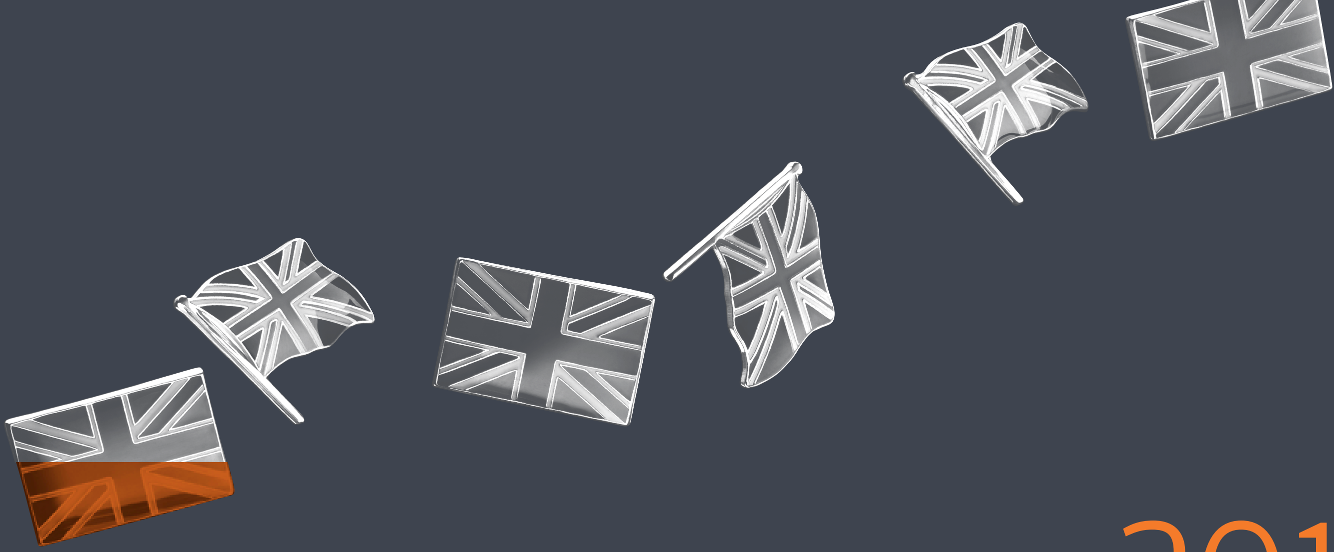

Annual Report 2010

JPMorgan Claverhouse Investment Trust plc

Annual Report & Accounts for the year ended 31st December 2010

J.P.Morgan
Asset Management

Features

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Objective

Capital and income growth from UK investments.

Investment Policies

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

Further details on investment policies and risk management are given in the Directors' Report on page 21.

Benchmark

The FTSE All-Share Index.

Capital Structure

At 31st December 2010, the Company's share capital comprised 56,765,653 ordinary shares of 25p each, including 1,396,170 shares held in Treasury.

Management Company

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

AIC

The Company is a member of the Association of Investment Companies.

Financial Results

Total returns (includes dividends reinvested)

+15.1%
Return to shareholders[1]
(2009: +32.5%)

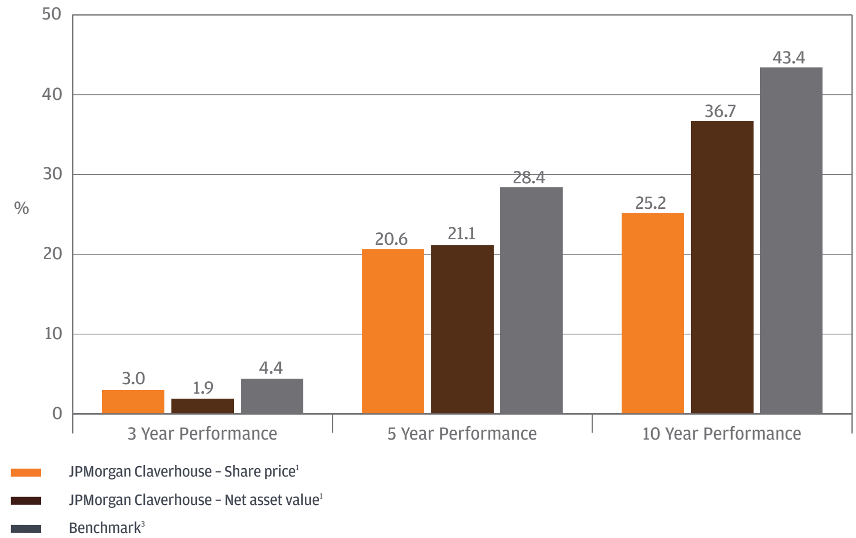
+16.8%
Return on net assets[2]
(2009: +29.7%)

+14.5%
Benchmark[3]
(2009: +30.1%)

17.5p
Dividend
(2009: 16.9p)

Long Term Performance

for periods ended 31st December 2010



A glossary of terms and definitions is provided on page 59.

[1]Source: Morningstar.
[2]Source: J.P. Morgan.
[3]Source: Datastream. The Company's benchmark is the FTSE All-Share Index.

Chairman's Statement

Performance

After three years of relatively disappointing performance against your Company's benchmark, the FTSE All-Share Index, I am pleased to report a better year to 31st December 2010 relative to that index and a respectable year in absolute terms. The total return on net assets was +16.8% for the year. This compares favourably with the total return on the benchmark of +14.5% for the year. A breakdown of contributions to performance is set out on page 8. The total return to shareholders was +15.1%, being a combination of the appreciation in the share price and of dividends paid.

A year ago I suggested that most shareholders could live with a more boring year in stock markets after the extreme volatility of 2009 and that is what 2010 delivered. At the low point on 1st July the All-Share Index had declined by 11.4% from the beginning of the financial year. But from that point an almost uninterrupted rally resulted in the index ending the year just below its high for the year.

Many of the larger companies listed in London have global businesses and the performance of the world economy is more important than that of the United Kingdom. However, in the UK the beginnings of the restoration of sanity to the Government's finances are most welcome. Although many citizens may not be able to define a billion or a trillion and nor have a clear understanding of the mechanism by which a large and growing Government deficit affects the individual, the electorate decided in May to elect a new Government intent upon reducing the deficit and eliminating the structural element of it.

There were, of course, extraordinary and unforeseen events as there will be every year for investors and managers to absorb. The problems of Greece and Ireland and the consequent threats to the survival of the Euro resulted in a number of worrying days for stock and bond markets. At an individual stock level, the tribulations for BP following the Deepwater Horizon rig explosion in the Gulf of Mexico resulted in huge uncertainty, and hence volatility. But markets will always be faced with 'unknown unknowns' which have to be overcome. Overall 2010 was a satisfactory and unthreatening year for equity investors and one in which your Company's Managers' disciplined and intellectually robust investment management process added value.

Continuing appointment of the Manager

Once again your Board requested a detailed submission from J.P. Morgan Asset Management ('JPMAM') as to the effectiveness of the investment process and the justification for their continuing appointment as your Company's investment managers. That submission was carefully considered by the Board, together with the historical evidence for the soundness of the process. The Managers continue to believe that their process, as described in the Investment Managers' Report which follows on page 7, will deliver superior performance against the benchmark over a ten-year horizon.

The Board considers that the process is sound and justifies the continuing appointment of JPMAM as Investment Managers to your Company. But there is still some way to go to make up for the disappointments of 2007 and 2008. JPMAM's strategy aims to deliver out-performance over the FTSE All-Share Index averaging 2% per annum over a ten-year time horizon. On this basis Claverhouse should appeal to long-term investors in equities seeking exposure to the UK market at modest levels of risk.

Revenue and Dividends

Your Company's revenue derives almost entirely from dividends paid by companies in which we have holdings. 2010 was a very good year for company profits and, as discussed in the Investment Managers' report, company earnings increased by some 40% from the recession affected figures of 2009. However, dividends paid to your Company did not increase in line with earnings as companies rebuilt their balance sheets. In addition we suffered from the suspension of the BP dividend for three quarterly payments.

In 2010 the revenue per share fell by 7.7%. Nevertheless, your Board was of the opinion that it was appropriate to draw further on the revenue reserves which have been built up and so decided that the total dividend for the year should be increased from 16.9p to 17.5p, a rise of 3.6%, thus increasing the total dividend for the 38th successive year. I have written before of the strength that your Company's revenue reserve brings which has allowed the Board to maintain a progressive dividend policy. We recognise the importance of dividends to our many individual shareholders, particularly at a time when interest rates on cash savings are so low.

As expected, and as budgeted for, the payment of the annual dividend necessitated a transfer from the revenue reserve for the second consecutive year. Whilst we cannot go on drawing on the revenue reserve indefinitely if our earnings do not cover our own dividends, your Company still has a revenue reserve equivalent to 17 pence per share after the latest transfer. We have questioned JPMAM closely on their expectations of future earnings and their estimates indicate a smaller transfer is likely for 2011 and that we should return to a position of our revenue covering our own dividends within three years.

It remains your Board's aim to increase the dividend each year. With inflation having increased recently, we cannot be certain that the increase in the dividend will match the latest single year inflation figure. However, taking a run of years together, we will aspire to deliver increases in dividends that will at least match the rate of inflation as long as the present increase in the rate is temporary and that we do not return to the high inflation era epitomised by the 1970s which did so much damage to the United Kingdom's economy.

Gearing

The Company ended the year approximately 9% geared. During the year the gearing varied between 8% and 13%. As stated in previous years, it is the Board's intention to keep gearing within the range of 0-15% under normal market conditions, whilst reserving the right to allow gearing to increase in the event of a serious setback in markets.

Chairman's Statement continued

Share Repurchases and Discount

During the year the Company repurchased 987,570 shares at an average discount to net asset value (with debt at par value) of 8.3%. These shares are all held in Treasury for possible re-issue, should the Company's shares move to premium to net asset value ('NAV'). The Board's objective remains to use the share repurchase authority to assist in managing any imbalance between supply and demand for the Company's shares, thereby reducing the volatility of the discount. Shares held in Treasury will only be re-issued at a premium to NAV unless shareholders were to grant authority for them to be re-issued at less than NAV. No such authority exists and the Board does not intend to seek such authority at the present time.

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

The year-end discount of the share price to NAV widened from 4.9% to 7.0% but remained within a narrow range during the year, averaging 7.9%.

Board of Directors

Directors conduct a self-assessment of their performance each year and this is followed up by a conversation with me as Chairman. My own performance is assessed by the Senior Independent Director after he has consulted with all other Directors. A report is made to the Nomination Committee which meets annually to evaluate the performance of the Board, its Committees and the individual Directors.

I became Chairman of your Company in April 2005. In my absence, the members of the Nomination Committee considered my service and confirmed that they recommend that I should continue as Chairman. As I have served as a Director for more than nine years, I am required to seek re-election on an annual basis. The Company's Articles require that each Director must retire by rotation at least every three years. However, the new UK Corporate Governance Code introduced in June 2010 requires all directors of companies within the FTSE 350 Index to offer themselves for annual re-election. The Company does not fall within the FTSE 350 but the Board has always sought to achieve the highest standards of governance and therefore the Board has decided that all Directors will stand for annual re-election from this AGM onwards.

The Directors' Remuneration Report discloses that the base fee for a Director was increased on 1st January 2011 by approximately 17% after two years in which it has remained unchanged. The Chairman's fee alone was increased last year. I realise that increases in fees are never popular with every shareholder. In total, though, Directors' fees account for only 5.8% of the costs of running the Company which continues to have a relatively low total expense ratio of 0.72% as compared with most of our peers and particularly with most open-ended funds which do not have a Board of Directors to fight the shareholders' corner on expenses.

Annual General Meeting

This year's AGM will be held at Trinity House, Tower Hill, London EC3N 4DH on Tuesday 12th April 2011 at 2.00 p.m. The Investment Managers will give a presentation to shareholders, reviewing the past year and commenting on the outlook for the current year. The meeting will be followed by afternoon refreshment thus providing shareholders with the opportunity to meet the Directors and the Investment Managers. We look forward to seeing as many shareholders as possible at the AGM which we consider to be an important annual event, allowing the Board and the Manager to interact directly with shareholders and to receive their feed-back.

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

The Future

Equity investors have to live with uncertainty as part of the price they pay for higher long-term returns. At times they have to endure long periods of unexciting, but volatile, performance as excesses, whether of over-exuberance or of deep fears, are corrected. The decade leading up to 2010 certainly confirmed that characteristic. But 2010 was for stock markets and for the world economy a much calmer year and it is very much to be hoped that 2011, which has started positively, will continue in the same vein.

There will be unforeseen events which will cause excitements and genuine worries about supply of food, oil and other essentials, and of raw materials. In addition, there are many structural problems in the world's economy with debt-fuelled over-consumption in slow growing developed countries being financed by savings in the developing world.

In the United Kingdom we clearly face some difficult political and economic times ahead. Restoring the Government's finances to health will not be easy or painless. Whilst there is a valid debate about the speed of reduction and substantial media coverage of detailed consequences for certain groups, failure to tackle the deficit would, in the long-term, bring increased misery for all with rising inflation and a depreciating currency. So it is very much to be hoped that the Government will keep its resolve to move towards sounder finances, including improving the productivity and value for money that the taxpayer receives from money spent by the State. Meanwhile, though, inflation remains stubbornly above the target of 2.0% presenting the Authorities with a very difficult decision as to when, and by how much, to raise interest rates.

Chairman's Statement continued

The substantial injection of taxpayers' money – most of it borrowed or created through Quantitative Easing – has not begun to be unwound whilst parts of the economy remain weak. However, many UK companies are performing robustly, particularly those which have been able to benefit from the fall in the value of sterling in 2008 or which are exposed to the fast growing markets of the developing world. The international nature of many UK companies' businesses gives your Company substantial exposure to those growing markets. Both in the developed world and in the developing, company profits are in general robustly healthy with further growth expected in 2011. The prospects for company dividends are good with BP returning to the list of dividend payers and the possibility of resumed or increased dividends from the banks.

The FTSE All-Share Index has nearly doubled since I signed out my report two years ago on 3rd March 2009. In that report I urged shareholders to keep faith with equities and they have been rewarded for their fortitude. Despite the rise, as the Investment Managers demonstrate in their report which follows, shares are still not expensive relative to company earnings even if they are not as cheap as they were relative to bonds which, finally, and for very good reasons, appear to have ended their 20 year bull market. So for long-term investors your Company's shares can be regarded as a core holding in wealth preserving equities and your Board and Managers will strive to add value over a cycle beyond that delivered by index tracking funds.

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

Michael Bunbury
Chairman — 4th March 2011

Investment Managers' Report

James Illsley

Sarah Emly

Market Review

The UK market overcame various headwinds in 2010 to deliver strong performance for the year. Challenges included the European sovereign debt crisis, the lack of a single-party majority in May's general election, persistently high inflation and austerity measures implemented to deal with the UK's unsustainably high budget deficit. However, strong corporate earnings and evidence of an ongoing global economic recovery served to help the market overcome these challenges.

The FTSE All-Share returned 14.5% (with dividends reinvested) for the year to 31st December 2010. Mid cap stocks were the best performers, with the FTSE Mid 250 up 27.4%, even beating the MSCI Emerging Markets index return of 22.9%. The FTSE 100 and FTSE Small Cap also performed strongly returning 12.6% and 19.5%, respectively.

One of the biggest challenges faced by the UK market in 2010 was the European sovereign debt crisis, which was triggered in the spring by worries that Greece could default on its debt payments. The Greek crisis led to concerns about the financial status of other highly indebted peripheral eurozone countries. Ireland, Portugal and Spain, as well as Greece, received credit rating downgrades from the main credit ratings agencies. Bond prices fell, causing yields to rise to new highs as risk appetite fell across most markets and concerns escalated over the stability of the Euro.

Later in the year fears of contagion re-emerged, prompting a renewed flight to quality, as the Irish government, faced with the mounting cost of supporting its ailing banks, was forced to go to the European Union and International Monetary Fund for a bail-out in November. Although the crisis was the cause of much volatility, ultimately, the European Central Bank's commitment to its bond purchasing programme and increased support for debt-laden eurozone countries from the EU helped ease concerns.

Despite its own high levels of Government debt, the UK avoided most of the eurozone's woes by dint of having both a floating exchange rate and control over the setting of its domestic interest rates. In June 2010, the new Conservative/Liberal Democrat coalition won the support of markets for its plan to restore the country to a sustainable fiscal path by announcing plans for cuts to public spending and substantial tax rises.

With fiscal conditions tightening, the Bank of England's Monetary Policy Committee ('MPC') kept the base rate on hold at a record low of 0.5% for the year despite persistently high inflation, which remained well above the target rate of 2%. The MPC announced no further additions to its asset purchase programme, but left the door open for more quantitative easing should the economic situation deteriorate.

Despite the austerity measures implemented by the Government, the UK economy continued to grow through most of the year, boosted by strong manufacturing performance. In the second quarter UK GDP grew 1.2% quarter on quarter, its fastest rate in nine years, with construction output at its highest since 1982. Growth slowed somewhat in the third quarter but remained positive. However, concerns were raised over the Government's approach as data showed the economy had contracted again, by 0.6% in the fourth quarter, although these numbers were heavily impacted by the adverse weather conditions in December.

Investment Managers' Report continued

Performance attribution for the year ended 31st December 2010

	%	%
Contributions to total returns		
Benchmark		14.5
Stock selection	2.2	
Asset allocation	0.9	
Gearing/cash	0.6	
Investment manager contribution		3.7
Portfolio total return		18.2
Management fees/ other expenses	-0.7	
Use of prior year revenue reserve	-0.9	
Repurchase of shares into Treasury	0.2	
Other effects		-1.4
Net asset value total return		16.8
Share price total return		15.1

Source: FactSet, JPMAM and Morningstar.
All figures are on a total return basis.

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

A glossary of terms and definitions is provided on page 59.

The key corporate news story of the year was the BP oil leak in the Gulf of Mexico caused by the explosion of the Deepwater Horizon platform. BP's share price plunged and the company suspended its dividend amid uncertainty over the costs of the disaster, both in monetary terms and in the damage done to the company s reputation. By the end of the year, its share price had recovered some of the lost ground, but profitability for the year was severely impacted.

Elsewhere, the UK corporate sector had a much better year. Second and third-quarter corporate earnings data were stronger than expected, boosted by both cost cutting and revenue growth. With earnings momentum remaining strong, valuations remained supportive throughout the year.

Performance Review

In the year to 31st December 2010 the Company delivered a total return on net assets (capital plus dividends re-invested) of +16.8%, well ahead of the benchmark FTSE All-Share Index total return of +14.5%. A detailed breakdown of the performance is given in the accompanying table. Both stock selection and gearing into the rising equity market contributed to the Company s outperformance. The underlying equity performance was the most significant contributor.

In terms of the underlying performance of the equity portfolio, the combination of the two styles that we focus on to deliver outperformance (being overweight in both value and growth) contributed positively to returns. In particular, the outperformance was driven by the growth side of the process: price momentum and earnings momentum. Returns from the value style were mixed, being favourable in the first half, but not so in the second half of the financial year. Some of the strongest contributors to performance were those stocks that delivered results that beat the market's expectations and consequently had their earnings forecasts upgraded strongly as a result of greater optimism on their future prospects. Such stocks also then delivered strong share price performance over the year, as greater confidence developed in the ongoing global economic recovery and the expectation that these stocks would continue to deliver strong profit growth. Such themes were the predominant drivers of the outperformance of the growth style during 2010.

At a stock level, the most significant contributor to performance was the overweight position in Aggreko, the global leader in providing temporary specialist power and temperature control services, which rose by over 59% over the year. This stock consistently delivered strong results, with consequent upgrades to its earnings expectations, benefiting from the winning of new contracts and the strengthening global economic recovery. Other strong stock performers included the industrial engineering groups, IMI and Weir Group, which rose in value by 82% and 148% respectively, as their profit forecasts were strongly upgraded during the course of 2010. These two industrial cyclicals, alongside others such as the industrial metals group Ferrexpo, and the oil services group Petrofac, generate a substantial proportion of their revenues and earnings overseas. Indeed, a feature of the winning stocks in 2010 was their international nature – some 70% of revenues of the UK stock market are generated outside the UK. The Company's positions in our two in-house UK smaller companies funds were positive contributors to performance during 2010, both in terms of our allocation to the outperforming small-cap index and the funds' strong outperformance of their own benchmarks.

By contrast, despite managing our position in BP actively, this stock was a detractor to performance during 2010, although its share price recovered to some extent in the second half of the year. Other value stocks also delivered negative returns, including the house builders Barratt Developments and Bellway, which fell by 29% and 18% respectively despite trading at very low valuations in comparison to their book values. As we mentioned earlier, it was the value stocks that underperformed the rising UK equity market during 2010, with the major pharmaceutical stock GlaxoSmithKline, also underperforming the wider market. Some of the largest UK companies are now trading at such low valuations, having failed to keep up with the market's progress during 2010, that they now offer the opportunity to deliver very strong returns in the future.

Portfolio Review

The Company's portfolio continues to be a balance between two attractive investment styles; on one side we seek to invest in attractive value stocks and, on the other side, stocks with strong earnings and growth momentum. This approach is summarised in our investment philosophy:

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

The most significant stock event of 2010 was the explosion of the BP operated Deepwater Horizon drilling platform in the Gulf of Mexico. At the time of the initial explosion we had a substantial position in BP as the stock was attractively valued and the company had been trading well leading to increased profit forecasts. In April, soon after the explosion, we lowered our exposure to BP and subsequently cut our position further through May and June. By the end of June the market value of BP had fallen by over £60 billion and, in our view, the fall in the value of the company more than reflected even worst case scenarios for the costs of damages and clean up operations. We therefore began to rebuild our position in late June and July. At their peak BP's shares were priced at 655p. They subsequently fell to 303p, but by the end of the year had recovered to 465p.

2010 saw the global recovery continue to gather pace. UK industrials were a particular beneficiary, with the underlying recovery being helped by the boost to competitiveness coming from the devaluation of sterling. We increased our holdings in a number of high quality manufacturing companies. Weir Group is a global leader in building pumps and valves for highly demanding applications in power stations, oil production and other industrial uses. Throughout 2010 Weir saw its earnings forecasts nearly double, driving its share price from 717p to 1780p. To exploit the same themes of global recovery and sterling weakness, we also bought Smiths Group, Spirax Sarco and IMI. By contrast, some of our most significant sales were companies that were disappointing in terms of earnings momentum, such as the consumer goods companies Unilever and Reckitt Benckiser.

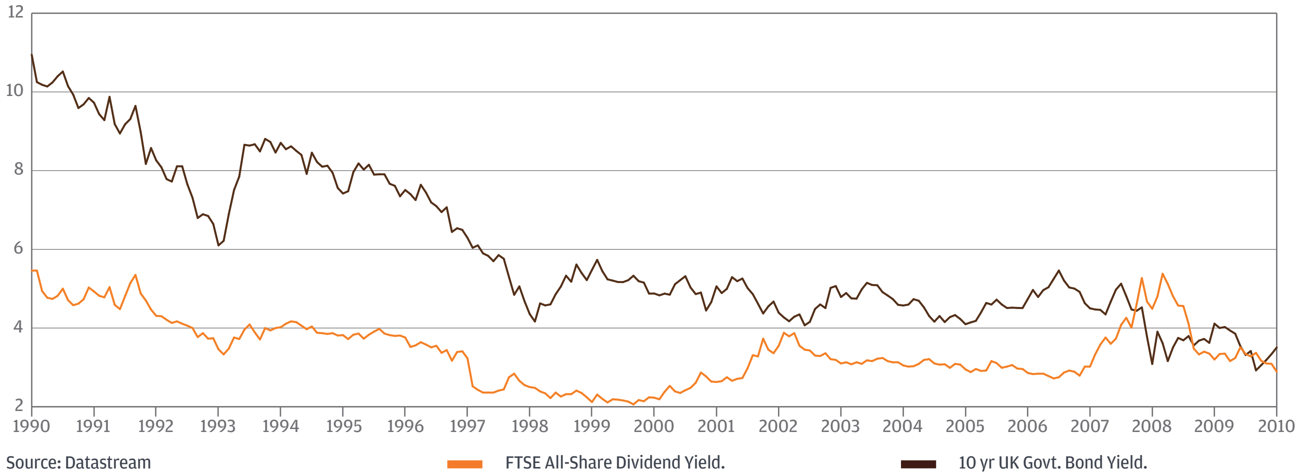
The seemingly insatiable demand from China for commodities has been a recurring theme for a number of years. Across many different classes of commodity, rising demand has driven prices higher, whether it be cotton, wheat or energy. The UK stock market allows investors to buy into this growth through numerous resource companies. Copper is a commodity that is in tight supply with demand being driven

Investment Managers' Report continued

by the rapid industrialisation of China. Since 2000 the price of copper has risen five fold, outpacing even the rise in the gold price. We have had a consistent overweight position in mining stocks, including the copper plays Antofagasta and Kazakhmys which have performed very well. Through 2010, we re-orientated our holdings away from copper to focus more on cheaper iron ore companies with further purchases of Rio Tinto and BHP Billiton to add to our existing holdings in these companies, and Ferrexpo. Through the latter half of 2010 we have continued to see further strength in the iron ore price which rose by over 30% during the year as a whole.

The UK stock market is currently one of the lowest rated markets in the world. For 2011, the UK market trades on a 10.8x price to forecast earnings ratio compared to 13.4x for the US, 11.9x for emerging markets and 12.9x for the Pacific basin. At the same time, forecast earnings growth in the UK outstrips the forecasts for all of these regions in 2011. Allied to these value and growth attractions, the yield available from UK equities is a particular feature at a time when cash deposits earn very little and the outlook for bonds is clouded by rising inflation worries. The chart below shows the UK dividend yield against that of UK government bonds.

UK dividend yield against that of UK government bonds



Source: Datastream

Like the Company's own shares, equities generally see rising dividend payments over time, whereas gilts pay a fixed amount. At a point when equity dividend yields are similar to those on ten year gilts but offer the prospect of growth, the valuation attractions of equities are clear. Within the UK stock market there are many examples of global 'blue-chip' companies that offer a premium yield to investors whilst satisfying our investment criteria for value stocks. Our portfolio is well positioned in stocks such as Vodafone that pays out a growing 5% yield and is well covered by earnings. Other high yielding stocks that also meet our criteria and are held in the portfolio include Aviva, AstraZeneca and Royal Dutch Shell.

Market Outlook

So far the UK economy is on course to rebalance in a positive fashion, with manufacturing activity and exports leading the recovery rather than domestic household consumption. Given that sterling remains competitively valued in comparison with the other main trading currencies and Government spending retrenchment will begin to bite in earnest in the spring, it is likely that the private corporate sector will remain the main driver of economic growth in 2011.

However, with the economy seeming to have stalled in the fourth quarter, the Bank of England is facing an awkward situation. The targeted inflation measure of CPI has been at or above 3% in every month since January 2010 and is not expected to fall below 3% again until 2012. This is putting the Bank's anti-inflation credentials under some strain. Mervyn King, the Governor, would prefer to keep the base rate at its current low of 0.5% to aid the economic recovery, but the MPC must ensure that higher inflation in the short term does not create higher long-term inflation expectations.

UK quoted companies will have reported earnings growth in excess of 40% for 2010 once the reporting season draws to a close in March, a significantly better outcome than was expected twelve months ago. With the market appreciating by 14.5%, 2010 saw company valuations become steadily cheaper, as measured by price to earnings ratios. The current consensus expectation for 2011 earnings growth is around 15%. We think this growth assumption will again prove to be too conservative at what is still an early stage of the global economic upswing.

The chart below shows the prospective valuation of the UK equity market based on forecast earnings. As can be seen, the market currently trades well below its long term average, even after the 14.5% return delivered in 2010.

UK equity market

FTSE All-Share prospective price to earnings

Source: UBS

We are at an early stage of both the economic and stock market recoveries. Economic growth in 2011 is still likely to be positive, while interest rates are likely to remain low by historic standards. This environment is supportive for equities.

James Illsley
Sarah Emly
Investment Managers

4th March 2011

Summary of Results

	2010	2009	% change
Total returns for the year ended 31st December			
Return to shareholders[1]	**+15.1%**	+32.5%	
Return on net assets[2]	**+16.8%**	+29.7%	
Benchmark[3]	**+14.5%**	+30.1%	
Net asset value, share price and discount at 31st December			
Shareholders' funds (£'000)	**281,172**	254,330	+10.6
Net asset value per share with debt at par value	**507.8p**	451.3p	+12.5
Net asset value per share with debt at fair value[4]	**500.5p**	444.1p	+12.7
Share price	**470.0p**	425.0p	+10.6
Share price discount to net asset value with debt at par value[5]	**7.0%**	4.9%	
Shares in issue, excluding shares held in Treasury	**55,369,483**	56,357,053	
Revenue for the year ended 31st December			
Gross revenue return (£'000)	**9,437**	10,325	-8.6
Net revenue return on ordinary activities after taxation (£'000)	**7,611**	8,377	-9.1
Return per share	**13.6p**	14.8p	-8.1
Dividend per share	**17.5p**	16.9p	+3.6
Actual Gearing Factor at 31st December[6]	**108.6%**	110.3%	
Total Expense Ratio[7]	**0.72%**	0.83%	

A glossary of terms and definitions is provided on page 59.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

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

[4]The fair value of the £30m (2009: £30m) debenture issued by the Company has been calculated with reference to a similar dated gilt yield plus a margin based on the 5 year average for the AA Barclays Sterling Corporate Bond spread.

[5]Source: Bloomberg. The discount is calculated using the net asset value at 31st December 2010, excluding the current year revenue account balance.

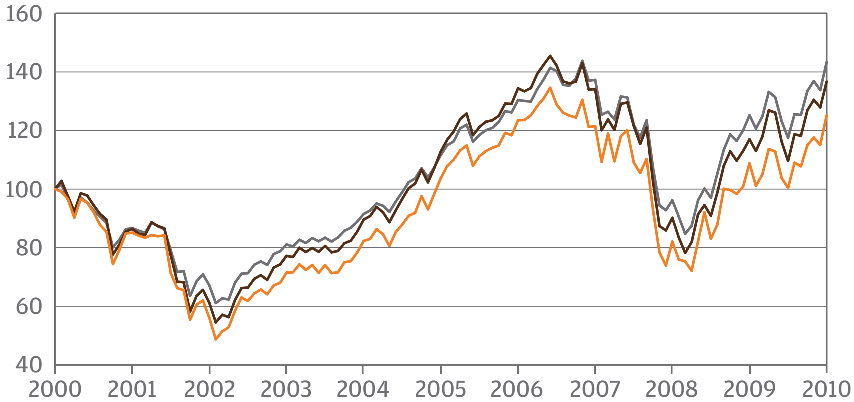
[6]Actual gearing represents investments, excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds.

[7]Management fees and all other operating expenses, excluding interest and performance fees payable, expressed as a percentage of the average of the month end net assets during the year. In previous years this was calculated using the average of the opening and closing assets and hence the 2009 figure has been restated.

Performance

Ten Year Performance

Figures have been rebased to 100 at 31st December 2000



Source: Morningstar/Datastream (Total return).

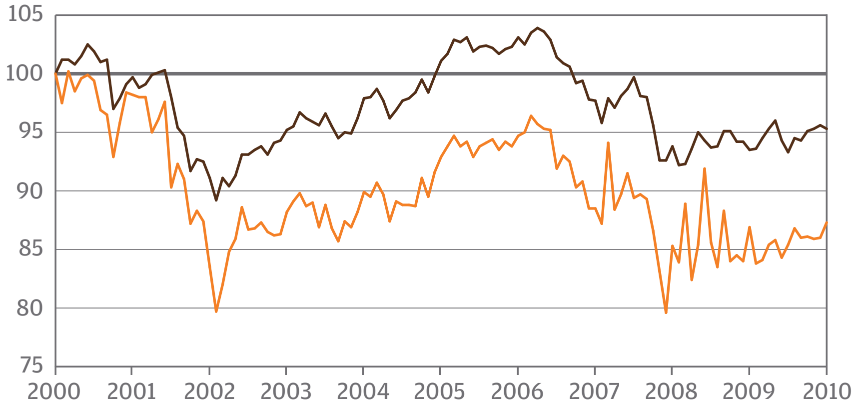
JPMorgan Claverhouse – share price.

JPMorgan Claverhouse – net asset value.

Benchmark.

Relative to Benchmark

Figures have been rebased to 100 at 31st December 2000



Source: Morningstar/Datastream (Total return).

JPMorgan Claverhouse – share price.

JPMorgan Claverhouse – net asset value.

The benchmark is represented by the grey horizontal line.

Ten Year Financial Record

At 31st December	2000	2001	2002	2003	2004[1]	2005	2006	2007	2008	2009	2010
Total assets less current liabilities (£'000)	411,421	410,691	302,398	316,198	302,024	350,200	384,505	357,562	240,764	284,034	**310,903**
Net asset value per share (p)[2]	498.6	422.7	291.4	355.8	403.8	495.9	577.6	562.1	371.7	451.3	**507.8**
Share price (p)	518.0	432.5	277.5	342.0	381.8	469.0	544.5	521.5	340.0	425.0	**470.0**
Share price premium/(discount) (%)[2]	3.9	2.3	(4.8)	(3.9)	(5.4)	(5.4)	(6.3)	(6.3)	(5.2)	(4.9)	**(7.0)**
Actual gearing factor (%)	115.9	119.9	122.8	117.4	112.8	113.4	112.2	107.7	109.7	110.3	**108.6**
Total expense ratio (%)[3]	0.88	0.99	1.01	0.92	0.90	0.84	0.75	0.79	0.75	0.83	**0.72**
Year ended 31st December											
Revenue attributable to shareholders (£'000)	5,934	8,070	8,938	8,721	7,653	8,359	9,256	9,714	13,426	8,377	**7,611**
Revenue per share (p)	8.75	9.83	10.73	11.25	10.59	12.76	14.84	16.28	23.38	14.77	**13.63**
Dividend per share (p)	7.80	8.50	9.65	10.20	10.65	11.50	13.50	15.30	20.00[4]	16.90	**17.50**
Rebased to 100 at 31st December 2000											
Share price - total return[5]	100.0	85.1	56.0	71.5	82.3	103.8	123.5	121.5	82.1	108.8	**125.2**
Net asset value per share - total return[5]	100.0	86.4	61.1	77.2	89.6	112.9	134.4	134.1	86.0	117.0	**136.7**
FTSE All-Share Index - total return[6]	100.0	86.7	67.1	81.1	91.5	111.7	130.4	137.3	96.2	125.2	**143.4**
Retail Price Index[6]	100.0	100.7	103.7	106.6	110.3	112.7	117.7	122.5	123.6	126.6	**129.8**

A glossary of terms and definitions is provided on page 59.

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

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

[3]Management fees and all other operating expenses excluding interest and performance fee payments, expressed as a percentage of the average of the month end net assets during the year (2008 and prior years: the average of the opening and closing net assets. The figure for 2009 has been restated).

[4]Includes a special dividend of 3.60p.

[5]Source: Morningstar.

[6]Source: Datastream.

Ten Largest Equity Investments

at 31st December 2010

Company	Sector	2010 Valuation £'000	2010 %[1]	2009 Valuation £'000	2009 %[1]
Royal Dutch Shell A major global oil company which explores for, produces, and refines petroleum. The company produces fuels, chemicals and lubricants and operates gasoline filling stations worldwide.	Oil & Gas Producers	**27,463**	**8.8**	23,546	8.3
Vodafone A leading mobile telecommunications company providing a range of services including voice and data communications. The company operates in Continental Europe, the United Kingdom, the United States, Asia Pacific, Africa and the Middle East.	Mobile Telecommunications	**18,033**	**5.8**	13,921	4.9
BP A major oil and petrochemicals company. The company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy and manufactures and markets chemicals.	Oil & Gas Producers	**17,035**	**5.5**	24,882	8.8
HSBC The company provides a variety of international banking and financial services including retail and corporate banking, trade, trusteeship, securities, custody, capital markets, treasury, private and investment banking and insurance. The company operates worldwide.	Banks	**17,029**	**5.5**	19,912	7.0
Rio Tinto An international mining company. The company has interests in mining for aluminium, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide, diamonds, talc and zircon. The company's various mining operations are located in Australia, New Zealand, South Africa, the United States, South America, Europe and Indonesia.	Mining	**13,011**	**4.2**	6,857	2.4
BHP Billiton[2] An international resources company. The company's principal business lines are mineral exploration and production, including coal, iron ore, gold, titanium, ferroalloys, nickel and copper concentrate, as well as petroleum exploration, production and refining.	Mining	**12,672**	**4.1**	6,028	2.1
AstraZeneca Researches, manufactures, and sells pharmaceutical and medical products. The company focuses its operations on the following therapeutic areas: gastrointestinal, oncology, cardiovascular, respiratory, central nervous system, pain control, anaesthesia and infection.	Pharmaceuticals & Biotechnology	**11,991**	**3.9**	12,759	4.5
GlaxoSmithKline A research-based pharmaceutical company. The company develops, manufactures and markets vaccines prescription and over-the-counter medicines as well as health-related consumer products. The company provides products for infections, depression, skin conditions, asthma, heart & circulatory disease and cancer.	Pharmaceuticals & Biotechnology	**11,960**	**3.8**	13,095	4.6
British American Tobacco[2] The company manufactures, markets and sells cigarettes and other tobacco products including cigars and roll-your-own tobacco.	Tobacco	**11,506**	**3.7**	6,340	2.2
Anglo American A global mining and natural resources company, which has interests in platinum, diamonds, coal, base metals, ferrous metals and industrial minerals. The company is geographically diverse with operations in Africa, Europe, North and South America, Australia and Asia.	Mining	**7,930**	**2.5**	6,466	2.3
Total[3]		**148,630**	**47.8**		

[1]Based on total assets less current liabilities of £310.9m (2009: £284.0m).

[2]Not Included in the ten largest equity investments at 31st December 2009.

[3]At 31st December 2009, the value of the ten largest equity investments amounted to £137.7m representing 48.5% of total assets less current liabilities.

Sector Analysis

	31st December 2010 Portfolio %	31st December 2010 Benchmark %	31st December 2009 Portfolio %	31st December 2009 Benchmark %
Financials[1]	**22.4**	**22.6**	23.9	22.8
Oil & Gas	**18.2**	**16.9**	20.7	18.2
Basic Materials	**15.2**	**14.1**	13.1	12.0
Consumer Goods	**9.2**	**11.3**	10.6	11.9
Consumer Services	**8.7**	**9.7**	7.5	9.7
Health Care	**8.1**	**6.9**	9.1	8.0
Industrials	**7.1**	**7.3**	6.2	6.8
Telecommunications	**6.6**	**6.0**	5.5	5.8
Utilities	**1.6**	**3.7**	0.6	3.4
Technology	**1.1**	**1.5**	1.6	1.4
Net current assets[2]	**1.8**	**–**	1.2	–
Total	**100.0**	**100.0**	100.0	100.0

Based on total assets less current liabilities of £310.9m (2009: £284.0m).

[1]Includes the Company's investment in the JPMorgan UK Smaller Companies Fund and JPMorgan Smaller Companies Investment Trust of 2.3% and 2.2% of the portfolio respectively.

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

List of Investments

at 31st December 2010

Company	Valuation £'000
Financials	
Banks	
HSBC	17,029
Barclays	5,797
Lloyds Banking Group	5,695
Standard Chartered	1,478
Royal Bank of Scotland	1,076
	31,075
Non-Life Insurance	
Amlin	2,138
Catlin	1,578
Lancashire	1,342
Admiral	1,057
Hiscox	675
Beazley	640
RSA Insurance	410
	7,840
Life Insurance	
Legal & General	3,786
Aviva	3,569
	7,355
Real Estate	
Shaftesbury	1,323
	1,323
General Financial	
Investec	2,464
Tullett Prebon	2,256
Hargreaves Lansdown	1,635
Ashmore	1,328
Jupiter Fund Management	638
	8,321
Equity Investment Instruments	
JPMorgan UK Smaller Companies Fund	7,000
JPMorgan Smaller Companies Investment Trust	6,827
	13,827
Total Financials	**69,741**

Company	Valuation £'000
Oil & Gas	
Oil & Gas Producers	
Royal Dutch Shell	27,463
BP	17,035
BG	4,158
Premier Oil	1,069
	49,725
Oil Equipment, Services & Distribution	
Petrofac	5,343
Amec	1,423
	6,766
Total Oil & Gas	**56,491**
Basic Materials	
Chemicals	
Croda International	1,587
Elementis	582
	2,169
Forestry & Paper	
Mondi	3,416
	3,416
Industrial Metals	
Ferrexpo	1,695
	1,695
Mining	
Rio Tinto	13,011
BHP Billiton	12,672
Anglo American	7,930
Xstrata	3,954
Kazakhmys	1,915
Eurasian Natural Resources	495
	39,977
Total Basic Materials	**47,257**

List of Investments continued

Company	Valuation £'000
Consumer Goods	
Automobiles & Parts	
GKN	2,111
	2,111
Beverages	
Britvic	2,055
Diageo	548
SABMiller	535
Barr (AG)	230
	3,368
Food Producers	
Unilever	4,389
Devro	861
Dairy Crest	755
Cranswick	616
Associated British Foods	594
	7,215
Household Goods	
Reckitt Benckiser	1,946
Barratt Developments	1,127
Bellway	983
	4,056
Personal Goods	
Supergroup	460
	460
Tobacco	
British American Tobacco	11,506
	11,506
Total Consumer Goods	**28,716**

Company	Valuation £'000
Consumer Services	
Food & Drug Retailers	
Tesco	2,573
J Sainsbury	1,261
	3,834
General Retailers	
Next	4,016
N Brown	893
Halfords	753
Dunelm	748
Debenhams	590
JD Sport Fashion	292
Marks & Spencer	252
	7,544
Media	
Daily Mail & General Trust	2,565
United Business Media	1,383
ITE	1,358
ITV	1,344
Informa	854
Euromoney Institutional Investor	324
	7,828
Travel & Leisure	
Intercontinental Hotels	2,531
Domino's Pizza	1,139
Rank	1,130
British Airways	1,044
Whitbread	757
Millennium & Copthorne Hotels	729
Restaurant	655
	7,985
Total Consumer Services	**27,191**

Company	Valuation £'000
Health Care	
Pharmaceuticals & Biotechnology	
AstraZeneca	11,991
GlaxoSmithKline	11,960
Shire	1,140
	25,091
Total Health Care	**25,091**
Industrials	
Construction & Materials	
Morgan Sindall	581
Kier	309
	890
Aerospace & Defence	
Rolls Royce	1,987
Senior	780
	2,767
General Industrials	
Smiths Group	1,846
DS Smith	1,793
	3,639
Industrial Engineering	
IMI	2,723
Weir	2,276
Spirax-Sarco Engineering	732
	5,731
Support Services	
Aggreko	1,554
Filtrona	1,479
Atkins (WS)	1,257
Electrocomponents	936
CPP	834
Hays	597
Sthree	579
Travis Perkins	553
WSP	532
	8,321
Electronics & Electrical Equipment	
Domino Printing Sciences	368
Renishaw	343
	711
Total Industrials	**22,059**

Company	Valuation £'000
Telecommunications	
Fixed Line Telecommunications	
BT	2,437
	2,437
Mobile Telecommunications	
Vodafone	18,033
	18,033
Total Telecommunications	**20,470**
Utilities	
Electricity	
Drax	764
	764
Gas, Water & Multiutilities	
Severn Trent	1,554
Northumbrian Water	1,396
Pennon	809
Centrica	483
	4,242
Total Utilities	**5,006**
Technology	
Software & Computer Services	
Computacenter	854
Aveva	536
	1,390
Technology Hardware & Equipment	
Pace	1,059
ARM	979
	2,038
Total Technology	**3,428**
Liquidity Funds	
JPMorgan Sterling Liquidity Fund	5,046
Total Liquidity Funds	**5,046**
Total Portfolio	**310,496**

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

Board of Directors

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

Age 64

Appointed a Director in December 1996 and Chairman in April 2005.

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

John Scott*‡†

Age 58

Appointed a Director in October 2004 and Senior Independent Director in January 2006.

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

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

Age 50

Appointed a Director in March 2004 and Chairman of the Audit Committee on 1st July 2005.

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

Anne McMeehan*‡†

Age 56

Appointed a Director in January 2006.

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

Humphrey van der Klugt*‡†

Age 57

Appointed a Director in September 2008.

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

* Member of the Audit Committee

‡ Member of the Nomination Committee

† Considered independent by the Board

Directors' Report

The Directors present their report for the year ended 31st December 2010.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 (formerly Section 842 of the Income and Corporation Taxes Act 1988) for the year ended 31st December 2009. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 1158 of the Corporation Tax Act 2010 each year.

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

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

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 6 and in the Investment Managers' Report on pages 7 to 11.

Objective

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

Investment Policies and Risk Management

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

The Company seeks to manage its risk relative to its benchmark index by limiting the active portfolio exposure to individual stocks and sectors. The maximum exposure to an investment will normally range between +/-3% relative to its weight in the FTSE 100, FTSE 250 or FTSE Small Cap indices. The maximum exposure to a sector will normally range between +/-5% relative to the benchmark index. Total exposure to small cap companies will normally range between +/-5% of the FTSE Small Cap Index weighting within the FTSE All-Share Index. A maximum of 5% of the Company's assets may be invested in companies outside the FTSE All-Share Index. These limits and restrictions may be varied by the Board at any time at its discretion. To gain the appropriate exposure, the Investment Managers are permitted to invest in pooled funds. The Company's assets are managed by two Investment Managers based in London, supported by a 40 strong European equity team.

Investment Restrictions and Guidelines

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

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

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

Performance

In the year to 31st December 2010, the Company produced a total return to shareholders of +15.1% and a total return on net assets of +16.8%. This compares with the return on the Company's benchmark of +14.5%. At 31st December 2010, the value of the Company's investment portfolio was £310.5 million. The Investment Managers' Report on pages 7 to 11 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross return for the year amounted to £44,694,000 (2009: £60,413,000) and net return after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £40,636,000 (2009: £56,339,000). Distributable income for the year totalled £7,611,000 (2009: £8,377,000). The Directors declared a fourth quarterly interim dividend of 7.0 pence per share which was paid on 1st March 2011 to shareholders on the register at the close of business on 11th February 2011. This, when added to the three quarterly interim dividends paid during 2010, made a total dividend for the year of 17.5 pence (2009: 16.9 pence), costing £9.7 million (2009: £9.6 million). Following payment of the fourth quarterly interim dividend, the revenue reserve will amount to £9.6 million.

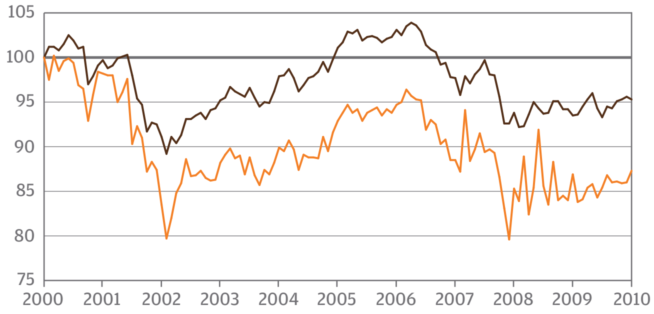
Directors' Report continued

Key Performance Indicators ('KPIs')
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

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

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st December 2000



Source: Morningstar/Datastream.

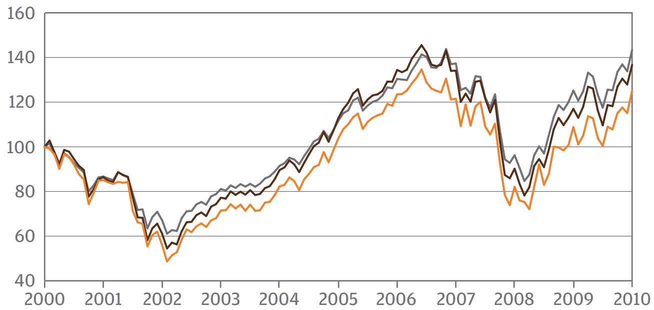
JPMorgan Claverhouse – share price.

JPMorgan Claverhouse – net asset value.

The benchmark is represented by the grey horizontal line.

Ten Year Performance

Figures have been rebased to 100 at 31st December 2000



Source: Morningstar/Datastream.

JPMorgan Claverhouse – share price.

JPMorgan Claverhouse – net asset value.

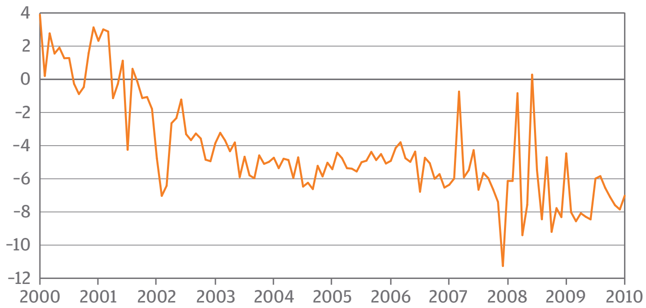
Benchmark.

- **Performance against the Company's peers**
  The principal objective is to achieve capital growth and out-performance relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

- **Performance Attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st December 2010 are given in the Investment Managers' Report on page 8.

- **Discount to net asset value ('NAV')**
  The Board has for several years operated a share repurchase programme that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby limit the volatility and absolute level of the discount to NAV at which the Company's shares trade. In the year to 31st December 2010, the Company's shares traded at a discount of between 4.5% and 8.6%.

Premium/(Discount)



Source: Datastream (month end data).

JPMorgan Claverhouse – Premium/(discount) (with debt at par value).

- **Total expense ratio ('TER')**
  The TER is calculated on a similar basis to the industry standard methodology known as 'Fitzrovia'. It is an expression of the Company's management fees and all other operating expenses, excluding interest and performance fees payable, expressed as a percentage of the average of the month end net assets during the year. The TER for the year ended 31st December 2010 was 0.72% (2009: 0.83% as restated). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

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

During the year, the Company repurchased a total of 987,570 ordinary shares into Treasury for a total consideration of £4,334,000. No shares were repurchased for cancellation.

At the year end, 1,396,170 shares were held in Treasury, representing 2.5% of the issued share capital. The Company will reissue shares held in Treasury only at a premium to NAV. Since the end of the financial year, the Company has not repurchased any ordinary shares for cancellation or to hold in Treasury.

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

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

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

- Investment and Strategy: An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- Market: Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Manager.

- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158') (formerly Section 842 of the Income and Corporation Taxes Act 1988). Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 1158, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure & Transparency Rules ('DTRs'). A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act and the UKLA Listing Rules and DTRs.

- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 26 to 30.

- Operational: Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on pages 28 and 29.

- Financial: The financial risks arising from the Company's financial instruments include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 49 to 53.

Future Developments
Clearly, the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The Investment Managers discuss the outlook in their report on pages 10 and 11.

Directors' Report continued

Management of the Company

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

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

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Manager, performance against the benchmark over the long term and the support that the Company receives from JPMAM. Further details are given in the Chairman's Statement on pages 2 and 3.

Management and Performance Fees

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

A performance fee is calculated at 15% of the difference between the movement of the Company's total return compared to the total return of the Company's benchmark, the FTSE All-Share Index, plus a hurdle rate of 0.5%. The fee is calculated annually, with any underperformance carried forward and offset against any future out-performance. Any fee payable is charged to capital and spread evenly over three years. The actual amount paid in respect of performance fees in any one year is subject to a cap of 0.4% of total assets.

The results for the year to 31st December 2010 generated a performance fee for the year of £820,000. This amount, when offset against the negative £3,480,000 performance fee brought forward, gives a negative balance carried forward of £2,660,000. No fee is payable in the current year. This negative balance will be carried forward to be offset by future out-performance.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 21), risk management policies (see pages 49 to 53), capital management policies and procedures (see page 54), the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st December 2010, the Company had no outstanding trade creditors (2009: none).

Directors

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

	31st December 2010	1st January 2010
Michael Bunbury[1]	9,250	9,250
Virginia Holmes	4,575	4,575
Anne McMeehan	6,940	5,189
John Scott	10,148	10,148
Humphrey van der Klugt	5,000	5,000

[1]Michael Bunbury also has a non-beneficial interest in 14,500 (2009: 14,500) of the Company's shares.

Since the year end, Anne McMeehan's beneficial holding has increased by 310 ordinary shares.

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

As explained in the Chairman's statement, in accordance with corporate governance best practice, all Directors will retire at the Company's forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election by shareholders.

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

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were executed on 14th April 2010 and are currently in force.

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

Disclosure of information to Auditors

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

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

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

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

Section 992 Companies Act 2006

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

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

Voting Rights in the Company's shares
Details of the voting rights in the Company's shares as at the date of this report are given in Note 16 to the Notice of AGM on page 58.

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out on page 30. The Company has no employees.

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
Chase Nominees Limited[1,2]	27,621,367	48.7
JPMorgan Chase & Co.[2]	4,231,554	7.5
Included within this is the following:		
JPMorgan Elect plc	4,231,554	7.5
Legal & General	2,234,949	3.9

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

[2]Non-beneficial.

Independent Auditors

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

Annual General Meeting

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

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

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 9 and 10)
The Directors will seek renewal of the authority at the AGM to issue up to 2,768,474 new ordinary shares for cash up to an aggregate nominal amount of £692,119 such amount being equivalent to 5% of the present issued ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of this document. The full text of the resolutions is set out in the Notice of Meeting on page 56. This authority will expire at the conclusion of the AGM of the Company in 2012 unless renewed at a prior general meeting.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value (the 'NAV'), they

Directors' Report continued

increase the NAV per share and spread the Company's administrative expenses, other than the management fee which is charged on the Company's market capitalisation, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

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

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2010 AGM, will expire on 13th October 2011 unless renewed at the forthcoming AGM. The Directors consider that the renewing of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares.

Resolution 11 gives the Company authority to buy back its own issued ordinary shares in the market as permitted by the Companies Act 2006 (the 'Act'). The authority limits the number of shares that could be purchased to a maximum of 8,299,885 ordinary shares, representing approximately 14.99% of the Company's issued ordinary shares as at 3rd March 2011 (being the latest practicable date prior to the publication of this document). The authority also sets minimum and maximum prices.

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

The full text of the resolution is set out in the Notice of Meeting on pages 56 and 57. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate. This authority will expire on 11th October 2012, but is the Board's intention to seek renewal of the authority at the 2012 AGM.

Recommendation

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

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 32, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

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

Role of the Board

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

The Board has procedures in place to deal with potential conflicts of interest and confirms that the procedures have operated effectively during the year under review.

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

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

Board Composition

The Board, chaired by Sir Michael Bunbury, consists of five non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 20.

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

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the requirements of the Combined Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter. However, the Board has agreed that, in accordance with corporate governance best practice, henceforth all Directors will seek annual re-election.

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

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on page 20. Directors who are not members of Committees may attend at the invitation of the Chairman of the relevant Committee.

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

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Sir Michael Bunbury	5	n/a	1
Virginia Holmes	5	3	1
Anne McMeehan	5	3	1
John Scott	5	3	1
Humphrey van der Klugt	5	3	1

Training and Appraisal

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

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

Board Committees

Nomination Committee

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

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

On an annual basis each Director submits a list of potential conflicts of interest for approval at the Nomination Committee meeting. These are considered carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved for a period of one year.

Audit Committee
The Audit Committee, chaired by Virginia Holmes and whose membership is set out on page 20, meets on at least two occasions each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

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

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

Relations with Shareholders

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

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 61.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 61.

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

Internal Control

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

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

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

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

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

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

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

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

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

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st December 2010 and to the date of approval of this Annual Report and Accounts.

Corporate Governance and Voting Policy

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

Corporate Governance

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

Proxy Voting

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

Stewardship/Engagement

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

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

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

Directors' Report continued

Social & Environmental

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

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

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

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
4th March 2011

Directors' Remuneration Report

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

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 33.

Directors' Remuneration[1]

Directors' Name	2010 £	2009 £
Sir Michael Bunbury (Chairman)	**30,000**	32,000[2]
Virginia Holmes	**22,000**	27,000[2]
Anne McMeehan	**18,000**	18,000
John Scott	**18,000**	18,000
Humphrey Van Der Klugt	**18,000**	18,000
Total	**106,000**	113,000

[1]Audited information.

[2]Includes additional £5,000 paid in recognition of work on the recovery of VAT on management fees.

In the year under review Directors' fees were paid at the rates of £30,000 for the Chairman, £22,000 for the Chairman of the Audit Committee and £18,000 for other Directors. These fees were increased with effect from 1st January 2011 to £32,000, £25,000 and £21,000 respectively.

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

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

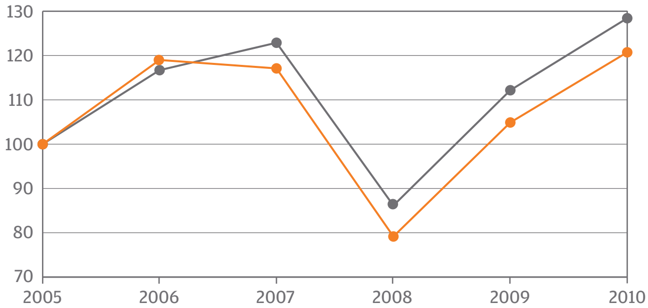
The Company's articles of association provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £175,000, requires both Board and shareholder approval.

The terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 27.

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

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

Five Year Share Price and Benchmark Total Return Performance to 31st December 2010



Source: Morningstar/Datastream.

Share Price total return.

Benchmark total return.

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

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
4th March 2011

Directors' Responsibilities in Respect of the Accounts

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

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

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

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

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

Statement under the Disclosure & Transparency Rules 4.1.12

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

(a) the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
Michael Bunbury
Chairman
4th March 2011

Independent Auditors' Report

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

We have audited the financial statements of JPMorgan Claverhouse (the 'Company') for the year ended 31st December 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2010 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 24, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Caroline Gulliver (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditors
London
4th March 2011

Income Statement

for the year ended 31st December 2010

	Notes	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Gains on investments held at fair value through profit or loss	2	–	35,257	35,257	–	50,088	50,088
Income from investments	3	9,374	–	9,374	10,228	–	10,228
Other interest receivable and similar income	3	63	–	63	97	–	97
Gross return		9,437	35,257	44,694	10,325	50,088	60,413
Management fee	4	(431)	(802)	(1,233)	(369)	(685)	(1,054)
Other administrative expenses	5	(610)	–	(610)	(759)	–	(759)
Net return on ordinary activities before finance costs and taxation		8,396	34,455	42,851	9,197	49,403	58,600
Finance costs	6	(770)	(1,430)	(2,200)	(776)	(1,441)	(2,217)
Net return on ordinary activities before taxation		7,626	33,025	40,651	8,421	47,962	56,383
Taxation	7	(15)	–	(15)	(44)	–	(44)
Net return on ordinary activities after taxation		7,611	33,025	40,636	8,377	47,962	56,339
Return per share	8	13.63p	59.12p	72.75p	14.77p	84.54p	99.31p
Dividend per share	9			17.5p			16.9p

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

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

The notes on pages 38 to 54 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	**Total £'000**
At 31st December 2008	14,198	149,641	6,674	22,291	18,283	**211,087**
Repurchase and cancellation of the Company's own shares	(6)	–	6	(83)	–	**(83)**
Repurchase of shares into Treasury	–	–	–	(1,666)	–	**(1,666)**
Net return on ordinary activities	–	–	–	47,962	8,377	**56,339**
Dividends appropriated in the year	–	–	–	–	(11,347)	**(11,347)**
At 31st December 2009	14,192	149,641	6,680	68,504	15,313	**254,330**
Repurchase of shares into Treasury	–	–	–	(4,334)	–	**(4,334)**
Net return on ordinary activities	–	–	–	33,025	7,611	**40,636**
Dividends appropriated in the year	–	–	–	–	(9,460)	**(9,460)**
At 31st December 2010	14,192	149,641	6,680	97,195	13,464	**281,172**

The notes on pages 38 to 54 form an integral part of these accounts.

Balance Sheet

at 31st December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**305,450**	280,531
Investments in liquidity funds held at fair value through profit or loss	10	**5,046**	3,571
Total investments		**310,496**	284,102
Current assets	11		
Debtors		**1,334**	932
Cash and short term deposits		**207**	174
		1,541	1,106
Creditors: amounts falling due within one year	12	**(1,134)**	(1,174)
Net current assets/(liabilities)		**407**	(68)
Total assets less current liabilities		**310,903**	284,034
Creditors: amounts falling due after more than one year	13	**(29,731)**	(29,704)
Total net assets		**281,172**	254,330
Capital and reserves			
Called up share capital	14	**14,192**	14,192
Share premium	15	**149,641**	149,641
Capital redemption reserve	15	**6,680**	6,680
Capital reserves	15	**97,195**	68,504
Revenue reserve	15	**13,464**	15,313
Shareholders' funds		**281,172**	254,330
Net asset value per share	16	**507.8p**	451.3p

The accounts on pages 34 to 54 were approved and authorised for issue by the Directors on 4th March 2011 and were signed on their behalf by:

Michael Bunbury
Chairman

The notes on pages 38 to 54 form an integral part of these accounts.

The Company's registration number is 754577.

Cash Flow Statement

for the year ended 31st December 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow from operating activities	17	**7,143**	8,390
Returns on investments and servicing of finance			
Interest paid		**(2,180)**	(2,189)
Taxation			
Overseas tax recovered		**7**	–
Capital expenditure and financial investment			
Purchases of investments		**(156,528)**	(174,548)
Sales of investments		**165,456**	181,158
Other capital charges		**(13)**	(19)
Net cash inflow from capital expenditure and financial investment		**8,915**	6,591
Dividends paid		**(9,460)**	(11,347)
Net cash inflow before financing		**4,425**	1,445
Financing			
Repurchase of shares into Treasury		**(4,392)**	(1,241)
Repurchase and cancellation of the Company's own shares		**–**	(116)
Net cash outflow from financing activity		**(4,392)**	(1,357)
Increase in cash and cash equivalents	18	**33**	88

The notes on pages 38 to 54 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st December 2010

1. Accounting policies

(a) Basis of accounting

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

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments at fair value.

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

(b) Valuation of investments

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

Gains and losses on sales of investments including the related foreign exchange gains and losses of a capital nature, performance fees payable and other capital receipts and payments are included in the Income Statement and in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end, provisions for performance fees and unrealised foreign exchange gains and losses are included in the Income Statement and in capital reserves within 'Holding gains and losses on investments'.

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

(c) Income

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

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

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

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

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

(d) Expenses

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

- performance fees are allocated 100% to capital;
- management fees are allocated 35% to revenue and 65% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio;
- expenses incidental to the purchase of an investment are included within the cost of the investment and those incidental to the sale are deducted from the sale proceeds. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 44.

(e) Finance costs

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

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

(f) Financial instruments

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

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

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

(g) Taxation

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

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

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

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

(h) Functional currency

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

Notes to the Accounts continued

1. Accounting policies continued

(i) Dividends payable

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

(j) VAT

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

(k) Repurchase of shares to hold in Treasury

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

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

	2010 £'000	2009 £'000
2. Gains on investments held at fair value through profit or loss		
Gains/(losses) on sales of investments held at fair value through profit or loss based on historical cost	**17,959**	(31,902)
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	**(14,026)**	33,852
Gains on sales of investments based on the carrying value at the previous balance sheet date	**3,933**	1,950
Net movement in investment holding gains and losses	**31,337**	48,157
Other capital charges	**(13)**	(19)
Total capital gains on investments held at fair value through profit or loss	**35,257**	50,088

	2010 £'000	2009 £'000
3. Income		
Income from investments		
Franked dividends	**8,805**	9,429
Overseas dividends	**495**	527
Scrip dividends	**45**	160
Income from liquidity fund	**29**	97
UK bond interest	**–**	8
Unfranked dividends from OEICs and REITs	**–**	7
	9,374	10,228
Other interest receivable and similar income		
Underwriting commission	**62**	94
Deposit interest	**1**	3
	63	97
Total income	**9,437**	10,325

	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
4. Management fee						
Management fee[1]	**431**	**802**	**1,233**	369	685	1,054

[1] Details of the management fee are given in the Directors' Report on page 24.

	2010 £'000	2009 £'000
5. Other administrative expenses		
Administration expenses	**231**	355
Directors' fees[1]	**106**	113
Savings scheme costs[2]	**247**	265
Auditors' remuneration for audit services[3]	**25**	25
Auditors' remuneration for other services	**1**	1
	610	759

[1] Details are given in the Directors' Remuneration Report on page 31.
[2] These fees were paid to JPMAM for the administration of savings scheme products.
[3] Includes £4,000 (2009: £4,000) irrecoverable VAT.

	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	**26**	**48**	**74**	32	59	91
Debenture interest	**744**	**1,382**	**2,126**	744	1,382	2,126
	770	**1,430**	**2,200**	776	1,441	2,217

7. Taxation

(a) Analysis of tax charge for the year

	2010 £'000	2009 £'000
Overseas withholding tax	**8**	41
Prior year adjustment	**7**	–
UK income tax on unfranked dividends	**–**	3
Current tax charge for the year	**15**	44

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2009: lower) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The factors affecting the current tax charge for the year are as follows:

	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
Net return on ordinary activities before taxation	**7,626**	**33,025**	**40,651**	8,421	47,962	56,383
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 28% (2009: 28%)	**2,135**	**9,247**	**11,382**	2,358	13,429	15,787
Effects of:						
Non taxable capital (gains)	**–**	**(9,872)**	**(9,872)**	–	(14,024)	(14,024)
Non taxable UK dividend income	**(2,465)**	**–**	**(2,465)**	(2,640)	–	(2,640)
Non taxable overseas dividends	**(138)**	**–**	**(138)**	(42)	–	(42)
Non taxable scrip dividends	**(13)**	**–**	**(13)**	(45)	–	(45)
Income taxed in different periods	**2**	**–**	**2**	3	–	3
Excess capital expenses arising in the year	**–**	**625**	**625**	–	595	595
UK income tax on unfranked dividends	**–**	**–**	**–**	3	–	3
Overseas withholding tax	**8**	**–**	**8**	41	–	41
Unrelieved expenses and charges	**479**	**–**	**479**	364	–	364
Expenses not deductible for tax purposes	**–**	**–**	**–**	2	–	2
Prior year adjustment	**7**	**–**	**7**	–	–	–
Current tax charge for the year	**15**	**–**	**15**	44	–	44

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £19,810,000 (2009: £19,441,000) based on a prospective corporation tax rate of 27%. The Finance Act 2010, which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1st April 2011, was substantively enacted on 21st July 2010. The Government has also indicated that it intends to enact future reductions in the main rate of tax of 1% each year down to 24% by 1st April 2014. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future, therefore no asset has been recognised in the accounts.

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

8. Return per share

The revenue return per ordinary share is based on the earnings attributable to the ordinary shares of £7,611,000 (2009: £8,377,000) and on the weighted average number of shares in issue during the year of 55,860,096 (2009: 56,730,311).

The capital return per ordinary share is based on the capital return attributable to the ordinary shares of £33,025,000 (2009: £47,962,000) and on the weighted average number of shares in issue during the year of 55,860,096 (2009: 56,730,311).

The total return per ordinary share is based on the total return attributable to the ordinary shares of £40,636,000 (2009: £56,339,000) and on the weighted average number of shares in issue during the year of 55,860,096 (2009: 56,730,311).

9. Dividends

(a) Dividends paid and declared

	2010 £'000	2009 £'000
Unclaimed dividends refunded to the Company[1]	**(1)**	(2)
2009 fourth quarterly dividend of 6.4p (2008: 5.9p) paid in March 2010	**3,607**	3,351
2008 special dividend of 3.6p paid in March 2009 in respect of the VAT recovery	**–**	2,044
First quarterly dividend of 3.5p (2009: 3.5p) paid in June 2010	**1,959**	1,986
Second quarterly dividend of 3.5p (2009: 3.5p) paid in September 2010	**1,951**	1,986
Third quarterly dividend of 3.5p (2009: 3.5p) paid in December 2010	**1,944**	1,982
Total dividends paid in the year	**9,460**	11,347

	2010 £'000	2009 £'000
Fourth quarterly dividend of 7.0p (2009: 6.4p) payable on 1st March 2011	**3,876**	3,607

[1]Represents dividends which remain unclaimed after a period of 6 years and thereby become the property of the Company.

The fourth quarterly dividend has been declared in respect of the year ended 31st December 2010. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 31st December 2011.

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

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, as shown below. The revenue available for distribution by way of dividend for the year is £7,611,000 (2009: £8,377,000). Brought forward revenue reserves amounting to £2,119,000 (2009: £1,184,000) have been utilised in order to finance the dividend.

	2010 £'000	2009 £'000
First quarterly dividend of 3.5p (2009: 3.5p) paid in June 2010	**1,959**	1,986
Second quarterly dividend of 3.5p (2009: 3.5p) paid in September 2010	**1,951**	1,986
Third quarterly dividend of 3.5p (2009: 3.5p) paid in December 2010	**1,944**	1,982
Fourth quarterly dividend of 7.0p (2009: 6.4p) payable in March 2011	**3,876**	3,607
	9,730	9,561

Notes to the Accounts continued

	2010 £'000	2009 £'000
10. Investments		
Investments listed on a recognised stock exchange[1]	**310,496**	284,102
Opening book cost	**250,778**	289,208
Opening investment holding gains/(losses)	**33,324**	(48,685)
Opening valuation	**284,102**	240,523
Movements in the year:		
Purchases at cost	**156,580**	174,657
Sales – proceeds	**(165,456)**	(181,185)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**3,933**	1,950
Net movement in investment holding gains and losses[2]	**31,337**	48,157
Closing valuation	**310,496**	284,102
Closing book cost	**259,861**	250,778
Closing investment holding gains	**50,635**	33,324
Closing valuation	**310,496**	284,102

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

[2]During the year, prior year investment holding gains amounting to £14,026,000 were transferred to gains on sales of investments as disclosed in note 15.

Transaction costs on purchases during the year amounted to £913,000 (2009: £837,000) and on sales during the year amounted to £346,000 (2009: £246,000). These costs comprise brokerage commission and stamp duty.

	2010 £'000	2009 £'000
11. Current assets		
Debtors		
Dividends and interest receivable	**1,275**	879
Tax recoverable	**9**	15
Other debtors	**50**	38
	1,334	932

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

Cash and short term deposits

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

	2010 £'000	2009 £'000
12. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	**103**	96
Repurchases of the Company's own shares awaiting settlement	**367**	425
Other creditors and accruals	**664**	653
	1,134	1,174

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

	2010 £'000	2009 £'000
13. Creditors: amounts falling due after more than one year		
Falling due after more than five years		
£30,000,000 7% debenture stock 30th March 2020	**29,731**	29,704

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

	2010 £'000	2009 £'000
14. Share capital		
Allotted and fully paid		
Opening balance of 56,357,053 (2009: 56,789,153) shares	**14,090**	14,198
Repurchase of nil (2009: 23,500) shares for cancellation	**–**	(6)
Repurchase of 987,570 (2009: 408,600) shares into Treasury	**(247)**	(102)
Subtotal	**13,843**	14,090
1,396,170 (2009: 408,600) shares held in Treasury	**349**	102
Closing balance[1]	**14,192**	14,192

[1]Represents 56,765,653 (2009: 56,765,653) shares, including 1,396,170 (2009: 408,600) shares held in Treasury.

During the year, the Company repurchased 987,570 shares into Treasury for a total consideration of £4,334,000. The reason for the purchases was to seek to manage the volatility and absolute level of the share price discount to net asset value per share.

Notes to the Accounts continued

	Share premium £'000	Capital redemption reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Holding gains and losses on investments £'000	Revenue reserve £'000
15. Reserves					
Opening balance	149,641	6,680	35,180	33,324	15,313
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	3,933	–	–
Net movement in investment holding gains and losses	–	–	–	31,337	–
Transfer on disposal of investments	–	–	14,026	(14,026)	–
Repurchase of shares into Treasury	–	–	(4,334)	–	–
Management fee and finance costs charged to capital	–	–	(2,232)	–	–
Other capital charges	–	–	(13)	–	–
Dividends appropriated in the year	–	–	–	–	(9,460)
Retained revenue for the year	–	–	–	–	7,611
Closing balance	**149,641**	**6,680**	**46,560**	**50,635**	**13,464**

16. Net asset value per share

Net asset value per share is based on the net assets attributable to the ordinary shareholders of £281,172,000 (2009: £254,330,000) and on the 55,369,483 (2009: 56,357,053) shares in issue at the year end, excluding shares held in Treasury.

	2010 £'000	2009 £'000
17. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Net total return on ordinary activities before finance costs and taxation	**42,851**	58,600
Less net capital return before finance costs and taxation	**(34,455)**	(49,403)
(Increase)/decrease in accrued income	**(396)**	133
Increase/(decrease) in accrued expenses	**12**	(22)
Increase in other debtors	**(5)**	(35)
Scrip dividends received as income	**(45)**	(160)
Management fee charged to capital	**(802)**	(685)
Overseas withholding tax and UK income tax	**(17)**	(38)
Net cash inflow from operating activities	**7,143**	8,390

	At 31st December 2009 £'000	Cash flow £'000	Other movements £'000	At 31st December 2010 £'000
18. Analysis of changes in net debt				
Cash and short term deposits	174	33	–	**207**
Debenture falling due after more than five years	(29,704)	–	(27)	**(29,731)**
Net debt	(29,530)	33	(27)	**(29,524)**

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2009: none).

20. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 24. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £1,233,000 (2009: £1,054,000) of which £nil (2009: £nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 41 are safe custody fees amounting to £4,000 (2009: £5,000) payable to JPMorgan Chase of which £1,000 (2009: £2,000) was outstanding at the year end.

JPMAM may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. Commission amounting to £32,000 (2009: £55,000) was payable to JPMorgan Securities Limited for the year of which £nil (2009: £nil) was outstanding at the year end.

An annual fee of £20,000 (2009: £20,000) was paid to JPMorgan Cazenove in lieu of commission on share repurchases, of which £nil (2009: £nil) was outstanding at the year end.

The Company holds investments in JPMorgan UK Smaller Companies Fund and JPMorgan Smaller Companies Investment Trust which are managed by JPMAM. At the year end these were valued at £13.8 million (2009: £9.9 million) and represented 4.5% (2009: 3.5%) of the Company's investment portfolio. During the year the Company made £nil (2009: £nil) purchases of such investments and sales with a total value of £nil (2009: £0.3 million). Income amounting to £311,000 (2009: £248,000) was receivable from these investments during the year of which £103,000 (2009: £96,000) was outstanding at the year end.

The Company also holds an investment in The JPMorgan Sterling Liquidity Fund, managed by JPMAM. At the year end this was valued at £5.0 million (2009: £3.6 million) and represented 1.6% (2009: 1.3%) of the Company's investment portfolio. During the year, the Company made purchases of this investment with a total value of £28.1 million (2009: £44.0 million) and sales with a total value of £26.3 million (2009: £49.3 million). Income amounting to £29,000 (2009: £97,000) was receivable from this investment during the year of which £2,000 (2009: £2,000) was outstanding at the year end.

Handling charges on dealing transactions amounting to £13,000 (2009: £19,000) were payable to JPMorgan Chase during the year of which £3,000 (2009: £3,000) was outstanding at the year end.

At the year end, a bank balance of £207,000 (2009: £174,000) was held with JPMorgan Chase. A net amount of interest of £1,000 (2009: £3,000) was receivable by the Company during the year from JPMorgan Chase, of which £nil (2009: £nil) was outstanding at the year end.

Notes to the Accounts continued

21. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio. The Company currently holds no derivative financial instruments and its liabilities are not held at fair value.

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

Level 1 – valued using quoted prices in active markets.

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

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

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 38.

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

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

	2009			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss at 31st December 2009				
Equity investments	280,531	–	–	280,531
Liquidity funds	3,571	–	–	3,571
Total	284,102	–	–	284,102

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

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

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

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

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

(a) Market risk

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

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the liquidity fund, and the interest payable on the Company's variable rate cash borrowings when rates are re-set.

Management of interest rate risk

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

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

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

(a) Market risk continued

(i) Interest rate risk continued

Interest rate exposure

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

	2010 £'000	2009 £'000
Exposure to floating interest rates:		
Cash and short term deposits	**207**	174
JPMorgan Sterling Liquidity Fund	**5,046**	3,571
Total exposure	**5,253**	3,745

Interest receivable and finance costs are at the following rates:

- Interest receivable on cash balances is at a margin below LIBOR.
- The target interest rate earned on the JPMorgan Sterling Liquidity Fund is the 7 day sterling London Interbank Bid Rate.
- During the year, the Company arranged a £5 million floating rate loan facility with ING Bank which expires in August 2011. Interest is payable at a 1.30% margin over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. The Company has utilised this facility during the year, but it was undrawn at the year end. Commitment fees are payable at the rate of 0.52% per annum on the daily available but undrawn balance of the facility. Prior to this arrangement, the Company had a similar facility with Lloyds TSB which expired in August 2010.

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

	2010 £'000	2009 £'000
Maximum credit exposure to floating interest rates – net cash balances	**7,320**	10,862
Maximum debit/minimum credit exposure to floating interest rates – net (loan)/cash balances	**(407)**	235

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2009: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2010		2009	
	0.5% Increase in rate £'000	0.5% Decrease in rate £'000	0.5% Increase in rate £'000	0.5% Decrease in rate £'000
Income statement – return after taxation				
Revenue return	**26**	**(26)**	18	(18)
Capital return	**–**	**–**	–	–
Total return after taxation for the year and net assets	**26**	**(26)**	18	(18)

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

(ii) Other price risk

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

Management of other price risk

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

Other price risk exposure

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

	2010 £'000	2009 £'000
Equity investments held at fair value through profit or loss	**305,450**	280,531

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 15 to 19. This shows that all of the investments' are listed in the UK. Accordingly there is a concentration of exposure to this country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

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

(a) Market risk continued

(ii) Other price risk continued

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 20% (2009: 20%) in market values. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equity investments and adjusting for change in the management fee, but with all other variables held constant.

	2010		2009	
	20% Increase in fair value £'000	20% Decrease in fair value £'000	20% Increase in fair value £'000	20% Decrease in fair value £'000
Income statement – revenue after taxation				
Revenue return	**(118)**	**118**	(108)	108
Capital return	**60,872**	**(60,872)**	55,906	(55,906)
Total return after taxation for the year and net assets	**60,754**	**(60,754)**	55,798	(55,798)

(b) Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements and to gear the Company as appropriate. Details of the Company's loan facility are given in part (a)(i) of this note on page 50.

Liquidity risk exposure

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

	2010				2009			
	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Creditors: amounts falling due after more than one year								
£30,000,000 7% debenture stock 30th March 2020	**525**	**1,575**	**47,325**	**49,425**	525	1,575	49,425	51,525
Creditors: amounts falling due within one year:								
Securities purchased awaiting settlement	**103**	**–**	**–**	**103**	96	–	–	96
Repurchases of the Company's own shares awaiting settlement	**367**	**–**	**–**	**367**	425	–	–	425
Other creditors and accruals	**664**	**–**	**–**	**664**	653	–	–	653
	1,659	**1,575**	**47,325**	**50,559**	1,699	1,575	49,425	52,699

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Cash

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

Exposure to JPMorgan Chase

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

Credit risk exposure

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

	2010		2009	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets – investments held at fair value through profit or loss	**310,496**	**5,046**	284,102	3,571
Current assets				
Debtors	**1,334**	**1,334**	932	932
Cash and short term deposits	**207**	**207**	174	174
	312,037	**6,587**	285,208	4,677

Cash and short term deposits comprises balances held at banks that have a minimum rating of A1/P1 (2009: A1/P1) from Standard & Poor's and Moody's respectively.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value, or the carrying amount in the balance sheet is a reasonable approximation of fair value except for the debenture stock which the Company has in issue. The fair value of this debenture stock has been calculated by reference to a similar dated gilt yield plus a margin based on the 5 year average for the AA Barclays Sterling Corporate Bond spread.

	Accounts value		Fair value	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
£30 million 7% debenture stock March 2020	**29,731**	29,704	**33,798**	33,771

23. Capital management policies and procedures

The Company's capital comprises the following:

	2010 £'000	2009 £'000
Share capital	**14,192**	14,192
Reserves	**266,980**	240,138
Total capital	**281,172**	254,330

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

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

	2010 £'000	2009 £'000
Investments excluding holdings in liquidity funds	**305,450**	280,531
Net assets	**281,172**	254,330
Gearing	**108.6%**	110.3%

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

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

Shareholder Analysis
at 31st December 2010

	Number of shares	% Holding
Individuals in the Investment Trust ISA[1]	12,930,523	22.8
Individuals in the Investment Trust Investment Account[1]	12,263,292	21.6
Retail Investors[2]	12,974,838	22.9
JPMorgan Elect	4,231,554	7.5
Individuals in the Investment Trust SIPP[1]	2,427,552	4.3
Total Individuals	**44,827,759**	**79.0**
Other Institutions	5,837,103	10.3
Insurance Companies	3,340,127	5.9
Pension Funds	1,649,236	2.9
Unit Trusts	1,097,928	1.9
Governments	13,500	0.0
Total Institutions	**11,937,894**	**21.0**
Total Shares in issue	**56,765,653**	**100.0**

[1]Savings products managed by JPMorgan.

[2]Includes shareholders below 10,000 threshold.

Source: Richard Davies Investor Relations.

Nominee accounts have been allocated to their appropriate category.

Notice of Meeting

Notice is hereby given that the forty eighth Annual General Meeting of JPMorgan Claverhouse Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Tuesday 12th April 2011 at 2.00 p.m. for the following purposes:

1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st December 2010.

2 To approve the Directors' Remuneration Report for the year ended 31st December 2010.

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

4 To re-elect Virginia Holmes as a Director.

5 To re-elect Humphrey van der Klugt as a Director.

6 To re-elect Anne McMeehan as a Director.

7 To re-elect John Scott as a Director.

8 To re-appoint Ernst & Young LLP as Auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

9 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £692,119, representing approximately 5% of the Company's issued Ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

10 THAT subject to the passing of Resolution 9 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £692,119 representing approximately 5% of the issued share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 9 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuant of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

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

PROVIDED ALWAYS THAT

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 8,299,885, or if less, that number of ordinary shares which is equal to 14.99% of the issued share capital as at the date of the passing of this Resolution;

(ii) the minimum price which may be paid for an ordinary share shall be 25 pence;

(iii) the maximum price which may be paid for an ordinary share shall be an amount equal to the highest of:
(a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is

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

(iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 11th October 2012 unless the authority is renewed at the Company's Annual General Meeting in 2012 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the Board
Jonathan Latter, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
4th March 2011

Notes

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

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

Notice of Meeting continued

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

   Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmclaverhouse.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hardcopy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
16. As at 3rd March 2011 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 56,765,653 (of which 1,396,170 are held in Treasury) ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 55,369,483.

Electronic appointment – CREST members

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

Glossary of Terms and Definitions

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

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

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

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

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

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

Total Expense Ratio
The total expense ratio is calculated on a similar basis to the industry standard methodology, known as 'Fitzrovia', as follows:

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

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

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

Performance Attribution Definitions:

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

Gearing/Cash
Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management Fees/Other Expenses
The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Use of Prior Year Revenue Reserve
Measures the negative effect on relative performance of making dividend distributions in excess of the revenue return after taxation for the year.

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

Information about the Company

Financial Calendar

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

History

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

Company Numbers

Company registration number: 754577
London Stock Exchange code: 0342218

Market Information

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

Share Transactions

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

Taxation

For capital gains tax purposes, the base cost of the Company's shares at 31st March 1982 was 32.125p. This figure has been adjusted for the subdivision of each 50 pence share into two 25 pence shares on 4th March 1986 and the capitalisation issue on 25th March 1993 whereby shareholders were issued with one extra share for each share they held.

aic
The Association of Investment Companies
A member of the AIC

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

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

Please contact Jonathan Latter for company secretarial and administrative matters.

Registrars

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

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

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

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

Savings Product Administrators

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

Independent Auditors

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

Brokers

JPMorgan Cazenove
10 Aldermanbury
London EC2V 7RF

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

Your telephone call may be recorded for your security

www.jpmclaverhouse.co.uk