect of performance fees in any one year is subject to a cap of 0.4% of total assets.

The results for the year to 31st December 2011 generated a negative performance fee for the year of £1,815,000. This amount, when added to the negative £2,660,000 performance fee brought forward, gives a negative balance carried forward of £4,475,000. No fee is payable in the current year. This negative balance will be carried forward to be offset by future out-performance.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 24), risk management policies (see pages 52 to 57), capital management policies and procedures (see page 57), the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they

Directors' Report continued

consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st December 2011, the Company had no outstanding trade creditors (2010: none)

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's shares, are shown below

	31st December 2011	1st January 2011
Michael Bunbury [†]	9,250	9,250
Virginia Holmes	4,575	4,575
Anne McMeehan	7,250	6,940
John Scott	10,148	10,148
Humphrey van der Klugt	5,000	5,000

[†]Michael Bunbury also has a non-beneficial interest in 14,500 (2010: 14,500) of the Company's shares

There have been no changes in these holdings reported since the year end

No Director reported an interest in the Company's debenture during the year

In accordance with corporate governance best practice, all Directors will retire at the Company's forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders

The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a

qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions

Disclosure of information to Auditors

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

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

The above confirmation is given and should be interpreted in accordance with the provision of 418(2) of the Companies Act 2006

Section 992 Companies Act 2006

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

Capital Structure

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

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in Note 16 to the Notice of AGM on page 60

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out on pages 32 and 33. The Company has no employees

Notifiable Interests in the Company's Voting Rights

At the financial year end the following had declared a notifiable interest in the Company's voting rights

Shareholders	Number of voting rights	%
Chase Nominees Limited ^{1,2}	26,678,034	48.8
JPMorgan Chase & Co ²	4,174,975	7.6
<i>Included within this is the following</i>		
JPMorgan Elect plc	4,046,554	7.4
Legal & General	2,002,560	3.7

¹Held on behalf of JPMAM Investment Account, ISA and SIPP participants

²Non-beneficial

No changes to these holdings had been notified as at the date of this report

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or repurchase the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006

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

Independent Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the AGM

Annual General Meeting

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

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting ('AGM')

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 9 and 10)

The Directors will seek renewal of the authority at the AGM to issue up to 2,736,198 new ordinary shares for cash up to an

aggregate nominal amount of £684,049 such amount being equivalent to 5% of the present issued ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of this document. The full text of the resolutions is set out in the Notice of Meeting on page 58. This authority will expire at the conclusion of the AGM of the Company in 2013 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value (the 'NAV'), they increase the NAV per share and spread the Company's administrative expenses, other than the management fee which is charged on the Company's market capitalisation, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's shares for cancellation (resolution 11)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2011 AGM will expire on 11th October 2012 unless renewed at the forthcoming AGM. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

Resolution 11 gives the Company authority to buy back its own issued ordinary shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of 8,203,124 ordinary shares, representing approximately 14.99% of the Company's issued ordinary shares as at 12th March 2012 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices.

If resolution 11 is passed at the AGM it is the Board's current intention to hold in Treasury any shares it may repurchase pursuant to the authority granted to it for possible re-issue at a premium to NAV.

The full text of the resolution is set out in the Notice of Meeting on pages 58 and 59. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate. This authority will expire on 19th October 2013 but is the Board's intention to seek renewal of the authority at the 2013 AGM.

Directors' Report continued

Recommendation

The Board considers that resolutions 9 to 11 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 36,223 shares representing approximately 0.07% of the voting rights in the Company.

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 35, indicates how the Company has applied the principles of good governance of the Financial Reporting Council UK Corporate Governance Code (the 'UK Corporate Governance Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

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

Role of the Board

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

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, has adopted appropriate procedures

designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

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

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

Board Composition

The Board, chaired by Sir Michael Bunbury, consists of five non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 22 and 23.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. John Scott, as Senior Independent Director, leads the evaluation of the performance of the Chairman and may be contacted by shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be appointed by shareholders. Thereafter, a Director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. The Board has adopted corporate governance best practice and all Directors must stand for annual reappointment.

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

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on pages 22 and 23. Directors who are not members of Committees may attend at the invitation of the Chairman of the relevant Committee.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were five Board meetings, including a separate meeting devoted to strategy, two private meetings of the Directors, one of which was to evaluate the Manager, two Audit Committee meetings and one meeting of the Nomination Committee.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Sir Michael Bunbury	5	n/a	1
Virginia Holmes	5	2	1
Anne McMeehan	5	2	1
John Scott	5	2	1
Humphrey van der Klugt	5	2	1

Board Committees

Nomination Committee

The Nomination Committee, chaired by Sir Michael Bunbury, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and

propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board with the assistance of JPMAM and a firm of independent consultants, are completed by each Director. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman who also meets with each Director. The Senior Independent Director leads the evaluation of the Chairman's performance.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The Audit Committee, chaired by Virginia Holmes and whose membership is set out on pages 22 and 23, meets on at least two occasions each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the UK Corporate Governance Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external auditors. In the Directors' opinion the auditors are considered independent. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered. The Directors' statement on the Company's system of risk management and internal control is set out below.

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

Directors' Report continued

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders quarterly each year by way of the annual report and accounts, the half year report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 65.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 65.

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

Risk Management and Internal Control

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

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only

provide reasonable but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of the approval of the Annual Report and Accounts, and it accords with the Turnbull guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of JPMAM. This arrangement is kept under review. The key elements designed to provide effective internal control are as follows:

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

Management Agreement – Appointment of a manager and custodian regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement. During the year the Company's custody agreement was reviewed and a new agreement, in line with current market practice, was signed.

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

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

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- reviews the terms of the management agreement and receives regular reports from JPMAM's Compliance department,

- reviews reports on the risk management and internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed, and
- reviews every six months an independent report on the risk management and internal controls and the operations of JPMAM

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st December 2011 and to the date of approval of this Annual Report and Accounts

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

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board.

Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting

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

Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients,
- disclose their policy on managing conflicts of interest,
- monitor their investee companies,
- establish clear guidelines on how they escalate engagement,
- be willing to act collectively with other investors where appropriate,
- have a clear policy on proxy voting and disclose their voting record, and
- report to clients

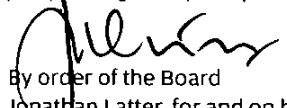
JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

Social & Environmental

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request. JPMAM is also a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website <http://www.jpmanvestmenttrusts.co.uk/governance> which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.


By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
13th March 2012

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditor's opinion is included in their report on page 36.

Directors' Remuneration¹

Directors' Name	2011 £	2010 £
Sir Michael Bunbury (Chairman)	32,000	30,000
Virginia Holmes	25,000	22,000
Anne McMeehan	21,000	18,000
John Scott	21,000	18,000
Humphrey Van Der Klugt	21,000	18,000
Total	120,000	106,000

¹Audited information

In the year under review, Directors' fees were paid at the following rates: Chairman £32,000, Chairman of the Audit Committee £25,000 and other Directors £21,000.

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

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

The Company's articles of association provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £175,000, requires both Board and shareholder approval.

The terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 30.

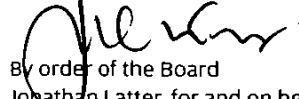
The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. The Directors do not have service contracts and are not paid compensation for loss of office.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

A graph showing the Company's share price total return compared with its benchmark, the FTSE All-Share Index, is shown below.

Five Year Share Price and Benchmark Total Return Performance to 31st December 2011

Source: Morningstar/Datastream

— Share price total return
— Benchmark total return



By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
13th March 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmlclaverhouse.co.uk website, which is maintained by the Company's Manager JPMorgan Asset Management (UK) Limited ('JPMAM'). The

maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report and Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge

- the financial statements which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return or loss of the Company, and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

For and on behalf of the Board
Michael Bunbury
Chairman
13th March 2012

Independent Auditor's Report

Independent Auditor's Report to the members of JPMorgan Claverhouse Investment Trust plc

We have audited the financial statements of JPMorgan Claverhouse (the 'Company') for the year ended 31st December 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31st December 2011 and of its loss for the year then ended,

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 27, in relation to going concern
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.



Michael-John Albert (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP, Statutory Auditor

London

13th March 2012

Income Statement

for the year ended 31st December 2011

	Notes	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	–	(27,158)	(27,158)	–	35,257	35,257
Net foreign currency losses		–	(3)	(3)	–	–	–
Income from investments	3	11,129	–	11,129	9,374	–	9,374
Other interest receivable and similar income	3	8	–	8	63	–	63
Gross return/(loss)		11,137	(27,161)	(16,024)	9,437	35,257	44,694
Management fee	4	(447)	(831)	(1,278)	(431)	(802)	(1,233)
Other administrative expenses	5	(643)	–	(643)	(610)	–	(610)
Net return/(loss) on ordinary activities before finance costs and taxation		10,047	(27,992)	(17,945)	8,396	34,455	42,851
Finance costs	6	(812)	(1,508)	(2,320)	(770)	(1,430)	(2,200)
Net return/(loss) on ordinary activities before taxation		9,235	(29,500)	(20,265)	7,626	33,025	40,651
Taxation	7	(9)	–	(9)	(15)	–	(15)
Net return/(loss) on ordinary activities after taxation		9,226	(29,500)	(20,274)	7,611	33,025	40,636
Return/(loss) per share	8	16.73p	(53.50)p	(36.77)p	13.63p	59.12p	72.75p
Dividends declared and payable in respect of the year	9	18.25p			1750p		
Dividends paid during the year	9	17.50p			1690p		

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

The notes on pages 41 to 57 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st December 2009	14,192	149,641	6,680	68,504	15,313	254,330
Repurchase of shares into Treasury	–	–	–	(4,334)	–	(4,334)
Net return on ordinary activities	–	–	–	33,025	7,611	40,636
Dividends appropriated in the year	–	–	–	–	(9,460)	(9,460)
At 31st December 2010	14,192	149,641	6,680	97,195	13,464	281,172
Repurchase of shares into Treasury	–	–	–	(2,821)	–	(2,821)
Net (loss)/return on ordinary activities	–	–	–	(29,500)	9,226	(20,274)
Dividends appropriated in the year	–	–	–	–	(9,659)	(9,659)
At 31st December 2011	14,192	149,641	6,680	64,874	13,031	248,418

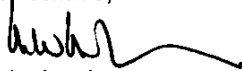
The notes on pages 41 to 57 form an integral part of these accounts

Balance Sheet

at 31st December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments held at fair value through profit or loss		266,673	305,450
Investments in liquidity funds held at fair value through profit or loss		10,546	5,046
Total investments	10	277,219	310,496
Current assets	11		
Debtors		1,474	1,334
Cash and short term deposits		259	207
		1,733	1,541
Creditors: amounts falling due within one year	12	(777)	(1,134)
Net current assets		956	407
Total assets less current liabilities		278,175	310,903
Creditors: amounts falling due after more than one year	13	(29,757)	(29,731)
Net assets		248,418	281,172
Capital and reserves			
Called up share capital	14	14,192	14,192
Share premium	15	149,641	149,641
Capital redemption reserve	15	6,680	6,680
Capital reserves	15	64,874	97,195
Revenue reserve	15	13,031	13,464
Total equity shareholders' funds		248,418	281,172
Net asset value per share	16	453.9p	507.8p

The accounts on pages 37 to 57 were approved and authorised for issue by the Directors on 13th March 2012 and were signed on their behalf by


Michael Bunbury
 Chairman

The notes on pages 41 to 57 form an integral part of these accounts

The Company's registration number is 754577.

Cash Flow Statement

for the year ended 31st December 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	17	8,989	7,143
Returns on investments and servicing of finance			
Interest paid		(2,287)	(2,180)
Taxation			
Overseas tax recovered		4	7
Capital expenditure and financial investment			
Purchases of investments		(192,304)	(156,528)
Sales of investments		198,452	165,456
Other capital charges		(6)	(13)
Net cash inflow from capital expenditure and financial investment		6,142	8,915
Dividends paid		(9,659)	(9,460)
Net cash inflow before financing		3,189	4,425
Financing			
Repurchase of shares into Treasury		(3,134)	(4,392)
Net cash outflow from financing activity		(3,134)	(4,392)
Increase in cash and cash equivalents	18	55	33

The notes on pages 41 to 57 form an integral part of these accounts

Notes to the Accounts

for the year ended 31st December 2011

1 Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the AIC in January 2009. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis.

The policies applied in these accounts are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off in the capital column of the Income Statement at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments, any performance fee realised, management fee and finance costs allocated to capital and any other capital charges, are included in the Income Statement and dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end and any performance fee provision, are included in the Income Statement and dealt with in capital reserves within 'Holding gains and losses on investments'.

(d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

UK dividends are included net of tax credits and unfranked income is included gross of any income tax. Overseas dividends are included gross of any withholding tax.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Deposit interest receivable and underwriting commission are taken to revenue on an accruals basis.

Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up with the balance included in revenue.

Notes to the Accounts continued

1 Accounting policies continued

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- any performance fee is allocated 100% to capital
- the management fee is allocated 35% to revenue and 65% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio,
- expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 47.

(f) Finance costs

Finance costs are accounted for using the effective interest rate method and in accordance with the provisions of FRS 26 'Financial Instruments: Measurement'.

Finance costs are allocated 35% to revenue and 65% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The debenture in issue, bank loans and overdrafts are classified as loans and receivables and are measured at amortised cost. They are recorded at the proceeds received net of direct issue costs. Premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in profit or loss using the effective interest rate method.

(h) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred tax is accounted for in accordance with FRS 19 'Deferred Tax'.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences, but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses then no tax relief is transferred to capital.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Functional currency

In accordance with FRS 23 'The Effects of Changes in Foreign Currency', the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board has determined that sterling is the Company's functional currency. Sterling is also the currency in which these accounts are presented.

(j) Dividends payable

In accordance with FRS 21 'Events after the Balance Sheet Date', dividends are included in the accounts in the year in which they are paid

(k) Value Added Tax ('VAT')

Irrecoverable VAT is included in the expense on which it has been suffered. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies

(l) Repurchase of shares to hold in Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in The Reconciliation of Movements in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into the capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

	2011 £'000	2010 £'000
2. (Losses)/gains on investments held at fair value through profit or loss		
Gains on sales of investments held at fair value through profit or loss based on historical cost	4,440	17,959
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(24,856)	(14,026)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(20,416)	3,933
Net movement in investment holding gains and losses	(6,736)	31,337
Other capital charges	(6)	(13)
Total capital (losses)/gains on investments held at fair value through profit or loss	(27,158)	35,257
	2011 £'000	2010 £'000
3 Income		
Income from investments		
Franked dividends	10,320	8,805
Overseas dividends	613	495
Unfranked dividends	107	–
Scrip dividends	31	45
Dividends from liquidity fund	58	29
	11,129	9,374
Other interest receivable and similar income		
Underwriting commission	7	62
Deposit interest	1	1
	8	63
Total income	11,137	9,437

Notes to the Accounts continued

	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
4. Management fee						
Management fee ¹	447	831	1,278	431	802	1,233

¹Details of the management fee are given in the Directors' Report on page 27

	2011 £'000	2010 £'000
5 Other administrative expenses		
Administration expenses	219	231
Directors' fees ¹	120	106
Savings scheme costs ²	274	247
Auditor's remuneration for audit services ³	28	25
Auditor's remuneration for other services ⁴	2	1
	643	610

¹Details are given in the Directors' Remuneration Report on page 34

²These fees were paid to JPMAM for the marketing and administration of savings scheme products

³Includes £5,000 (2010 £4,000) irrecoverable VAT

⁴Includes £300 (2010 £100) irrecoverable VAT

	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	68	125	193	26	48	74
Debenture interest	744	1,383	2,127	744	1,382	2,126
	812	1,508	2,320	770	1,430	2,200

7 Taxation

(a) Analysis of tax charge for the year

	2011 £'000	2010 £'000
Overseas withholding tax	9	8
Prior year adjustment	–	7
Current tax charge for the year	9	15

(b) Factors affecting current tax charge for the year

The tax assessed for the year is higher (2010 lower) than the Company's applicable rate of corporation tax for the year of 26.5% (2010 28%). The factors affecting the current tax charge for the year are as follows

	2011			2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	9,235	(29,500)	(20,265)	7,626	33,025	40,651
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 26.5% (2010 28%)	2,447	(7,818)	(5,371)	2,135	9,247	11,382
Effects of						
Non taxable capital losses/(gains)	–	7,198	7,198	–	(9,872)	(9,872)
Non taxable UK dividends	(2,735)	–	(2,735)	(2,465)	–	(2,465)
Non taxable overseas dividends	(162)	–	(162)	(138)	–	(138)
Non taxable scrip dividends	(8)	–	(8)	(13)	–	(13)
Income taxed in different periods	–	–	–	2	–	2
Excess capital expenses arising in the year	–	620	620	–	625	625
Overseas withholding tax	9	–	9	8	–	8
Unrelieved expenses and charges	458	–	458	479	–	479
Prior year adjustment	–	–	–	7	–	7
Current tax charge for the year	9	–	9	15	–	15

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £19,360,000 (2010 £19,810,000) based on a prospective corporation tax rate of 25% (2010 27%). The reduction in the standard rate of corporation tax was substantively enacted on 5th July 2011 and is effective from 1st April 2012. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's status as an Investment Trust Company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts continued

8 Return/(loss) per share

The revenue return per ordinary share is based on the earnings attributable to the ordinary shares of £9,226,000 (2010 £7,611,000) and on the weighted average number of shares in issue during the year of 55,140,654 (2010 55,860,096)

The capital loss per ordinary share is based on the capital loss attributable to the ordinary shares of £29,500,000 (2010 £33,025,000 return) and on the weighted average number of shares in issue during the year of 55,140,654 (2010 55,860,096)

The total loss per ordinary share is based on the total loss attributable to the ordinary shares of £20,274,000 (2010 £40,636,000 return) and on the weighted average number of shares in issue during the year of 55,140,654 (2010 55,860,096)

9 Dividends

(a) Dividends paid and declared

	2011 £'000	2010 £'000
Unclaimed dividends refunded to the Company ¹	(3)	(1)
2010 fourth quarterly dividend of 70p (2009 64p) paid in March 2011	3,876	3,607
First quarterly dividend of 3 5p (2010 3 5p) paid in June 2011	1,938	1,959
Second quarterly dividend of 3 5p (2010 3 5p) paid in September 2011	1,924	1,951
Third quarterly dividend of 3 5p (2010 3 5p) paid in December 2011	1,924	1,944
Total dividends paid in the year	9,659	9,460
	2011 £'000	2010 £'000
Fourth quarterly dividend of 775p (2010 70p) payable on 1st March 2012	4,242	3,876

¹Represents dividends which remain unclaimed after a period of 12 years and thereby become the property of the Company

The fourth quarterly dividend has been declared in respect of the year ended 31st December 2011. In accordance with the accounting policy of the Company this dividend will be reflected in the accounts for the year ending 31st December 2012

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £9,226,000 (2010 £7,611,000). Brought forward revenue reserves amounting to £802,000 (2010 £2,119,000) have been utilised in order to finance the dividend.

	2011 £'000	2010 £'000
First quarterly dividend of 3 5p (2010 3 5p) paid in June 2011	1,938	1,959
Second quarterly dividend of 3 5p (2010 3 5p) paid in September 2011	1,924	1,951
Third quarterly dividend of 3 5p (2010 3 5p) paid in December 2011	1,924	1,944
Fourth quarterly dividend of 775p (2010 70p) payable in March 2012	4,242	3,876
	10,028	9,730

	2011 £'000	2010 £'000
10. Investments		
Investments listed on a recognised stock exchange	277,219	310,496
Opening book cost	259,861	250,778
Opening investment holding gains	50,635	33,324
Opening valuation	310,496	284,102
Movements in the year		
Purchases at cost	192,327	156,580
Sales - proceeds	(198,452)	(165,456)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(20,416)	3,933
Net movement in investment holding gains and losses	(6,736)	31,337
Closing valuation	277,219	310,496
Closing book cost	258,176	259,861
Closing investment holding gains	19,043	50,635
Total investments held at fair value through profit or loss	277,219	310,496

During the year, prior year investment holding gains amounting to £24,856,000 were transferred to gains on sales of investments as disclosed in note 15 on page 49

Transaction costs on purchases during the year amounted to £890,000 (2010 £913,000) and on sales during the year amounted to £211,000 (2010 £346,000). These costs comprise brokerage commission and stamp duty

	2011 £'000	2010 £'000
11 Current assets		
Debtors		
Dividends and interest receivable	1,423	1,275
Tax recoverable	20	9
Other debtors	31	50
	1,474	1,334

The Directors consider that the carrying amount of debtors approximates to their fair value

Cash and short term deposits

Cash and short term deposits comprises bank balances and short term deposits. The carrying amount of these balances represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest

Notes to the Accounts continued

	2011 £'000	2010 £'000
12. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	95	103
Repurchases of the Company's own shares awaiting settlement	54	367
Other creditors and accruals	628	664
	777	1,134

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value

	2011 £'000	2010 £'000
13. Creditors: amounts falling due after more than one year		
Falling due after more than five years		
£30,000,000 7% debenture stock 30th March 2020	29,757	29,731

The debenture is secured by a floating charge over the assets of the Company

	2011 £'000	2010 £'000
14. Share capital		
Allotted and fully paid		
Opening balance of 55,369,483 (2010 56,357,053) shares, excluding shares held in Treasury	13,843	14,090
Repurchase of 635,504 (2010 987,570) shares into Treasury	(159)	(247)
Subtotal	13,684	13,843
2,031,674 (2010 1,396,170) shares held in Treasury	508	349
Closing balance ¹	14,192	14,192

¹Represents 56,765,653 (2010 56,765,653) shares, including 2,031,674 (2010 1,396,170) shares held in Treasury

During the year the Company repurchased 635,504 shares into Treasury for a total consideration of £2,821,000. The reason for the purchases was to seek to manage the volatility and absolute level of the share price discount to net asset value per share.

	Share premium £'000	Capital redemption reserve £'000	Capital reserves		Revenue reserve £'000
			Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	
15. Reserves					
Opening balance	149,641	6,680	46,560	50,635	13,464
Foreign currency losses on cash and short term deposits	–	–	(3)	–	–
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	(20,416)	–	–
Net movement in investment holding gains and losses	–	–	–	(6,736)	–
Transfer on disposal of investments	–	–	24,856	(24,856)	–
Repurchase of shares into Treasury	–	–	(2,821)	–	–
Management fee and finance costs charged to capital	–	–	(2,339)	–	–
Other capital charges	–	–	(6)	–	–
Dividends appropriated in the year	–	–	–	–	(9,659)
Retained revenue for the year	–	–	–	–	9,226
Closing balance	149,641	6,680	45,831	19,043	13,031

16 Net asset value per share

Net asset value per share is based on the net assets attributable to the ordinary shareholders of £248,418,000 (2010 £281,172,000) and on the 54,733 979 (2010 55,369,483) shares in issue at the year end, excluding shares held in Treasury

	2011 £'000	2010 £'000
17 Reconciliation of total (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Net total (loss)/return on ordinary activities before finance costs and taxation	(17,945)	42,851
Less net capital loss/(return) before finance costs and taxation	27,992	(34,455)
Increase in accrued income	(148)	(396)
(Decrease)/increase in accrued expenses	(42)	12
Decrease/(increase) in other debtors	19	(5)
Scrip dividends received as income	(31)	(45)
Management fee charged to capital	(831)	(802)
Overseas withholding tax and UK income tax	(25)	(17)
Net cash inflow from operating activities	8,989	7,143

Notes to the Accounts continued

	At 31st December 2010 £'000	Cash flow £'000	Exchange movement £'000	Other movements £'000	At 31st December 2011 £'000
18. Analysis of changes in net debt					
Cash and short term deposits	207	55	(3)	–	259
Debenture falling due after more than five years	(29,731)	–	–	(26)	(29,757)
Net debt	(29,524)	55	(3)	(26)	(29,498)

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2010 none)

20 Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 27. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £1,278,000 (2010 £1,233,000) of which £nil (2010 £nil) was outstanding at the year end.

Included in other administration expenses in note 5 on page 44 are safe custody fees amounting to £5,000 (2010 £4,000) payable to JPMorgan Chase of which £2,000 (2010 £1,000) was outstanding at the year end.

During the year £274,000 (2010 £247,000) was payable to JPMAM for the marketing and administration of savings scheme products, of which £nil (2010 £18,000) was outstanding at the year end.

JPMAM may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. Commission amounting to £136,000 (2010 £32,000) was payable to JPMorgan Securities Limited for the year of which £nil (2010 £nil) was outstanding at the year end.

The Company holds investments in JPMorgan UK Smaller Companies Fund and JPMorgan Smaller Companies Investment Trust which are managed by JPMAM. At the year end these were valued at £10.8 million (2010 £13.8 million) and represented 3.9% (2010 4.5%) of the Company's investment portfolio. During the year the Company made £nil (2010 £nil) purchases of such investments and sales with a total value of £1.1 million (2010 £nil). Income amounting to £212,000 (2010 £311,000) was receivable from these investments during the year of which £95,000 (2010 £103,000) was outstanding at the year end.

The Company also holds an investment in The JPMorgan Sterling Liquidity Fund, managed by JPMAM. At the year end this was valued at £10.5 million (2010 £5.0 million) and represented 3.8% (2010 1.6%) of the Company's investment portfolio. During the year, the Company made purchases of this investment with a total value of £56.0 million (2010 £28.1 million) and sales with a total value of £50.5 million (2010 £26.3 million). Income amounting to £58,000 (2010 £29,000) was receivable from this investment during the year of which £6,000 (2010 £2,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £6,000 (2010 £13,000) were payable to JPMorgan Chase during the year of which £3,000 (2010 £3,000) was outstanding at the year end.

At the year end, a bank balance of £259,000 (2010 £207,000) was held with JPMorgan Chase. A net amount of interest of £1,000 (2010 £1,000) was receivable by the Company during the year from JPMorgan Chase, of which £nil (2010 £nil) was outstanding at the year end.

21. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio

The investments are categorised into a hierarchy consisting of the following three levels

Level 1 - valued using quoted prices in active markets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset

Details of the valuation techniques used by the Company are given in note 1(b) on page 41

The following table sets out the fair value measurements using the above hierarchy at 31st December

	2011			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss at 31st December 2011				
Equity investments	266,673	–	–	266,673
Liquidity funds	10,546	–	–	10,546
Total	277,219	–	–	277,219

	2010			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss at 31st December 2010				
Equity investments	305,450	–	–	305,450
Liquidity funds	5,046	–	–	5,046
Total	310,496	–	–	310,496

There have been no transfers between Levels 1, 2 or 3 during the year (2010 £nil)

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies

As an investment trust the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company has no significant direct exposure to foreign exchange risk. The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates the Company's risk management strategy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year. The Company's financial instruments may comprise the following:

- investments in UK equity shares and other securities, which are held in accordance with the Company's investment objective
- short term debtors, creditors and cash arising directly from its operations,
- a debenture issued by the Company the purpose of which is to finance the Company's operations, and
- a sterling loan facility, the purpose of which is to finance the Company's operations.

(a) Market risk

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

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the liquidity fund, and the interest payable on the Company's variable rate cash borrowings when rates are re-set. There is no 'fair value' interest rate risk attached to the Company's debenture in issue, as it is carried in the accounts at amortised cost.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's gearing policy is to operate within a range of 95% to 120% invested in normal market conditions.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the loan facility. However, amounts drawn down on this facility are for short term periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

The Company has a £30 million 7% debenture in issue which is repayable on 30th March 2020. The Company has no other financial assets or liabilities carrying fixed rates of interest. The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below.

	2011 £'000	2010 £'000
Exposure to floating interest rates		
Cash and short term deposits	259	207
JPMorgan Sterling Liquidity Fund	10,546	5,046
Total exposure	10,805	5,253

Interest receivable and finance costs are at the following rates:

- Interest receivable on cash balances is at a margin below LIBOR.
- The target interest rate earned on the JPMorgan Sterling Liquidity Fund is the 7 day sterling London Interbank Bid Rate.
- During the year, ING Bank agreed to increase the Company's floating rate loan facility from £5 million to £15 million and to extend the maturity date to 30th March 2012. Interest is payable at a 1.30% margin over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. Commitment fees are payable at the rate of 0.52% per annum on the daily available but undrawn balance of the facility. The Company has drawn on this facility during the current and comparative year, but it was undrawn at both year ends.

The exposure during the year fluctuated between net cash and net loan balances as follows:

	2011 £'000	2010 £'000
Maximum credit exposure to floating interest rates - net cash balances	10,805	7,320
Maximum debit exposure to floating interest rates - net loan balances	(4,772)	(407)

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(i) Interest rate risk continued

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2010: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2011		2010	
	0.5% Increase in rate £'000	0.5% Decrease in rate £'000	0.5% Increase in rate £'000	0.5% Decrease in rate £'000
Income statement - return after taxation				
Revenue return	54	(54)	26	(26)
Capital return	—	—	—	—
Total return after taxation for the year and net assets	54	(54)	26	(26)

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes, due to fluctuations in the level of cash balances, liquidity fund balances and borrowings on the loan facility.

(ii) Other price risk

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

Management of other price risk

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

Other price risk exposure

The Company's total exposure to other changes in market prices at 31st December comprises its holdings in equity investments as follows:

	2011 £'000	2010 £'000
Equity investments held at fair value through profit or loss	266,673	305,450

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 17 to 21. This shows that all of the investments are listed in the UK. Accordingly there is a concentration of exposure to this country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2010 20%) in market values. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equity investments and adjusting for change in the management fee, but with all other variables held constant.

	2011		2010	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	20% Increase in fair value £'000	20% Decrease in fair value £'000
Income statement - revenue after taxation				
Revenue return	(51)	51	(118)	118
Capital return	26,571	(26,571)	60,872	(60,872)
Total return after taxation for the year and net assets	26,520	(26,520)	60,754	(60,754)
Return per share	48.5p	(48.5)p	109.7p	(109.7)p

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements and to gear the Company as appropriate. Details of the Company's loan facility are given in part (a)(i) of this note on page 53.

Liquidity risk exposure

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

	2011				2010			
	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	Total £'000	Three months or less £'000	More than three months but less than one year £'000	One year or more £'000	Total £'000
Creditors: amounts falling due after more than one year								
£30,000,000 7% debenture stock 30th March 2020	–	–	30,000	30,000	–	–	30,000	30,000
Interest on debenture	–	–	15,225	15,225	–	–	17,325	17,325
Creditors: amounts falling due within one year								
Securities purchased awaiting settlement	95	–	–	95	103	–	–	103
Repurchases of the Company's own shares awaiting settlement	54	–	–	54	367	–	–	367
Other creditors and accruals	103	–	–	103	139	–	–	139
Interest on debenture	1,050	1,050	–	2,100	1,050	1,050	–	2,100
	1,302	1,050	45,225	47,577	1,659	1,050	47,325	50,034

Notes to the Accounts continued

22. Financial instruments' exposure to risk and risk management policies continued

(c) Credit risk

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

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager regularly monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum rating of A1/P1 from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

The Company's assets are ring-fenced in client designated accounts. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading.

Credit risk exposure

The following amounts, shown in the Balance Sheet, represent the maximum exposure to credit risk at the current and comparative year end.

	2011		2010	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets - investments held at fair value through profit or loss	277,219	10,546	310,496	5,046
Current assets				
Debtors	1,474	1,474	1,334	1,334
Cash and short term deposits	259	259	207	207
	278,952	12,279	312,037	6,587

Cash and short term deposits comprises balances held at banks that have a minimum rating of A1/P1 (2010 A1/P1) from Standard & Poor's and Moody's respectively.

(d) Fair values of financial assets and financial liabilities

All financial assets and financial liabilities are either included in the balance sheet at fair value, or the carrying amount in the balance sheet is a reasonable approximation of fair value except for the debenture stock which the Company has in issue. The fair value of this debenture stock has been calculated using discounted cash flow techniques using the yield on a similarly dated gilt plus a margin based on the 5 year average for the AA Barclays Corporate Bond. This is a change in methodology from that used in prior years. However, the comparative figure has not been restated as the change is not material.

	Accounts value		Fair value	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
£30 million 7% debenture stock March 2020	29,757	29,731	37,666	33,798

23 Capital management policies and procedures

The Company's capital comprises the following

	2011 £'000	2010 £'000
Share capital	14,192	14,192
Reserves	234,226	266,980
Total capital	248,418	281,172

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's gearing policy is to operate within a range of 95% to 120% invested in normal market conditions. Gearing for this purpose is defined as investments, excluding liquidity fund holdings, expressed as a percentage of total net assets.

	2011 £'000	2010 £'000
Investments excluding holdings in liquidity funds	266,673	305,450
Net assets	248,418	281,172
Gearing	107.3%	108.6%

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

- the planned level of gearing, which takes into account the Manager's views on the market,
- the need to buy back equity shares either for cancellation or to hold in Treasury, which takes into account the share price discount or premium,
- the opportunity for issues of new shares, including issues from Treasury, and
- the level of dividend distributions in excess of that which is required to be distributed.

Notice of Annual General Meeting

Notice is hereby given that the forty ninth Annual General Meeting of JPMorgan Claverhouse Investment Trust plc will be held at 20 Moorgate, London EC2R 6DA on Friday, 20th April 2012 at 2.00 p.m. for the following purposes

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st December 2011
- 2 To approve the Directors' Remuneration Report for the year ended 31st December 2011
- 3 To reappoint Sir Michael Bunbury as a Director
- 4 To reappoint Virginia Holmes as a Director
- 5 To reappoint Humphrey van der Klugt as a Director
- 6 To reappoint Anne McMeehan as a Director
- 7 To reappoint John Scott as a Director
- 8 To reappoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration

Special Business

To consider the following resolutions

Authority to allot new shares - Ordinary Resolution

- 9 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into shares in the Company ('Rights') up to an aggregate nominal amount of £684,049, representing approximately 5% of the Company's issued Ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired

Authority to disapply pre-emption rights on allotment of relevant securities - Special Resolution

- 10 THAT subject to the passing of Resolution 9 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £684,049 representing approximately 5% of the issued share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 9 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired

Authority to repurchase the Company's shares - Special Resolution


- 11 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares on such terms and in such manner as the Directors may from time to time determine

PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 8,203,124, or if less, that number of ordinary shares which is equal to 14.99% of the issued share capital as at the date of the passing of this Resolution,
- (ii) the minimum price which may be paid for an ordinary share shall be 25 pence,
- (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to the highest of (a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is

contracted to be purchased or (b) the price of the last independent trade, or (c) the highest current independent bid.

- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors).
- (v) the authority hereby conferred shall expire on 19th October 2013 unless the authority is renewed at the Company's Annual General Meeting in 2013 or at any other general meeting prior to such time, and
- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract


By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
19th March 2012

Notes

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

- 1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
- 3 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 2.00 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
- 4 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
- 5 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast) members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however, the Meeting is adjourned for a longer period then to be so entitled members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting at the time specified in that notice, changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

Notice of Annual General Meeting continued

- 6 Entry to the Meeting will be restricted to shareholders and their proxy or proxies with guests admitted only by prior arrangement
- 7 A corporation, which is a shareholder may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form) In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company provided that they do not do so in relation to the same shares It is therefore no longer necessary to nominate a designated corporate representative
- Representatives should bring to the Meeting evidence of their appointment including any authority under which it is signed
- 8 Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting The Company cannot require the members requesting the publication to pay its expenses Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right
- 9 Pursuant to Section 319A of the Companies Act 2006 the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information
- 10 Under Sections 338 and 338A of the 2006 Act members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting A resolution may properly be moved or a matter properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request
- 11 A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person') The rights to appoint a proxy can not be exercised by a Nominated Person they can only be exercised by the member However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights
- 12 In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM the total voting rights members are entitled to exercise at the AGM and if applicable, any members' statements members resolutions or matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmlclaverhouse.co.uk
- 13 The register of interests of the Directors and connected persons in the share capital of the Company and the Directors letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) It will also be available for inspection at the Annual General Meeting No Director has any contract of service with the Company
- 14 You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated
- 15 As an alternative to completing a hardcopy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form) Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview you can submit your Form of Proxy at www.shareview.co.uk Full instructions are given on both websites
- 16 As at 12th March 2012 (being the latest business day prior to the publication of this Notice) the Company's issued share capital consists of 56,765,653 (of which 2,041,674 are held in Treasury) ordinary shares, carrying one vote each Therefore the total voting rights in the Company are 54,723,979
- Electronic appointment - CREST members**
CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual See further instructions on the proxy form

Glossary of Terms and Definitions

Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend

Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend

In accordance with industry practice dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV per share when calculating the return on net assets

Benchmark Return

Total return on the benchmark on a mid-market value to mid-market value basis assuming that all dividends received were reinvested, without transaction costs, into the shares of the underlying companies at the time the shares were quoted ex-dividend

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark

Actual Gearing Factor

Investments, excluding holdings in liquidity funds expressed as a percentage of shareholders' funds. This shows the effect of gearing on the NAV if the market value of the portfolio were to increase by 100%

Total Expense Ratio

Management fee and all other operating expenses excluding finance costs and any performance fee payable, expressed as a percentage of the average of the month end net assets during the year. The total expense ratio is calculated in accordance with guidance issued by the Association of Investment Companies

Share Price Discount/Premium to net asset value ('NAV') per share

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

Performance Attribution

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

Performance Attribution Definitions:

Stock Selection/Asset Allocation

Measures the effect of investing in securities/sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark

Gearing/Cash

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

Management Fees/Other Expenses

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

Use of Prior Year Revenue Reserve

Measures the negative effect on relative performance of making dividend distributions in excess of the revenue return after taxation for the year

Repurchases of shares into Treasury

Measures the positive effect on relative performance of repurchasing shares into Treasury at a share price discount to the net asset value per share

Information about the Company

Financial Calendar

Financial year end	31st December
Half year results announced	July/August
Final results announced	March
Interim Management Statements	April and October
Quarterly interim dividends on ordinary shares paid	First business day of June, September, December, March
7% Debenture Stock 2020 interest paid	30th September, 30th March
Annual General Meeting	April

History

The Company was launched as Claverhouse Investment Trust Limited in 1963 with assets of £5 million and managed by Robert Fleming & Co. The Company took its name from Viscount Claverhouse ('Bonnie Dundee') who was killed at the Battle of Killiecrankie in 1689 whilst leading a rebellion against William and Mary. The name was chosen to commemorate the Company's link with Dundee, where Flemings originated in 1873. The Company changed its name to The Fleming Claverhouse Investment Trust plc in 1983, to JPMorgan Fleming Claverhouse Investment Trust plc in 2003 and adopted its present name in 2007.

Company Numbers

Company registration number 754577
London Stock Exchange code 0342218

Market Information

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

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at www.jpmorganwealthmanagerplus.co.uk.

Taxation

For capital gains tax purposes, the base cost of the Company's shares at 31st March 1982 was 32 125p. This figure has been adjusted for the subdivision of each 50 pence share into two 25 pence shares on 4th March 1986 and the capitalisation issue on 25th March 1993 whereby shareholders were issued with one extra share for each share they held.

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

aic

The Association of
Investment Companies A member of the AIC

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone 020 7742 4000

Please contact Jonathan Latter for company secretarial and administrative matters.

Custodian

JPMorgan Chase Bank, N.A.
125 London Wall
London EC2Y 5AJ

Registrars

Equiniti Limited
Reference 1079
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone 0871 384 2318

Calls to this number cost 8p per minute from a BT landline. Other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. The overseas helpline number is +44 (0)121 415 7047.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrars quoting reference 1079.

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditor

Ernst & Young LLP
Statutory Auditor
1 More London Place
London SE1 2AF

Brokers

JPMorgan Cazenove
10 Aldermanbury
London EC2V 7RF

Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

J.P Morgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www.jpmlaverhouse.co.uk
