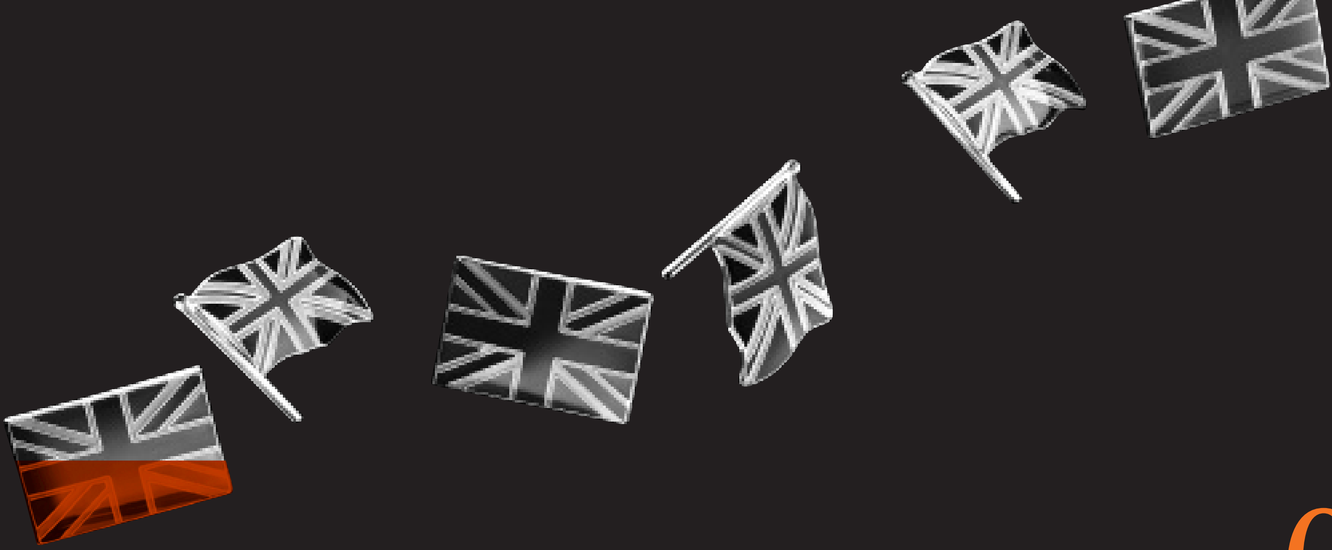


Annual Report 08

JPMorgan Claverhouse Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2008

JPMorgan
Asset Management

Features

Contents

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 assets in other UK listed investment companies (including investment trusts).
- To invest no more than 15% of 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 20.

Benchmark

The FTSE All-Share Index.

Capital Structure

The Company has an authorised share capital of 156,000,000 ordinary shares of 25p each, of which 56,789,153 were in issue at the year end.

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 (capital plus income)

–32.4%
Return to shareholders[1]
(2007: –1.6%)

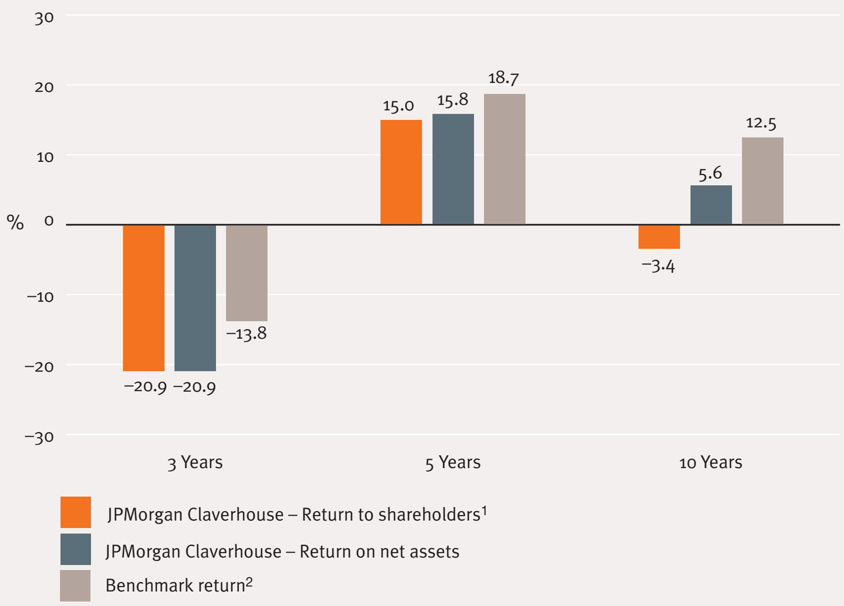
–32.7%
Return on net assets
(2007: –0.2%)

–29.9%
Benchmark return[2]
(2007: +5.3%)

20.0p
Dividend
(including 3.6p special dividend)
(2007: 15.3p)

Long Term Performance

for periods ended 31st December 2008



A glossary of terms and definitions is provided on page 57.

[1]Source: Standard & Poor's – www.funds.morningstar.com
[2]Source: Datastream. The Company's benchmark is the FTSE All-Share Index.

Chairman's Statement

Performance and continuing Appointment of the Manager

2008 was the most difficult year for the UK stock market, and thus for your Company, since 1974. The memory of that earlier year is still with me, coming, as it did, relatively shortly after I began working in the investment world. In my view, 2008 was even more difficult than was 1974 and I am afraid I have to report a second consecutive year of both absolute and relative disappointing performance for your Company.

The total return to shareholders was –32.4%. The total return on net assets was –32.7% as compared with the return of our benchmark, the FTSE All Share Index, of –29.9%. By any standards it was a traumatic year for investors in equities and one which very few commentators, or investment managers, foresaw.

Indeed, however prescient one might have been, it would have been almost impossible to foresee some of the cataclysmic events of 2008 which arose in part from a catastrophic loss of confidence in banks and other financial institutions and in part from errors made by bankers, politicians and policymakers. Confidence is not a commodity that can be bought or sold and since markets were first created the two powerful human emotions of greed and fear have driven them at their extremes. Very clearly in the autumn of 2008 markets were gripped by fear which demanded decisive and visibly competent responses from politicians and policymakers. Unfortunately, in several regards those in charge failed to act successfully to stem the panic at an early stage and when they did act, some of those actions were most unhelpful. With hindsight a particularly unfortunate act was, in my opinion, the decision to allow Lehman Brothers to go bankrupt. Whilst that may have sent a salutary message to those individuals and institutions who had caused such headaches for policymakers, it undoubtedly compounded the problems of the western world's banking system by freezing so many open transactions where Lehman was the counterparty.

Your Board has once again questioned JPMorgan Asset Management (UK) Limited ('JPMAM') as to the effectiveness of the investment strategy which is more fully set out in the Investment Managers' Report. It remains JPMAM's firm belief that the investment process will add value in seven years out of ten and that over time the value of the years of out-performance will outweigh the years of underperformance. That confidence is backed up by JPMAM's back testing of the investment process. As part of the annual process of seeking to have confirmed their continuing appointment as Managers of your Company, JPMAM made a detailed submission reiterating their investment strategy and process and the Board considered this first with JPMAM present and subsequently in a private meeting of Board members. The Board concluded that the continuing appointment of JPMAM was in the interests of shareholders as a whole.

Revenue and Dividends

In 2008 the revenue per share, excluding the impact of the VAT recovery, grew by 22.1%. Normal quarterly dividends have been increased from 15.3p to 16.4p, an increase of 7.2%, once again substantially ahead of the rate of inflation for the 36th successive year. In addition, a special dividend of 3.6p was paid in respect of the proceeds of the VAT recovery.

For several years past the Board has indicated that it expected to continue to increase the total of the normal quarterly dividends ahead of the rate of inflation. However, the prospects in 2009 for company profits are very uncertain and it seems almost inevitable that your Company's earnings per share, arising as they do from dividends paid by companies that are held in the portfolio, will decline materially in 2009. When announcing the fourth quarterly dividend on 5th February the Board stated that it hoped at least to maintain the normal dividend of 16.4p per share for the year ending 31st December 2009, if necessary using part of the Company's revenue reserve to achieve this. The position will be reviewed and updated when we report half-year results in July.

VAT Case

Following the successful outcome in June 2007 of the action brought by this Company and the Association of Investment Companies to declare that VAT should not be charged on management fees for investment trust companies, in December 2008 the Board reached agreement with the Company's Manager on the recovery of past VAT. Previous reports have indicated that the Board would have been disappointed if it had not been possible to recover materially in excess of £2.5 million. I am pleased to report that the total recovery by the Company including interest, was £4,078,000 and this was reflected in the Company's net asset value with effect from 23rd December 2008. As reported above, the proportion of this recovery attributable to the Company's income account has been paid to shareholders as a special dividend.

Gearing

The Company ended the year 9.7% geared. During the year the gearing varied between 7% and 12%. As reported last year, it is the Board's intention to keep gearing within the range of 0-15% under normal market conditions, whilst reserving the right to allow gearing to increase after a serious setback in markets.

Share Repurchases

During the year the Company repurchased a total of 1,549,415 shares for cancellation, at an average discount to net asset value (with debt at par value) of 6.2%. The Board's objective remains to use the share repurchase authority to manage any imbalance between supply and demand for the Company's shares, thereby minimising the volatility of the discount. At the year end the discount with debt valued at par was 5.2% and during the year averaged 6.0%.

Performance Fee

Under the Company's performance fee arrangements the negative balance brought forward from last year has increased by £1.3 million as a result of the underperformance in 2008 and the total balance carried forward now stands at £2.4 million. This will have to be offset entirely in future by out-performance before any performance fee can either be paid or accrued.

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. As I have served as a Director for more than nine years, I am required to seek re-election on an annual basis and a resolution to that effect will be put to the AGM.

The Company's Articles require that each director must retire by rotation at least every three years. Accordingly, Virginia Holmes and Anne McMeehan will seek re-election at this year's AGM. I can attest that both Virginia and Anne are fully committed to, and effective in, their roles and I firmly recommend to shareholders

Chairman's Statement continued

that both should be re-elected. Humphrey van der Klugt was appointed to the Board on 1st September 2008 and thus will seek election at the AGM.

As I reported a year ago, Directors' fees were last increased with effect from 1st January 2006. The time commitment and the responsibility of directors do not reduce and fees paid to non-executive directors have, in consequence, increased materially since 2006. Led by John Scott, the Senior Independent Director, the Board has compared the Directors' remuneration with that paid to directors of other investment trusts, both those managed by JPMAM and elsewhere. It is clear that Claverhouse Directors are at the low end of the scale and a resolution to increase Directors' Fees will be put to the AGM. The new rates proposed, with the previous rates shown in brackets, will be Chairman £27,000 (£24,000), Audit Committee Chairman £22,000 (£18,000) and other Directors £18,000 (£16,000). These amount to increases of between 4% and 7% per annum since the last review in 2006. It is not right to allow fees to fall too far behind those paid elsewhere and I hope that shareholders will feel able to support these proposals.

Perhaps even more so than in 2007, the Chairman of the Audit Committee, Virginia Holmes, and I spent a considerable amount of time in 2008 dealing with the VAT issue, resulting in the successful recovery of £4 million. In our absence the other Directors, led by the Senior Independent Director John Scott, decided that the VAT workload has been significantly beyond what would normally have been expected of a Director and they have awarded Virginia and me an extra payment of £5,000 each in recognition of our work on the VAT recovery. These payments do not require shareholders' approval but we will be happy to answer questions in relation to them at the AGM.

Annual General Meeting

For many years past your Company has alternated its AGMs between London and other cities. We have considered the attendance at our out-of-London venues over the last few years and the cost of such meetings. Attendance in London has consistently been very much higher than elsewhere and the costs to the Company per shareholder attending a London meeting lower.

Consequently the Board has decided that once again this year's AGM will be held at Trinity House, Tower Hill, London EC3N 4DH on Wednesday 8th April 2009 at 12.00 noon. The Investment Managers 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 a buffet lunch, providing shareholders with the opportunity to meet the Directors and the Investment Managers.

My colleagues and I very much look forward to seeing as many shareholders as possible at the AGM. We do not rule out holding some future AGMs outside London but would want to be reasonably assured of a worthwhile attendance. If shareholders have views on the desirability of holding AGMs elsewhere than in London, I would be happy to hear those views either via our Company Secretary or at the AGM on 8th April.

Please submit in writing, or via the Company's website, by clicking on the AGM Calendar 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 who hold their shares through CREST are reminded that they are able to lodge their proxy votes electronically.

The Future

Investors all over the world are very nervous about the valuations of, and prospects for, almost every asset class save for the highest quality defensive assets. That nervousness is driven by a multitude of concerns, the most important of which are the extreme stress of the free world's banking system and the dire outlook for the world's economy for at least 2009 and perhaps beyond. The United Kingdom is in the thick of both of these problems which are compounded by the prospect of a General Election which must be held no later than the summer of 2010.

Whatever the sense of outrage with bankers that politicians, the media and the public may feel, like it or not banking is different to other businesses in that loss of confidence in a country's banking system can damage every part of the 'real' economy. Modern societies could not exist without a functioning banking system and unnecessary risks should not be taken by policymakers motivated by feelings of anger or a desire to punish those responsible for past problems. Although very fragile, a degree of stability has returned to the UK banking system as compared with the traumas of last autumn and it is fervently to be hoped that can be built on and that political opportunism will not dictate future policymaking.

Confidence is at a very low ebb and it is impossible to predict when it will begin to return. The outlook for company profits in 2009 is, in many cases, dismal. Sterling has fallen precipitously against both the US Dollar and the Euro and the authorities have reduced official interest rates nearly to zero. This last aspect in particular marks the time we are living in as unprecedented in modern UK economic history.

So what should investors do? At times like this it seems appropriate to look back to history. No two crises are ever the same but, I venture to suggest, the credit crisis in the US in 1907 and the depression of the 1930s, both of which were accompanied by massive falls in stock markets, would have looked every bit as worrying for investors as the scene looks today.

A recent study has confirmed what other studies have concluded over the years. The clear lesson from history is that investors who hold equities must keep faith with them when times look bleak. The data from the US is more complete than for the UK although, over the long term, the message points to the same conclusion. The trend return for US equities was 6.2% per annum real return over and above the rate of inflation over the period of 1849 to 2008. In the UK the trend was 7.0% per annum real return from 1926 to 2008.

In nominal money terms, unadjusted for inflation, an investor who held an investment in the US S&P Index from 1928 to 2008 would, without any reinvestment of dividends, have seen an investment of $1,000 grow to $53,000. But miss the best 20 months in the market in those 972 months and the investment would only be worth $2,200. Investors in equities cannot risk being out of the market when the market turns up. I do not know when that will be other than to know that stock markets anticipate visible signs of recovery. But personally I am confident it will occur and I remain convinced that equities will once again be generators of wealth for those long-term investors who keep faith with them as an asset class.

I look forward to meeting shareholders at the AGM and discussing the prospects further at that time.

Michael Bunbury
Chairman 3rd March 2009

Investment Managers' Report

James Illsley

Sarah Emly

Market Review

2008 was an extraordinary year for equity investors, with fears about the health of the global economy and the financial system dominating the year. Investor confidence was dented by the turmoil resulting from the US sub-prime housing crisis, with illiquid credit markets, large financial write-downs, poor economic data and bank collapses all weighing on sentiment. Having declined by 11.2% in the first six months of 2008, the FTSE All-Share Index delivered a return of –29.9% over the year, the worst year since 1974.

The year began on a weak note as the UK market, along with other global markets, suffered heavy falls on concerns that the US economy was heading into recession. Bad news from the financial sector continued throughout the first quarter, culminating in the rescue of US investment bank, Bear Stearns, by the US Federal Reserve and JPMorgan Chase in March 2008.

A relief rally followed for equities, as investors hoped the worst was over, taking comfort from the successful recapitalisation of several major US financial institutions. However, economic data showed signs of rapid deterioration at home and abroad. In the UK the housing market was a particular cause for concern, with home prices and mortgage approvals dropping significantly, while weakening confidence surveys suggested the ongoing uncertainty was taking its toll on the consumer. The Royal Bank of Scotland announced the largest rights issue the UK equity market had ever seen (£12 billion), after posting substantial losses and a weakening capital position. However, even this capital raising subsequently proved insufficient.

After a nervous July, during which equity prices fell as oil reached a historic high, and a rally in August as commodity prices eased back, markets took fright in September as the continuing credit crunch led to acute strains in inter-bank lending. During the course of September 2008, this savage bursting of the credit bubble saw some previously august institutions go to the wall or be nationalised. Firstly, the US government bailed out the two giants of the US mortgage sector, Fannie Mae and Freddie Mac, which were taken under government control. On 15th September Lehman Brothers Holdings Inc., the US investment bank, filed for bankruptcy, whilst Bank of America agreed to purchase Merrill Lynch.

The UK's HBOS agreed to be acquired by Lloyds TSB after finding it increasingly difficult to secure funding. Regulators in the UK, the US and Europe also announced temporary bans on the short selling of financial stocks, in response to concerns that price falls had been exacerbated by short selling.

The UK authorities responded to the crisis extensively. The Bank of England cut interest rates five times through the year, taking them down from 5.5% to 2.0% by the year end. Meanwhile, a bailout package for the banking sector was announced, allowing the Government to inject capital into the biggest banks, to guarantee banks' debt instruments and to offer short-term lending support. The Government also cut the rate of VAT in a bid to stimulate consumer spending and announced other fiscal measures to attempt to encourage growth. However, the full consequences of the global financial crisis have still not yet played out, whilst the economic outlook continues to deteriorate.

After heavy losses throughout the autumn, UK equities enjoyed a modest rally in December on hopes that the aggressive policy actions from the Government and the Bank of England would lead to economic recovery in 2009. However, concern grew that banking bailouts and economic stimulus measures would contribute to soaring Government borrowing.

Performance attribution for the year to 31st December 2008

Contributions to Total Return		%
Benchmark total return		–29.9
Asset allocation	–0.2	
Stock selection	0.1	
Gearing/cash	–2.4	
Investment Manager contribution		–2.5
Portfolio total return		–32.4
Management fees/ other expenses	–0.7	
Share repurchases	0.1	
VAT recovery	1.1	
Residual*	–0.8	
Other effects		–0.3
Net asset value total return		–32.7
Decrease in discount	0.3	
Share price total return		–32.4

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

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

* The residual arises principally from timing differences in the treatment of income flows. The Xamin attribution system accounts for income on a received (on the ex-dividend date) basis. Fundamental Data calculates the Company's NAV Total Return using the actual dividends paid by the Company (on the ex-dividend date).

A glossary of terms and definitions is provided on page 57.

Performance Review

In the year to 31st December 2008 the Company delivered a total return on net assets (capital plus dividends re-invested) of –32.7% against the total return of the benchmark FTSE All Share Index of –29.9%. A detailed breakdown of the performance is given in the accompanying table. Through the second half of 2007 and into 2008 the Company's gearing was reduced. The short term loan from Lloyds TSB was repaid by the end of the first half of 2008 and substantial amounts of cash were held against the long term debenture. Despite these measures, the sharp falls in equity markets meant that the remaining gearing, although modest, was the major cause of relative underperformance of the Company, costing –2.4% for 2008 as a whole. In contrast to the previous year, the underlying performance of the equity portfolio was broadly in line with the market over the year; the first six months delivered outperformance of the falling market, but the second half was more challenging during the extraordinary market conditions that prevailed.

Over the past twelve months the UK stock market has experienced unprecedented market conditions, particularly during the second half of the year, with a global banking and credit crisis on a scale not seen for over a generation. During the first half of 2008 the Company's investment philosophy of being overweight in both value and growth/momentum styles added value. During this period the portfolio outperformed the declining market, as the Company's momentum stocks performed strongly, whilst the value part of the portfolio did not detract materially from performance. Equity market volatility increased substantially during the second half of 2008, as the global financial crisis deepened and the economic outlook deteriorated sharply. The ongoing fears of further financial collapses, particularly within the banking sector, led to investors reducing their exposure to risk and equities by either deleveraging existing positions or selling their most liquid assets irrespective of their fundamental attractions. Consequently, share price movements were frequently random in nature, ignoring fundamentals and valuations.

At a stock level the most significant contributor to performance over the twelve month period was the overweight position in the major pharmaceutical stock, AstraZeneca, which was held due to its attractive valuation and strong earnings delivery. These characteristics, alongside its relatively defensive nature and favourable US dollar exposure, generated strong out-performance of the wider market, particularly during the second half of the year. The overweight position in GlaxoSmithKline, the other major pharmaceutical stock, also contributed strongly to performance, for similar reasons. The holdings in two other defensive stocks, Unilever and British American Tobacco, both held for their favourable momentum characteristics, also delivered strong out-performance. The Company benefited from its holdings in the two electricity stocks, British Energy and Drax, with British Energy's strong performance being driven both by fundamentals and as a result of bid activity from EdF of France.

By contrast, the largest detractors from performance included the holdings in the two mining stocks, Kazakhmys and Rio Tinto. Although these two stocks performed well during the first six months of the year, their sharp underperformance during the second half, as the global economic outlook deteriorated, more than offset the earlier gains and resulted in negative contributions for the year as a whole. Those two miners, alongside a number of others, have experienced downgrades to their growth prospects, but are now trading at exceptionally low valuations. Although the portfolio remained underweight in the banking sector throughout 2008, financial concerns impacted related sectors during the second half and the other significant

Investment Managers' Report continued

detractors from performance included Old Mutual, the life assurer, and 3i Group and Tullett Prebon, within the general financials sector. For the year as a whole, the returns to our targeted style tilts were mixed: momentum was a positive contributor to performance, whilst the returns to value were significantly negative.

Once again, the Company's holdings in the JPMorgan UK Smaller Companies Fund and the JPMorgan Smaller Companies Investment Trust continued to outperform the small cap index.

Portfolio Review

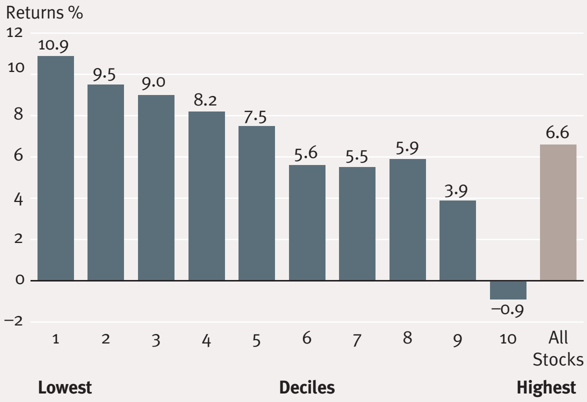
The investment philosophy used in running the portfolio remains constant:

On average, fast growing, cheap companies with good newsflow will outperform slow growing expensive stocks with bad newsflow.

This philosophy is based on sound behavioural finance theories and is supported by stock market data going back many decades. In the UK the returns to value and growth strategies are shown below, demonstrating that both are capable of delivering significant out-performance over the long term.

UK Value strategy

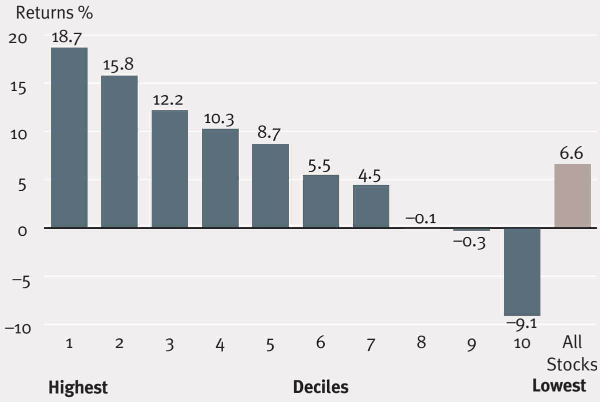
Compound return by price earnings ratio



Source: JPMAM – Returns since January 1990, to 31st December 2007

UK Growth strategy

Compound return by relative price



Source: JPMAM – Returns since January 1990, to 31st December 2007

In the value strategy, investing in the cheapest ten per cent of companies (decile 1 in the left hand chart) has delivered an average return of 10.9% per year since 1990, compared to the market return of 6.6%. In the growth strategy (the right hand chart), investing in those stocks with the strongest share price momentum has delivered an average return of 18.7%, again compared to the market's annual return of 6.6%. To exploit these long term, outperforming strategies the Company is invested in both value and growth/momentum stocks to deliver long term out-performance of the benchmark. Whilst the returns to value stocks have been poor for the last two years, history would indicate that value, as an investment style, will recover.

With the economic environment becoming progressively more difficult as the year developed, a major challenge was to identify areas that offered positive earnings newsflow. The pharmaceutical sector was one such area. During the first half of the year we made substantial purchases of both of the UK's major pharmaceutical companies, GlaxoSmithKline and AstraZeneca. Both stocks had performed particularly poorly in 2007 and had moved to attractive valuations but also offered a source of earnings stability which was further enhanced later in the year as the weakness of sterling boosted the translation of their substantial overseas earnings. Electricity companies also have the potential for stable earnings given their utility nature. The holding in British Energy was increased, as its nuclear generating assets were not affected by the increases in gas and coal input prices that affected other generating companies. As reported in the performance review section, these attractions were identified by the French utility EdF, which bid for the company. Other sectors that we continue to favour include the non-life insurance companies that are now able to raise their premiums following the demise of the major US insurance company AIG and as a result are now seeing considerable earnings growth. For the longer term there is still the requirement for oil companies to explore for new sources of oil and bring those discoveries into production. The oil equipment and services companies have been out of favour in the short term, but we continue to hold companies such as Wellstream, Petrofac and Amec to benefit from this longer term earnings growth.

Whilst ensuring that the portfolio has a consistent exposure to lowly rated companies, we have been vigilant to avoid sectors and stocks most likely to suffer earnings disappointments. The real estate sector is particularly affected by the economic slow-down as tenants in the office, retail and industrial sectors reduce their space requirements, impacting property companies through reduced rents and falling property values. Following the reductions made in 2007, the holdings in the real estate sector have been further reduced with the sale of British Land and Hammerson. The banking sector has been the focus of much attention by government, regulators and the media throughout the year. The portfolio was underweight in banks during 2008 and whilst we continue with this underweight position at the start of 2009, it is clear that the banks have raised substantial amounts of additional capital. The Government is determined to create the conditions for a properly functioning banking system and share price falls have pushed valuations to substantial discounts to book value, thereby already pricing in further bad news. It will be a sector that continues to need close monitoring.

As well as the banking sector, many other financial and economically sensitive stocks and sectors have suffered dramatic falls in value over the course of the last eighteen months as the impact of a significant recession has been factored into share prices. Valuations in many instances have fallen to below companies' assets, with stocks trading at very low multiples to sales and earnings. For some stocks this is an indicator of financial stress and we will undoubtedly see companies coming to the stock market to raise equity finance to replace expensive or hard-to-find bank debt. However, for many companies current valuations are looking increasingly attractive and we will look for opportunities to invest into these situations as the year develops.

Market outlook

2009 began much as 2008 ended, with economic gloom and ongoing concern about the fate of the banks. The UK economy was confirmed to be in recession with the announcement in the fourth quarter of 2008 that GDP contracted 1.5% quarter-on-quarter. The Bank of England has cut interest rates by a further 1%, taking them to 1%, their lowest level for over three hundred years, while the Government announced further assistance for the banks.

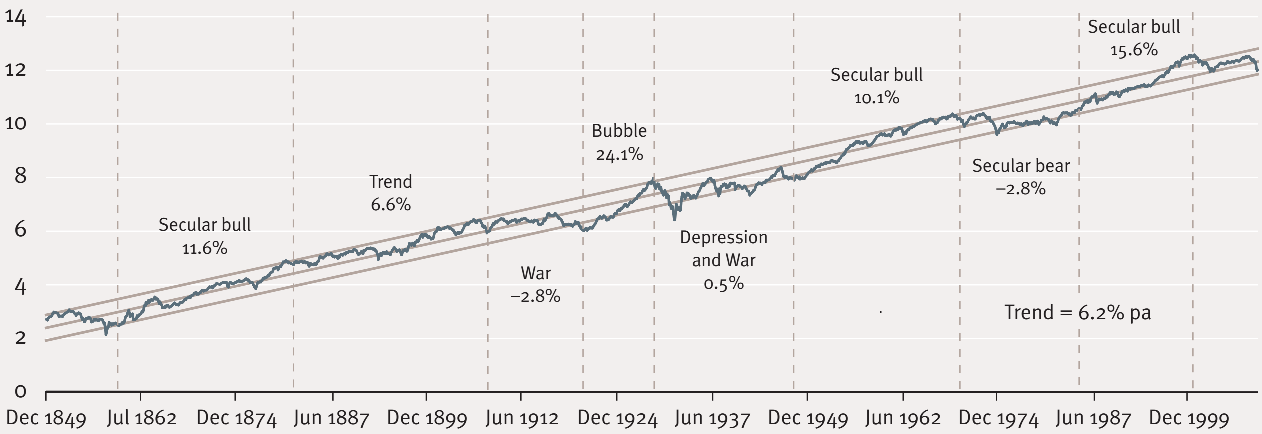
The concern is that the Bank of England will start to run out of ammunition as interest rates head towards zero, while the scope for fiscal stimulus may be limited by the mounting Government debt. Consequently, the UK is expected to

Investment Managers' Report continued

suffer a severe economic contraction. Business surveys in December 2008 all painted a dismal picture, with manufacturing, construction and services sentiment all at or near record lows. Meanwhile, house prices continue to drop and show few signs of being close to the bottom.

From a long term perspective it is possible to see that the recent weakness in equity markets has taken markets below their long term growth trend of 6.2% real returns per annum. If one hundred and fifty years of history is any guide, we should expect equity markets to recover in the coming years.

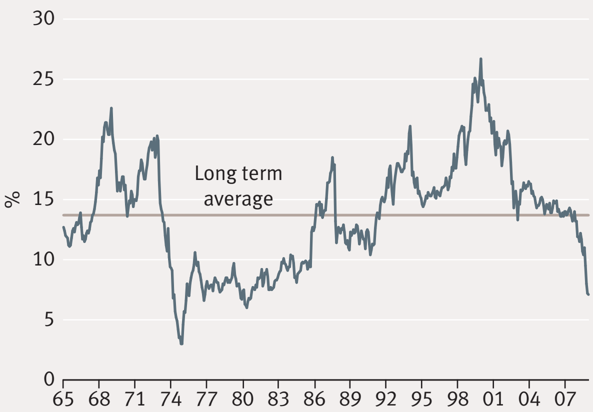
Long run US real equity returns



Source: Credit Suisse, Bloomberg, Datastream. All compound returns are expressed as % per annum and are in real terms. 31 December 2008.

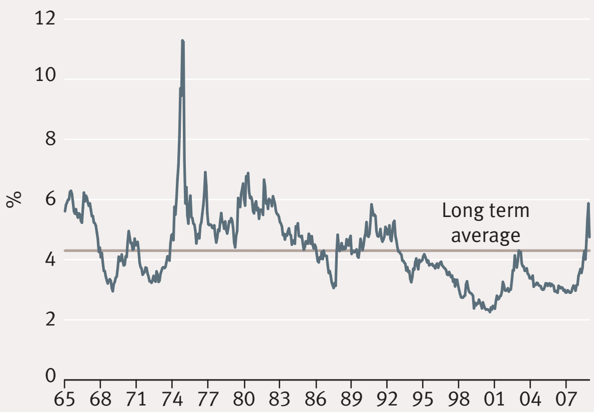
On a more short term basis, the UK stock market is also supported by an attractive valuation against historic norms. In previous annual reports we have shown market valuations in a number of ways and in the charts below we show the valuation of the market on a price relative to earnings basis (P/E) and also in dividend yield terms.

Long term PE of UK market



Source: Datastream. As at 31st December 2008

Long term dividend yield of UK market



Source: Datastream. As at 31st December 2008

Market earnings and dividends will clearly come under pressure as the impact of the recession is reflected in company profits; however, as is the case for many individual stocks, it is clear that the market overall is already discounting a significant deterioration in earnings and investor sentiment is at very depressed levels.

It is to be expected that as investors feel able to 'look through' the recession and see companies emerging on the other side, so sentiment and share prices will recover. The timing of this recovery is impossible to pinpoint but, as has been the case in every previous recession and crisis over the last one hundred and fifty years, eventually economies do recover and stock markets will increase in value once more.

James Illsley
Sarah Emly
Investment Managers

3rd March 2009

Summary of Results

	2008	2007	
Total Returns for the year ended 31st December			
Return to shareholders[1]	–32.4%	–1.6%	
Return on net assets	–32.7%	–0.2%	
Benchmark return[2]	–29.9%	+5.3%	
Net Asset Value, Share Price and Discount at 31st December			% change
Shareholders' funds (£'000)	211,087	327,912	–35.6
Net asset value per share with debt at par value	371.7p	562.1p	–33.9
Net asset value per share with debt at fair value[3]	360.4p	555.0p	–35.1
Share price	340.0p	521.5p	–34.8
Discount of share price to net asset value with debt at par value[4]	5.2%	6.3%	
Shares in issue	56,789,153	58,338,568	
Revenue for the year ended 31st December			
Gross revenue return (£'000)	14,107	12,220	+15.4
Net revenue available to shareholders (£'000)[5]	13,426	9,714	+38.2
Revenue per share	23.4p	16.3p	+43.6
Dividend per share[6]	20.0p	15.3p	+30.7
Actual Gearing Factor as at 31st December[7]	109.7%	107.7%	
Total Expense Ratio (TER)[8]	0.75%	0.79%	

A glossary of terms and definitions is provided on page 57.

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

[2]Source: Datastream. The Company's benchmark is the FTSE All-Share Index.

[3]The fair value of the £30m (2007: £30m) debenture issued by the Company has been calculated with reference to a similar dated gilt plus a margin. All other debt is deemed to be at fair value.

[4]Source: Bloomberg. The discount is calculated using the net asset value as at 31st December 2008, excluding current year income.

[5]Net revenue available for shareholders for the year ended 31st December 2008 includes £2,011,000 in respect of VAT recovered on management fees allocated to revenue plus the associated interest. Further details are given in note 5 on page 39.

[6]Includes a special dividend payable of 3.6p (2007: nil) per share.

[7]Actual gearing represents investments, excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds.

[8]Management fees and all other operating expenses, excluding interest and performance fee payments, expressed as a percentage of the average of the opening and closing net assets.

Performance

JPMorgan Claverhouse – Share price

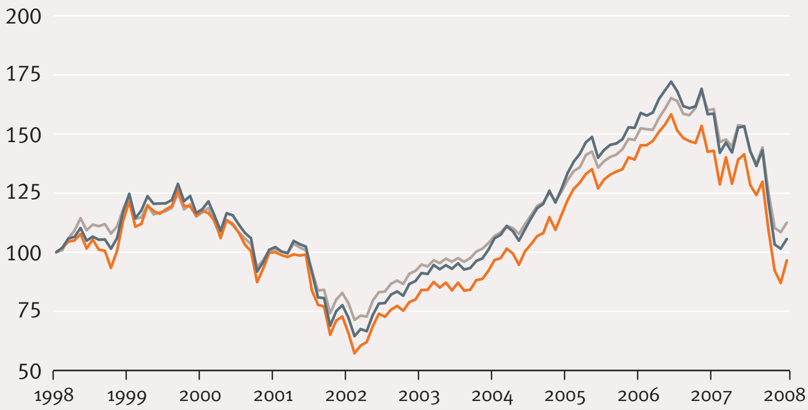
JPMorgan Claverhouse – Net asset value (with debt at par value)

Benchmark

Source: Standard & Poor's – www.funds.morningstar.com/ Fundamental Data – www.funddata.com/ Datastream. (Total return)

Ten Year Performance

Figures have been rebased to 100 as at 31st December 1998



JPMorgan Claverhouse – Share price

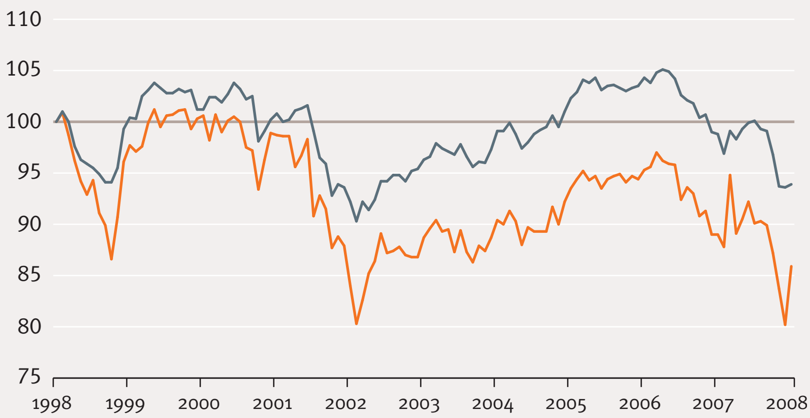
JPMorgan Claverhouse – Net asset value (with debt at par value)

The benchmark index is represented by the grey horizontal line

Source: Standard & Poor's – www.funds.morningstar.com/ Fundamental Data – www.funddata.com/ Datastream. (Total return)

Relative to Benchmark

Figures have been rebased to 100 as at 31st December 1998



Ten Year Financial Record

As at 31st December	1998	1999	2000	2001	2002	2003	2004[1]	2005	2006	2007	2008
Total assets less current liabilities (£'000)	299,126	367,905	411,421	410,691	302,398	316,198	302,024	350,200	384,505	357,562	240,764
Net asset value per share (p)[2]	435.2	533.5	498.6	422.7	291.4	355.8	403.8	495.9	577.6	562.1	371.7
Share price (p)	454.4	542.5	518.0	432.5	277.5	342.0	381.8	469.0	544.5	521.5	340.0
Premium/(discount) (%)[2]	4.4	1.7	3.9	2.3	(4.8)	(3.9)	(5.4)	(5.4)	(6.3)	(6.3)	(5.2)
Actual gearing factor (%)	112.9	110.4	115.9	119.9	122.8	117.4	112.8	113.4	112.2	107.7	109.7
Total expense ratio (TER) (%)[3]	0.86	0.80	0.88	0.99	1.01	0.92	0.90	0.84	0.75	0.79	0.75
Year ended 31st December											
Revenue attributable to shareholders (£'000)	4,031	4,990	5,934	8,070	8,938	8,721	7,653	8,359	9,256	9,714	13,426
Revenue per share (p)	6.66	7.96	8.75	9.83	10.73	11.25	10.59	12.76	14.84	16.28	23.38
Dividend per share (p)	7.00	7.30	7.80	8.50	9.65	10.20	10.65	11.50	13.50	15.30	16.40
Special dividend (p)	—	—	—	—	—	—	—	—	—	—	3.60
Rebased to 100 at 31st December 1998											
Share price – total return[4]	100.0	121.4	117.6	100.0	65.8	84.0	96.7	122.1	145.2	142.9	96.6
Net asset value per share – total return[5]	100.0	124.7	118.2	102.2	72.3	91.2	105.9	133.5	158.9	156.9	105.6
FTSE All-Share Index – total return[6]	100.0	124.2	116.8	101.3	78.4	94.8	106.9	130.5	152.4	160.5	112.5
Retail Price Index[6]	100.0	101.8	104.7	105.5	108.6	111.6	115.5	118.1	123.3	128.3	131.4

A glossary of terms and definitions is provided on page 57.

[1]The 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.

[2]With debt at par value. From 2006 onwards premium/(discount) figures have been sourced from Bloomberg and are calculated using the net asset value as at the year end excluding current year income. Prior year figures have not been restated.

[3]Management fees and all other operating expenses excluding interest and performance fee payments, expressed as a percentage of the average of the opening and closing net assets.

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

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

[6]Source: Datastream.

Ten Largest Equity Investments[1]

Company	Sector	As at 31st December 2008 Valuation £'000	As at 31st December 2008 Valuation %[2]	As at 31st December 2007 Valuation £'000	As at 31st December 2007 Valuation %[2]
Royal Dutch Shell A major global oil company involved in the exploration, production and refining of petroleum. The group produces fuels, chemicals and lubricants and has gasoline filling stations worldwide.	Oil & Gas Producers	24,820	10.3	32,801	9.0
BP A major oil and petrochemicals company, operating in all aspects of the oil, natural gas and petrochemical businesses worldwide.	Oil & Gas Producers	20,067	8.3	23,090	6.4
HSBC The group provides a comprehensive range of banking and related financial services throughout the world.	Banks	14,089	5.9	13,153	3.6
GlaxoSmithKline A global pharmaceutical company.	Pharmaceuticals & Biotechnology	13,858	5.8	10,039	2.8
AstraZeneca[3] The group researches, manufactures and sells pharmaceutical and medical products.	Pharmaceuticals & Biotechnology	12,209	5.1	1,832	0.5
Vodafone Vodafone group is the world's leading mobile telecommunications company, with a significant presence in Europe, the Middle East, Africa, Asia Pacific and the United States.	Mobile Telecommunications	11,267	4.7	15,845	4.3
British American Tobacco[3] The holding company for a group of companies that manufacture, market and sell cigarettes and other tobacco products, including cigars and roll-your-own tobacco.	Tobacco	9,617	4.0	7,555	2.1
Unilever[3] Manufactures branded and packaged consumer goods, including food, detergents, fragrances, home and personal care products.	Food Producers	8,410	3.5	9,016	2.5
BHP Billiton 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	7,847	3.2	9,605	2.6
Centrica[3] An integrated energy company offering a wide range of home and business energy solutions. The Company sources, generates, processes, stores, trades, saves and supplies energy and provides a range of related services.	Gas, Water & Multiutilities	5,241	2.1	3,259	0.9
Total[4]		127,425	52.9		

[1]Does not include the Company's investment in the JPMorgan Sterling Liquidity Fund.

[2]Based on total assets less current liabilities of £240.8m (2007: £363.6m). The £6.0m drawn down as at 31st December 2007 from the Company's £25.0m revolving credit facility has been treated as a long term liability for the purpose of this analysis.

[3]Not Included in the ten largest investments as at 31st December 2007.

[4]As at 31st December 2007, the value of the ten largest investments amounted to £149.2m representing 41.0% of total assets less current liabilities.

Sector Analysis

	31st December 2008 Portfolio %	31st December 2008 Benchmark %	31st December 2007 Portfolio %	31st December 2007 Benchmark %
Resources	28.8	27.6	30.2	27.7
Financials	20.3	20.0	26.9	25.4
Non Cyclical Services	18.3	10.7	12.9	10.0
Non Cyclical Consumer Goods	9.2	19.8	8.6	14.4
Utilities	6.2	5.2	1.6	4.4
General Industrials	4.7	3.9	6.7	4.1
Cyclical Services	4.6	9.2	5.6	10.3
Basic Industrials	2.6	0.5	1.9	0.7
Cyclical Consumer Goods	0.6	2.1	2.6	2.1
Convertibles	0.5	—	—	—
Information Technology	0.4	1.0	0.2	0.9
Net Current Assets[1]	3.8	—	2.8	—

Based on total assets less current liabilities of £240.8m (2007: £363.6m). The £6.0m drawn down on the Company's £25.0m revolving credit facility as at 31st December 2007 has been treated as a long term liability for the purpose of this analysis.

[1]Includes the Company's investment in the JPMorgan Sterling Liquidity Fund.

List of Investments

at 31st December 2008

Company	Valuation £'000
Resources	
Oil & Gas Producers	
Royal Dutch Shell	24,820
BP	20,067
BG	5,194
JKX Oil & Gas	291
Oil Equipment, Services & Distribution	
Petrofac	1,572
Wellstream	647
Mining	
BHP Billiton	7,847
Anglo American	3,920
Rio Tinto	3,808
Kazakhmys	663
Antofagasta	598
Total Resources	**69,427**
Financials	
Banks	
HSBC	14,089
Barclays	2,012
Royal Bank of Scotland	1,409
Standard Chartered	1,262
Lloyds TSB	1,171
HBOS	700
Non-Life Insurance	
Amlin	2,646
Hiscox	2,045
Catlin	1,332
Royal & Sun Alliance Insurance	751
Life Insurance	
Legal & General	4,208
Prudential	1,550
Aviva	1,171
Real Estate	
Big Yellow	494
Savills	442
General Financial	
Provident Financial	2,079
Man Group	1,429
3i Group	710
Intermediate Capital	691
Tullett Prebon	539
Investec	536
3i Infrastructure	457
International Personal Finance	329

Company	Valuation £'000
Equity Investment Instruments	
JPMorgan UK Smaller Companies Fund	3,648
JPMorgan Smaller Companies Investment Trust	3,235
Total Financials	**48,935**
Non Cyclical Services	
Food & Drug Retailers	
W Morrison	2,073
Tesco	888
Fixed Line Telecommunications	
BT	2,993
Cable & Wireless	812
Mobile Telecommunications	
Vodafone	11,267
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	13,858
AstraZeneca	12,209
Total Non Cyclical Services	**44,100**
Non Cyclical Consumer Goods	
Automobiles & Parts	
GKN	109
Beverages	
Diageo	2,740
Food Producers	
Unilever	8,410
Tate & Lyle	883
Northern Foods	409
Tobacco	
British American Tobacco	9,617
Total Non Cyclical Consumer Goods	**22,168**
Utilities	
Electricity	
Drax	3,678
British Energy	3,208
Scottish & Southern Energy	1,684
Gas, Water & Multiutilities	
Centrica	5,241
United Utilities	1,020
Total Utilities	**14,831**

List of Investments continued

Company	Valuation £'000
General Industrials	
Aerospace & Defence	
Cobham	2,016
BAE Systems	1,285
QinetiQ	687
Chemring	568
Industrial Engineering	
Charter	935
Weir	644
IMI	585
Support Services	
Amec	1,671
De La Rue	1,431
WSP	446
RPS	307
eaga	263
Travis Perkins	248
Filtrona	206
Total General Industrials	**11,292**
Cyclical Services	
Travel & Leisure	
Ladbrokes	1,761
Compass	1,104
Carnival	661
888 Holdings	392
Media	
United Business Media	2,074
Yell	490
ITE	379
General Retailers	
WH Smith	1,126
HMV	988
Game	756
Next	576
Halfords	505
N Brown	245
Total Cyclical Services	**11,057**

Company	Valuation £'000
Basic Industrials	
Construction & Materials	
Keller	1,205
Balfour Beatty	456
General Industrials	
Smiths	1,925
Cookson	265
Electronics & Electrical Equipment	
Spectris	954
Chloride	782
PV Crystalox Solar	349
Morgan Crucible	235
Total Basic Industrials	**6,171**
Cyclical Consumer Goods	
Household Goods	
Reckitt Benckiser	1,026
Bellway	357
Total Cyclical Consumer Goods	**1,383**
Information Technology	
Software & Computer Services	
Aveva	639
Micro Focus International	435
Total Information Technology	**1,074**
Convertibles	
Barclays Bank 9.75% Convertible 2009	1,161
Total Convertibles	**1,161**
Liquidity Funds	
JPMorgan Sterling Liquidity Fund	8,924
Total Liquidity Funds	**8,924**
Total Portfolio	**240,523**

The portfolio consists entirely of equity shares, equity investment instruments and liquidity funds.

Board of Directors

Sir Michael Bunbury Bt., KCVO, DL‡†
(Chairman of the Board and Nomination Committee)
Appointed a Director in December 1996 and Chairman in April 2005.

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

John Scott*‡†
Appointed a Director in October 2004 and Senior Independent Director in January 2006.

Chairman 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, Scottish Mortgage Investment Trust PLC, Xaar plc and Miller Insurance Services Limited. Formerly an executive Director of Lazard Brothers & Co., Limited.

Virginia Holmes*‡†
(Chairman of the Audit Committee)
Appointed a Director in March 2004 and Chairman of the Audit Committee on 1st July 2005.

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

Anne McMeehan*‡†
Appointed a Director in January 2006.

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.

Humphrey van der Klugt*‡†
Appointed a Director in September 2008.

A director of Murray Income Trust PLC, BlackRock Commodities Income Investment Trust plc and Fidelity European Values 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.

** Member of the Audit Committee*
‡ Member of the Nomination Committee
† Considered independent by the Board

Directors' Report

The Directors present their report for the year ended 31st December 2008.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31st December 2007. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 31st December 2007 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

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

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 5 and in the Investment Managers' Report on pages 6 to 11.

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 will normally range between 60 to 100.

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 or FTSE 250 indices and normally between +/–1% in the FTSE Small Cap index. 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. 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.

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.
- All 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 2008, the Company produced a total return to shareholders of –32.4% and a total return on net assets of –32.7% . This compares with the return on the Company's benchmark index of –29.9%. As at 31st December 2008, the value of the Company's investment portfolio was £240,523,000. The Investment Managers' Report on pages 6 to 11 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 £99,783,000 (2007: return of £2,980,000) and net return after deducting the management fee, other administrative expenses, finance costs and taxation amounted to a loss of £100,701,000 (2007: £607,000 loss). Distributable income for the year totalled £13,426,000 (2007: £9,714,000). The Directors declared a fourth quarterly interim dividend of 5.9 pence per share and a special dividend of 3.6 pence per share which were paid on 2nd March 2009 to shareholders on the register at the close of business on 13th February 2009. These, when added to the three quarterly interim dividends paid during 2008, made a total dividend for the year of 20.0 pence (2007: 15.30 pence), costing £11,400,000 (2007: £9,031,000). Following payment of the fourth quarterly interim and special dividends, the revenue reserve amounts to £12,888,000.

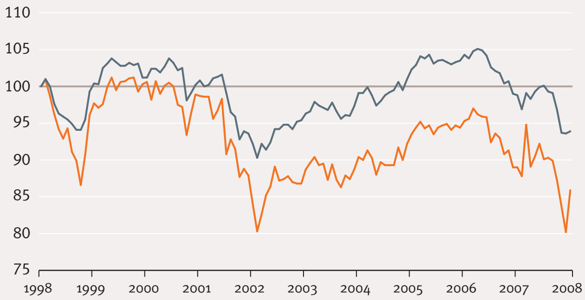
Key Performance Indicators ('KPIs')

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

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

Performance Relative to Benchmark Index

Figures have been rebased to 100 as at 31st December 1998

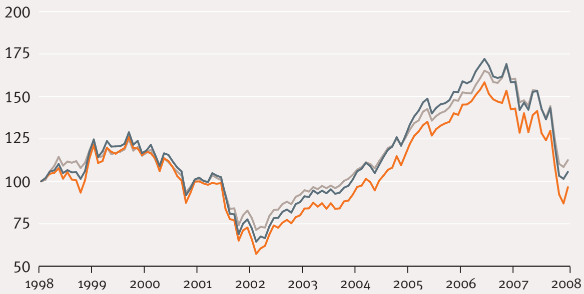


JPMorgan Claverhouse – Share price
JPMorgan Claverhouse – Net asset value (with debt at par value)
The benchmark index is represented by the grey horizontal line

Source: Standard & Poor's – www.funds.morningstar.com/Fundamental – www.funddata.com./Datastream. (Total Return).

Ten Year Performance

Figures have been rebased to 100 as at 31st December 1998



JPMorgan Claverhouse Share price
JPMorgan Claverhouse – Net asset value (with debt at par value)
Benchmark

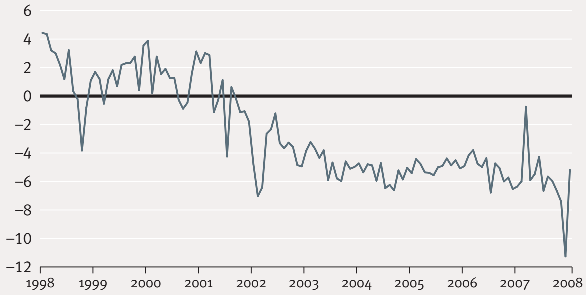
Source: Standard & Poors – www.funds.morningstar.com/Fundamental Data – www.funddata.com./Datastream. (Total Return).

- **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 2008 are given in the Investment Managers' Report on page 7.

- **Discount to net asset value ('NAV')**
  The Board has for several years operated a share repurchase programme that seeks to address imbalances in supply and demand of the Company's shares within the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade. In the year to 31st December 2008, the discount (with debt at par value) ranged between 0.7% and 11.26%.

Premium/(Discount)



JPMorgan Claverhouse – Premium/(Discount) (with debt at par value)
Source: Datastream (month end data)

- **Total expense ratio ('TER')**
  The TER is an expression of the Company's management fees and all other operating expenses, excluding interest and performance fee payments, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 31st December 2008 was 0.75% (2007: 0.79%). 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 and issue new shares for cash.

During the year, the Company repurchased a total of 1,549,415 ordinary shares for cancellation, for a total consideration of £7,099,000. Since the end of the financial year the Company has repurchased a further 23,500 ordinary shares for cancellation at a total cost of £82,000.

A resolution to renew the authority to repurchase shares will be put to shareholders at the forthcoming Annual General Meeting.

Directors' Report continued

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

The Company does not currently hold any shares in Treasury and does not have authority to reissue shares from Treasury at a discount to NAV.

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 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 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Acts and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Acts and the UKLA Listing Rules.
- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 26 to 29.
- 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 Internal Control section of the Corporate Governance report on page 28.
- Financial: The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 23 on pages 47 to 50.

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 9 to 11.

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 has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Manager, noting performance against the benchmark over the long term and the support that the Company receives from JPMAM. Further details are given in the Chairman's Statement on page 2.

Management and Performance Fees

The management fee is charged at the rate of 0.55% of the value of the Company's market capitalisation. The fee is calculated and paid monthly in arrears. Investments on which JPMAM earns a management fee are excluded from the calculation and therefore attract no fee. 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 calculated at 15% of the difference between the movement of the Company's total return compared to the total return of the Company's benchmark, the FTSE All-Share Index, plus a hurdle rate of 0.5%. 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 2008 generated a negative performance fee for the year of £1,256,000. The cumulative performance fee is negative £2,436,000. No fee is payable in the current year. This negative balance will be carried forward and offset by future out-performance. The negative brought forward figure has been adjusted to take account of the recovery of VAT for prior years. The adjustment has been reviewed by the Auditors.

Going Concern

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

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st December 2008, the Company had no outstanding trade creditors (2007: none).

Directors

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

Directors	31st December 2008	1st January 2008 or date of appointment if later
Michael Bunbury	9,250[1]	9,250[1]
Virginia Holmes	4,575	4,575
Anne McMeehan	3,716	2,330
John Scott	10,148	10,148
Humphrey van der Klugt	5,000	—

[1]Michael Bunbury also has a non-beneficial interest in 14,500 (2007: 14,500) of the Company's shares.

The following Director has acquired shares in the Company since the year end:

Director	Number of shares acquired
Anne McMeehan	309

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

Peter Lilley retired from the Board on the 10th April 2008. Humphrey van der Klugt was appointed to the Board on 1st September 2008.

In accordance with the Company's Articles of Association the Directors retiring by rotation at the forthcoming Annual General Meeting will be Sir Michael Bunbury, Virginia Holmes and Anne McMeehan. Having served as a Director for more than nine years, Sir Michael Bunbury stands for annual re-election. Being eligible, all three Directors offer themselves for re-election by shareholders. Having been appointed since the last AGM, Humphrey van der Klugt will seek election at the AGM.

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.

Directors' Report continued

Disclosure of information to Auditors

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

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

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 234 ZA of the Companies Act 1985.

Section 992 Companies Act 2006

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

Capital Structure

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

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in Note 11 to the Notice of AGM on page 56.

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
Chase Nominees Limited[1,2]	25,960,540	45.7
JPMorgan Chase & Co.[2]	3,630,141	6.4
Included within this is the following:		
JPMorgan Elect plc	3,630,141	6.4
Legal & General	2,533,483	4.5

[1]Held on behalf of JPMAM ISA and Share Plan participants.
[2]Non-beneficial.

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 advisor authorised under the Financial Services and Markets Act 2000.

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

(i) Authority to increase Directors' fees (Resolution 8)

Your Directors recommend that shareholders approve increases in the Chairman's fee from £24,000 to £27,000 per annum, the Chairman of the Audit Committee's fee from £18,000 to £22,000 per annum and the fees of the other Directors from £16,000 to £18,000 per annum. Director's fees were last increased with effect from 1st January 2006. More details are given in the Chairman's statement.

(ii) Authority to Repurchase the Company's Shares (Resolution 9)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2008 AGM, will expire on 9th October 2009 unless renewed at the forthcoming AGM. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder approval at the AGM to renew this authority, which will last until 7th October 2010 or until the whole of the 14.99 per cent has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on page 54. 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.

(iii) Authority to issue new shares for cash and disapply pre-emption rights (Resolutions 10 and 11)

The Directors will seek renewal of the authority at the AGM to issue up to 2,838,282 new ordinary shares for cash up to an aggregate nominal amount of £709,571, such amount being equivalent to approximately 5% of the present issued share capital. The full text of the resolutions is set out in the Notice of Meeting on pages 54 and 55.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMAM savings products and also to other investors when the

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

Recommendation

The Board considers that resolutions 8 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 32,998 shares representing approximately 0.06% of the existing issued ordinary share capital of the Company.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
3rd March 2009

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 31, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the Combined Code, 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 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 page 19.

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 elected 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 Combined Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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.

The Board recommends the re-election of Sir Michael Bunbury, Virginia Holmes and Anne McMeehan who retire by rotation at this year's AGM and the election of Humphrey van der Klugt who was appointed a Director on 1st September 2008. In accordance with the Company's Articles of Association, Sir Michael Bunbury stands for re-election annually, having served as a Director for more than nine years.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on page 19. 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 seven Board meetings, including a private meeting of the Directors to evaluate the Manager, and a separate meeting devoted to strategy, three 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	7	n/a	1
Virginia Holmes	7	3	1
The Rt. Hon. Peter Lilley MP[1]	3	1	1
Anne McMeehan	7	3	1
John Scott	7	3	1
Humphrey van der Klugt[2]	1	—	—

[1]Retired from the Board on 10th April 2008.
[2]Appointed to the Board on 1st September 2008.

Training and Appraisal

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

The Board conducts a formal evaluation of the Manager, its own performance and of that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman who also meets with each Director. The Senior Independent Director leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination Committee

The Nomination Committee, chaired by 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. External search consultants were used in connection with the appointment of Humphrey Van der Klugt.

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

Audit Committee

The Audit Committee, chaired by Virginia Holmes and whose membership is set out on page 19, 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 Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the 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. Notwithstanding the payment of fees for non-audit work carried out during the year under review, 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 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.

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

Corporate Governance continued

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 52.

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 52.

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

Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM. The key elements designed to provide effective internal control are as follows:

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

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

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

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

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

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

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st December 2008 and to the date of approval of this Annual Report and Accounts.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which

has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows:
go to www.jpmorganassetmanagement.co.uk/institutional and within the "Commentary & Analysis" tab there is a section on Corporate Governance.

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

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

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

Corporate Social Responsibility

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

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

Directors' Remuneration Report

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

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 32.

Directors' Remuneration[1]

Director's Name	2008 £	2007 £
Sir Michael Bunbury (Chairman)	29,000[2]	24,000
Virginia Holmes	23,000[2]	18,000
Rt. Hon. Peter Lilley MP[3]	4,492	16,000
Anne McMeehan	16,000	16,000
John Scott	16,000	16,000
Humphrey Van Der Klugt[4]	5,333	—
Total	93,825	90,000

[1]Audited information.
[2]Includes additional £5,000 paid in recognition of work on the VAT case in 2007.
[3]Retired 10th April 2008.
[4]Appointed 1st September 2008.

The Directors' fees were last increased with effect from 1st January 2006. A resolution to increase the Directors' fees is included in the notice of the forthcoming AGM. In addition, a committee of the Board, led by the Senior Independent Director, has decided that Sir Michael Bunbury and Virginia Holmes will each be paid an additional fee of £5,000 in recognition of their work on the VAT case in 2008.

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.

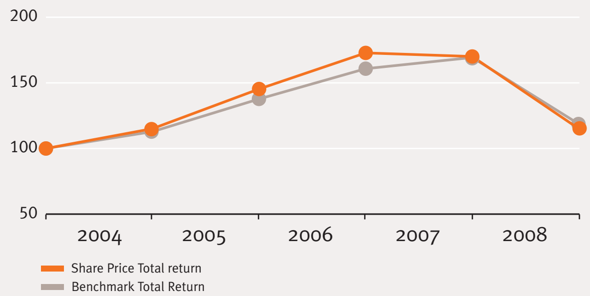
As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, 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. Any increase in fees 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 26.

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 to 31st December 2008



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

The Company's benchmark is the FTSE All-Share Index. Comparison of the Company's performance is made with this benchmark. The benchmark should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not track this benchmark and therefore there may be a degree of divergence between its performance and that of the Company.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
3rd March 2009

Directors' Responsibilities in Respect of the Accounts

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

Company law requires the Directors to prepare accounts 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company as at the end of the year and of the total return for the year. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors confirm that they comply with these requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Acts. 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.jpmclaverhouse.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.

Statement under the Disclosure & Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

b) this Annual 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
3rd March 2009

Independent Auditors' Report

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

We have audited the financial statements of JPMorgan Claverhouse Investment Trust plc for the year ended 31st December 2008 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet and Cash Flow Statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

The Directors responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Features, Financial Results, Chairman's Statement, Investment Managers' Report, Summary of Results, Performance, Ten Year Financial Record, Ten Largest Equity Investments, Sector Analysis, List of Investments, Board of Directors, Directors' Report, Corporate Governance, the unaudited part of the Directors' Remuneration Report, Information about the Company, Shareholder Analysis, Notice of Meeting and Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st December 2008 and of its net loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

ERNST & YOUNG LLP

Registered Auditor
London 3rd March 2009

Income Statement

for the year ended 31st December 2008

		2008			2007		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses from investments held at fair value through profit or loss	2	—	(113,890)	(113,890)	—	(9,234)	(9,234)
Net foreign currency losses		—	—	—	—	(6)	(6)
Income from investments	3	13,335	—	13,335	12,198	—	12,198
Other interest receivable and similar income	3	772	—	772	22	—	22
Gross return/(loss)		14,107	(113,890)	(99,783)	12,220	(9,240)	2,980
Management fee	4	(475)	(881)	(1,356)	(679)	(1,261)	(1,940)
Performance fee writeback	4	—	—	—	—	2,138	2,138
VAT recovered	5	1,267	2,067	3,334	—	—	—
Other administrative expenses	6	(658)	—	(658)	(752)	—	(752)
Net return/(loss) on ordinary activities before finance costs and taxation		14,241	(112,704)	(98,463)	10,789	(8,363)	2,426
Finance costs	7	(766)	(1,423)	(2,189)	(1,054)	(1,958)	(3,012)
Net return/(loss) on ordinary activities before taxation		13,475	(114,127)	(100,652)	9,735	(10,321)	(586)
Taxation	8	(49)	—	(49)	(21)	—	(21)
Net return/(loss) on ordinary activities after taxation		13,426	(114,127)	(100,701)	9,714	(10,321)	(607)
Return/(loss) per share	9	23.38p	(198.70)p	(175.32)p	16.28p	(17.30)p	(1.02)p
Dividend per share	10			16.40p			15.30p
Special dividend per share	10			3.60p			—

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 37 to 51 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st December 2008

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st December 2006	15,268	149,641	5,604	169,087	13,143	352,743
Repurchase and cancellation of shares	(683)	—	683	(15,249)	—	(15,249)
Net (loss)/return from ordinary activities	—	—	—	(10,321)	9,714	(607)
Dividends appropriated in the year (note 10)	—	—	—	—	(8,975)	(8,975)
At 31st December 2007	14,585	149,641	6,287	143,517	13,882	327,912
Repurchase and cancellation of shares	(387)	—	387	(7,099)	—	(7,099)
Net (loss)/return from ordinary activities	—	—	—	(114,127)	13,426	(100,701)
Dividends appropriated in the year (note 10)	—	—	—	—	(9,025)	(9,025)
At 31st December 2008	14,198	149,641	6,674	22,291	18,283	211,087

The notes on pages 37 to 51 form an integral part of these accounts.

Balance Sheet

at 31st December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments at fair value through profit or loss	11	231,599	353,230
Investments in liquidity funds at fair value through profit or loss		8,924	10,289
Total investments		240,523	363,519
Current assets	12		
Debtors		1,034	807
Cash at bank and in hand		86	24
		1,120	831
Creditors: amounts falling due within one year	13	(879)	(6,788)
Net current assets/(liabilities)		241	(5,957)
Total assets less current liabilities		240,764	357,562
Creditors: amounts falling due after more than one year	14	(29,677)	(29,650)
Provisions for liabilities and charges	15	—	—
Total net assets		211,087	327,912
Capital and reserves			
Called up share capital	16	14,198	14,585
Share premium	17	149,641	149,641
Capital redemption reserve	17	6,674	6,287
Capital reserves	17	22,291	143,517
Revenue reserve	17	18,283	13,882
Shareholders' funds		211,087	327,912
Net asset value per share	18	371.7p	562.1p

The accounts on pages 33 to 51 were approved and authorised for issue by the Directors on 3rd March 2009 and signed on their behalf by:

Michael Bunbury
Director

The notes on pages 37 to 51 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31st December 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	19	14,934	7,951
Returns on investments and servicing of finance			
Interest paid		(2,208)	(3,028)
Taxation			
Overseas tax recovered		1	—
Capital expenditure and financial investment			
Purchases of investments		(211,554)	(262,276)
Sales of investments		221,060	290,434
Other capital income/(charges)		3	(9)
Net cash inflow from capital expenditure and financial investment		9,509	28,149
Dividends paid		(9,025)	(8,975)
Net cash inflow before financing		13,211	24,097
Financing			
Repurchase of shares		(7,149)	(15,166)
Repayment of short term loan		(6,000)	(15,000)
Drawdown of short term loan		—	6,000
Net cash outflow from financing activity		(13,149)	(24,166)
Increase/(decrease) in cash for the year	20	62	(69)

The notes on pages 37 to 51 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st December 2008

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Acts 1985 and 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the AIC in January 2009. All of the Company's operations are of a continuing nature.

(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 '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 is bid market price for listed investments. Unlisted and restricted investments are valued at fair value by the Board. In making its valuations, the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Income Statement within 'Gains or losses from investments held at fair value through profit or loss'. Transaction costs incurred on the purchase and sale of investments are also included within this caption. All purchases and sales are accounted for on a trade date basis.

(c) 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 taken to capital.

UK dividends are included net of any tax credits and unfranked income 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 as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital return.

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

(d) Expenses

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

– performance fees are allocated 100% to capital;

– management fees 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;

– expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise broker commission and stamp duty. Details of transaction costs are given in note 11 on page 43.

(e) 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.

Breakage costs incurred on the repurchase of the Company's debenture or on the early repayment of loans are charged 100% to capital in accordance with the SORP.

Notes to the Accounts continued

(f) Financial instruments

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

Other receivables and payables 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 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.

(g) Taxation

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 probable 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.

(h) 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, which is also the currency in which these accounts are presented.

(i) 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.

(j) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 5 on page 39.

	2008 £'000	2007 £'000
2. Losses from investments held at fair value through profit or loss		
Losses on sales of investments held at fair value through profit or loss based on historical cost	(19,040)	34,600
Amounts recognised in investment holding gains in the previous year in respect of investments sold during the year	(15,196)	(43,183)
Losses on sales of investments based on fair value at previous balance sheet date	(34,236)	(8,583)
Net movement in investment holding gains	(79,658)	(642)
Other capital income/(charges)	4	(9)
Total capital losses from investments held at fair value through profit or loss	(113,890)	(9,234)

	2008 £'000	2007 £'000
3. Income		
Income from investments		
Franked dividends	12,044	11,463
Unfranked dividends from OEICs and REITs	117	53
Income from liquidity fund	462	483
UK bond interest	10	—
Overseas dividends	472	199
Scrip dividends from listed UK investments	230	—
	13,335	12,198
Other interest receivable and similar income		
Deposit interest	22	15
Interest on VAT recovered[1]	744	—
Underwriting Commission	6	—
Stock lending fees	—	7
	772	22
Total income	14,107	12,220

[1]This represents interest on VAT recovered during the year. Further details are given in note 5 below.

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
4. Management fee						
Management fee	475	881	1,356	599	1,113	1,712
VAT thereon	—	—	—	80	148	228
Total	475	881	1,356	679	1,261	1,940
Performance fee						
Performance fee writeback	—	—	—	—	(1,820)	(1,820)
VAT writeback	—	—	—	—	(318)	(318)
	—	—	—	—	(2,138)	(2,138)

Details of the management fee and performance fee are given in the Directors' Report on page 23.

Further details regarding VAT chargeable on management fees are given in note 5 below.

5. VAT recovered

No VAT has been charged on management fees since November 2007 when HM Revenue & Customs announced acceptance that VAT was not chargeable on investment trust management fees. The Company has since recovered VAT amounting to £3,334,000 and interest of £744,000 in respect of VAT paid in the past. The VAT recovered has been allocated between revenue and capital on the same basis as it was originally expensed. The interest recovered has been allocated wholly to revenue and is included in 'Other interest receivable and similar income'.

Notes to the Accounts continued

	2008 £'000	2007 £'000
6. Other administrative expenses		
Other management expenses	263	342
Directors' fees[1]	94	90
Savings products[2]	269	287
Auditors' remuneration[3]		
– for audit services	24	24
– for all other services	8	9
	658	752

[1] Full disclosure is given in the Directors' Remuneration Report on page 30.
[2] These fees were paid to JPMAM for the administration of savings products.
[3] Includes £4,000 VAT (2007: £5,000). The auditors' remuneration in respect of non audit services comprised a review of the revised brought forward performance fee calculation to take account of the VAT recovery in respect of prior years.

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
7. Finance costs						
Bank loans and overdrafts	22	41	63	310	576	886
Debenture stock	744	1,382	2,126	744	1,382	2,126
	766	1,423	2,189	1,054	1,958	3,012

8. Taxation

(a) Analysis of tax charge for the year

	2008 £'000	2007 £'000
Overseas withholding tax	47	21
UK income tax on unfranked dividends	2	—
Current tax	49	21

(b) Factors affecting current tax charge for the year

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Net return/(loss) on ordinary activities before taxation	13,475	(114,127)	(100,652)	9,735	(10,321)	(586)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 28.5% (2007: 30%)	3,840	(32,526)	(28,686)	2,920	(3,096)	(176)
Effects of:						
Non taxable capital losses	—	32,459	32,459	—	2,772	2,772
Non taxable UK dividend income	(3,433)	—	(3,433)	(3,439)	—	(3,439)
Non taxable scrip dividends	(66)	—	(66)	—	—	—
Income taxed in different periods	(5)	—	(5)	—	—	—
Excess capital expenses arising in the year	—	67	67	—	324	324
UK income tax on unfranked dividends	2	—	2	—	—	—
Overseas withholding tax	47	—	47	21	—	21
Unrelieved expenses and charges	(336)	—	(336)	519	—	519
Current tax charge for the year	49	—	49	21	—	21

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £18,421,000 based on a prospective corporation tax rate of 28% (2007: £20,611,000 based on a corporation tax rate of 30%). This has arisen from deductible expenses exceeding taxable income. It is uncertain whether the Company will be able to utilise any of these losses 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 deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. Return/(loss) per ordinary share

The revenue return per ordinary share is based on the earnings attributable to the ordinary shares of £13,426,000 (2007: £9,714,000) and on the weighted average number of shares in issue during the year of 57,437,139 (2007: 59,675,969).

The capital loss per ordinary share is based on the capital loss attributable to the ordinary shares of £114,127,000 (2007: £10,321,000) and on the weighted average number of shares in issue during the year of 57,437,139 (2007: 59,675,969).

The total loss per ordinary share is based on the total loss attributable to the ordinary shares of £100,701,000 (2007: £607,000) and on the weighted average number of shares in issue during the year of 57,437,139 (2007: 59,675,969).

Notes to the Accounts continued

10. Dividends

(a) Dividends paid and declared

	2008 £'000	2007 £'000
Unclaimed dividends refunded to the Company	(3)	—
2007 fourth quarterly dividend of 5.2p (2006: 4.9p) paid in March[1]	3,020	2,978
First quarterly dividend of 3.5p (2007: 3.3p) paid in June	2,023	1,987
Second quarterly dividend of 3.5p (2007: 3.3p) paid in September	1,995	1,953
Third quarterly dividend of 3.5p (2007: 3.5p) paid in December	1,990	2,057
Total dividends paid in the year	9,025	8,975

[1] The fourth quarterly dividend declared in respect of the year ended 31st December 2007 amounted to £3,034,000 (2006: £2,992,000). However, the amount paid amounted to £3,020,000 (2006: £2,978,000) due to share repurchases after the balance sheet date but prior to the record date.

	2008 £'000	2007 £'000
Fourth quarterly dividend of 5.9p (2007: 5.2p) paid in March	3,351	3,034
Special dividend of 3.6p (2007: nil) payable in March	2,044	—

The fourth quarterly dividend and the special dividend have been declared and paid in respect of the year ended 31st December 2008. In accordance with the accounting policy of the Company, these dividends will be reflected in the accounts for the year ending 31st December 2009.

(b) Dividends for the purposes of Section 842 of the Income and Corporation Taxes Act 1988

The requirements of Section 842 of the Income and Corporation Taxes Act 1988 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 £13,426,000 (2007: £9,714,000).

	2008 £'000	2007 £'000
Unclaimed dividends refunded to the Company	(3)	1,987
First quarterly dividend of 3.5p (2007: 3.3p) paid in June	2,023	1,987
Second quarterly dividend of 3.5p (2007: 3.3p) paid in September	1,995	1,953
Third quarterly dividend of 3.5p (2007: 3.5p) paid in December	1,990	2,057
Fourth quarterly dividend of 5.9p (2007: 5.2p) paid in March 2009/2008	3,351	3,034
Special dividend of 3.6p (2007: nil) paid in March 2009	2,044	—
	11,400	9,031

	2008 £'000
11. Investments	
Investments listed on a recognised stock exchange[1]	240,523

	2008 £'000
Opening book cost	317,350
Opening investment holding gains	46,169
Opening valuation	363,519
Movements in the year:	
Purchases at cost	211,958
Sales – proceeds	(221,060)
Losses on sales based on fair value at previous balance sheet date	(34,236)
Net movement in investment holding gains[2]	(79,658)
Closing valuation	240,523
Closing book cost	289,208
Closing investment holding losses	(48,685)
Closing valuation	240,523

[1]The Company's investments in the JPMorgan UK Smaller Companies Fund, an open ended investment company and JPMorgan Sterling Liquidity Fund are included in investments listed on a recognised stock exchange.

[2]During the year, prior year investment holding gains amounting to £15,196,000 were transferred to gains on sales of investments as disclosed in note 17.

Transaction costs on purchases during the year amounted to £1,102,000 (2007: £1,496,000) and on sales during the year amounted to £305,000 (2007: £481,000). These costs comprise broker commission and stamp duty.

	2008 £'000	2007 £'000
12. Current assets		
Debtors		
Dividends and interest receivable	1,012	793
Other debtors	3	4
Tax recoverable	19	10
	1,034	807

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

Cash and short term deposits

Cash and short term deposits comprise bank balances and cash held by the Company, including 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

	2008 £'000	2007 £'000
13. Creditors: amounts falling due within one year:		
Securities purchased for future settlement	174	—
Bank loan	—	6,000
Repurchase of the Company's own shares for future settlement	33	83
Other creditors and accruals	672	705
	879	6,788

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

The £6 million bank loan drawn down on the Company's £25 million floating rate facility with Lloyds TSB was repaid on 27th February 2008. Details of the interest rate payable on loans are given in note 23(a)(i).

	2008 £'000	2007 £'000
14. 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	29,677	29,650

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

	2008 £'000	2007 £'000
15. Provisions for liabilities and charges		
Performance fee		
Provision brought forward at the beginning of the year	—	1,820
Writeback of performance fee	—	(1,820)
Provision carried forward at the end of the year	—	—
Provision for VAT on performance fee brought forward	—	318
Writeback of VAT	—	(318)
Total provision carried forward	—	—

Details of the performance fee are given in the Directors' Report on page 23.

	2008 £'000	2007 £'000
16. Share capital		
Authorised:		
156,000,000 (2007: 156,000,000) ordinary shares of 25p each	39,000	39,000
Allotted and fully paid:		
Opening balance of 58,338,568 (2007: 61,071,045) shares	14,585	15,268
Repurchase of 1,549,415 (2007: 2,732,477) shares	(387)	(683)
Closing balance of 56,789,153 (2007: 58,338,568) shares	14,198	14,585

During the year the Company repurchased 1,549,415 ordinary shares for cancellation, representing 2.7% of the shares outstanding at the beginning of the year. The total consideration paid for these shares was £7,099,000 and the reason for the repurchases was to seek to manage the volatility and absolute level of the share price discount to net asset value.

17. Reserves

	Share premium £'000	Capital redemption reserve £'000	Capital reserves: Gains on sales of investments £'000	Capital reserves: Investment holding gains £'000	Revenue reserve £'000
Opening balance	149,641	6,287	97,348	46,169	13,882
Losses on sales of investments based on fair value at previous balance sheet date	—	—	(34,236)	—	—
Net movement in investment holding gains	—	—	—	(79,658)	—
Transfer on disposal of investments	—	—	15,196	(15,196)	—
Repurchase and cancellation of shares	—	387	(7,099)	—	—
VAT recovered	—	—	2,067	—	—
Management fee and finance costs charged to capital	—	—	(2,304)	—	—
Other capital income	—	—	4	—	—
Dividends appropriated in the year	—	—	—	—	(9,025)
Retained revenue for the year	—	—	—	—	13,426
Closing balance	149,641	6,674	70,976	(48,685)	18,283

18. Net asset value per share

Net asset value per share is based on the net assets attributable to the ordinary shareholders of £211,087,000 (2007: £327,912,000) and on the 56,789,153 (2007: 58,338,568) shares in issue at the year end.

19. Reconciliation of total (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2008 £'000	2007 £'000
Net total (loss)/return on ordinary activities before finance costs and taxation	(98,463)	2,426
Less net capital loss before finance costs and taxation	112,704	8,363
(Increase)/decrease in accrued income	(219)	203
Increase in accrued expenses	14	38
Decrease in other debtors	1	—
Scrip dividends received as income	(230)	—
Expenses credited/(charged) to capital	1,186	(1,261)
Performance fee paid including VAT	—	(1,787)
Overseas withholding tax and UK income tax	(58)	(31)
Net cash inflow from operating activities	14,934	7,951
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash for the year	62	(69)
Cash outflow from changes in net debt	6,000	9,000
Changes in net debt arising from cash flows	6,062	8,931
Net debt at beginning of the year	(35,626)	(44,525)
Net foreign currency losses	—	(6)
Amortisation of issue expenses	(27)	(26)
Closing net debt	(29,591)	(35,626)

Notes to the Accounts continued

	At 31st December 2007 £'000	Cash flow £'000	Other movements £'000	At 31st December 2008 £'000
20. Analysis of changes in net debt				
Cash and short term deposits	24	62	—	86
Bank loans falling due within one year	(6,000)	6,000	—	—
Debenture falling due after more than five years	(29,650)	—	(27)	(29,677)
Net debt	(35,626)	6,062	(27)	(29,591)

21. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2007: none).

22. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on pages 22 and 23. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £1,356,000 (2007: £1,712,000 plus VAT) of which £nil (2007: £nil) was outstanding at the year end.

Included in other management expenses in note 6 on page 40 are safe custody fees amounting to £5,000 (2007: £17,000) payable to JPMorgan Worldwide Securities Services of which £3,000 (2007: £4,000) 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 £22,000 (2007: £nil) was payable to JPMorgan Securities for the year and £nil (2007: £nil) was outstanding at the year end.

An annual fee of £20,000 (2007: £17,000) was paid to JPMorgan Cazenove in lieu of commission on share repurchases, under an agreement which took effect from 1st March 2007, of which £nil (2007: £nil) was outstanding at the year end. Commission amounting to £5,000 was payable to JPMorgan Cazenove in 2007 in relation to the period prior to 1st March 2007.

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 £6.9 million (2007: £14.7 million) and represented 2.9% of the Company's investment portfolio (2007: 4.0%). During the year the Company made £0.6 million purchases of such investments (2007: £nil) and sales with a total value of £2.4 million (2007: £6.2 million). Income amounting to £214,000 (2007: £187,000) was receivable from these investments during the year of which £123,000 (2007: £nil) 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 £8.9 million (2007: £10.3 million) and represented 3.7% of the Company's investment portfolio (2007: 2.8%). During the year the Company made purchases with a total value of £7.6 million (2007: £46.1 million) and sales with a total value of £4.8 million (2007: £40.9 million). Income amounting to £462,000 (2007: £483,000) was receivable from this investment during the year of which £19,000 (2007: £40,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £9,000 (2007: £9,000) were payable to JPMorgan Chase during the year of which £nil (2007: £1,000) was outstanding at the year end.

In October 2007, the Board agreed to cease the Company's stock lending programme. Accordingly, there were no stock lending transactions during the year. No stock lending commission (2007: £7,000) was receivable by the Company and no commission (2007: £2,000) was receivable by JPMAM.

At the year end, a bank balance of £86,000 (2007: £24,000) was held with JPMorgan Chase. A net amount of interest of £14,000 (2007: £14,000) was receivable by the Company during the year from JPMorgan Chase, of which £1,000 (2007: £nil) was outstanding at the year end.

23. 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 page 20. 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.

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 classes of financial instruments are as follows:

- 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 price risk

The fair value or future cash flows of a financial instrument 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 interest payable on the Company's variable rate cash borrowings.

Management of interest rate risk

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when borrowing 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 material. The Company does not normally hold significant cash balances. An overdraft facility is used when required. The Company finances part of its activities through borrowings at levels approved and monitored by the Board. Derivatives are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The Company has a £30 million 7% debenture in issue which is repayable on 30th March 2020 and an investment in a convertible bond valued in the portfolio at £1,161,000. 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.

	2008 Within one year £'000	2007 Within one year £'000
Exposure to floating interest rates:		
Cash at bank	86	24
Creditors: amounts falling due within one year		
– borrowings on the loan facility	—	(6,000)
Total exposure	86	(5,976)

Notes to the Accounts continued

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

(i) *Interest rate risk* *continued*

Interest receivable and finance costs are at the following rates:

- Interest receivable on cash balances is at a margin below LIBOR.
- The Company has a £25 million floating rate loan facility with Lloyds TSB. Interest payable is at a margin over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the cost of complying with certain regulatory requirements. The Company had not drawn on this facility at the year end. At 31st December 2007, the Company had drawn down £6 million, repayable on 21st February 2008 at an interest rate of 6.832%.

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

	2008 Within one year £'000	2007 Within one year £'000
Maximum interest rate exposure to floating rates – net cash/(loans)	16,219	(16,645)
Minimum interest rate exposure to floating rates – net cash/(loans)	3,857	(5,976)

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and net assets to a 3.0% (2007: 1.0%) 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.

	2008		2007	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Income statement – profit after taxation				
Revenue return (decrease)/increase	—	—	(6)	6
Capital return increase/(decrease)	3	(3)	(54)	54
Total increase/(decrease) in profit after taxation for the year	3	(3)	(60)	60
Net assets increase/(decrease)	3	(3)	(60)	60

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 and borrowings on the loan facility.

(ii) *Other price risk*

Other price risks include 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 objectives 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:

	2008 £'000	2007 £'000
Equity investments at fair value through profit or loss	230,438	353,230

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 15 to 18. This shows that all of the investments' value is in the UK. Accordingly there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the net assets to an increase or decrease of 20% (2007: 10%) 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.

	2008		2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement – profit after taxation				
Revenue return – (decrease)/increase	(89)	89	(68)	68
Capital return – increase/(decrease)	45,923	(45,923)	35,107	(35,107)
Total profit after taxation and net assets – increase/(decrease)	45,834	(45,834)	35,039	(35,039)

(b) Liquidity risk

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

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.

Liquidity risk exposure

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

	2008			2007		
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	More than one year £'000	Total £'000
Creditors: amounts falling due after more than one year						
Debenture stock	—	30,000	30,000	—	30,000	30,000
Creditors: amounts falling due within one year						
Bank loan	—	—	—	6,000	—	6,000
Other creditors	879	—	879	788	—	788
	879	30,000	30,879	6,788	30,000	36,788

Notes to the Accounts continued

23. 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

This risk is not significant and is managed as follows:

- by only dealing with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies; and
- by setting limits to the maximum exposure to any one counterparty at any time.

Credit risk exposure

Compared to the balance sheet the maximum exposure to credit risk at the year end was as follows:

	2008		2007	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets – investments at fair value through profit or loss	240,523	8,924	363,519	10,289
Current assets				
Debtors – amount due from brokers, dividends, interest and tax receivable	1,034	1,034	807	807
Cash at bank	86	86	24	24
	241,643	10,044	364,350	11,120

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value, or the carrying amount in the balance sheet is a reasonable approximation of fair value except for the debenture stock which the Company has in issue. The fair value of this debenture stock has been calculated by comparison with the market value of an instrument carrying a similar interest rate, risk rating and repayment date, as follows:

	Accounts value		Fair value	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
£30 million 7% debenture stock June 2020	29,677	29,650	36,082	33,789

24. Capital management policies and procedures

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 policy is to limit gearing within the range 95% to 120%. Gearing for this purpose is defined as investments, excluding liquidity fund holdings, expressed as a percentage of total net assets.

	2008 £'000	2007 £'000
Investments excluding liquidity fund holdings	231,599	353,230
Net assets	211,087	327,912
Gearing	109.7%	107.7%

Composition of the Company's capital	2008 £'000	2007 £'000
Share capital	14,198	14,585
Reserves	196,889	313,327
Total capital	211,087	327,912

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 for cancellation, which takes into account the share price discount or premium;
- the need for issues of new shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

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') 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 Guardian, The Times, The Daily Telegraph, The Independent, The Herald, The Scotsman, BBC Ceefax and on the JPMorgan Internet site at www.jpmclaverhouse.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 through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA), Personal Equity Plan (PEP) and the Pension Account.

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

Company's Registered Office

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

Please contact Jonathan Latter for company secretarial and administrative matters.

Registrars

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

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.

Savings Product Administrators

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

Auditors

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

Brokers

JPMorgan Cazenove
20 Moorgate
London EC2R 6DA

aic
The Association of Investment Companies
A member of the AIC

Shareholder Analysis

at 31st December 2008

	Number of shares	% holding
Individuals in the Investment Trust ISA[1]	13,604,471	23.9
Individuals in the Investment Trust Share Plan[1]	12,356,069	21.8
Retail Investors[2]	8,244,610	14.5
Private Client Brokers	8,136,579	14.3
JPMorgan Elect plc	3,630,141	6.4
Individuals in the Investment Trust Pension	2,537,275	4.5
Total Retail	48,509,145	85.4
Unit Trusts	3,044,502	5.4
Pensions	2,873,570	5.1
Other Institutions	1,757,293	3.1
Insurance	507,865	0.9
Investment Trusts	65,251	0.1
Charities	31,527	0.1
Total Institutions	8,280,008	14.6
Total Shares in Issue	56,789,153	100.0

Nominee accounts have been allocated to their appropriate category.

[1] Savings products managed by JPMorgan.

[2] Includes shareholders below 10,000 threshold.

Source: Thomson Financial.

Notice of Meeting

Notice is hereby given that the forty sixth Annual General Meeting of JPMorgan Claverhouse Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Wednesday 8th April 2009 at 12.00 noon for the following purposes:

1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st December 2008.

2 To approve the Directors' Remuneration Report for the year ended 31st December 2008.

3 To elect Humphrey van der Klugt as a Director.

4 To re-elect Sir Michael Bunbury as a Director.

5 To re-elect Virginia Holmes as a Director.

6 To re-elect Anne McMeehan as a Director.

7 To re-appoint 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 increase Directors' fees – Ordinary Resolution

8 THAT in accordance with Article 84 of the Company's Articles of Association the remuneration of the Chairman be increased to £27,000 per annum, that of the Chairman of the Audit Committee to £22,000 per annum and that of each of the other Directors to £18,000 per annum, with effect from 1st January 2009.

Authority to repurchase shares – Special Resolution

9 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued ordinary shares of 25 pence each in the capital of the Company.

PROVIDED ALWAYS THAT

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 8,509,171 or, if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this resolution;

(ii) the minimum price which may be paid for an ordinary share shall be 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 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 7th October 2010 unless the authority is renewed at the Company's Annual General Meeting in 2010 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

Authority to allot new shares – Ordinary Resolution

10 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 Section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £709,571, representing approximately 5% of the Company's issued ordinary share capital as at the date of the passing of this resolution and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of new ordinary shares – Special Resolution

11 THAT subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 10 as if Section 89(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 £709,571, representing approximately 5% of the total ordinary 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 at the conclusion of the Annual General Meeting of the Company to be held in 2010 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers, agreements or arrangements as if the power conferred hereby had not expired.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited, Secretary
3rd March 2009

Notes

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

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

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

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

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

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

6 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

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

8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form).

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

Notice of Meeting continued

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

9 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.

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

11 As at 2nd March 2009 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 56,765,653 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 56,765,653.

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

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

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

Benchmark Return
Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend.

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

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

Total Expense Ratio (TER)
Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets.

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

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

Performance Attribution Definitions:

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 outside of 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.

Share Repurchases
Measures the effect on relative performance of decreasing the number of shares in issue.

Residual
Arises when there is a divergence between total return as calculated by Fundamental Data (includes dividends paid out by the Investment Trust) and total return from the attribution systems (includes dividend income received on the stocks held by the Investment Trust). This is a result of methodologies and timing differences.

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JPMorgan Helpline
Freephone 0800 40 30 30 or 020 7742 9999
9.00 am to 5.30 pm Monday to Friday

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

Your telephone call may be recorded for your security

www.jpmclaverhouse.co.uk