



# Half Year Report 08

JPMorgan Claverhouse  
Investment Trust plc

Half Year Report & Accounts for the six months ended 30th June 2008

# Features

## Contents

### About the Company

- 1 Half Year Performance
- 2 Chairman's Statement

### Investment Review

- 4 Investment Managers' Report
- 6 Ten Largest Investments
- 6 Portfolio Analysis

### Accounts

- 7 Income Statement
- 8 Reconciliation of Movements in Shareholders' Funds
- 9 Balance Sheet
- 10 Cash Flow Statement
- 11 Notes to the Accounts

### Shareholder Information

- 14 Interim Management Report
- 15 Information about the Company
- 16 Glossary of Terms

## Objective

Capital and income growth from UK investments.

## Investment Policies

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

## 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 57,456,153 were in issue as at 30th June 2008.

## Management Company

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

# Half Year Performance

Total Returns (capital plus income)

**-10.1%**

Return to shareholders<sup>1</sup>

**-9.4%**

Return on net assets<sup>2</sup>

**-11.2%**

Benchmark return<sup>3</sup>

## Financial Data

	30th June 2008	31st December 2007	% change
Shareholders' funds (£'000)	287,214	327,912	-12.4
Number of shares in issue	57,456,153	58,338,568	-1.5
Share price	460.0p	521.5p	-11.8
Net asset value per share with debt at par value	499.9p	562.1p	-11.1
Net asset value per share with debt at fair value	495.5p	555.0p	-10.7
Discount of share price to net asset value per share with debt at par value <sup>4</sup>	6.7%	6.3%	
Discount of share price to net asset value per share with debt at fair value <sup>4</sup>	7.2%	5.1%	
Actual gearing factor	108.8%	107.7%	

A glossary of terms and definitions is provided on page 16.

<sup>1</sup>Source: Standard & Poor's – [www.funds.morningstar.com](http://www.funds.morningstar.com).

<sup>2</sup>Source: Fundamental Data – [www.funddata.com](http://www.funddata.com).

<sup>3</sup>Source: FTSE/Datastream. The Company's benchmark is the FTSE All-Share Index.

<sup>4</sup>Source: Bloomberg.

# Chairman's Statement



## Performance

In the first six months of your Company's financial year the continued turbulence of stock markets in general, and the UK stock market in particular, was reflected in the Company's portfolio returns. Over that period the net asset value total return was negative at -9.4%. The discount to net asset value at which the shares traded widened slightly, resulting in a share price total return of -10.1%. Although it is disappointing to report negative returns, I am pleased that the Manager's investment process has moderated the decline relative to the Company's benchmark, the FTSE All-Share Index, which returned -11.2% on a total return basis.

In March 2008 I reported that your Board had reviewed in detail the Manager's investment process following the disappointing underperformance against the Company's benchmark during 2007. The Board is encouraged that the investment process has added value in the first half of 2008 under such testing market conditions and we continue to monitor it closely.

A full review of the Company's performance for the first six months and the outlook for the remainder of the year is provided in the Investment Managers' Review on pages 4 and 5.

## Revenue and Dividends

Earnings per share for the six months to 30th June 2008 were 11.18p, which compares with 9.15p for the corresponding period last year. The Directors have already declared two quarterly dividends of 3.50p each for the current financial year (2007: 3.30p). As I wrote in March, the Board expects some slowing of the growth in dividend income from our investments. However, your Company has a substantial revenue reserve and if necessary the Board is prepared to use this to maintain the policy of increasing the Company's dividend ahead of the rate of inflation, at least for the time being. In the longer term, though, this policy would need to be reviewed in the event of any material downturn in the rate of dividend growth from our investments.

## Share Buy-backs

The Company continues to maintain an active share buy-back programme. For the six months to 30th June 2008, a total of 882,415 shares were repurchased at a weighted average discount of 6.1%<sup>1</sup> and a total cost of £4,561,224. Since the period end a further 360,000 shares have been repurchased. The purpose of the Board's share buyback policy is to address imbalances in the supply and demand of the Company's shares in the market, and thereby to minimise the absolute level and volatility of the discount at which the Company's shares trade. The Board believes that it has been successful in achieving those objectives, with the Company's shares trading at an average discount of 5.44%<sup>1</sup> during the six months to 30th June 2008.

## Gearing

The Company ended the period 8.8% geared. The Board continues to monitor closely the Company's gearing level and is mindful of the impact that gearing can have on performance in both negative and positive markets. The Company has a policy to operate within a normal gearing range of -5% to 20%. At present it remains the Board's intention to keep gearing within a range of 0% to 15%.

<sup>1</sup>Based on net asset value with the Company's debt valued at par.

### Prospective Refund of VAT on Management Fees

I covered the VAT issue in some detail in my Statement in the Annual Report and note 7 to these half year accounts repeats our expectation that we will recover in excess of £2.5 million of previously paid VAT. In addition we expect to receive interest on a large part of the sum recovered.

Although we are not taking credit for any prospective recovery in these half-year accounts, there has been both a helpful further court decision and also substantial progress in our discussions with JPMorgan Asset Management (“JPMAM”). In addition we are informed that JPMAM’s discussions with HMRC have progressed materially. We are very hopeful of being able to reach an agreement with JPMAM shortly which will allow us to take credit for a recovery of VAT. Once we have reached that position we will make an announcement accordingly.

### Board of Directors

Following the retirement from the Board of Peter Lilley at the conclusion of the AGM in April, the Board engaged the services of an independent recruitment consultancy to assist with the appointment of a new Director. The Board was pleased to announce in July the appointment of Humphrey van der Klugt with effect from 1st September 2008. Mr van der Klugt is a Chartered Accountant and was previously a director of Schroder Investment Management Limited. In a 22-year career at Schroders, he was a member of the group investment and asset allocation committees and, as a UK equity portfolio manager, had direct responsibility for portfolios totalling £3.5 billion, including the Schroder UK Equity and Schroder Income Funds. He is a director of Murray Income, BlackRock Commodities Income and Fidelity European Values investment trusts.

### The Future

With the turmoil of the past twelve months in the world’s financial system and the risk of recession both in the US and the UK, shareholders will be only too aware that the short-term outlook for the UK economy and for the equity market remains uncertain. The Company’s Investment Managers have positioned the portfolio to afford some protection against the battering effects of the credit crunch and their intention is that the Company will remain underweight in stocks that are most at risk from the consumer slowdown. However, companies listed in London are involved in businesses across the globe, including in the fast growing emerging economies, and many of those international companies are benefiting hugely from the high prices of oil and other commodities. Overall the London market is as cheap, when measured on a price to earnings ratio basis, as at any time since the early 1990s. I have written before that equities are a volatile asset class and shareholders must expect to encounter “rough water” from time to time but that historically they have proved to be a long-term store of value. The investment process is once again showing signs of resilience and I very much hope that I will be able to report continued out-performance against the Company’s benchmark at the year-end.

**Sir Michael Bunbury Bt., KCVO, DL**  
Chairman

7th August 2008

## Investment Managers' Report



James Illsley

### Market Review

The first half of 2008 was a difficult period for the UK stock market, along with most global equity markets. The FTSE All-Share Index ended the period 11.2% lower as soaring oil prices, falling property values, tighter credit conditions and inflation fears all took their toll on investor sentiment.

The period began on a weak note, as investor concerns over US and domestic economic growth and a deteriorating corporate earnings outlook caused the UK stock market to fall. In February, the Government announced that it was to nationalise troubled mortgage bank Northern Rock and Peloton Partners, previously one of London's most successful hedge funds, announced it was liquidating a US\$2 billion bond fund.

The UK stock market performed strongly in April and a rebound in commodity prices was positive for mining stocks, although banks and financial companies continued to release bad news. The Royal Bank of Scotland announced the largest rights issue the UK market has ever seen (£12 billion), after posting substantial sub-prime related losses which had lowered their capital strength. By the end of May, negative investor sentiment had reasserted itself and April's gains were given back, with the FTSE All-Share returning -7.1% in June, as stagflation fears intensified.

Economic data was poor throughout most of the period. Measures of economic activity such as the Purchasing Managers Index declined and inflation risks remained a key concern. Furthermore, the outlook for the housing market became increasingly bleak as evidence emerged of falling house prices, fewer sales and tighter mortgage conditions. In February, the Bank of England cut interest rates by 0.25% to 5.25% and warned households that they should expect a period of lower living standards. Interest rates were cut again in April to 5.0%. Since then, expectations of further base rate cuts in 2008 have lessened, due to the adverse inflationary pressures currently being experienced.



Sarah Emly

### Portfolio Review

For the first six months of 2008 the total return on net assets for your Company was -9.4% against the benchmark return of -11.2%. This is a relative out-performance of 1.8%. The Company's underlying stock selection within the equity portfolio contributed significantly to performance and, despite the adverse impact of being geared during this difficult period of negative equity market returns, the total return was ahead of the benchmark.

Our investment philosophy is to invest in both value and growth stocks and to build a portfolio that is consistently overweight in both of these long term out-performing styles. 2007 was a difficult year for this investment process due to the severe underperformance of value stocks; however, in 2008 to date, this process has returned to delivering out-performance, both in the first three months and more significantly during the latest three months, to 30th June 2008. Strong returns from momentum stocks have been the key positive contributor, whilst the Company's value stocks have not detracted significantly over this period.

At a stock level the most significant contributors to performance during the first half of 2008 included our holdings in electricity stocks British Energy and Drax Group, which both outperformed the market strongly. British Energy performed particularly well, benefiting from bid speculation, alongside a strong underlying performance. Other contributors to performance were the Company's overweight positions in mining stocks BHP Billiton and Eurasian Natural Resources which

continued to benefit from ongoing earnings upgrades due to strong commodity prices, delivering returns of 25% and 108% respectively. The portfolio also benefited from being underweight in a number of stocks that delivered disappointing trading updates, including the retailer Marks & Spencer and a number of banks, notably Royal Bank of Scotland. In terms of detractors from performance, the portfolio's overweight positions in some lowly valued financial stocks, such as the life insurer Legal & General, fell in sympathy with the wider concerns of the financial sector and fears over banks needing to raise additional capital. Other detractors from performance included the transport company Firstgroup, which was impacted by weak trading updates from other sector constituents and subsequently reported more difficult trading conditions itself.

For the remainder of the year we will continue to ensure that the Company's portfolio demonstrates those key characteristics that we seek: attractive valuation, superior earnings growth and positive newsflow from fundamentally sound companies. Given the current difficult economic and stock market environment, we are continuing to focus on assessing which companies may be at financial risk. This focus, alongside our ongoing emphasis on positive newsflow and attractive valuations, leads us to remain underweight in those stocks which face significantly deteriorating profit outlooks, which may put their financial positions at risk, notably housebuilders, a number of pub and leisure companies and selected retailers. By contrast, we continue to favour mining and oil stocks, which are reporting strong results, due to strong demand for commodities. Pharmaceutical stocks have also become attractive, sharing both defensive earnings and reasonable valuations.

### **Market outlook**

Problems in the financial sector persist, while consumer spending is likely to weaken over the coming quarters in view of increasing food and energy costs. In addition, falling house prices may exacerbate the slowdown in consumer spending as households attempt to reduce their debt. This will impact negatively on employment, corporate earnings and Government finances. The outlook for the UK economy is poor, with slowing growth and rising inflation.

However, it is possible that inflation fears may subside later in the year and although the market is not looking for further interest rate cuts in 2008, they may be reduced from the current 5% level as 2009 progresses. The immediate outlook for the UK equity market remains uncertain, with ongoing investor concerns and continuing high market volatility, especially in relation to the possible need for banks to raise further capital. Whilst oil and commodity stocks continue to report strong earnings growth, some of the more domestically focused constituents of the UK equity market are currently reporting slower earnings growth, or indeed earnings declines. The overall UK market is still forecast to deliver earnings growth in 2008, but the outlook for 2009 looks more challenging, particularly for those stocks that are dependent on consumer confidence. However, UK stock market valuations in many sectors are now reaching distressed levels and equities are at historically cheap levels on a price to earnings basis. Whilst there is no obvious immediate trigger to reverse the negative price momentum, once investor sentiment does improve, the low valuation of UK companies should provide extra support.

**James Illsley**  
**Sarah Emly**  
Investment Managers

7th August 2008

## Ten Largest Investments

at 30th June 2008

Company	Sub-Sector	Valuation £'000	Total Assets % <sup>1</sup>
Royal Dutch Shell	Oil & Gas Producers	29,965	9.4
BP	Oil & Gas Producers	22,814	7.2
Rio Tinto	Mining	15,043	4.7
GlaxoSmithKline	Pharmaceuticals & Biotechnology	14,033	4.4
Vodafone	Mobile Telecommunications	13,897	4.4
HSBC	Banks	12,396	3.9
Anglo American	Mining	11,992	3.8
BHP Billiton	Mining	11,253	3.6
AstraZeneca	Pharmaceuticals & Biotechnology	11,135	3.5
BG	Oil & Gas Producers	9,703	3.1
<b>Total<sup>2</sup></b>		<b>152,231</b>	<b>48.0</b>

<sup>1</sup>Based on total assets less current liabilities of £316.9m.

<sup>2</sup>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.

## Portfolio Analysis

Sector	30th June 2008		31st December 2007	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials <sup>1</sup>	25.1	23.0	26.9	25.6
Oil & Gas	22.8	20.0	20.0	17.4
Basic Materials	14.9	13.6	11.1	10.1
Health Care	7.9	6.6	5.4	6.6
Consumer Goods	7.4	9.2	9.8	10.2
Telecommunications	6.0	6.4	7.1	7.1
Industrials	5.9	6.8	7.7	6.9
Consumer Services	4.7	8.9	7.3	10.8
Utilities	3.9	4.4	1.6	4.4
Technology	—	1.1	0.3	0.9
Net Current Assets <sup>2</sup>	1.4	—	2.8	—
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Based on total assets less current liabilities of £316.9m (2007: £363.6m, excluding the £6.0m drawn down on the Company's loan facility which was treated as a long term liability for the purpose of this analysis).

<sup>1</sup>Includes the Company's investment in the JPMorgan UK Smaller Companies Fund and JPMorgan Smaller Companies Investment Trust.

<sup>2</sup>Includes the Company's investment in the JPMorgan Sterling Liquidity Fund, which is held as an alternative to cash.

# Income Statement

for the six months ended 30th June 2008

	<b>(Unaudited)</b> Six months ended 30th June 2008			<b>(Unaudited)</b> Six months ended 30th June 2007			<b>(Audited)</b> Year ended 31st December 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains from investments held at fair value through profit or loss	—	(36,630)	(36,630)	—	12,768	12,768	—	(9,234)	(9,234)
Net foreign currency losses	—	—	—	—	—	—	—	(6)	(6)
Income from investments	7,452	—	7,452	6,805	—	6,805	12,198	—	12,198
Other interest receivable and similar income	17	—	17	18	—	18	22	—	22
<b>Gross return/(loss)</b>	7,469	(36,630)	(29,161)	6,823	12,768	19,591	12,220	(9,240)	2,980
Management fee (note 3)	(264)	(491)	(755)	(362)	(671)	(1,033)	(679)	(1,261)	(1,940)
Performance fee (note 3)	—	—	—	—	2,138	2,138	—	2,138	2,138
Other administrative expenses	(310)	—	(310)	(409)	—	(409)	(752)	—	(752)
<b>Net return/(loss) before finance costs and taxation</b>	6,895	(37,121)	(30,226)	6,052	14,235	20,287	10,789	(8,363)	2,426
Finance costs	(393)	(729)	(1,122)	(524)	(973)	(1,497)	(1,054)	(1,958)	(3,012)
<b>Net return/(loss) before taxation</b>	6,502	(37,850)	(31,348)	5,528	13,262	18,790	9,735	(10,321)	(586)
Taxation	(26)	—	(26)	—	—	—	(21)	—	(21)
<b>Net return/(loss) after taxation</b>	6,476	(37,850)	(31,374)	5,528	13,262	18,790	9,714	(10,321)	(607)
<b>Return/(loss) per share</b> (note 5)	11.18p	(65.33)p	(54.15)p	9.15p	21.95p	31.10p	16.28p	(17.30)p	(1.02)p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period. The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information. 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.

## Reconciliation of Movements in Shareholders' Funds

### Six months ended 30th June 2008 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>At 31st December 2007</b>	14,585	149,641	6,287	143,517	13,882	327,912
Repurchase and cancellation of shares	(221)	—	221	(4,281)	—	(4,281)
Net (loss)/return from ordinary activities	—	—	—	(37,850)	6,476	(31,374)
Dividends appropriated in the period	—	—	—	—	(5,043)	(5,043)
<b>At 30th June 2008</b>	14,364	149,641	6,508	101,386	15,315	287,214

### Six months ended 30th June 2007 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>At 31st December 2006</b>	15,268	149,641	5,604	169,087	13,143	352,743
Repurchase and cancellation of shares	(390)	—	390	(8,868)	—	(8,868)
Net return from ordinary activities	—	—	—	13,262	5,528	18,790
Dividends appropriated in the period	—	—	—	—	(4,965)	(4,965)
<b>At 30th June 2007</b>	14,878	149,641	5,994	173,481	13,706	357,700

### Year ended 31st December 2007 (audited)

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>At 31st December 2006</b>	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	—	—	—	—	(8,975)	(8,975)
<b>At 31st December 2007</b>	14,585	149,641	6,287	143,517	13,882	327,912

# Balance Sheet

as at 30th June 2008

	(Unaudited) 30th June 2008 £'000	(Unaudited) 30th June 2007 £'000	(Audited) 31st December 2007 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss	316,423	402,511	363,519
<b>Current assets</b>			
Debtors	1,332	1,212	807
Cash at bank and in hand	479	—	24
	1,811	1,212	831
<b>Creditors:</b> amounts falling due within one year	(1,356)	(16,386)	(6,788)
<b>Net current assets/(liabilities)</b>	455	(15,174)	(5,957)
<b>Total assets less current liabilities</b>	316,878	387,337	357,562
<b>Creditors:</b> amounts falling due after more than one year	(29,664)	(29,637)	(29,650)
<b>Total net assets</b>	287,214	357,700	327,912
<b>Capital and reserves</b>			
Called up share capital	14,364	14,878	14,585
Share premium	149,641	149,641	149,641
Capital redemption reserve	6,508	5,994	6,287
Capital reserve	101,386	173,481	143,517
Revenue reserve	15,315	13,706	13,882
<b>Shareholders' funds</b>	287,214	357,700	327,912
<b>Net asset value per share</b> (note 6)	499.9p	601.1p	562.1p

# Cash Flow Statement

for the six months ended 30th June 2008

	(Unaudited) Six months ended 30th June 2008 £'000	(Unaudited) Six months ended 30th June 2007 £'000	(Audited) Year ended 31st December 2007 £'000
<b>Net cash inflow from operating activities</b>	5,868	3,409	7,951
Net cash outflow from returns on investments and servicing of finance	(1,153)	(1,472)	(3,028)
Net cash inflow from capital expenditure and financial investment	10,600	11,158	28,149
Dividends paid	(5,043)	(4,965)	(8,975)
Net cash outflow from financing	(9,818)	(8,229)	(24,166)
<b>Increase/(decrease) in cash for the period</b>	454	(99)	(69)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net cash movement	454	(99)	(69)
Net loans repaid in the period	6,000	—	9,000
Other movements	(13)	(13)	(26)
Exchange movements	—	—	(6)
Movement in net debt in the period	6,441	(112)	8,899
Net debt at the beginning of the period	(35,626)	(44,525)	(44,525)
<b>Net debt at the end of the period</b>	(29,185)	(44,637)	(35,626)
Represented by:			
Cash and short term deposits	479	—	24
Bank loans falling due within one year	—	(15,000)	(6,000)
Debentures falling due after more than five years	(29,664)	(29,637)	(29,650)
	(29,185)	(44,637)	(35,626)

# Notes to the Accounts

for the six months ended 30th June 2008

## 1. Financial statements

The information contained within the Financial Statements in this half yearly report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st December 2007 are extracted from the latest published accounts of the Company and do not constitute statutory accounts (as defined in section 434(3) of the Companies Act 2006) for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985 (as amended).

## 2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' dated 31st December 2005.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 31st December 2007.

## 3. Management fee and performance fee

The management fee is allocated 35% to revenue and 65% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio. The performance fee is allocated 100% to capital.

### Management fee

	(Unaudited) Six months ended 30th June 2008 £'000	(Unaudited) Six months ended 30th June 2007 £'000	(Audited) Year ended 31st December 2007 £'000
Management fee – charged to revenue	264	308	599
VAT thereon	—	54	80
	264	362	679
Management fee – charged to capital	491	571	1,113
VAT thereon	—	100	148
	491	671	1,261
Total management fee	755	879	1,712
VAT thereon	—	154	228
	755	1,033	1,940

### Performance fee

	(Unaudited) Six months ended 30th June 2007 £'000	(Unaudited) Six months ended 30th June 2006 £'000	(Audited) Year ended 31st December 2006 £'000
Performance fee writeback	—	(1,820)	(1,820)
VAT provision writeback	—	(318)	(318)
	—	(2,138)	(2,138)

# Notes to the Accounts continued

for the six months ended 30th June 2008

## 4. Dividends

	(Unaudited) Six months ended 30th June 2008 £'000	(Unaudited) Six months ended 30th June 2007 £'000	(Audited) Year ended 31st December 2007 £'000
Fourth quarterly dividend of 5.2p paid March (2006: 4.9p)	3,020	2,978	2,978
First quarterly dividend of 3.5p paid June (2007: 3.3p)	2,023	1,987	1,987
Second quarterly dividend of 3.3p paid September	N/a	N/a	1,953
Third quarterly dividend of 3.5p paid December	N/a	N/a	2,057
	5,043	4,965	8,975

A second quarterly dividend of 3.5p (2007: 3.3p) per share, amounting to £2,011,000 (2007: £1,964,000), has been declared payable in respect of the period ending 30th June 2008 (30th June 2007).

## 5. Return/(loss) per share

	(Unaudited) Six months ended 30th June 2008 £'000	(Unaudited) Six months ended 30th June 2007 £'000	(Audited) Year ended 31st December 2007 £'000
Return/(loss) per share is based on the following:			
Revenue return	6,476	5,528	9,714
Capital (loss)/return	(37,850)	13,262	(10,321)
Total (loss)/return	(31,374)	18,790	(607)
Weighted average number of shares in issue	57,933,779	60,421,226	59,675,969
Revenue return per share	11.18p	9.15p	16.28p
Capital (loss)/return per share	(65.33)p	21.95p	(17.30)p
Total (loss)/return per share	(54.15)p	31.10p	(1.02)p

## 6. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 30th June 2008 of 57,456,153 (30th June 2007: 59,511,751 and 31st December 2007: 58,338,568).

## 7. Contingent asset

Following a decision by the European Court of Justice, HM Revenue and Customs have conceded that VAT need not be charged on investment management fees and performance fees. Consequently no VAT has been payable on such fees since 1st October 2007 and the Company is in the process of recovering VAT paid in the past. Your Board believes that an amount in excess of £2.5 million will be recovered. However in the absence of a definitive agreement between the Manager and HMRC, no asset has been recognised in the accounts as at 30th June 2008.

# Notes to the Accounts continued

for the six months ended 30th June 2008

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

	(Unaudited) Six months ended 30th June 2008 £'000	(Unaudited) Six months ended 30th June 2007 £'000	(Audited) Year ended 31st December 2007 £'000
Total (loss)/return on ordinary activities before finance costs and taxation	(30,226)	20,287	2,426
Capital loss/(return) before finance costs and taxation	37,121	(14,235)	8,363
(Increase)/decrease in net debtors and accrued income	(507)	(185)	241
Overseas taxation	(29)	—	(31)
Expenses charged to capital	(491)	(671)	(1,261)
Performance fee paid including VAT	—	(1,787)	(1,787)
<b>Net cash inflow from operating activities</b>	<b>5,868</b>	<b>3,409</b>	<b>7,951</b>

# Interim Management Report

The Company is required to make the following disclosures in its half year report.

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into six broad categories: investment and strategy; market; accounting, legal and regulatory; corporate governance and shareholder relations; operational and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st December 2007.

## Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

## Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half-yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half Yearly Financial Reports'; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

For and on behalf of the Board

Sir Michael Bunbury  
Chairman

7th August 2008

# Information about the Company

## Financial Calendar

Financial year end	31st December
Final results announced	March
Half year end	30th June
Half year results announced	August
Interim Management Statements announced	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.

## Directors

Sir Michael Bunbury Bt., KCVO, DL (Chairman)  
Virginia Holmes  
Humphrey van der Klugt (with effect from 1st September 2008)  
Anne McMeehan  
John Scott

## Company Numbers

Company registration number: 754577  
London Stock Exchange Sedol number: 0342218  
ISIN: GB0003422184  
Bloomberg code: JCH LN  
Reuters code: JCH. L

## Market Information

The Company's net asset value ('NAV') is published daily, via the London Stock Exchange. The Company's ordinary shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Independent and on the JPMorgan Internet site at [www.jpmlclaverhouse.co.uk](http://www.jpmlclaverhouse.co.uk), where the ordinary share price is updated every fifteen minutes during trading hours.

## Website

[www.jpmlclaverhouse.co.uk](http://www.jpmlclaverhouse.co.uk)

## 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) 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 number: 020 7742 6000

For company secretarial and administrative matters please contact Jonathan Latter.

## Registrars

Equiniti  
Reference 1079  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone number: 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 individual holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

## Auditors

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

## Brokers

JPMorgan Cazenove  
20 Moorgate  
London EC2R 6DA

## Savings Product Administrators

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

**aic**

The Association of  
Investment Companies A member of the AIC

# 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 (net of tax) 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 (net of tax) were reinvested in the NAV of the Company 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 (net of tax) 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%. This calculation excludes any holding in the JPMorgan Sterling Liquidity Fund, which is held as an alternative to cash.

## Discount/Premium

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

**JPMorgan Helpline**

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

**JPMorgan Pension Helpline**

Freephone 0800 41 31 76 or 0172 241 4888  
9.00 am to 5.00 pm Monday to Friday

Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

[www.jpmlclaverhouse.co.uk](http://www.jpmlclaverhouse.co.uk)