JPMorgan Global Convertibles Income Fund Limited

Annual Report & Accounts for the year ended 30th June 2016

J.P.Morgan
Asset Management

Contents

Features

The Company

The Company is a closed-ended investment company, incorporated and registered in Guernsey, whose shares are listed on the London Stock Exchange. It is a non-cellular company and has been declared by the Guernsey Financial Services Commission to be a registered closed-ended collective investment scheme. The assets of the Company are managed by JPMorgan Funds Limited (the 'Manager'). The Manager has delegated the management of the portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM' or 'Investment Manager').

Investment Objective

The Company aims to provide investors with a dividend income, combined with the potential for long term capital growth, from investing in a globally diversified portfolio of convertible securities.

Investment Policy

The Company invests in a globally diversified portfolio of convertible securities and other suitable instruments exhibiting convertible or exchangeable characteristics.

Diversification

The portfolio is broadly diversified across sectors, geography and market capitalisations and, while there are no specific limits placed on exposure to any sector, country or market capitalisation, the Company invests and manages the portfolio in a manner consistent with spreading investment risk.

The Company has no restrictions with respect to the credit ratings of any issuer, or any securities, in which it may invest and the issuers of convertible securities may be located in any country, including emerging market countries.

The number of holdings usually exceeds 60 holdings.

Asset Allocation

Investment exposure to convertible securities normally makes up the majority of total assets and takes the form of convertible bonds, convertible notes, convertible preference shares, convertible unsecured loan stock, synthetic convertible securities, equity and equity-linked securities, index and participation notes, equity-linked notes, corporate bonds, pre-IPO bonds, warrants and other instruments exhibiting convertible or exchangeable characteristics.

Pending investment or re-investment in convertible securities, the Company may hold cash on deposit or invest on a temporary basis in a range of high quality debt securities and cash equivalent instruments.

The Company may hold equity securities arising on the conversion or exchange of convertible securities, exercise of options and similar events but such equity securities are not held on a long-term basis.

Investment Restrictions

No exposure to any investee company, whether obtained through securities issued by that company or through instruments entered into with third parties which are referable to that company, will exceed 10% of Gross Asset Value at the time of investment.

No exposure to any single counterparty, whether in its capacity as the issuer of convertible securities, as the counterparty to instruments which are referable to other companies, or as a banking counterparty (other than the Custodian holding cash resources on behalf of the Company from time to time) will exceed 15% of Gross Asset Value at the time of making the relevant investment or deposit.

The majority of the portfolio is invested in listed convertible securities or those subject to regulatory reporting requirements. Investments in convertible securities that are neither listed nor subject to regulatory reporting requirements will not normally exceed 5% of Gross Asset Value at the time of investment.

The Company may, from time to time, invest in synthetic convertible securities but such exposure is limited, in aggregate, to 15% of Gross Asset Value at the time of investment.

The Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure to convertible securities but such exposure will be limited, in aggregate, to 10% of total assets at the time of investment.

The Company does not invest in closed-ended investment funds which may invest more than 15% of their total assets in other listed closed-ended investment funds.

Gearing

The Company may employ gearing up to a maximum of 20% of Net Asset Value at the time of borrowing. Gearing is used tactically to make investments consistent with the Company's investment objective and policy and for working capital purposes.

Derivatives

The Company may use derivatives (both long and short) for purposes of efficient portfolio management. Short positions are used to hedge the equity exposure of the portfolio. The Company also uses Treasury Bond futures to hedge duration. The Company does not enter into uncovered short positions.

Currency Hedging

The Company operates in sterling. The majority of the Company's assets are denominated in currencies other than sterling. Accordingly, the Company normally hedges the value of any non-sterling assets and the income derived from them into sterling using suitable hedging contracts.

Benchmark

The Company's benchmark is the Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling) for reference purposes but it is not benchmark-driven in its asset allocation.

Capital Structure

At 30th June 2016, there were 216,841,795 ordinary shares in issue, including 21,654,090 shares held in Treasury.

Administrator

The Company employs J.P. Morgan Administration Services (Guernsey) Limited (the 'Administrator') as its administrator.

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

The Company's website, which can be found at www.jpmconvertiblesincome.co.uk, includes useful information on the Company, such as daily prices, factsheets and includes current and historic half year and annual reports.

Financial Conduct Authority ('FCA') regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment company, which if it were domiciled in the United Kingdom, would currently qualify as an investment trust.

Financial Results

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED) TO 30TH JUNE 2016

–9.5%

Return to shareholders[1]

(2015: –4.8%)

0.0%

Return on net assets[2]

(2015: –1.0%)

4.5p

Dividend

(2015: 4.5p)

SUMMARY OF RESULTS

	2016	2015	
Total returns for the year ended 30th June			
Return to shareholders[1]	–9.5%	–4.8%	
Return on net assets[2]	0.0%	–1.0%	
Net asset value, share price and (discount)/premium			**% change**
Shareholders' funds (£'000)	188,638	222,311	–15.1
Net asset value per share	96.6p	101.2p	–4.5
Ordinary shares in issue[3]	195,187,705	219,630,000	–11.1
Share price	87.3p	101.3p	–13.8
Share price (discount)/premium to net asset value per share	(9.6)%	0.1%	
Revenue for the year ended 30th June			
Net revenue profit attributable to shareholders (£'000)	8,775	8,300	+5.7
Revenue earnings per share	4.13p	4.06p	+1.7
Dividend per share	4.50p	4.50p	
Gearing/(net cash)[4]	**6.6%**	**(3.1)%**	
Ongoing charges	**1.02%**	**0.91%**	

1 Source: Morningstar.

2 Source: J.P. Morgan.

3 Excluding 21,654,090 (2015: nil) shares held in Treasury.

4 The 2015 gearing figure has been amended to be in line with the current AIC methodology used for the 2016 calculation.

A glossary of terms and definitions is provided on page 61.

CHAIRMAN'S STATEMENT

Dear Shareholders

Your Company was launched three years ago with the objective of providing investors with dividend income, struck at 4.5p per share for the first year, together with the potential for some modest capital growth in sterling terms.

In the year to 30th June 2016, the total return on the Company's net assets was 0.0% compared to -1.0% last year. The return to shareholders, which reflects the share price movement and the dividend, was -9.5%.

The review period covered a number of significant market events, including a renewed downturn in energy prices, concerns over a Chinese slowdown, a widening of high yield credit spreads, an increase in the US Federal Reserve's Target Rate and, most recently, the fallout from the UK Brexit vote.

Despite the challenging backdrop, the Board is disappointed by the portfolio's performance and the poor performance of the Company's share price.

Investment performance

In the 12 months to 30th June 2016 the total return on the net assets was 0.0%. The main positive contributors to the portfolio's return over the period were income and exposure to equity and fixed income (specifically duration) factors, while the main detractors included the widening of credit spreads and convertible-specific valuations. Currency hedging prevented the Company from benefiting from sterling's continued weakness against other major currencies, particularly in the aftermath of the UK Brexit vote.

The Board judges performance over the long term. While we continue to believe in the viability and attraction of the Company's income-focused convertible strategy, we have asked the Manager to consider why this is yet to be evidenced by performance.

A more detailed analysis of performance is set out in the Investment Managers' Report on pages 7 to 9.

Benchmark

The MSCI World Index (in sterling terms) is the Company's reference index. It is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets. Since the launch of the Company in 2013 it has become clear that a more appropriate measure of the Company's performance is an appropriately constructed convertible bond index. With the assistance of the Manager, the Board has decided to resolve this issue by changing the Company's reference index from the MSCI World Index to the Bloomberg Barclays Global Convertibles Credit/Rate Sensitive Index (hedged into sterling).

Dividends and performance

When the Company was launched in 2013, it was the stated intention to pay a dividend of 4.5p per share in the first year, thereby attributing a yield of 4.5% on the issue price. It is the Board's intention to continue to pay 4.5p, although maintaining this target has required a top up of capital.

Furthermore, with the Company producing a total return on net assets of -3.4% in the six months to 31st December 2015, the Board also recognised that the portfolio's focus on income generation was acting as a constraint on performance. Therefore, the Board gave the Manager additional flexibility to focus on total returns, within similar risk parameters.

This more flexible approach has had a beneficial impact on performance, with the Company recovering from a disappointing first half to the review period to end the 12 months to 30th June 2016 with a total return on net assets of 0.0%.

The Manager is confident that the investment strategy is capable of generating the necessary returns to achieve the targeted dividend payout, without the need to place undue alpha generation assumptions on the investment team. The Company's performance since inception compared to comparable convertible funds and income-generating funds supports this belief.

Three quarterly dividends totalling 3.375p per share were declared and paid during the year. The Board declared a fourth quarterly dividend of 1.125p per share on 22nd September 2016.

Brexit

In the build-up to the UK's referendum on European Union membership, your Company's portfolio was invested in higher quality issuers trading close to their bond floor. The asymmetric nature of convertible returns provided the chance for the Company to limit its exposure to potential market volatility caused by the vote, while still allowing the portfolio to participate in any recovery in equity markets following the referendum decision. This strategy was rewarded following the outcome of the referendum.

Managing the discount

The Company is authorised by the shareholders to buy back up to 14.99% of the Company's issued share capital. This authority allows the Board to address any imbalance that may arise between supply and demand for shares in the Company, and thereby attempt to control the discount to NAV at which the shares may be trading.

In the ordinary course of business, the Directors would expect to exercise their discretion to buy back shares if the discount to NAV at which the shares are trading exceeds 5% for any significant period of time. The Board has delegated this discretion to the Manager, in consultation with the Broker.

Although there can be no assurance that buybacks alone will prevent a discount emerging or widening, the Board is committed to using the buyback programme to enhance the NAV and to reduce discount volatility.

In the 12 months to 30th June 2016 the share price fluctuated between a 10.04% discount to NAV to a 1.04% premium to NAV. During this period the Company bought back 24,442,295 ordinary shares, representing 11.12% of the share capital of the Company at the start of the year. This intervention did have a positive impact on the discount but the strategy became increasingly challenged in the lead up to the UK referendum as investors looked to de-risk their portfolios and increase cash holdings.

In the weeks following the referendum the Company's share price was extremely volatile and, as a result, the Board suspended the buyback programme. From a broader market-wide perspective, those companies that continued to buy back shares had little or no effect on their discounts. Since the year end the Company has not bought back any further shares. At the time of publication the discount to NAV at which the shares are trading was 9.61%.

CHAIRMAN'S STATEMENT *CONTINUED*

Annual General Meeting

The Company's AGM will be held on 7th November 2016 at 10.30 a.m. in Guernsey. I appreciate that many of our shareholders are based in the UK but shareholders who are unable to attend can appoint a proxy to vote their shares or ask questions.

Alternatively, shareholders are encouraged to raise questions with the Company Secretary in advance of the meeting, by email, mail or telephone and we will ensure that they receive an answer.

Outlook

Although the portfolio has performed strongly in recent months, the Board are disappointed by the fall in the absolute value, and the volatility, of the Company's shares and the lack of a more substantial growth in the NAV over the year to 30th June 2016.

Looking forward, markets and the Company face uncertain times. In the short term, markets will be dominated by the US election and the direction of Brexit negotiations. It is in times of volatility that the asymmetric nature of convertible returns can be of most use to investors, offering the opportunity for participation in rising markets and protecting value when markets fall.

We also believe that the action we have taken to allow the Manager to invest across the convertibles market, unconstrained by the need to generate a certain level of revenue returns, promises greater opportunities to both generate and protect returns for shareholders.

Simon Miller
Chairman
18th October 2016

INVESTMENT MANAGERS' REPORT

Antony Vallee

Natalia Bucci

Robin Dunmall

Performance Review

In the twelve months to 30th June 2016, the portfolio generated a flat net asset value (NAV) total return of 0.0%, whereas the share price total return was -9.5%. While the team aim to generate a positive return, the challenging period covers a number of significant market events, including a renewed downturn in energy prices, concerns over a Chinese slowdown, a widening of high yield credit spreads spurred by the closure of a number of US high yield funds in December 2015, the first increase in the Federal Reserve's Target Rate since 2006, and the fallout from the British referendum on membership of the European Union, which meant capital preservation was also a strong focus over the period. The team also had to contend with general equity underperformance from the small and mid-cap companies that typically comprise a significant proportion of convertible issuers, illustrated by the 10.7% underperformance of the Russell 2000 relative to the S&P 500 over the period.

The team are naturally disappointed by the negative performance of the Company's share price over the period as the discount on the Company's shares expanded, as well as the lack of a more positive NAV return, but believe the flat total return of the NAV during a volatile period (and strong recovery since February 2016) helps to partially demonstrate the advantages of the asset class and, in particular, targeting convertibles with a bias towards income generation. The diversification of the drivers of performance across fixed income and equity return factors can help to reduce the underlying volatility of the portfolio's NAV, and reduces reliance on any particular source of return. Over the twelve month period, the flat NAV performance of the Trust was obtained with an annualised daily volatility of 4.0%, which compares favourably to the Thomson Reuters Global Convertible Index hedged in GBP, which returned –5.1% over the same period with an annualised daily volatility of 7.8%.

The main contributors to the portfolio's return over the period were income and exposure to equity and fixed income (specifically duration) factors. On the other side, a widening of credit spreads and convertible-specific valuations detracted. The portfolio benefited from its exposure to US real estate, driven primarily by the extended low rate environment following delays to the anticipated rate hiking cycle of the Federal Reserve. A number of balanced positions that had been introduced into the portfolio as a way of reducing exposure to credit risk also provided positive contributions, notably in the Technology and Communications sectors. The energy sector continued to drag on performance, driven by the renewed decline in oil prices, although this was partially offset by the rebound in the first half of 2016.

The currency hedging of the account prevented the Company from benefiting from Sterling's continued weakness against other major currencies, particularly in the aftermath of the British referendum. The 17.7% performance differential between the GBP hedged and unhedged versions of the Thomson Reuters Global Convertible index over the review period (+12.6% return for the unhedged version versus –5.1% for the hedged version) illustrates the extent to which currency movements can become the driving force of the returns of a convertible portfolio that is not hedged. It is for this reason that we consider it prudent to currency hedge the portfolio, acknowledging that there will be periods where this precludes the portfolio from benefiting from depreciation of Sterling.

Portfolio Review

The portfolio was positioned defensively during the second half of 2015, motivated by the team's caution on exposure to company specific credit risk. Although the team considered fundamental valuations to remain attractive, particularly in light of the view that credit spreads were pricing in a greater probability of recession in the US than the team believed to be likely, we were increasingly cautious on the ability of companies to access credit markets. As a consequence, we felt the vulnerability of companies to miss-steps was increasing, and

INVESTMENT MANAGERS' REPORT *CONTINUED*

sought to protect the portfolio from this increased idiosyncratic risk by further diversifying the portfolio. The equity market sell-off surrounding concerns over the Chinese economy presented a good opportunity for us to do this, lowering the price of a number of balanced convertibles in the Technology and Internet sectors that had previously not offered compelling yield opportunities. While the yields on these names remains lower than other positions in the portfolio, we considered the diversification provided by adding balanced exposure to these companies with high growth potential to be an attractive opportunity.

This enhanced diversification helped the portfolio considerably during the final quarter of 2015 and into 2016, following the realisation of stresses in credit markets and widening of high yield spreads driven in part by the high-profile closure of some hedge funds in the US. The team considered this to open up opportunities to incrementally increase risk within the portfolio, especially since the sell-off appeared to be driven by technical, rather than fundamental, factors. These fund closures and subsequent high yield redemptions on fears of low liquidity hit market risk appetite and pushed credit spreads wider. While the team remained cautious on company-specific risk, we felt this was being increasingly priced in to asset prices going into 2016 and used this opportunity to add some positions to the portfolio.

The positions in more credit sensitive names that were added by the team in the first quarter of 2016 subsequently left the portfolio well-positioned to benefit from the rally in credit spurred by the announcement of aggressive quantitative easing by the European Central Bank.

The team had positioned the portfolio for a 'Remain' scenario in the build-up to the British referendum, but the focus on building the exposure through high-quality issuers with convertibles trading near their bond-only values ensured maximum asymmetry to the result. As such, while the referendum result was generally negative for the portfolio's holdings, particularly its allocation to British real estate, the positions significantly outperformed their respective underlying equities. The portfolio retains its exposure to British real estate, even though the team acknowledges that the result of the referendum has limited the prospect of significant equity upside from here. The rationale for the continued allocation is the fact that these convertibles are generally trading below par value and offer an attractive yield, while we consider the balance sheets of the companies we are exposed to sufficiently robust to withstand the darkening of the fundamental outlook. In particular, we note that British real estate companies are running lower loan-to-value ratios than they were going into the 2008 crisis.

The company continues to deploy a modest degree of gearing, which is invested conservatively in short-dated, high quality balanced convertibles that provide potential for some equity participation and an income in excess of the costs of the facility.

Outlook

The portfolio has performed strongly in the latter part of the review period, driven largely by the strong performance of fixed income factors. We continue to see valuation opportunities, but are choosing to increasingly position the portfolio in companies with specific improvement stories that could drive further credit spread tightening, rather than those with more general exposure to credit conditions. In conjunction with this, we are also adding to convertibles defensively positioned near their bond-only values with positive yields, providing the portfolio with defensive exposure to further equity market upside. These exposures are being funded primarily through profit-taking on positions that have moved higher in price or those where longer-dated maturities mean the security is more exposed to mark-to-market risk.

Although we do not see any significant prospects of an imminent reversal of the recent positive trends in fixed income and credit markets, the board's decision to provide the team with more flexibility to implement a total return approach should give the team the ability to better shield the portfolio during future drawdowns. The team remain convinced that an income-focused approach to investing in the convertibles market is attractive, but acknowledge that there will be times where credit market weakness will make it optimal to temporarily reduce the portfolio's focus on covering the dividend payment through yield factors. We believe that the understanding of the board on this matter provides the Company with the flexibility to be optimally positioned through all market conditions, and should reduce the impact of future credit-related drawdowns.

Despite the positive impact of duration on performance over the past year, we do not see a resumption of rate hiking by the Federal Reserve as a large risk for the portfolio. We would anticipate that the portfolio's holdings would move more in line with high yield and equity return factors than with duration, and as such believe that a scenario in which the US economy improves to the extent that the Federal Reserve can continue increasing rates could be supportive for at least one of these factors, potentially offsetting any directly negative impact from duration. While there is a risk that a perceived Federal Reserve policy error could hit investor confidence and lead to declines in equity and credit markets, it is worth noting that both US equities and US high yield were able to generate positive returns in 2013, despite the 'Taper Tantrum' that pulled US investment grade into negative territory for the year.

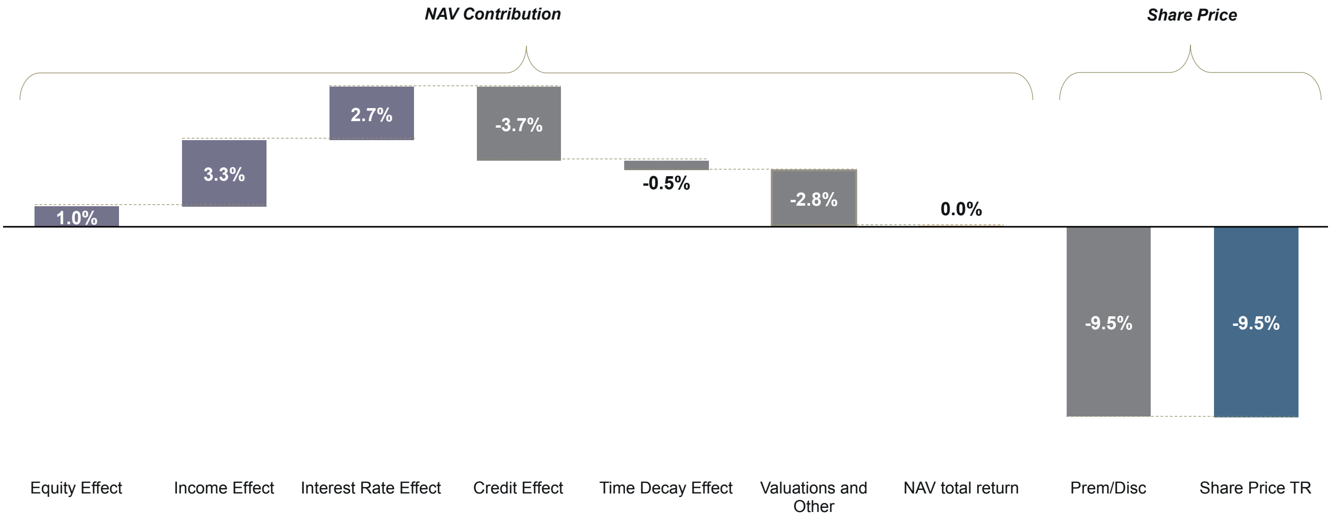
The portfolio's exposure to the energy sector remains lower than might be expected for a yield-focused portfolio, and this reflects the teams continued caution on the sector. Nevertheless, the team are increasingly open to opportunities to add exposure to higher quality issuers within the space. In particular, capital raising by a number of companies in the sector in 2016 is seen as a good sign that companies are taking the right approach in addressing balance sheet vulnerabilities rather than waiting for a recovery in prices. Furthermore, some isolated defaults in the sector have helped to address some oversupply concerns. We don't anticipate strong upside to energy prices from here, in light of the flexibility of marginal producers to bring production back on line, and as such prefer to gain exposure through high quality issuers that are profit-making with oil in the $40s, and indirect exposure to the sector through oil services companies that have addressed balance sheet weakness and that could benefit from an increase in the US oil rig count.

We consider the economic picture to remain somewhat clouded, and as such believe the diversified and defensive exposure to fixed income and equity return factors provided by convertibles to be an attractive way for investors to remain exposed to potential further upside in risk assets while being supported by the stable income stream generated by the portfolio's holdings.

Antony Vallee
Natalia Bucci
Robin Dunmall
Investment Managers

18th October 2016

CONTRIBUTING FACTORS TO NAV SHARE PRICE PERFORMANCE



These estimated sub-category returns have been calculated using an internal JPMAM analytical model and should be considered indicative only. The factors comprising net asset return are:

Equity Effect = impact of changes in the price of issuing entity's equity on the value of the convertible security.

Credit Effect = impact of changes in credit spreads on the price of convertible. The credit spread is the difference between the bond's value and a Treasury security that is equivalent in all respects except for credit quality.

Interest Rate Effect = impact on changes in the risk-free rate of interest on the valuation of the convertible.

Income Effect = coupon income; the cash received when underlying convertibles make their regular payments to investors.

Time Decay Effect = a combination of the decline in the value of the embedded option in convertible securities with the passing of time and the pull-to-par of the bond.

Other Effects = residual effects including the ongoing charges of the Company, other costs incurred in the issuance of shares and the differences between the theoretical model used to price convertibles securities and their observed market prices.

PORTFOLIO ANALYSES

Sector

	2016 Portfolio %[1]	2015 Portfolio %[1]
Real Estate	25.1	23.6
Software & Services	14.3	8.3
Banks	7.5	3.0
Retailing	6.3	4.4
Energy	6.1	4.5
Capital Goods	6.0	7.3
Diversified Financials	5.1	13.2
Consumer Services	4.2	5.0
Semiconductors & Semiconductor Equipment	4.0	1.4
Telecommunication Services	3.9	4.4
Transportation	3.2	1.8
Pharmaceuticals & Biotechnology	2.7	2.7
Materials	2.5	6.4
Technology Hardware & Equipment	2.2	3.2
Utilities	2.0	5.0
Automobiles & Components	1.8	3.5
Health Care Equipment & Services	1.3	0.9
Consumer Durables & Apparel	1.0	–
Food Beverage & Tobacco	0.5	1.4
Food & Staples Retailing	0.3	–
Total Portfolio	**100.0**	**100.0**

Geographic

	United Kingdom %	North America %	Europe %	Developed Asia %	Australia %	Africa %	2016 Total %[1]
Convertibles	11.1	34.2	17.4	18.6	1.3	1.0	83.6
Interest Rate Securities	2.1	2.0	2.5	2.2	–	–	8.8
Preference	–	6.1	–	1.5	–	–	7.6
Total	**13.2**	**42.3**	**19.9**	**22.3**	**1.3**	**1.0**	**100.0**

	United Kingdom %	North America %	Europe %	Developed Asia %	Australia %	Africa %	2015 Total %[1]
Convertibles	10.0	41.9	18.8	11.5	–	–	82.2
Interest Rate Securities	0.2	6.2	3.9	–	–	–	10.3
Preference	–	7.5	–	–	–	–	7.5
Total	**10.2**	**55.6**	**22.7**	**11.5**	**–**	**–**	**100.0**

[1] Based on total portfolio of £201.1m (2015: £215.5m).

PORTFOLIO DISCLOSURE AT 30TH JUNE 2016

No.	Investment	Holding as a percentage of portfolio	Region	Country	Currency	Sector	Rating
1.	Vereit Inc	2.7%	Americas	United States	USD	Real Estate	BB
2.	Twitter Inc	2.6%	Americas	United States	USD	Software & Services	BB-
3.	CapitaLand Ltd	2.5%	Asia	Singapore	SGD	Real Estate	NR
4.	Bank of America Corp	2.3%	Americas	United States	USD	Banks	BB
5.	China Overseas Finance Investment Cayman V Ltd	2.3%	Asia	Hong Kong	USD	Real Estate	NR
6.	DP World Crescent Ltd	2.2%	Asia	United Arab Emirates	USD	Transportation	BBB-
7.	Starwood Property Trust Inc	2.2%	Americas	United States	USD	Real Estate	BB+
8.	Subsea 7 SA	2.2%	Europe	Luxembourg	USD	Energy	NR
9.	Wells Fargo & Co	2.1%	Americas	United States	USD	Banks	BBB
10.	Redwood Trust Inc	1.9%	Americas	United States	USD	Real Estate	NR
11.	British Land White 2015 Ltd	1.8%	Europe	United Kingdom	GBP	Real Estate	A-
12.	Kingsoft Corp Ltd	1.8%	Asia	China	HKD	Software & Services	NR
13.	St Modwen Properties Securities Jersey Ltd	1.7%	Europe	United Kingdom	GBP	Real Estate	NR
14.	Soufun Holdings Ltd	1.7%	Asia	China	USD	Software & Services	NR
15.	Yandex Nv	1.6%	Europe	Russia	USD	Software & Services	NR
16.	Market Tech Holdings Ltd	1.5%	Europe	United Kingdom	GBP	Real Estate	NR
17.	OSIM International Ltd	1.5%	Asia	Singapore	SGD	Retailing	NR
18.	SGL Carbon Se	1.5%	Europe	Germany	EUR	Capital Goods	CCC
19.	Tesla Motors Inc	1.4%	Americas	United States	USD	Automobiles & Components	B-
20.	Balfour Beatty Finance No.2 Ltd	1.4%	Europe	United Kingdom	GBP	Capital Goods	NR
21.	Liberty Interactive Llc	1.3%	Americas	United States	USD	Retailing	B
22.	Cromwell Spv Finance Pty Ltd	1.3%	Australia	Australia	EUR	Real Estate	BBB-
23.	Ares Capital Corp	1.3%	Americas	United States	USD	Diversified Financials	BBB
24.	Liberty Interactive Llc	1.2%	Americas	United States	USD	Retailing	B
25.	America Movil Bv	1.2%	Europe	Netherlands	EUR	Telecommunication Services	A-
26.	Telefonica Sa	1.1%	Europe	Italy	EUR	Telecommunication Services	BBB
27.	Haitian International Holdings Ltd	1.1%	Asia	China	USD	Capital Goods	NR
28.	Fireeye Inc	1.1%	Americas	United States	USD	Software & Services	NR
29.	Spirit Realty Capital Inc	1.0%	Americas	United States	USD	Real Estate	BBB-
30.	MGM Resorts International	1.0%	Americas	United States	USD	Consumer Services	B+
31.	Aabar Investments Pjsc	1.0%	Europe	Italy	EUR	Banks	NR
32.	Frontier Communications Corp	1.0%	Americas	United States	USD	Telecommunication Services	BB-
33.	Salzgitter Finance Bv	1.0%	Europe	Germany	EUR	Materials	NR
34.	CPUK Finance Ltd	1.0%	Europe	United Kingdom	GBP	Consumer Services	B
35.	Primecity Investment Plc	1.0%	Europe	Germany	EUR	Real Estate	NR
36.	Tpk Holding Co. Ltd	1.0%	Asia	Taiwan	USD	Technology Hardware & Equipment	NR
37.	On Semiconductor Corp	1.0%	Americas	United States	USD	Semiconductors & Semiconductor Equipment	BB+
38.	TCP Capital Corp	1.0%	Americas	United States	USD	Diversified Financials	BBB-
39.	Tpg Specialty Lending Inc	1.0%	Americas	United States	USD	Diversified Financials	BBB-

No.	Investment	Holding as a percentage of portfolio	Region	Country	Currency	Sector	Rating
40.	Steinhoff Finance Holdings GmbH	1.0%	Africa	South Africa	EUR	Consumer Durables & Apparel	NR
41.	Helical Bar Jersey Ltd	0.9%	Europe	United Kingdom	GBP	Real Estate	NR
42.	Intel Corp	0.9%	Americas	United States	USD	Semiconductors & Semiconductor Equipment	A-
43.	Carillion Finance Jersey Ltd	0.9%	Europe	United Kingdom	GBP	Capital Goods	NR
44.	Thomas Cook Finance Plc	0.9%	Europe	United Kingdom	EUR	Consumer Services	B
45.	Micron Technology Inc	0.9%	Americas	United States	USD	Semiconductors & Semiconductor Equipment	BB
46.	BW Group Ltd	0.9%	Europe	Norway	USD	Energy	BB
47.	Pharmaceutical Industries Ltd	0.9%	Asia	Israel	USD	Pharmaceuticals & Biotechnology	NR
48.	BP Capital Markets Plc	0.9%	Europe	United Kingdom	GBP	Energy	A-
49.	Fireeye Inc	0.9%	Americas	United States	USD	Software & Services	NR
50.	Electricite De France Sa	0.9%	Europe	France	GBP	Utilities	BB+
51.	Colony Capital Inc	0.9%	Americas	United States	USD	Real Estate	NR
52.	Neopost Sa	0.8%	Europe	France	EUR	Technology Hardware & Equipment	NR
53.	Sina Corp	0.8%	Asia	China	USD	Software & Services	NR
54.	National Health Investors Inc	0.8%	Americas	United States	USD	Real Estate	NR
55.	Vipshop Holdings Ltd	0.8%	Asia	China	USD	Retailing	NR
56.	National Bank of Abu Dhabi Pjsc	0.8%	Asia	United Arab Emirates	USD	Banks	AA-
57.	WebMD Health Corp	0.8%	Americas	United States	USD	Software & Services	NR
58.	TOTAL Sa	0.8%	Europe	France	EUR	Energy	A-
59.	Rocket Internet	0.8%	Europe	Germany	EUR	Software & Services	NR
60.	Premier Oil Finance Jersey Ltd	0.8%	Europe	United Kingdom	USD	Energy	NR
61.	Yahoo Inc	0.7%	Americas	United States	USD	Software & Services	BB+
62.	Enterprise Funding Ltd	0.7%	Europe	United Kingdom	GBP	Consumer Services	B
63.	Allergan Plc	0.7%	Americas	United States	USD	Pharmaceuticals & Biotechnology	NR
64.	Anthem, Inc	0.7%	Americas	United States	USD	Health Care Equipment & Services	BBB-
65.	FF Group Finance Luxembourg Sa	0.7%	Europe	Greece	EUR	Retailing	NR
66.	Nexity Sa	0.7%	Europe	France	EUR	Real Estate	NR
67.	Sunpower Corp	0.7%	Americas	United States	USD	Semiconductors & Semiconductor Equipment	NR
68.	Wright Medical Group Inc	0.6%	Americas	United States	USD	Health Care Equipment & Services	NR
69.	YY Inc	0.6%	Asia	China	USD	Software & Services	BB
70.	Mandatory Exchangeable Trust	0.6%	Asia	China	USD	Telecommunication Services	NR
71.	Ias Operating Partnership Lp	0.6%	Americas	United States	USD	Real Estate	NR
72.	Pierre & Vacances SA	0.6%	Europe	France	EUR	Consumer Services	NR
73.	Extra Space Storage	0.6%	Americas	United States	USD	Real Estate	NR
74.	Arcelormittal	0.6%	Europe	Luxembourg	USD	Materials	BB
75.	DP World Ltd	0.6%	Asia	United Arab Emirates	USD	Transportation	BBB-
76.	Blackrock Capital Investment Corp	0.6%	Americas	United States	USD	Diversified Financials	BBB-

PORTFOLIO DISCLOSURE *CONTINUED*

No.	Investment	Holding as a percentage of portfolio	Region	Country	Currency	Sector	Rating
77.	Larsen & Toubro Ltd	0.6%	Asia	India	USD	Capital Goods	NR
78.	IMMOFINANZ Ag	0.5%	Europe	Austria	EUR	Real Estate	NR
79.	Restoration Hardware Holdings Inc	0.5%	Americas	United States	USD	Retailing	NR
80.	Joyo Bank Ltd	0.5%	Asia	Japan	USD	Banks	A
81.	NRG Yield Inc	0.5%	Americas	United States	USD	Utilities	BB
82.	Qihoo 360 Technology Co Ltd	0.5%	Asia	China	USD	Software & Services	NR
83.	Shizuoka Bank Ltd	0.5%	Asia	Japan	USD	Banks	A+
84.	Remgro Jersey GBP Ltd	0.5%	Europe	United Kingdom	GBP	Diversified Financials	NR
85.	Asm Pacific Technology Ltd	0.5%	Asia	Hong Kong	HKD	Semiconductors & Semiconductor Equipment	BB+
86.	Shine Power International Ltd	0.5%	Asia	Hong Kong	HKD	Capital Goods	NR
87.	Vector Group Ltd	0.5%	Americas	United States	USD	Food Beverage & Tobacco	B
88.	Weatherford International Ltd	0.5%	Americas	United States	USD	Energy	BB-
89.	Nyrstar Nv	0.4%	Europe	Belgium	EUR	Materials	CCC
90.	Fiat Chrysler Automobiles Nv	0.4%	Europe	Netherlands	USD	Automobiles & Components	B
91.	Brocade Communication Systems Inc	0.4%	Americas	United States	USD	Technology Hardware & Equipment	BB+
92.	Prospect Capital Corp	0.4%	Americas	United States	USD	Diversified Financials	BBB-
93.	Nuance Communications Inc	0.4%	Americas	United States	USD	Software & Services	BB-
94.	Sas Ab	0.4%	Europe	Sweden	SEK	Transportation	B-
95.	Royal Gold Inc	0.3%	Americas	United States	USD	Materials	NR
96.	Exelon Corp	0.3%	Americas	United States	USD	Utilities	BB+
97.	Rallye Sa	0.3%	Europe	France	EUR	Food & Staples Retailing	NR
98.	TICC Capital Corp	0.3%	Americas	United States	USD	Diversified Financials	NR
99.	Impax Laboratories Inc	0.3%	Americas	United States	USD	Pharmaceuticals & Biotechnology	BB
100.	Aabar Investments Pjsc	0.3%	Europe	Italy	EUR	Banks	NR
101.	Medicines Co	0.3%	Americas	United States	USD	Pharmaceuticals & Biotechnology	NR
102.	GNC Holdings Inc	0.3%	Americas	United States	USD	Food & Staples Retailing	BB+
103.	Ionis Pharmaceuticals Inc	0.3%	Americas	United States	USD	Pharmaceuticals & Biotechnology	NR
104.	Centerpoint Energy Inc	0.3%	Americas	United States	USD	Utilities	BBB
105.	Intercept Pharmaceuticals Inc	0.2%	Americas	United States	USD	Pharmaceuticals & Biotechnology	NR
106.	Outokumpu OYJ	0.2%	Europe	Finland	EUR	Materials	B
107.	Unite Group Plc	0.2%	Europe	United Kingdom	GBP	Real Estate	NR
108.	Viavi Solutions Inc	0.0%	Americas	United States	USD	Technology Hardware & Equipment	NR
		100%					

Note: Rating describes the most conservative rating published by an external reputable credit rating agency. Where a security is described as not rated, no external rating is available. These securities are subject to an internal credit analysis and rating procedure.

BUSINESS REVIEW

The Company is a registered closed-ended investment scheme registered pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended and The Registered Collective Investment Scheme Rules, 2008 issued by the Guernsey Financial Services Commission (the 'Commission').

Business Model, Investment Objective and Policies

The Company's investment objective is to provide investors with a dividend income combined with the potential for long term capital growth. The Board's strategy to achieve this objective is to invest shareholder funds in a globally diversified portfolio of convertible securities. It does this with the help of the Manager, who acts in accordance with the Board's approved investment policy and risk guidelines, together with investment and gearing limits.

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 ended 30th June 2016, the Company produced a total return to shareholders of -9.5% and a total return on net assets of 0.0%. The Investment Managers' Report on pages 7 to 9 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

Total income amounted to £0.1 million (2015: £0.4 million) and net total loss after deducting administrative expenses, finance costs and taxation, amounted to £2.6 million (2015: £1.8 million).

Interim dividends totalling 3.375p per share have been paid during the year, amounting to £7,058,000.

The Directors have declared a fourth interim dividend of 1.125p per share to be paid on 26th October 2016 to shareholders on the register at the close of business on 30th September 2016.

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
  The principal objective is to provide investors with a dividend income combined with the potential for long term capital growth. The Board also monitors performance compared with a broad range of competitor funds.

- Share price premium/discount to net asset value per share
  The Board recognises that the possibility of a widening premium or discount can be a disadvantage of investment companies that can discourage investors and influence the liquidity of the Company's shares. The Board has the authority to issue and repurchase shares so as to address imbalances in supply of and demand for the Company's shares. A total of 24,442,295 shares were repurchased during the year (23,286,252 into Treasury, 1,156,043 for cancellation). In addition, a further 1,632,162 shares were cancelled from Treasury.

- Ongoing Charges
  The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 30th June 2016 were 1.02% (2015: 0.91%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers.

Share Capital

The Directors have, on behalf of the Company, authority to issue new shares, to repurchase shares into Treasury, and to repurchase shares for cancellation. Details of share capital transactions in the year are detailed in the share price premium/discount paragraph above. Further details are given in note 18 on page 46.

Board Diversity

When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board. As at 30th June 2016, these were three male Directors and one female Director.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with the Manager. It has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the Manager's policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

Social, Community, Environmental and Human Rights

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

BUSINESS REVIEW *CONTINUED*

The Manager is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request.

Greenhouse Gas Emissions

The Company is managed by JPMF with delegation of the active management of the Company's assets to JPMAM. JPMF acts as Company Secretary and provides administrative support. The Company has no employees, all its Directors being non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. JPMAM is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods or services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to the Manager and the Investment Manager. JPMorgan's statement on Human Rights can be found on the following website:
www.jpmorganchase.com/corporate/ About-JPMC/ab-human-rights.htm

Principal Risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed or mitigated are summarised as follows:

- **Investment Risk**
  An inappropriate investment strategy, for example excessive concentration of investments, asset allocation, the level of gearing, or the degree of portfolio risk, may lead to underperformance against the Company's benchmark index and peer companies, which may result in the Company's shares trading on a wider discount. A widening of the discount results in loss of value for shareholders. In order to try to manage the Company's discount, which can be volatile, the Company operates a share issuance and repurchase programme. The Board regularly discusses discount policy and has set parameters for the Manager and the Company's broker to follow.

  The Board manages investment risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. The Manager 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 Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board. In addition to regular Board meetings, the Board conducts an annual strategy session where it discusses the portfolio's objective and challenges the strategy they've set to achieve it.

- **Market Risk**
  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 the Manager. The Board monitors the implementation and results of the investment process with the Manager.

- **Operational Risk**
  Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Depositary's or Custodian's records may prevent accurate reporting and monitoring of the Company's financial position. This includes the risk of cybercrime and consequent potential threat to security and business continuity.

- **Political Risk**
  Political risks, such as those the UK leaving the European Union, or a change in financial or tax legislation impacting the treatment of the Company's earnings, may impair the manager's ability to continue with its investment activity. These risks are discussed by the Board on a regular basis.

  Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective risk management and internal controls are included within the Risk Management and Internal Controls section of the Corporate Governance Statement on pages 23 and 24.

- **Political and Regulatory Risks**
  Political risks, such as the imposition of restrictions on the free movement of capital may impair the Manager's ability to continue with its investment activity. Similarly, adverse tax, regulatory or political change could have a material impact on the Company. The Company must also comply with the provisions of the Guernsey Companies Law and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure Guidance and Transparency Rules ('DTRs'). A breach of the Companies Law could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing. The Board relies on the services of its Company Secretary and its professional advisers to ensure compliance with the Companies Law and the UKLA Listing Rules and DTRs.

Viability Statement

In accordance with the 2014 UK Corporate Governance Code, the Board has assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The new provisions require the Board to explain, taking account of the Company's current position and principal risks, how they have assessed its prospects and over what period and why they consider that period to be appropriate.

The Directors have determined that a three year period to 18th October 2019 is an appropriate period over which to provide its viability statement. This period aligns with the Company's objective of providing long term capital growth and is the minimum period of time that shareholders ought to consider an investment in the Company.

In making this assessment the Directors have taken into account the Company's current position and have conducted a robust assessment of its principal risks and uncertainties (as detailed on pages 16 and 17), in particular the risk that the portfolio's securities could reduce in value in a falling market.

The assessment identified the following features which support the Company's ability to continue in operation and meet its liabilities as they fall due over the three year period:

- the vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due, the main liability currently being the bank borrowings;
- the essential services required by the Company are outsourced to third party service providers. This allows key service providers to be replaced at relatively short notice where necessary;
- in addition to its cash balances, which were £3,189,000 at 30th June 2016, the Company has a $32 million loan facility, which the Company intends to roll over when it matures in July 2017. The loan facility can be used to meet its liabilities in the short term; and
- the expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments currently foreseen which would alter that position.

Based on the results of its review, and taking into account the long-term nature of the Company and its financing, the Board has a reasonable expectation that the Company will be able to continue its operations and meet its expenses and liabilities as they fall due for at least the next three years.

By order of the Board
Rhys Williams, for and on behalf of
JPMorgan Funds Limited
Secretary

18th October 2016

BOARD OF DIRECTORS

Simon Miller
Independent Non-Executive Director
A Director since May 2013.

Chairman of the Board, Remuneration and Nomination Committee and Management Engagement Committee. Member of the Audit Committee.

Simon Miller is chairman of Dunedin LLP, Brewin Dolphin plc and BlackRock North America Income Trust plc. He is a non-executive director of Scottish Friendly Assurance Limited. Mr Miller is resident in the United Kingdom. He holds 25,000 shares in the Company.

Philip Taylor FCA
Independent Non-Executive Director
A Director since May 2013.

Chairman of the Audit Committee. Member of the Remuneration and Nomination Committee and Management Engagement Committee.

Philip Taylor is a Jersey resident non-executive director who serves as chairman of Hawksford Holdings Limited and the States of Jersey Treasury Advisory Panel. He is a non-executive director of Royal Bank of Scotland International Limited and City Merchants High Yield Trust Limited and is a member of the Financial Reporting Council's Case Management Committee. Mr Taylor is a former partner of PricewaterhouseCoopers in the United Kingdom and Channel Islands. He holds 101,338 shares in the Company.

Charlotte Valeur
Independent Non-Executive Director
A Director since May 2013.

Member of the Audit Committee, Remuneration and Nomination Committee and Management Engagement Committee.

Charlotte Valeur is a Jersey resident non-executive director who has in excess of 30 years' experience in the financial services industry. Mrs Valeur is the founder and managing director of the Global Governance Group, a Jersey based Governance Consultancy. She is a non-executive director of various listed and unlisted companies, including chairman of DW Catalysts Limited, Kennedy Wilson Europe Real Estate plc and Blackstone/GSO Loan Financing Limited. Mrs Valeur is the former managing partner of Brook Street Partners and previously held senior executive roles with S.G.Warburg and Co, BNP Paribas, Societe Generale and Nordea A/S. She holds 25,000 shares in Company.

Paul Meader
Independent Non-Executive Director
A Director since May 2013.

Member of the Audit Committee, Remuneration and Nomination Committee and Management Engagement Committee.

Paul Meader is a Guernsey resident non-executive director of various listed and unlisted investment companies. He has over 30 years' experience in the financial services industry, most notably as head of portfolio management for Collins Stewart, chief executive of Corazon Capital and managing director of a Rothschild's Swiss private-banking subsidiary in Guernsey. Mr Meader was a Commissioner of the Guernsey Financial Services Commission and past Chairman of the Guernsey International Business Association. He holds 30,000 shares in the Company.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30th June 2016.

Management of the Company

The Manager and Company Secretary is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. The active management of the Company's assets is delegated by JPMF to an affiliate, JPMorgan Asset Management (UK) Limited ('JPMAM'). The Manager is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides marketing, banking, dealing and custodian services to the Company.

Principal Activities

The principal activities of the Company throughout the year ended 30th June 2016 are disclosed in the Investment Managers' Report on pages 7 to 9.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 24 on pages 49 to 55.

Management Fee

The Manager is employed under a contract which is subject to six months' notice of termination. If the Company wishes to terminate the contract on less than six months' notice, the balance of the six months' remuneration is payable by way of compensation.

Under the terms of the Management Agreement, the management fee is charged at the rate of 0.75% per annum of the lower of the Company's total assets less current liabilities and the market capitalisation. The fee is calculated and paid monthly in arrears.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. The Company has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmconvertiblesincome.co.uk.

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

JPMF's remuneration disclosures are set out on page 27.

Directors

The Directors of the Company who held office at the end of the year are detailed on page 18.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 27.

In accordance with corporate governance best practice, all Directors will retire at the forthcoming Annual General Meeting and, will offer themselves for reappointment. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

Director Indemnification and Insurance

As permitted by the Company's Articles of Incorporation, the Directors have the benefit of an indemnity which was in place during the year and as at the date of this report.

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

DIRECTORS' REPORT *CONTINUED*

Notifiable Share Interests

At 30th June 2016 the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	Percentage of issued share capital
Brewin Dolphin Limited	29,673,778	15.04
Premier Fund Managers Limited	11,998,975	6.15

There have been no changes notified since the year end.

The Company is also aware that approximately 0.9% of the Company's total voting rights are held by individuals through savings products managed by JPMorgan and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMorgan has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Incorporation and powers to issue or buy back the Company's shares are contained in the Articles of Incorporation of the Company and the Companies (Guernsey) Law 2008.

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

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Independent Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors to the Company and a resolution proposing their re-appointment and to authorise the Directors to determine their remuneration for the ensuing year will be put to shareholders at the forthcoming Annual General Meeting.

Disclosure of Information to Auditors

These disclosures are set out on page 29.

AGM and Recommendation

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

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

(i) Authority to repurchase the Company's shares (resolution 9)

The authority to repurchase up to 14.99% of the Company's issued ordinary share capital, granted by shareholders at the 2015 AGM will expire on 3rd May 2017, unless renewed prior to that time. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

Resolution 9 gives the Company authority to repurchase its own issued ordinary shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of: 29,258,636 ordinary shares, representing approximately 14.99% of the Company's issued ordinary shares as at 17th October 2016 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices.

If resolution 9 is passed at the AGM it is the Company's current intention to hold in Treasury any shares it may repurchase pursuant to the authority granted to it for possible re-issue at a premium to NAV. This policy is kept under review by the Board.

(ii) Authority to allot new shares and disapplication of pre-emption rights (resolutions 10 and 11)

The Directors will seek renewal of the authority at the AGM to issue up to 19,518,770 new ordinary shares for cash up to an aggregate nominal amount of £195,187 such amount being equivalent to 10% of the present issued ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of this document. This authority will expire at the conclusion of the AGM of the Company in 2017 unless renewed at a prior general meeting.

If resolution 11 is passed, the Directors will also have the power to allot the shares over which they are granted authority pursuant to resolution 10 for cash on a non pre-emptive basis. Any ordinary shares allotted on a non pre-emptive basis will not be issued at a price less than the prevailing net asset value per ordinary share, based on the reasonable belief of the Directors at the time of issuance.

The Directors will limit the number of ordinary shares which may be issued for cash on a non pre-emptive basis to such maximum number of shares as shall be equal to 10% of the Company's issued ordinary share capital as at midnight on 17th October 2016 (this being the maximum amount of ordinary shares that the Company may issue during the next twelve months without having to publish a new prospectus).

The Directors intend to use this authority when they consider that it is in the best interests of shareholders to do so and to satisfy continuing demand for the Company's ordinary shares. As such issues are only made at prices greater than the NAV, they increase the assets underlying each share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares.

Recommendation

The Board considers that resolutions 9 to 11 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommended 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 182,261 ordinary shares, representing 0.09% of the voting rights of the Company.

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 29, indicates how the Company, as a Guernsey incorporated company listed on the London Stock Exchange, has applied the principles and complied with the provisions set out in the Financial Reporting Council's UK Corporate Governance Code (the 'UK Code'), which can be accessed at www.frc.org.uk. The Company also complies with the Code of Corporate Governance issued by the Guernsey Financial Services Commission (the 'Guernsey Code'), which can be accessed at www.gfsc.gg, and the Code of Corporate Governance (for Guernsey domiciled member companies) issued by the Association of Investment Companies (the 'AIC Code'), which can be accessed at www.theaic.co.uk.

Companies who report against the AIC Code and who follow the AIC Guide meet their obligations in relation to the UK Code, the Guernsey Code and paragraph 9.8.6 of the Listing Rules.

The Board has considered the principles and recommendations of the UK Code, the AIC Code and the Guernsey Code and considers that, throughout the year under review and insofar as they are relevant to the Company's business, the Company has complied with the best practice provisions except for the following:

- Role of the CEO, as the Company does not appoint a CEO;
- Executive Director remuneration, as the Company does not employ executive directors;
- Internal audit function, as the Company relies on the Managers' internal audit department; and
- Nomination of Senior Independent Director, as the Company does not consider it necessary.

The UK Code has recently been amended. The Company will report against the 2016 version of the UK Code in its 2017 Annual Report and Accounts.

Role of the Board

A management agreement between the Company and the Manager and an administration agreement between the Company and the Administrator sets out the matters which have been delegated to the Manager and the Administrator. 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 on at least four occasions 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

DIRECTORS' REPORT *CONTINUED*

services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and for compliance with applicable rules and regulations.

Board Composition

The Board, chaired by Simon Miller, consists of four non-executive Directors, all of whom are regarded by the Board as independent, including the Chairman. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business. The Board constructively challenges the Manager, who assists the Board in the development of the Company's strategy.

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 on page 25. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board is composed entirely of independent non-executive Directors, this is unnecessary.

The Chairman of the Audit Committee is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are appointed by the Board until the following Annual General Meeting when, under the Company's Articles of Incorporation, it is required that they submit themselves for re-election by shareholders.

In accordance with corporate governance best practice, all Directors seek annual re-election.

Directors are expected to devote such time as is necessary to enable them to discharge their duties. All other directorships, significant commitments and interests, including those that conflict, or may potentially conflict, with the interests of the Company are disclosed prior to appointment and monitored during the term of their appointment.

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 Annual General Meeting.

Training and Appraisal

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

Meetings and Committees

The Board delegates certain responsibilities and functions to its Committees. Committee membership is detailed in the Directors' biographies on page 18.

The table below details the number of Board and Committee meetings attended by each Director.

Meetings Attended

	Board[1]	Nominations	Audit	Management Engagement Committee
Simon Miller	4/4	1/1	4/4	1/1
Paul Meader	4/4	1/1	4/4	1/1
Philip Taylor	4/4	1/1	4/4	1/1
Charlotte Valeur	4/4	1/1	4/4	1/1

[1] In addition to the four scheduled meetings held in the year ended 30 June 2016 there were several ad hoc meetings held to address business arising at short notice, including the approval of the debt facility and changes to the Company's buyback programme.

The Board conducted a strategic review in October 2015 to debate the key issues impacting the Company and to further develop and refine its strategy for achieving the Company's investment objective.

Board Committees

Audit Committee

Purpose and Responsibilities

The Audit Committee monitors and reviews the principles, policies and practices adopted in the preparation and audit of the accounts of the Company and the integrity of the financial statements and any other announcement relating to the Company's financial performance. The Committee also monitors the effectiveness of the internal controls and the risk management framework, the external auditors' independence and objectivity, the effectiveness of the audit process, corporate governance standards and regulatory compliance and reports its findings to the Board. A full list of the Committee's responsibilities is detailed in the terms of reference, which can be found on our website at www.jpmconvertiblesincome.co.uk

Composition, Skills and Experience

All members of the Audit Committee, which includes the Chairman of the Board, are independent Non-executive Directors. The Chairman of the Audit Committee is Philip Taylor.

Whilst all members assist the Committee in discharging its responsibilities, for the purposes of the UK Code, the Board is satisfied that Mr Taylor has recent and relevant financial experience.

Committee member's skills and experience are set out in the Director biographies on page 18.

Significant Financial Judgments

During its review of the Company's financial statements for the year ended 30th June 2016, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation and existence of investments	The valuation of investments, including those not quoted on an active market, is undertaken in accordance with the accounting policies, disclosed in note 2 to the accounts on pages 38 to 41. In the year ended to 30th June 2016, the Audit Committee reviewed the valuation policy and considered whether the use of an independent valuation service provider is appropriate and in line with market standards. The Audit Committee also receives a third party internal control report on the custodian and a report from the Depositary which confirms the existence of the Company's assets.
Recognition of Investment Income	The recognition of investment income is undertaken in accordance with accounting policy note 2(h) to the accounts on page 39.
Allocation of Management and Finance costs between Revenue and Capital	The Audit Committee reviewed the allocation based on the objectives of the Company, the expected returns from the portfolio and discussions with the investment managers. It was agreed that these costs would be allocated 65% to revenue and 35% to capital.

Whistleblowing

The Committee is satisfied that the Manager has in place a whistleblowing framework through which employees of the Manager, including temporary workers and independent contractors, can make confidential disclosures concerning possible improprieties in matters of financial reporting or other matters, including matters that affect the Company.

Disclosures can be made directly to the Manager's Compliance team, or anonymously via reporting hotlines which are administered externally.

Auditor Objectivity and Independence

The Committee has implemented safeguards to ensure that the provision of non-audit services does not impair the external Auditors' objectivity or independence. Any significant non-audit services are carried out through a partner other than the audit engagement partner, who himself is rotated at appropriate intervals. All non-audit fees are approved by the Committee and an assessment of the safeguards is carried out on an annual basis.

Ernst & Young LLP are the Company's Auditors. They were appointed in March 2013.

Assessment of the Effectiveness of the External Audit Process

The Audit Committee has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attended the Audit Committee meeting at which the draft Annual Report & Accounts were considered and also engage with Directors as and when required.

Having considered the external Auditors' performance, including their technical competence, strategic knowledge, the quality of work, communications and reporting, the Committee was satisfied with the effectiveness of the external audit process and considered it appropriate to recommend their reappointment.

The Board supported this recommendation which will be put to shareholders at the 2016 Annual General Meeting.

Risk Management and Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager, its associates and the Bank of New York Mellon, the Company's system of risk management and internal control mainly comprises the monitoring of their services 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 the Manager. This arrangement is kept under review.

DIRECTORS' REPORT *CONTINUED*

The key elements designed to provide effective risk management and internal control are as follows:

Financial Reporting – Regular and comprehensive review by the Audit Committee and 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, regulated by the FCA, 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 the Manager's compliance department which regularly monitors and reports to the Board on compliance with FCA 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, reviewed the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- maintained a risk matrix and reviewed the key risks to the Company at each quarterly meeting;
- received and reviewed the quarterly compliance reports received from the Manager and the Administrator;
- received a report from the Depositary on the results of its monitoring of the Company's transactions;
- reviewed the terms of the agreements and undertook an evaluation of each service provider;
- reviewed reports on the internal controls and operations of the custodian, JPMorgan Chase Bank, which is itself independently reviewed;
- reviewed every six months an independent report on the internal controls and the operations of the Manager;
- received a presentation from the Manager's Internal Audit Department; and
- undertook an onsite review of the Manager in London in October 2015.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 30th June 2016, and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of risk management and internal control, the Board did not identify nor was it advised of any failings or weaknesses which it determined to be significant.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report and Accounts with the Manager and other third party service providers, the Board, having received a recommendation from the Audit Committee has concluded that the Annual Report and Accounts for the year ended 30th June 2016 taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 29.

Going Concern

The Directors, having assessed the Company's investment objective (see inside front cover), risk management policies (see pages 49 to 55), capital management policies and procedures (see page 56), the nature of the portfolio and expenditure projections, considered it appropriate to adopt the going concern basis of accounting in the preparation of the 2016 annual financial statements. As part of its assessment, the Directors concluded that there are no material uncertainties relating to events or conditions that might cast significant doubt upon the continuing use of the going concern basis of accounting for a period of at least twelve months from the date of approval of the financial statements.

Nomination and Remuneration Committee

Purpose and Responsibilities

The purpose of the Nomination and Remuneration Committee is to review the size, structure and composition of the Board, lead the process for board appointments, review the adequacy of succession plans, oversee an annual performance evaluation of the Board, the Committees and each of the Directors and to make recommendations on the appropriateness of Directors' fees and the Board's policy on diversity. A full list of the Committee's responsibilities is detailed in the terms of reference, which can be found on our website at www.jpmconvertiblesincome.co.uk

Composition, Skills and Experience

All members of the Nomination and Remuneration Committee are independent Non-executive Directors. The Chairman of the

Committee is Simon Miller, who is also Chairman of the Board and the Management Engagement Committee.

Board and Board Committee Composition
The Nomination and Remuneration Committee assists the Chairman of the Board in his assessment of the skills, experience, knowledge, composition and diversity of the Board and its Committees. The appointment of new directors follows a formal, rigorous and transparent procedure. Non-executive Directors are appointed for an initial period which expires at the next Annual General Meeting where they are required to retire and submit themselves for election by shareholders.

Effectiveness
The annual evaluation of the effectiveness of the Board, the Board's Committees and each individual Director was performed by the Chairman, with the assistance of the Nomination and Remuneration Committee. The evaluation consisted of a series of meetings with the Chairman as required.

The evaluation of the Chairman was led by the Chairman of the Audit Committee. The appraisal of his performance was then discussed by the Directors. In light of the annual evaluation, the Board decides whether it is appropriate for each Director to seek an additional term.

The 2016 evaluations concluded that the performance of the Board, its Committees, the Chairman and each of the Directors continues to be effective. The Chairman recommends to shareholders that each Director be re-elected at the forthcoming AGM.

If Directors have concerns about the Company or a proposed action which cannot be resolved, it is recorded in the Board minutes. No such concerns were raised during the year.

Independence
The Nomination and Remuneration Committee is responsible for the ongoing assessment of the independence of Non-executive Directors, including the independence of the Chairman. In assessing independence, in particular independence from the Manager, the Committee considers whether a Director is independent in character and judgement and whether there are relationships or circumstances, including those contained in the UK Code, which are likely to affect, or could appear to affect, the Director's judgement. It does this with reference to the individual's performance and conduct in reaching decisions.

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 ongoing requirements of the UK Code, including the need to refresh the Board and its Committees.

The Committee is satisfied that, throughout the year, all non-executive Directors, including the Chairman, who was independent on appointment, remained independent as to both character and judgement.

Board Diversity
The combination of personalities and experience on the Board provides a range of perspectives and challenge. When recruiting a new director, the Board's policy is to appoint individuals on merit, with due regard to the benefits of diversity.

Management Engagement Committee

Purpose and Responsibilities
The Management Engagement Committee is responsible for reviewing the key contractual arrangements between the Company and its various service providers to ensure that they remain in the best interests of the Company as a whole and are competitive with the market. The Committee is also responsible for reviewing and evaluating the performance of its service providers and making an annual recommendation to the Board concerning their continuing appointment. A full list of the Committee's responsibilities is detailed in the terms of reference, which can be found on our website at www.jpmconvertiblesincome.co.uk

Composition, Skills and Experience
All members of the Management Engagement Committee are independent Non-executive Directors. The Committee is chaired by Simon Miller.

Evaluation of the Manager
The Committee has reviewed the investment management, company secretarial, sales and marketing services provided to the Company by the Manager. This review, which is conducted on an annual basis, included investment performance, risk management, administration, controls and compliance.

The review concluded that the Manager's overall performance for the year was satisfactory. The Committee and the Board is therefore satisfied that the continuing appointment of the Manager for the provision of these services, on the terms agreed, continues to be in the best interests of shareholders as a whole.

Evaluation of Other Service Providers
The Committee also carried out reviews of its other key service providers.

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

DIRECTORS' REPORT *CONTINUED*

shareholders half yearly by way of the Half Year and Annual Report and Accounts. This is supplemented by daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

Shareholders may also visit the Company's website at www.jpmconvertiblesincome.co.uk where the share price is updated every 15 minutes during trading hours. All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting, at which the Directors and representatives of the Manager will be available in person to meet shareholders and answer their questions. The Company's brokers, the Investment Manager and the Manager hold regular discussions with larger shareholders and report their views to the Board. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 65.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM through the Manager. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 15.

Corporate Governance

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

Proxy Voting

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

Stewardship/Engagement

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

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

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

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

By order of the Board
Philip Taylor
Director

18th October 2016

DIRECTORS' REMUNERATION REPORT

The Board presents the unaudited Directors' Remuneration Report for the year ended 30th June 2016.

Directors' Remuneration Policy

An ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting. It is the Board's intention to put this resolution to shareholders annually. The policy subject to the vote is set out in full below and is currently in force.

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 the responsibilities of the role and should be at a level to ensure that candidates of a high calibre are recruited to the Board and retained. 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 and responsibilities in fulfilling those roles.

Reviews are based on information provided by the Manager, 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 involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive share scheme, award 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. Directors are not entitled to early termination payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

In the year under review, Directors' fees were paid at the following rates: Chairman £40,000; Chairman of the Audit Committee £35,000; and other Directors £30,000.

The Company's articles of association provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £300,000, requires both Board and shareholder approval.

The Company has not sought shareholder views on its remuneration policy. The Remuneration and Nomination Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and takes account of those views.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 22.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, will be subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting.

At the Annual General Meeting held on 26th November 2015, 100 per cent. of the votes cast were in favour on the Remuneration Policy, whilst 99.95 per cent were in favour of the Remuneration Report.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report from the 2016 Annual General Meeting will be given in the annual report for the year ending 30th June 2017.

Details of the implementation of the Company's remuneration policy are given below.

Chairman's Annual Statement on Directors' Remuneration

The Board has reviewed Directors' remuneration and considers that the current level of remuneration is appropriate. No additional discretionary payments were made in the year.

Single Total Figure of Remuneration

The single total figure of remuneration for each Director is detailed below.

Single total figure table[1]

	Total fees[1]	
	2016 £	2015 £
Simon Miller	40,000	32,667
Philip Taylor	35,000	28,126
Charlotte Valeur	30,000	25,416
Paul Meader	30,000	25,416
Total	**135,000**	**111,625**

[1] Directors' remuneration comprises a directorship fee only. Directors are also reimbursed for out of pocket expenses incurred in attending the Company's business.

DIRECTORS' REMUNERATION REPORT *CONTINUED*

Directors' Shareholdings

There are no requirements pursuant to the Company's Articles of Incorporation for the Directors to own shares in the Company. However, the Directors have acquired shares on their own account. Their beneficial shareholdings are detailed below.

Directors' Name	30th June 2016	30th June 2015
Simon Miller	25,000	25,000
Philip Taylor	101,338	98,640
Charlotte Valeur	25,000	25,000
Paul Meader	30,000	30,000
Total	**181,338**	**178,640**

Since the year end Philip Taylor acquired a further 923 shares, raising his interest in the Company to 102,261 shares.

Expenditure by the Company on Remuneration and Distributions to Shareholders

Actual expenditure by the Company on remuneration and distributions to shareholders for the year is set out in the following table:

	30th June 2016 £	30th June 2015 £
Remuneration paid to all Directors	135,000	111,625
Distribution to shareholders – by way of dividend	9,522,000	12,024,000

For and on behalf of the Board
Philip Taylor
Director

18th October 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable laws and regulations.

Guernsey company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the financial performance of the Company for that period. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- make an assessment of the Company's ability to continue as a going concern;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statement; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. 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.

Under applicable law and regulations, the Directors are also responsible for ensuring that the Company complies with the provisions of the Listing Rules and the Disclosure Rules & Transparency Rules of the UK Listing Authority which, with regard to Corporate Governance, require the Company to disclose how it has applied the principles, and complied with the provisions, of the UK Corporate Governance Code applicable to the Company.

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 of which the Company's auditor is 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 auditor is aware of that information.

The Directors of the Company, who are listed on page 18, each confirm to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- 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; and
- this annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board
Philip Taylor
Director

18th October 2016

Independent Auditor's Report

TO THE MEMBERS OF JPMORGAN GLOBAL CONVERTIBLES INCOME FUND LIMITED

Our opinion on the financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 30th June 2016 and of its return for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

The financial statements of JPMorgan Global Convertibles Income Fund Limited comprise:

Statement of comprehensive income for the year ended 30th June 2016

Statement of changes in equity for the year ended 30th June 2016

Statement of financial position as at 30th June 2016

Statement of cash flows for the year ended 30th June 2016

Related notes 1 to 25 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

Overview of our audit approach

Risks of material misstatement	• Incorrect valuation and existence of the investment portfolio • Incomplete or inaccurate income recognition through incorrect calculation of effective interest rate on debt instruments; failure to recognise proper income entitlements or apply appropriate accounting treatment.
Audit scope	• We performed an audit of JPMorgan Global Convertibles Income Fund Limited.
Materiality	• Materiality of £1.89 million which represents 1% of equity shareholders' funds (2015: £2.22 million).

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we reported to the Audit Committee
Incorrect valuation and existence of the investment portfolio (as described on page 23 in the Audit Committee report). The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. The value of the Company's investment portfolio at 30th June 2016 was £201.1 million (2015: £215.5 million) and consist predominantly of quoted debt securities (movements in the investment portfolio are shown in note 12 to the financial statements). Incorrect valuation of the assets or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders and the net asset value.	We performed the following procedures: We obtained the ISAE 3402 report for JPMorgan Chase Bank, N.A. Investor Services for the period ended 31st March 2016 to ascertain whether the controls over pricing were operating effectively. We also obtained a copy representations from JPMorgan Chase Bank, N.A. Investor Services that those controls also operated effectively during the period from 1st April 2016 to 30th June 2016. We checked 100% of the prices used in the valuation of the Company's portfolio to an independent source as at 30th June 2016. We agreed the number of shares held in each security to a confirmation of legal title received from both the Company's custodian and depositary as at 30th June 2016.	The results of our procedures are: We noted no exceptions in the ISAE 3402 report for JPMorgan Chase Bank, N.A. Investor Services. For all investments, we noted no material differences in market value between the prices used and the prices agreed to an independent source; including exchange rates used to translate the year end valuation of non-sterling securities. We have not identified any differences between the custodian and depositary confirmations and the Company's underlying financial records.
Investment income recognised by the Company contributes toward the Company's ability to make a dividend payment to shareholders (as described on page 23 in the Audit Committee report). Investment income for the year to 30th June 2016 was £10.8 million (as disclosed in note 5 to the financial statements). If the Company is not entitled to receive the dividend or fixed interest income recognised in the financial statements or the income recognised does not relate to the current financial year, this will impact the extent of the profits available to fund dividend distributions to shareholders.	We performed the following procedures: We obtained the ISAE 3402 report for JPMorgan Chase Bank, N.A. Investor Services for the period ended 31st March 2016 to ascertain whether the controls over income recognition were operating effectively. We also obtained a copy representations from JPMorgan Chase Bank, N.A. Investor Services that those controls also operated effectively during the period from 1st April 2016 to 30th June 2016. We traced, for a sample of fixed interest receipts, the coupon rates of interest from independent sources and recalculated the interest income based on the appropriate holdings of the related security. We tested substantively, for a sample of transactions, to ensure that the assumed value of the bond element of the convertible security at acquisition has been calculated correctly and that the effective interest rate has been applied correctly. We traced, for a sample of dividends, the terms of the applicable dividends from independent sources and recalculated the dividend based on the appropriate holdings of the related security.	The results of our procedures are: We noted no exceptions in the ISAE 3402 report for JPMorgan Chase Bank, N.A. Investor Services. We noted no issues in recalculating the interest income, for a sample of sample of fixed interest receipts, using the holdings at the entitlement date and independently checked coupon rates. We noted no issues in recalculating, for a sample of securities, the assumed value of the bond element of the convertible security at acquisition and application of the effective interest rate. We noted no issues in recalculating the dividend receipts, for a sample of sample of fixed interest receipts, using the holdings at the entitlement date and independently checked entitlement rates.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls and changes in the business environment when assessing the level of work to be performed. The Company is a single component and we perform a full scope audit on this Company.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be £1.89 million (2015: £2.22 million), which is 1% of equity shareholders' funds. We derived our materiality calculation from a proportion of total equity as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of planning materiality, being £1.41 million (2015: £1.67 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £457,000 (2015: £429,000) for the revenue column of the Income Statement, being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the audit committee that we would report all audit differences in excess of £94,000 (2015: £111,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations. There were no uncorrected misstatements in respect of the audit of the Company.

Scope of the audit of the financial statements

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 29 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting

We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.

Companies (Guernsey) Law, 2008 reporting

We are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

- the Directors' statement in relation to going concern set out on page 24, and longer-term viability, set out on page 17; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Andrew Dann
for and on behalf of
Ernst & Young LLP
Guernsey

18th October 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Investments held at fair value through profit and loss:							
Gains/(losses) on investments held at fair value through profit and loss	4	–	19,778	19,778	–	(6,127)	(6,127)
Income from investments	5	10,791	–	10,791	9,902	–	9,902
Gains/(losses) on financial instruments:							
Realised losses on close out of futures and options contracts		–	(761)	(761)	–	(1,276)	(1,276)
Unrealised (losses)/gains on futures and options contracts		–	(41)	(41)	–	302	302
Realised foreign currency losses on foreign currency contracts		–	(18,697)	(18,697)	–	(8,094)	(8,094)
Unrealised foreign currency (losses)/gains on foreign currency contracts		–	(9,075)	(9,075)	–	5,928	5,928
Realised foreign currency losses		–	(21)	(21)	–	(300)	(300)
Unrealised foreign currency losses		–	(1,935)	(1,935)	–	–	–
Other income	5	59	–	59	48	–	48
Total income/(loss)		**10,850**	**(10,752)**	**98**	**9,950**	**(9,567)**	**383**
Management fee	6	(1,012)	(545)	(1,557)	(1,019)	(549)	(1,568)
Other administrative expenses	7	(545)	–	(545)	(349)	–	(349)
Profit/(loss) before finance costs and taxation		**9,293**	**(11,297)**	**(2,004)**	**8,582**	**(10,116)**	**(1,534)**
Finance costs	8	(149)	(81)	(230)	(5)	(3)	(8)
Profit/(loss) before taxation		**9,144**	**(11,378)**	**(2,234)**	**8,577**	**(10,119)**	**(1,542)**
Taxation	9	(369)	–	(369)	(277)	–	(277)
Net profit/(loss)		**8,775**	**(11,378)**	**(2,603)**	**8,300**	**(10,119)**	**(1,819)**
Earnings/(loss) per share	10	**4.13p**	**(5.35)p**	**(1.22)p**	**4.06p**	**(4.94)p**	**(0.88)p**

Details of dividends paid and proposed are given in note 11 on page 43.

Earnings per share is based on the weighted average number of shares in issue during the year.

The Company does not have any income or expense that is not included in net profit for the year. Accordingly the 'Net profit for the year' is also the 'Total comprehensive income for the year', as defined in IAS 1 (revised).

The 'Total' column of this statement is the profit and loss account of the Company prepared in accordance with IFRS. The 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

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

The notes on pages 38 to 56 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2016

	Share capital £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30th June 2014	158,438	11,599	3,223	173,260
Issue of ordinary shares	63,209	–	–	63,209
Share issue expenses	(315)	–	–	(315)
Transfer of share premium on share issuance to revenue	(1,312)	–	1,312	–
(Loss)/profit for the year	–	(10,119)	8,300	(1,819)
Dividends paid in the year	–	–	(12,024)	(12,024)
At 30th June 2015	220,020	1,480	811	222,311
Shares bought back and cancelled	(1,052)	–	–	(1,052)
Repurchase of shares into Treasury	–	(20,496)	–	(20,496)
Cancellation of shares in Treasury	(1,600)	1,600	–	–
(Loss)/profit for the year	–	(11,378)	8,775	(2,603)
Dividends paid in the year	–	–	(9,522)	(9,522)
At 30th June 2016	**217,368**	**(28,794)**	**64**	**188,638**

The notes on pages 38 to 56 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 30TH JUNE 2016

	Notes	2016 £'000	2015 £'000
Non current assets			
Investments held at fair value through profit or loss	12	201,127	215,487
Current assets			
Derivative financial assets	13	506	6,534
Trade and other receivables	14	9,628	1,630
Cash and cash equivalents	14	3,020	19
Cash held at Broker		169	1,128
		13,323	**9,311**
Current liabilities			
Derivative financial liabilities	15	(9,622)	(304)
Trade and other payables	16	(1,229)	(68)
Bank overdraft	16	–	(2,115)
Net current assets		**2,472**	**6,824**
Total assets less current liabilities		**203,599**	**222,311**
Non current liabilities			
Loans payable	17	(14,961)	–
Net assets		**188,638**	**222,311**
Amounts attributable to equity holders			
Share capital	18	217,368	220,020
Capital reserve	19	(28,794)	1,480
Revenue reserve	19	64	811
Total equity shareholders' funds		**188,638**	**222,311**
Net asset value per share	20	**96.6p**	**101.2p**

The financial statements on pages 34 to 37 were approved by the Directors and authorised for issue on 18th October 2016 and are signed on their behalf by:

Philip Taylor
Director

The notes on pages 38 to 56 form an integral part of these financial statements.

Incorporated in Guernsey with the company registration number: 56625.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2016

	2016 £'000	2015[1] £'000
Operating activities		
Loss before taxation	(2,234)	(1,542)
Deduct dividends received	(1,229)	(966)
Deduct investment income – interest	(9,562)	(8,975)
Deduct bank interest received	(59)	(9)
Add back interest paid	230	8
Add back (gains)/losses on investments held at fair value through profit or loss	(19,778)	6,127
Decrease/(increase) in unrealised gains on foreign currency contracts	15,003	(5,205)
Decrease/(increase) in unrealised gains on future and option contracts	343	(304)
Decrease/(increase) in cash held as collateral by Brokers for futures	959	(1,070)
Increase/(decrease) in unrealised losses on foreign currency	1,935	–
Effect of increase in trade and other receivables	(5)	(1)
Effect of increase/(decrease) in trade and other payables	62	(127)
Net cash outflow from operating activities before interest, taxation and dividends	**(14,335)**	**(12,064)**
Taxation	(369)	(277)
Interest paid	(170)	(8)
Dividends received	1,237	1,002
Investment income – interest	6,797	7,728
Bank interest received	59	9
Net cash outflow from operating activities after interest, taxation and dividends	**(6,781)**	**(3,610)**
Investing activities		
Purchases of investments held at fair value through profit or loss	(217,215)	(224,003)
Sales of investments held at fair value through profit or loss	247,156	171,734
Net cash inflow/(outflow) from investing activities	**29,941**	**(52,269)**
Financing activities		
Proceeds from the issue of ordinary shares	–	63,209
Share issue expenses	–	(315)
Repurchase of shares into Treasury	(20,496)	–
Shares bought back and cancelled	(1,052)	–
Dividends paid	(9,522)	(12,024)
Drawdown of loan	13,026	–
Net cash (outflow)/inflow from financing activities	**(18,044)**	**50,870**
Increase/(decrease) in cash and cash equivalents	5,116	(5,009)
Cash and cash equivalents at the start of the year	(2,096)	2,913
Cash and cash equivalents at the end of the year	**3,020**	**(2,096)**[2]

[1] The 2015 comparative figures have been amended in line with the change in presentation to liquidity funds as outlined in note 2(b).

[2] The cash and cash equivalents balance as at 30th June 2015 comprises positive balances of £19,000 and overdrafts of £(2,115,000).

The notes on pages 38 to 56 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

1. Principal Activity

The Company is a closed-ended investment company incorporated in accordance with the Companies (Guernsey) Law, 2008. The principal activity of the Company is investing in a globally diversified portfolio of high-yielding convertible securities as set out in the Company's Objective and Investment Policies.

2. Basis of Preparation

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), the International Accounting Standards and Standing Interpretations Committee and interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect and to the extent that they have been adopted by the European Union ('EU').

(b) Basis of accounting

These financial statements have been prepared on a going concern basis in accordance with IAS 1, applying the historical cost convention, except for the measurement of financial assets including derivative financial instruments designated as held at fair value through profit or loss ('FVTPL') and that have been measured at fair value.

The principal accounting policies adopted are set out below. Where presentational guidance is set out in the Statement of Recommended Practice ('SORP') for investment companies issued by the Association of Investment Companies ('AIC') in January 2009 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP, where relevant.

The investment in liquidity fund has been presented as a cash and cash equivalent in the current year to better reflect the fact that the position is held as an alternative to cash. It was previously held as a non-current asset, and the comparative figures in the relevant primary financial statements and notes have been similarly amended.

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

(c) Going Concern

The financial statements have been prepared on a going concern basis. In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council in October 2009. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

(d) Presentation of the Statement of Comprehensive Income

In order to reflect the activities of the closed-ended investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue nature and a capital nature have been presented alongside the Statement of Comprehensive Income.

(e) Adoption of New and Revised Standards

These standards and amendments are relevant to the Company, however are currently not expected to have a significant impact on the amounts reported in the financial statements. No new standards were adopted in the current year.

New standards, amendments and interpretations issued but not effective for the current financial year:

- Amendments to IAS 1 – Disclosure Initiative (effective for annual periods beginning on or after 1st January 2016).
- IFRS 9 – Financial Instruments (effective for annual periods beginning on or after 1st January 2018).
- IFRS 15 – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1st January 2018).
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards (effective for annual periods beginning on or after 1st January 2016).
- Amendments to IAS 7 – Disclosure initiative (effective for accounting periods beginning on or after 1st January 2018).

(f) Financial Instruments – Investments

Financial instruments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within a timeframe established by the market concerned.

Financial instruments are designated upon initial recognition as 'held at fair value through profit or loss' at inception because they are managed and their performance is evaluated on a fair value basis and information thereon is evaluated by the Directors of the Company on a fair value basis. At subsequent reporting dates, investments are valued at fair values which are quoted bid market prices for investments traded in active markets.

Changes in the fair value of financial instruments 'FVTPL' and 'gains or losses on disposal' are included in the capital column of the Statement of Comprehensive Income within 'Gains or losses on investments held at fair value through profit or loss'. Transaction costs incurred on the acquisition and disposal of investments measured at fair value through profit or loss are also included within this column.

Financial instruments traded over the counter that are freely transferable will be valued using an independent reporting system (markit) or, if not quoted on such a system, using prices obtained from at least two of the principal market makers in such securities. The decision as to what price to use in such instances is determined on an ad-hoc basis.

With respect to financial instruments other than those specified above, the Directors will determine the valuation, in accordance with established valuation procedures. Such procedures include the use of independent pricing sources if available. If independent pricing sources are not available, the fair value of such securities or assets will be determined using the issuer's financial strength and stability, the issuer's operating performance, strength of the issuer's management team, the Company's expected exit from the investment and any specific rights or restrictions associated with such investment.

Gains and losses on sales of investments, increases and decreases in the valuation of investments held at the year end, foreign exchange gains and losses and other capital receipts and payments are dealt with in capital reserve.

(g) Derivatives

Derivative instruments are measured at fair value in the Statement of Financial Position.

Forward currency contracts entered into for hedging exposures are valued at the appropriate forward exchange rate ruling at the balance sheet date and any profits and losses are recognised in the Statement of Comprehensive Income and taken to capital reserve.

Futures contracts entered into for hedging exposures are valued at fair value at the quoted trade price of the contract and any profits and losses on the closure or revaluation of positions are recognised in the Statement of Comprehensive Income and taken to capital reserve.

The Company does not apply hedge accounting.

(h) Income

Interest from non-convertible fixed interest debt securities is recognised on an accruals basis using the effective interest rate basis which takes account of the amortisation of any discount or premium arising on the purchase price, compared to the final maturity value, over the remaining life of the security. Where income arises from convertible fixed interest securities it is also calculated on the effective interest rate basis but is based on the present value of the bond element of the security at acquisition. Future cash flows on all assets are considered when calculating revenue on an effective interest rate basis and where in the director's view there is a doubt as to the final maturity value, an estimate of the final redemption proceeds will be made in determining those cash flows. Accrued interest purchased or sold is excluded from the cost of the security and is dealt with in the revenue column of the Statement of Comprehensive Income.

Dividends receivable from equity shares are included in the revenue column of the Statement of Comprehensive Income on an ex-dividend basis except where, in the opinion of the Directors, the dividend is capital in nature, in which case it is included in the capital column.

Deposit interest receivable is recognised in the revenue column on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

2. Basis of Preparation *continued*

(i) Expenses and Finance costs

All expenses are accounted for on an accruals basis and are recognised in the Statement of Comprehensive Income.

Management fees and finance costs are allocated 35% to capital and 65% to revenue in accordance with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio. Except for custodian dealing costs (included within other capital charges in note 4), all other expenses are charged through revenue.

(j) Cash and cash equivalents

Cash and cash equivalents 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. Liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash.

(k) Bank loans

Bank loans are classified as financial liabilities measured at amortised cost. Interest payable on bank loans is accounted for on an effective interest basis in the Statement of Comprehensive Income.

(l) Other receivables

Other receivables are non interest bearing, short term in nature and are accordingly stated at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Directors are of the opinion that the Company is engaged in a single segment of business, being investments in convertible securities. The Directors manage the business in this way.

(n) Taxation

The Company has been granted exemption from Guernsey Income Tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, and is charged an annual fee of £1,200.

Overseas interest and dividends are shown gross of withholding tax and the corresponding irrecoverable tax is shown as a charge in the Statement of Comprehensive Income.

(o) Foreign currency

Functional and Presentation Currency

The Company's presentation currency for the financial statements is sterling. The Directors have also exercised their judgement to determine that this is the Company's functional currency on the basis that sterling is the currency of the primary economic environment in which the Company operates, as demonstrated by the Company's share capital, expenses, proposed dividend payments and hedging policy.

Transactions and Balances

Transactions in foreign currency, whether of a capital or revenue nature, are translated to sterling at the rate of exchange ruling on the date of such transactions. Foreign currency monetary assets and liabilities are translated to sterling at the rates of exchange ruling at the balance sheet date. All profits and losses, whether realised or unrealised, are recognised in the Statement of Comprehensive Income and are taken to capital reserve or revenue reserve, depending on whether the gain or loss is capital or revenue in nature.

(p) Share issue costs

The costs of issuing shares are included directly in equity.

(q) Share repurchase

The cost of repurchasing shares including the related stamp duty and transaction costs is charged to capital reserves and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. If shares are repurchased for cancellation, the nominal value of the repurchased shares is deducted from share capital.

3. Significant accounting judgements and estimates

The preparation of the financial statements requires the Company to make estimations where uncertainty exists. It also requires the Company to exercise judgement in the process of applying the accounting policies. The critical accounting estimates and areas involving a higher degree of judgement or complexity comprise the fair value of derivatives and other financial instruments.

The Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted on an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued where possible, by observable market prices or using a discounted cash flow analysis based on assumptions supported.

Management do not believe that any other accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4. Gains/(losses) on investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Losses on investments held at fair value through profit or loss	(1,979)	(2,901)
Net movement in investment holding gains and losses	21,765	(3,219)
Other capital charges	(8)	(7)
Total gains/(losses) on investments held at fair value through profit or loss	**19,778**	**(6,127)**

5. Income

	2016 £'000	2015 £'000
Investment income		
Franked investment income	17	–
Investment income - interest	9,562	8,975
Overseas dividends	1,212	927
	10,791	**9,902**
Other income		
Deposit interest	1	9
Interest from liquidity fund	58	39
Total income	**10,850**	**9,950**

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

6. Management fee

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Management fee	1,012	545	1,557	1,019	549	1,568

Details of the management fee are given in the Business Review on page 5.

7. Other administrative expenses

	2016 £'000	2015 £'000
Other administration expenses	306	133
Directors' fees[1]	135	112
Depositary fees	36	37
Savings scheme costs[2]	34	28
Auditor's remuneration for audit services	34	33
Auditor's remuneration for all other services	–	6
	545	349

[1] Full disclosure is given in the Directors' Remuneration Report on page 27.

[2] These amounts were paid to the manager for the marketing and administration of saving scheme products.

8. Finance costs

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Bank overdrafts	1	1	2	5	3	8
Bank loan interest	148	80	228	–	–	–
	149	81	230	5	3	8

9. Taxation

As a Guernsey investment company no tax is payable on capital gains and, as the Company principally invest in assets which do not result in a revenue tax, the only overseas tax arises on the few assets domiciled in countries with which Guernsey has no double-taxation treaty.

The overseas tax charge consists of irrecoverable withholding tax.

10. Earnings/(loss) per share

	2016 £'000	2015 £'000
Earnings/(loss) per share is based on the following:		
Revenue return	8,775	8,300
Capital loss	(11,378)	(10,119)
Total loss	**(2,603)**	**(1,819)**
Weighted average number of shares in issue during the year used for the purpose of the calculation	212,639,947	204,652,876
Revenue return per share	4.13p	4.06p
Capital loss per share	(5.35)p	(4.94)p
Total loss per share	**(1.22)p**	**(0.88)p**

11. Dividends

	2016 £'000	2015 £'000
Dividends paid		
2015 Fourth interim dividend 1.125p (2014: Second interim dividend of 2.25p)	2,464	4,686
2016 First interim dividend of 1.125p (2015: 1.125p) per share	2,464	2,402
2016 Second interim dividend of 1.125p (2015: 1.125p) per share	2,355	2,465
2016 Third interim dividend of 1.125p (2015: 1.125p) per share	2,239	2,471
Total dividends paid in the year	**9,522**	**12,024**
Dividend declared		
2016 Fourth interim dividend proposed of 1.125p (2015: 1.125p)	**2,196**	**2,471**

Dividend payments in excess of the revenue amount will be paid out of Company's distributable capital reserve.

The fourth interim dividend declared in respect of the period ended 30th June 2015 amounted to £2,471,000. However, the actual payment amounted to £2,464,000 due to share buy backs after the balance sheet date, but prior to the share register record date.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

12. Investments

	2016 £'000	2015 £'000
Investments listed on a recognised stock exchange	201,127	212,763
Unlisted investment	–	2,724
Total investments held at fair value through profit or loss	**201,127**	**215,487**

	2016			2015[1]		
	Listed £'000	Unlisted £'000	Total £'000	Listed £'000	Unlisted £'000	Total £'000
Opening book cost	219,202	2,565	221,767	162,545	3,000	165,545
Opening investment holding (losses)/gains	(6,439)	159	(6,280)	(3,068)	7	(3,061)
Opening valuation	212,763	2,724	215,487	159,477	3,007	162,484
Movements in the year:						
Purchases at cost	217,342	912	218,254	220,155	3,848	224,003
Sales proceeds	(255,596)	–	(255,596)	(164,867)	(1,329)	(166,196)
(Losses)/gains on investments held at fair value through profit or loss	(1,979)	–	(1,979)	(2,947)	46	(2,901)
Transfer to/from unquoted investments (cost)	3,477	(3,477)	–	3,000	(3,000)	–
Transfer to/from unquoted investments (unrealised)	(70)	70	–	7	(7)	–
EIR Adjustment	3,196	–	3,196	1,316	–	1,316
Net movement in investment holding gains/(losses)	21,994	(229)	21,765	(3,378)	159	(3,219)
Closing valuation	**201,127**	**–**	**201,127**	**212,763**	**2,724**	**215,487**
Closing book cost	185,642	–	185,642	219,202	2,565	221,767
Closing investment holding gains/(losses)	15,485	–	15,485	(6,439)	159	(6,280)
Closing valuation	**201,127**	**–**	**201,127**	**212,763**	**2,724**	**215,487**

[1] Prior year balances have been amended to reflect the treatment of liquidity funds as cash and cash equivalents as outlined in note 2(b).

Transaction costs on purchases during the year amounted to £8,000 (2015: £7,000) and on sales during the year amounted to £6,000 (2015: £nil). These costs comprise mainly brokerage commission.

13. Derivative financial assets

	2016 £'000	2015 £'000
Future contracts[1]	–	302
Forward foreign currency and spot contracts[2]	506	6,232
	506	**6,534**

[1] As at 30th June 2015, CAC 40 Index July 2015 Futures at a notional cost of £11,239,000 and a market value of £11,541,000 giving an unrealised gain of £302,000.

[2] Represents one GBP sale forward currency contract with a notional exposure of £60,000 and four GBP buy forward currency contracts with a notional exposure of £9,084,000.

Further details are given in notes 23 and 24.

14. Current assets

Trade and other receivables

	2016 £'000	2015 £'000
Securities sold awaiting settlement	8,432	–
Prepayments and accrued income	1,196	1,630
	9,628	**1,630**

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

Cash and short term deposits

Cash and cash equivalents comprises bank balances, liquidity funds and short term bank deposits held by the Company. The carrying amount of these represents their fair value.

	2016 £'000	2015 £'000
Cash at bank	520	19
Broker cash accounts	169	1,128
JPM Sterling Liquidity Fund	2,500	–
	3,189	**1,147**

The Company also had an overdraft position of £2,115,000 as at 30th June 2015 as disclosed in note 16.

15. Derivative financial liabilities

	2016 £'000	2015 £'000
Future contracts[1]	41	–
Forward foreign currency contracts[2]	9,581	304
	9,622	**304**

[1] S&P500 EMINI SEP 2016 Futures at a contract cost of £3,960,000 and a market value of £3,919,000 giving an unrealised loss of £41,000.

[2] Represents two GBP sale forward currency contracts with a notional exposure of £1,267,000, one SGD sale forward currency contract with a notional exposure of £381,000, and twelve GBP buy forward currency contracts with a notional exposure of £168,668,000.

Further details are given in notes 23 and 24.

16. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank overdraft	–	2,115
Securities purchased awaiting settlement	1,039	–
Other creditors	190	68
	1,229	**2,183**

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

Overdrafts are repayable on demand and bear a market rate of interest.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

17. Loans payable

	2016 £'000	2015 £'000
Floating rate loan facility	**14,961**	–

As at 30th June 2016, the Company had a US$32 million two-year loan facility with Scotiabank (Europe) Limited in place, expiring on 3rd July 2017.

Under the terms of the facility the Company may draw down up to US$32 million at an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 0.95%, plus mandatory costs. At the year end, the Company had US$20 million (2015: US$nil) drawn down on this facility with Scotiabank.

18. Share capital

Authorised share capital

Unlimited number of shares at no par value.

Allotted and fully-paid share capital

	2016 £'000	2015 £'000
Opening balance of 219,630,000 (2015: 160,499,999) shares	220,020	158,438
Issue of nil (2015: 59,130,001) shares	–	63,209
Share issue expenses	–	(315)
Transfer of share premium on share issuance to revenue	–	(1,312)
Repurchase of 1,156,043 (2015: nil) shares for cancellation	(1,052)	–
Repurchase of 23,286,252 (2015: nil) shares into Treasury	–	–
Cancellation of 1,632,162 shares from Treasury (2015: nil)	(1,600)	–
Closing balance[1]	**217,368**	**220,020**

[1] Represented by 216,841,795 (2015: 219,630,000) shares including 21,654,090 (2015: nil) shares held in Treasury.

Share capital transactions

No shares (2015: 59,130,001, gross proceeds of £63.2 million) were issued during the year. The Ordinary shares carry the right to receive all dividends declared by the Company, are entitled to all the surplus assets of the Company on a winding up and hold all rights to vote in the Annual General Meeting of shareholders.

During the year 1,156,043 (2015: nil) ordinary shares were repurchased for cancellation at a cost of £1,052,000 (2015: £nil), in addition 23,286,252 (2015: nil) ordinary shares were repurchased into treasury at a cost of £20,496,000 (2015: £nil). In addition, 1,632,162 shares were cancelled from Treasury during the year.

19. Reserves

	2016		2015	
	Capital reserve[1] £'000	Revenue reserve[2] £'000	Capital reserve[1] £'000	Revenue reserve[2] £'000
Opening balance	1,480	811	11,599	3,223
Net (loss)/profit	(11,378)	8,775	(10,119)	8,300
Repurchase of shares into Treasury	(20,496)	–	–	–
Cancellation of shares in Treasury	1,600	–	–	–
Transfer of share premium on share issuance to revenue	–	–	–	1,312
Dividends paid in the year	–	(9,522)	–	(12,024)
Closing balance	**(28,794)**	**64**	**1,480**	**811**

[1] The capital reserve comprises gains and losses on sales of investments and holding gains and losses on investments held at the year end and is also used to finance share repurchases into Treasury.

[2] The revenue reserve is the distributable reserve of the Company from which dividends are paid.

20. Net asset value per share

	2016	2015
Ordinary shareholders funds (£'000)	188,638	222,311
Number of Ordinary shares in issue	195,187,705	219,630,000
Net asset value per Ordinary share (pence)	96.6	101.2

21. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2015: £nil).

22. Related party transactions

Details of the management contract are set out in the Directors' Report on page 15. The management fee payable to Manager by the Company for the year was £1,557,000 (2015: £1,568,000) of which £nil (2015: £nil) was outstanding at the year end. In addition £34,000 (2015: £28,000) was payable by the Company to the Manager for the marketing and administration of savings scheme products of which £nil (2015: £nil) was outstanding at the year end.

Included in other administration expenses in note 7 on page 42 are safe custody fees payable to JPMorgan Chase as custodian of the Company amounting to £10,000 (2015: £11,000) of which £2,000 (2015: £3,000) was outstanding at the year end.

The Manager carries out some of its dealing transactions through subsidiaries. These transactions are carried out at arms' length.

Handling charges payable to JPMorgan Chase on dealing transactions undertaken by overseas sub custodians on behalf of the Company amounted to £8,000 (2015: £7,000) of which £1,000 (2015: £2,000) was outstanding at the year end.

At the year end, the Company held bank balances of £520,000 (2015: £19,000), with JPMorgan Chase which was placed on deposit with an approved list of banks. The Company had a bank overdraft position with JPMorgan Chase (note 16) of £nil (2015: £2,115,000).

Interest amounting to £nil (2015: £9,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2015: £nil) was outstanding at the year end.

Full details of Directors, Directors' remuneration and shareholdings can be found on pages 18, 27 and 28. No fees are outstanding at the year end (2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

23. Disclosures regarding financial instruments measured at fair value

The disclosures required by the IFRS 13: 'Fair Value Measurement' are given below. The Company's financial instruments within the scope of IFRS 13 that are held at fair value comprise its investment portfolio and derivative contracts.

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

Level 1 – valued using unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 – valued by reference to valuation techniques using other observable inputs not included within Level 1.

Level 3 – valued by reference to valuation techniques using unobservable inputs.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. Details of the valuation techniques used by the Company are given in notes 2(f) and (g) on page 39.

The following tables set out the fair value measurements using the IFRS 13 hierarchy at 30th June:

	2016			
	Level 1 £'000	Level 2[1] £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Investments:				
- Interest rate securities	17,738	–	–	17,738
- Convertibles	168,072	–	–	168,072
- Convertible preference	15,317	–	–	15,317
Total investments	**201,127**	**–**	**–**	**201,127**
Derivative financial instruments:				
- Forward foreign currency contracts	–	506	–	506
Total	**201,127**	**506**	**–**	**201,633**
Financial liabilities held at fair value through profit or loss				
Derivative financial liabilities:				
- Forward foreign currency contracts	–	(9,581)	–	(9,581)
- Future contracts	(41)	–	–	(41)
Total	**(41)**	**(9,581)**	**–**	**(9,622)**

	2015			
	Level 1 £'000	Level 2[1] £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Investments:				
- Interest rate securities	22,306	–	–	22,306
- Convertibles	174,365	2,724	–	177,089
- Convertible preference	16,092	–	–	16,092
Total investments	**212,763**	**2,724**	**–**	**215,487**
Derivative financial instruments:				
- Forward foreign currency contracts	–	6,232	–	6,232
- Future contracts	302	–	–	302
Total	**213,065**	**8,956**	**–**	**222,021**
Financial liabilities held at fair value through profit or loss				
Derivative financial instruments:				
- Forward foreign currency contracts	–	(304)	–	(304)

[1] Level 2 investments and derivative financial instruments are priced in accordance with the accounting policy in note 2(p).

The Company's policy for determining transfers between levels is to ascertain the listing status at each period and for each investment determine if any changes have occurred that would necessitate a transfer.

As disclosed in note 12, there were transfers from Level 2 to Level 1 during the year totalling £3,407,000 (2015: £3,007,000) made in line with the above policy, representing the investment in St. Mowden which was listed as at 30th June 2016. In addition, futures contracts have been reclassified as level 1 for the current and prior years.

Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount is a reasonable approximation of fair value.

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

The Directors have delegated to the Manager the management of day-to-day investment activities, borrowings and hedging of the Company which are fully described in the Strategic Report and the Directors' Report.

As a closed ended investment company, the Company's investments include, but are not restricted to, convertible securities, preference shares, equities, index and participation notes, equity-linked notes, corporate bonds, pre-IPO bonds, warrants and other instruments exhibiting convertible or exchangeable characteristics, held for the long-term so as to comply with its investment policies (incorporating the Company's investment objective) stated on the 'Features' page.

In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. These risks include market risk (comprising currency risk, 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 Secretary in close cooperation with the Board and the Manager, coordinates the Group's risk management strategy.

(a) Market risk

The fair value of future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks. 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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

24. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(i) Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling, which is the Company's functional currency and the presentational currency of the Company. As a result, movements in exchange rates may affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. Income denominated in foreign currencies is converted to sterling on receipt. The Company may use short term forward currency contracts to mitigate currency risk.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 30th June 2016 are shown below. Where the Company's investments (which are not monetary items) are priced in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

				2016			
	US Dollar £'000	Euro £'000	Singapore Dollar £'000	Hong Kong Dollar £'000	Swedish Krona £'000	Other £'000	Total[1] £'000
Current assets[2]	15,929	3,341	59	1,726	8	1	21,064
Creditors[2]	(129,303)	(35,101)	(7,653)	(6,985)	(720)	–	(194,723)
Loans payable	(14,961)	–	–	–	–	–	–
Foreign currency exposure on net monetary items	(128,335)	(31,760)	(7,594)	(5,259)	(712)	1	(173,659)
Investments held at fair value through profit or loss	129,278	32,471	8,013	5,488	763	–	176,013
Total net foreign currency exposure	**943**	**711**	**419**	**229**	**51**	**1**	**2,354**

				2015			
	US Dollar £'000	Euro £'000	Singapore Dollar £'000	Swiss Franc £'000	Swedish Krona £'000	Other £'000	Total[1] £'000
Current assets[2]	8,818	7,724	1,581	–	32	–	18,155
Creditors[2]	(156,391)	(39,927)	(6,514)	(3,063)	(2,347)	(2,002)	(210,244)
Foreign currency exposure on net monetary items	(147,573)	(32,203)	(4,933)	(3,063)	(2,315)	(2,002)	(192,089)
Investments held at fair value through profit or loss	147,962	32,954	5,490	3,358	2,904	2,001	194,669
Total net foreign currency exposure	**389**	**751**	**557**	**295**	**589**	**(1)**	**2,580**

[1] Does not include sterling balances.

[2] Includes open forward currency contract gross exposure amounts.

Foreign currency sensitivity

The following tables illustrate the sensitivity of profit after taxation for the year and net assets with regard to the monetary financial assets and financial liabilities, convertible securities, and exchange rates. The sensitivity analysis is based on equity investments, monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency, and assumes a 10% (2015: 10%) appreciation or depreciation in sterling against the US Dollar, Euro, Singapore Dollar, Hong Kong Dollar, Swedish Krona, Swiss Franc and other currencies to which the Company is exposed, which is deemed a reasonable illustration based on the volatility of exchange rates during the year.

If sterling had weakened by 10% this would have had the following effect:

	2016 £'000	2015 £'000
Net monetary items	(17,366)	(19,209)
Investments held at fair value	17,601	19,467
Capital return	235	258
Total return after taxation for the year/net assets	**235**	**258**

Conversely if sterling had strengthened by 10% this would have had the following effect:

	2016 £'000	2015 £'000
Net monetary items	17,366	19,209
Investments held at fair value	(17,601)	(19,467)
Capital return	(235)	(258)
Total return after taxation for the year/net assets	**(235)**	**(258)**

In the opinion of the Directors, the above sensitivity analysis with respect to monetary financial assets, financial liabilities and equity investments, is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate risk represents the risk that the fair value or the future cash flows of a financial instrument could fluctuate because of changes in market interest rate levels. Interest rate risk comprises the fair value (present value) risk on fixed interest financial instruments as well as the risk associated with cash flows from variable interest (floating rate) financial instruments. It is related above all to long-term financial instruments. These longer terms can be material for financial assets, securities and financial liabilities.

Interest rate movements may affect:

- the fair value of the investments in fixed-interest rate securities;
- the level of income receivable on cash deposits and floating rate investments; and
- the interest payable on variable rate borrowings.

Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account as part of the portfolio management and borrowings processes of the Manager.

The Company may employ gearing up to a maximum of 20% of Net Asset Value at the time of borrowing. Gearing is expected to be used tactically to make investments consistent with the Company's investment objective and policy and for working capital purposes.

The Board reviews on a regular basis the investment portfolio and borrowings. This encompasses the valuation of fixed-interest and floating rate securities and gearing levels.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

24. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(ii) Interest rate risk *continued*

Interest rate exposure

The following table shows the Company's exposure to interest rate risk at the balance sheet date arising from its monetary financial assets and liabilities.

	2016 Within one year £'000	2016 More than one year £'000	2016 Total £'000	2015 Within one year £'000	2015 More than one year £'000	2015 Total £'000
Exposure to floating interest rates:						
Foreign currency bank loan	–	(14,961)	(14,961)	–	–	–
Investments at fair value through profit or loss	867	7,890	8,757	–	3,743	3,743
Cash and cash equivalents	3,189	–	3,189	(968)	–	(968)
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	–	192,370	192,370	788	210,956	211,744
Net exposure to interest rates	**4,056**	**185,299**	**189,355**	**(180)**	**214,699**	**214,519**

The following table illustrates the sensitivity of profit after taxation for the year and net assets to a 1% (2015: 1%) increase or decrease in interest rate in regards to 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 monetary financial instruments held at the balance sheet date, with all other variables held constant.

Effect of a 1% increase in interest rate:

	2016 £'000	2015 £'000
Statement of Comprehensive Income – return/(loss) after taxation		
Revenue return	22	28
Capital loss	(52)	–
Total return/(loss) after taxation for the year and net assets	**(30)**	**28**

Effect of a 1% decrease in interest rate:

	2016 £'000	2015 £'000
Statement of Comprehensive Income – return/(loss) after taxation		
Revenue return	(22)	(28)
Capital loss	52	–
Total return/(loss) after taxation for the year and net assets	**30**	**(28)**

In the opinion of the Directors, it is not possible to produce a representative sensitivity analysis for the whole year as the Company's exposure to floating interest rates may vary.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of investments. Fair value impacts of changes in interest rates on fixed interest investments are also captured within other price risk.

Management of other price risk

The Board meets each quarter 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 investment objective and seeks to ensure that individual securities meet an acceptable risk/reward profile.

Other price risk exposure

The Company's exposure to other changes in market prices at 30th June on its investments are as follows:

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss		
– Interest rate securities	17,738	22,306
– Convertibles	168,072	177,089
– Convertible preference	15,317	16,092
Derivative instruments – futures contracts	(41)	302
	201,086	**215,789**

Other price risk sensitivity

The following table illustrates the sensitivity of profit after taxation for the year and net assets to an increase or decrease of 10% (2015: 10%) in the fair value of investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on investments and adjusting for change in the management fee, but with all other variables held constant.

Effect of a 10% increase in fair value:

	2016 £'000	2015 £'000
Statement of Comprehensive Income – return after taxation		
Revenue return	(96)	(100)
Capital return	19,639	20,420
Total return after taxation for the year and net assets	**19,543**	**20,320**

Effect of a 10% decrease in fair value:

	2016 £'000	2015 £'000
Statement of Comprehensive Income – return after taxation		
Revenue return	96	100
Capital return	(19,639)	(20,420)
Total return after taxation for the year and net assets	**(19,543)**	**(20,320)**

(b) Liquidity risk

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

Management of liquidity 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 and the revolving credit facility which the Company entered into with Scotiabank in July 2015. The Board's policy is to remain fully invested in normal market conditions and the Company may employ gearing up to a maximum of 20% of Net Asset Value to manage short term liabilities and working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

24. Financial instruments' exposure to risk and risk management policies *continued*

(b) Liquidity risk *continued*

Liquidity risk exposure

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

	2016 Less than 3 months £'000	2016 More than 3 months but not more than 1 year £'000	2016 More than 1 year £'000	2016 Total £'000	2015 Less than 3 months £'000	2015 Total £'000
Creditors: amounts falling due within one year						
Securities purchased awaiting settlement	1,039	–	–	1,039	–	–
Other creditors	190	–	–	190	68	68
Future contracts	41	–	–	41	–	–
Bank overdraft	–	–	–	–	2,115	2,115
Forward foreign currency contracts	9,581	–	–	9,581	304	304
Creditors: amounts falling due after more than one year						
Bank loans	59	179	15,015	15,253	–	–
	10,910	**179**	**15,015**	**26,104**	**2,487**	**2,487**

(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 a loss to the Company.

Management of credit risk

Portfolio dealing

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

The credit rating of investments within the portfolio are disclosed in the Portfolio Disclosure on page 12.

The Company held open forward currency contracts with the following counterparties at the year end: Citibank (A-1), Deutsche Bank (A-2), Goldman Sachs (A-1), Standard Chartered (A-1), and Royal Bank of Canada (A-1+).

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have been approved by both the JPMorgan Counterparty Risk Group and the Board. The liquidity fund which the Company invests in has an S&P credit rating of AAAm.

Exposure to JPMorgan Chase

JPMorgan Chase is the custodian of the Company's assets. The custody agreement grants a general lien over the securities credited to the securities account. The Company's assets are segregated from JPMorgan Chase's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase were to cease trading. However, no absolute guarantee can be given to investors on the protection of all assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under investments in liquidity fund, derivative financial assets, other receivables and cash and cash equivalents represent the maximum exposure to credit risk at the year end.

Offsetting financial assets and financial liabilities

The Company presents the fair value of its derivative assets and liabilities on a gross basis, no such assets or liabilities have been offset in the statement of financial position.

Certain derivative financial instruments are subject to enforceable master netting arrangements, and these may be settled on a net basis under the terms of these agreements.

The following tables set out the carrying amounts of recognised financial assets and liabilities that are subject to the above arrangement as at 30th June 2016 and 30th June 2015:

	2016				
	Gross carrying amounts before offsetting £'000	Amounts offset in accordance with offsetting criteria £'000	Net amount presented in the statement of financial position £'000	Effect of remaining rights not set off in the statement of financial position £'000	Net exposure £'000
Financial Assets					
Forward currency contracts	506	–	506	(506)	–
Total	**506**	**–**	**506**	**(506)**	**–**
Financial liabilities					
Forward currency contracts	(9,581)	–	(9,581)	506	(9,075)
Total	**(9,581)**	**–**	**(9,581)**	**506**	**(9,075)**

	2015				
	Gross carrying amounts before offsetting £'000	Amounts offset in accordance with offsetting criteria £'000	Net amount presented in the statement of financial position £'000	Effect of remaining rights not set off in the statement of financial position £'000	Net exposure £'000
Financial Assets					
Forward currency contracts	6,232	–	6,232	(304)	5,928
Total	**6,232**	**–**	**6,232**	**(304)**	**5,928**
Financial liabilities					
Forward currency contracts	(304)	–	(304)	304	–
Total	**(304)**	**–**	**(304)**	**304**	**–**

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

25. Capital management policies and procedures

The Company's capital comprises the following:

	2016 £'000	2015 £'000
Debt		
Bank loan	14,961	–
Equity		
Share capital	219,993	220,020
Reserves	(31,355)	2,291
	188,638	222,311
Total debt and equity	**203,599**	**222,311**

The investment objective of the fund is to provide investors with a dividend income combined with the potential for long term growth, from investing in a globally diversified portfolio of convertible securities. Gearing is permitted up to a maximum level of 20% of Net Asset Value.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

	2016 £'000	2015 £'000
Investments held at fair value excluding liquidity fund holdings	201,127	215,487
Net assets	188,638	222,311
Gearing/(net cash)	**6.6%**	**(3.1)%**

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 of the market;
- the need to buy back equity shares for cancellation takes into account the share price discount or premium; and
- the need for issues of new shares.

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD') DISCLOSURES (UNAUDITED)

Leverage

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD (see Glossary of Terms and Definitions on page 61), as at 30th June 2016, which gives the following figures:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	600%	350%
Actual	247%	232%

JPMF Remuneration

JPMF is the authorised manager of the Company and is part of the J.P. Morgan Chase & Co. group of companies. In this disclosure, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This disclosure has been prepared in accordance with the AIFMD, the European Commission Delegated Regulation supplementing the AIFMD, the 'Guidelines on Sound Remuneration Policies' under the AIFMD issued by the European Securities and Markets Authority and the Financial Conduct Authority Handbook (SYSC 19B: The AIFM Remuneration Code and FUND 3.3).

JPMF Remuneration Policy

The current remuneration policy for the EMEA Global Investment business of J.P. Morgan can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/adv/emea-remuneration-policy. This policy includes details of the alignment with risk management, the financial and non-financial criteria used to evaluate performance and the measures adopted to avoid or manage conflicts of interest.

JPMF Quantitative Disclosures

The table below provides an overview of the aggregate 2015 total remuneration paid to J.P. Morgan staff that can be reasonably attributed to the Company. These figures include the remuneration of all staff of JPMorgan Asset Management (UK) Limited (the relevant employing entity) and the number of beneficiaries, both apportioned to the Company on an assets under management ('AUM') weighted basis.

It is not possible to provide a further breakdown of remuneration attributable to the Company in a relevant or reliable way. However, for context, JPMF manages 34 alternative investment funds ('AIFs') (with 40 sub-funds) and 2 UCITS funds (with 41 sub-funds), with a combined AUM as at 31st December 2015 of £9,293 million and £10,645 million respectively.

	Fixed	Variable	Number of beneficiaries
All staff ($'000s)	17,269	11,734	135

The 'Identified Staff' of JPMF are those employees whose actions have a material impact on the risk profile of JPMF or the AIFs it manages, including the Company. The aggregate 2015 total remuneration paid to this group was $27,884,080. Given the size of JPMF, in particular the number of senior management and other Identified Staff, compensation information for these two groups has been aggregated.

For the purposes of the above disclosures, where portfolio management activities have been formally delegated, remuneration for the relevant employees has been excluded.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of JPMorgan Global Convertibles Income Fund Limited will be held at 1st Floor, Les Echelons Court, Les Echelons, South Esplanade, St Peter Port, Guernsey GY1 1AR on 7th November 2016 at 10.30 a.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditor's Report for the year ended 30th June 2016.
2. To approve the Company's Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30th June 2016.
4. To reappoint Simon Miller as a Director of the Company.
5. To reappoint Philip Taylor as a Director of the Company.
6. To reappoint Charlotte Valeur as a Director of the Company.
7. To reappoint Paul Meader as a Director of the Company.
8. To reappoint Ernst & Young LLP as auditor of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to repurchase the Company's shares

9. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with the Company's Articles of Incorporation to make market purchases of its issued shares in the capital of the Company.

   PROVIDED ALWAYS THAT

   (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 29,258,636 or, if less, that number of shares which is equal to 14.99% of the Company's ordinary 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 1p;

   (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 May 2018 unless the authority is renewed at the Company's Annual General Meeting in 2017 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 and in accordance with the Company's Articles of Incorporation to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate amount as shall be equal to 10% of the issued share capital of the Company as at 4th November 2016 (being the day immediately preceding the date of the Annual General Meeting), provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

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 the Company's Articles of Incorporation to allot equity securities for cash pursuant to the authority conferred by Resolution 10, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate amount as shall be equal to 10% of the issued share capital of the Company as at 4th November 2016 (being the day immediately preceding the date of the Annual General Meeting), at a price being not less than the prevailing net asset value per share at the date of allotment

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require 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 or agreements as if the power conferred hereby had not expired.

By order of the Board
Rhys Williams, for and on behalf of
JPMorgan Funds Limited,
Secretary

18th October 2016

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.

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

4. 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.

5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

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

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Company's Articles of Incorporation, each such representative(s) may exercise the same powers as the corporation

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

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

8. Members that satisfy the thresholds in the Company's Articles of Incorporation can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with an auditor of the company ceasing to hold office since the previous AGM; which the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website.

9. The Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting; no answer need be given if it is undesirable in the interests of the Company or the good order of the meeting.

10. Members meeting the threshold requirements in the Company's Articles of Incorporation have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. In accordance with the Company's Articles of Incorporation, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmconvertiblesincome.co.uk

12. 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.

13. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

14. As at 17th October 2016 (being the latest business day prior to the publication of this Notice), the Company's issued share capital (excluding Treasury shares) consists of 195,187,705 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 195,187,705.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

GLOSSARY OF TERMS AND DEFINITIONS

Return to Ordinary shareholders

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

Return on net assets

Return on the undiluted 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 into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

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

If the share price of an investment trust 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 per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at premium.

Gearing/Net Cash

Gearing represents the excess amount above shareholders' funds of total investments expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

Ongoing Charges

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average of the daily net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Earnings per ordinary share

The earnings per ordinary share represents the return on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the year.

Bond-like

Bond-like convertible securities are those with a relatively stable credit and has a fixed income value far greater than the value of the underlying equity. It is largely insensitive to changes in the value of the underlying equity.

Balanced

Balanced convertible securities are those where the underlying equity value and the bond value of the security are within a fairly close range of each other. This makes the value of the instrument sensitive to both changes in the underlying equity and the fixed income value of the security.

WHERE TO BUY J.P. MORGAN INVESTMENT TRUSTS

You can invest in a J.P. Morgan investment trust through the following;

1. Directly from J.P. Morgan

Investment Account

The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk/investor

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2016/17 tax year, from 6th April 2016 and ending 5th April 2017, the total ISA allowance is £15,240. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

Third party providers include;

AJ Bell	Interactive Investor
Alliance Trust Savings	James Brearley
Barclays Stockbrokers	James Hay
Bestinvest	Selftrade
Charles Stanley Direct	TD Direct
Hargreaves Lansdown	The Share Centre

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

3. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk

Financial Conduct Authority

Beware of share fraud

In association with: icsa Registrars Group

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from **www.fca.org.uk** to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at **www.fca.org.uk/scams**.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. **Remember:** if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000

Information about the Company

FINANCIAL CALENDAR

Financial year end	30th June
Final results announced	October
Half year end	31st December
Half year results announced	February
Annual General Meeting	November

History

JPMorgan Global Convertibles Income Fund Limited is a Guernsey-incorporated investment company which was launched in June 2013 with assets of £136.0 million.

Company Numbers

Guernsey company registration number: 56625

Ordinary Shares

London Stock Exchange ISIN code: GG00B96SW597
Bloomberg code: JGCI
SEDOL B96SW59

Market Information

The Company's unaudited 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 Times, The Daily Telegraph, The Scotsman and on the JPMorgan website at www.jpmconvertiblesincome.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmconvertiblesincome.co.uk

Share Transactions

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

Manager and Company Secretary

JPMorgan Funds Limited

Administrator

J.P. Morgan Administration Services (Guernsey) Limited

Company's Registered Office

1st Floor
Les Echelons Court
Les Echelons
South Esplanade
St Peter Port
Guernsey GY1 1AR

For company secretarial matters please contact Rhys Williams at the above address.

Depositary

BNY Mellon Trust and Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

The Depositary has appointed JPMorgan Chase Bank, NA, as the Company's custodian.

Registrars

Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey GY2 4LH
Telephone number: 0371 664 0300
(Calls cost 10p per minute plus network extras)

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Email: shareholder.services@capita.co.uk

Registered shareholders can obtain further details on their holdings on the internet by visiting www.capitashareportal.com.

Independent Auditors

Ernst & Young LLP
PO Box 9
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

Brokers

Winterflood Securities
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA
Telephone number: 020 3100 0000

Savings Product Administrators

For queries on the J.P. Morgan Investment Account and, J.P. Morgan ISA call the JPMorgan Helpline on Freephone 0800 20 40 20 or +44 (0)20 7742 9995.

aic
The Association of Investment Companies
A member of the AIC

www.jpmconvertiblesincome.co.uk

J.P. Morgan Helpline

Freephone 0800 20 40 20 or +44 (0) 1268 444470.
Telephone lines are open Monday to Friday, 9am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.

J.P.Morgan
Asset Management