

Features

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Objective

To meet the final capital entitlement of the Zero Dividend Preference shares and to provide Ordinary shareholders with a regular quarterly income and capital growth.

Policies

- The Company seeks to achieve its objective by investing principally in UK equities and investment grade fixed interest securities.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).
- To use gearing when appropriate to increase potential returns to shareholders.

Benchmark

A composite benchmark comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Barclays Capital Global Corporate Bond Index in sterling terms.

Capital Structure

For details of the capital structure of the Company please refer to page 17.

Life of the Company

The Company has a fixed life of ten years, which expires at the end of February 2018.

Management Company

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

Half Year Performance

Total Returns (capital plus income)

0.4%

Shareholders' funds
total return

-0.1%

Unit net asset value
total return^{1,2}

+3.3%

Zero Dividend
Preference share net
asset value total return¹

-2.8%

Ordinary share net
asset value total return¹

1.0%

Composite benchmark
return⁴

+1.1%

Unit share price total
return^{2,3}

+1.2%

Zero Dividend
Preference share price
total return³

+3.8%

Ordinary share price
total return³

Financial Data

	31st August 2010	28th February 2010	% change
Assets			
Shareholders' funds (£'000)	98,240	99,450	-1.2
Zero Dividend Preference shares			
Net assets (£'000)	54,260	52,517	+3.3
Net asset value per share	117.7p	114.0p	+3.3
Share price	112.8p	111.5p	+1.2
Share price discount to net asset value	4.2%	2.2%	
Ordinary shares			
Net assets (£'000)	43,980	46,933	-6.3
Net asset value per share	65.1p	69.5p	-6.3
Share price	68.0p	68.0p	0.0
Share price (premium)/discount to net asset value	(4.5)%	2.2%	
Dividends paid on the Ordinary shares during the period amount to 2.5p per share			
Units²			
Net asset value per unit	247.9p	253.0p	-2.0
Unit price	243.5p	246.0p	-1.0
Unit price discount to net asset value	1.8%	2.8%	

A glossary of terms and definitions is provided on page 18.

¹Source: J.P. Morgan.

²A Unit comprises two Ordinary shares and one Zero Dividend Preference share.

³Source: Morningstar.

⁴Source: MSCI - The Company's benchmark is a composite comprising 90% FTSE 350 Index (excluding Investment Trusts) and 10% Barclays Capital Global Corporate Bond Index in sterling terms.

Chairman's Statement



Introduction and Performance

After the strong results of the previous financial year, the total return on the Company's net assets was a modest +0.4% for the six months to 31st August 2010. By comparison, the composite benchmark (comprising 90% FTSE 350 Index and 10% Merrill Lynch 5-10 year UK Sterling Corporate Index for bonds) recorded a rise of 1.0% during the same period.

This has been achieved against a backdrop of continuing and profound uncertainty in global securities markets. There is little unanimity amongst economic forecasters in relation to the prospects for growth over the next 12 months, with many expecting a double dip recession and others remaining confident of recovery. This includes confusion as to the likelihood of inflation or deflation, with bond yields falling to unprecedented levels (which might be taken to support the deflationary case) and the gold price reaching an all time high (reflecting inflationary concerns).

We were particularly concerned during the second half of the reporting period by the news of BP's crisis in the Gulf of Mexico. Despite reducing our shareholding, this stock was a significant detractor to performance over the period. Whilst the underlying performance of the UK equity portfolio was positive, the relative performance to our benchmark was held back through having an underweight position in corporate bonds which performed very strongly during the period.

The global political scene has continued to be difficult for investors, with a change of government in the UK and worries about sovereign debt in Continental Europe. The severe cuts in public expenditure which are now being proposed to address fiscal deficits throughout Europe are expected to damage nascent economic recovery and potentially result in industrial unrest and rising political tension.

The Investment Managers provide a detailed commentary on the markets and the portfolio in their report.

Share Price Performance

The prices of the Company's two classes of share and of its units comprising two Ordinary shares and one ZDP share were at a premium/(discount) to net asset value at the previous period end dates as follows:

	31st August 2010	28th February 2010	31st August 2009
ZDP	(4.2)%	(2.2)%	(8.7)%
Ordinary	4.5%	(2.2)%	5.0%
Units	(1.8)%	(2.8)%	(8.6)%

Since the period end, share prices have been fairly stable. At 5th October 2010, the price of the Ordinary shares, the ZDP share price and Unit price were at discounts of 10.1%, 3.1% and 9.2% respectively.

Revenue and Dividends

Revenue after tax and before dividends for the period was £1.96 million and revenue return per Ordinary share was 2.9 pence.

During the six months the Board has declared two quarterly interim dividends, each of 1.25p per Ordinary share costing £844,000 each, payable to Ordinary shareholders and Unit holders on 30th July 2010 and 29th October 2010. Despite the suspension of dividends by BP, the Board intends to maintain the current level of quarterly dividends to Ordinary shareholders and Unit holders for the remainder of the financial year to 28th February 2011, in the absence of further unforeseen circumstances. As previously reported, the Board will, if necessary, draw upon reserves attributable to Ordinary shareholders in order to ensure payment of these dividends in the event that they are marginally uncovered by revenue received during the year.

The undistributed revenue reserves, after allowing for the payment of the second interim dividend, are approximately £0.9 million.

Hurdle Rate

The Hurdle Rate measures the amount by which the total assets of the Company have to grow each year in order to return the current share price to Ordinary shareholders when the Company winds up in February 2018. At 31st August 2010, the Hurdle Rate required to return the Ordinary share price of 68.0p was 4.3% per annum and the Hurdle rate to return the Final Capital Entitlement of 192.13p of the ZDP shares was -1.4%.

At 5th October 2010, the Hurdle Rate required to return the current Ordinary share price of 67.5p was 3.3% per annum and to return the Final Capital Entitlement of the ZDP shares of 192.13p was -2.3%.

Outlook

The immediate outlook is clouded by a range of concerns including sovereign debt in Europe, fiscal austerity, consumer de-leveraging and a continuing shortage of bank credit. These may cause a slowdown in economic recovery in the UK and Continental Europe. However, given the significant exposure of many of our shareholdings to developments in the fast growing regions of Asia and South America, the Board remains cautiously optimistic about the prospects for improved performance by your Company in the longer term.

Sir Laurence Magnus Bt
Chairman

12th October 2010

Investment Managers' Report



John Baker



Sarah Emly

Market Review

The UK stock market experienced renewed volatility over the six months to 31st August 2010, amid economic uncertainty, sovereign debt fears and political upheavals. Corporate profits growth was supportive however, and with equity valuations broadly attractive against government bonds, the FTSE 350 Index (excluding ITs) managed to gain 0.3% over the review period. A moderation in the recovery of economic momentum weighed on equity markets through much of the rest of the period, despite largely positive results from the majority of companies.

The trust's exposure to corporate debt continued to contribute to absolute returns; we remained underweight in bonds and overweight in equities throughout the period under review. The Barclays Capital Global Corporate Bond Index was up 6.3% over the six months to 31st August 2010 as corporate bonds benefited from a strengthening of corporate balance sheets and positive earnings data.

Economic uncertainty was the main theme of the review period, with persistently weak US labour market data and worries over a slowdown in China causing concerns that the global economy was heading for a double-dip recession. A sovereign debt crisis in the periphery of the eurozone and subsequent austerity budget announcements by several European governments added to the pressure on global growth.

UK second quarter GDP growth accelerated to 1.2% year on year, well above market expectations and the new government's determination to tackle Britain's burgeoning budget deficit has placated financial markets. The government's action has also arguably helped spare the UK any contagion from the eurozone sovereign debt crisis, where highly indebted countries including Greece, Portugal, Ireland and Spain have seen their borrowing costs soar amid concerns over their ability to meet their debt repayment obligations.

However, to bring the UK back on a more sustainable fiscal path, the coalition has been forced to administer some fairly tough medicine. At the end of June, the new Chancellor of the Exchequer, George Osborne, announced swingeing cuts to government spending and a programme of tax increases (including a rise in VAT to 20% from January 2011) in an emergency budget designed to cut drastically the public borrowing requirement.

With fiscal conditions tightening the Bank of England's Monetary Policy Committee kept interest rates on hold at a record low of 0.5% throughout the review period despite persistently high inflation, which remained well above the target rate of 2%.

Portfolio Review

During the first half of the year we have maintained an overweight position in equities relative to the Company's composite benchmark. This decision was predicated on the strength of corporate news flow with earnings mostly beating expectations and growth prospects being revised upwards. We remained invested in the JP Morgan Global Corporate Bond Fund as a diversified way of enhancing the income yield, whilst benefiting from corporate recovery.

We continue to focus on identifying stocks whose earnings forecasts are being revised upwards, whose valuation is attractive and whose balance sheet strength allows for dividend stability. As such, portfolio construction is determined by bottom-up stock selection and over the last six months we have been introducing stocks that are showing improving growth prospects as corporate earnings recover, alongside a consistent focus on yield opportunities. For instance, we bought speciality chemicals group Elementis, which went on to report very strong interim results as demand for its products continues to accelerate. We also bought events and news distribution provider United Business Media. The outlook for the company is improving as indicated by rising forward bookings for its top twenty shows next year. The stock also has an attractive dividend yield which is well supported by a strong balance sheet. During the early part of the year we topped up some of our existing positions in favoured stocks, such as the industrial engineer Weir Group and the aerospace group Senior, as their prospects continued to improve, whilst their valuations remained compelling.

On the other hand we took profits in Halfords, the eponymous high street retailer of automotive parts and bicycles, post lacklustre results in the second quarter. We also sold our position in PZ Cussons after a period of strong share price performance which made the valuation unconvincing, particularly given its low dividend yield. BP was clearly a major sale during the period as its newsflow deteriorated; we reinvested these proceeds into some existing and some new stocks with strong dividend attractions, such as Vodafone, Aviva and BT.

Performance Review

In the six months to 31st August 2010 the Company's overall portfolio return showed an increase of +0.4%, in comparison with the benchmark return of +1.0% over this period. The underlying stock selection of the UK equity portfolio was a positive contributor to performance, whilst being underweight in corporate bonds over this six month period was unhelpful, given the strong returns they generated.

Clearly the most significant event of the six month period has been BP's crisis in the Gulf of Mexico. The trust had a significant holding in BP at the time of the explosion due to its then attractive valuation, high dividend yield and growth characteristics. We reduced the position in May and June as new information became available on the potential cost of the leak, alongside BP management's decision to cancel its dividend for the remainder of calendar 2010. Despite the active reduction in our holdings, BP was still a negative stock contributor to the returns of the trust over the first half of our financial year, alongside being underweight in the non-dividend paying Lloyds Banking Group. By contrast, our active positions in some of the industrial stocks that we have favoured, such as Weir Group, Senior and Aggreko, have all contributed positively to performance as these stocks significantly outperformed the modestly rising equity market. Our holding in the major pharmaceuticals stock, AstraZeneca, was also a good performer, as was Vodafone, alongside our position in the international oil services group, Petrofac, which performed very strongly over the period.

Investment Managers' Report continued

Market Outlook

The government's austerity measures may have helped save the UK from rating agency downgrades, but they have also caused concern among investors who fear such measures may stall the economic recovery. However, we do not believe the economy is heading back into recession, especially considering the recent strong economic data, and the progress achieved by many UK corporates over the last twelve months.

UK equities are likely to remain volatile, due to the ongoing global economic uncertainties. However, valuations are attractive, both on an historic basis and relative to bond yields. In the last six months many UK companies have strengthened their balance sheets, delivered positive earnings surprises and a good number of UK companies are now delivering dividend growth. This gives us encouragement and we will continue to track the development of the corporate earnings and dividend outlook closely.

John Baker
Sarah Emly
Investment Managers

12th October 2010

Twenty Largest Equity Investments

at 31st August 2010

Company	Sector	Valuation £'000	Total Assets % ¹
Royal Dutch Shell	Oil & Gas	7,600	7.7
HSBC	Financials	7,420	7.6
Vodafone	Telecommunications	5,883	6.0
GlaxoSmithKline	Healthcare	4,207	4.3
AstraZeneca	Healthcare	3,892	4.0
BHP Billiton	Basic Materials	3,624	3.7
British American Tobacco	Consumer Goods	3,619	3.7
BP	Oil & Gas	3,518	3.6
Rio Tinto	Basic Materials	3,247	3.3
Standard Chartered	Financials	2,490	2.5
Barclays	Financials	2,464	2.5
Aviva	Financials	1,995	2.0
Xstrata	Basic Materials	1,963	2.0
Centrica	Utilities	1,566	1.6
BT	Telecommunications	1,479	1.5
Prudential	Financials	1,389	1.4
National Grid	Utilities	1,321	1.4
Britvic	Consumer Goods	1,316	1.3
Weir	Industrials	1,207	1.2
IMI	Industrials	1,181	1.2
Total		61,381	62.5

¹Based on total assets less current liabilities of £98.2m.

At 28th February 2010, the value of the twenty largest equity investments amounted to £70.1m, representing 70.5% of total assets less current liabilities.

Portfolio Analyses

Class of security	31st August 2010		28th February 2010	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Equities	94.2	90.0	93.9	90.0
Fixed interest	4.1	10.0	4.5	10.0
Liquidity funds	0.7	–	0.8	–
Net current assets	1.0	–	0.8	–
Total	100.0	100.0	100.0	100.0

¹Based on total assets less current liabilities of £98.2m (28th February 2010: £99.5m).

Sector Analysis	31st August 2010		28th February 2010	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Financials	24.5	19.5	22.2	18.4
Oil & Gas	13.0	14.9	17.8	17.1
Basic Materials	10.5	10.8	11.6	10.5
Industrials	10.3	6.4	6.2	6.2
Healthcare	8.3	7.4	7.9	7.3
Consumer Services	8.2	9.1	8.5	9.1
Telecommunications	7.5	5.9	6.3	5.4
Consumer Goods	7.3	10.7	10.0	11.4
Utilities	4.6	3.8	3.4	3.3
Technology	–	1.5	–	1.3
Total equities	94.2	90.0	93.9	90.0
Fixed interest	4.1	10.0	4.5	10.0
Liquidity funds	0.7	–	0.8	–
Net current assets	1.0	–	0.8	–
Total	100.0	100.0	100.0	100.0

¹Based on total assets less current liabilities of £98.2m (28th February 2010: £99.5m).

Income Statement

for the six months ended 31st August 2010

	(Unaudited) Six months ended 31st August 2010			(Unaudited) Six months ended 31st August 2009			(Audited) Year ended 28th February 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	–	(1,247)	(1,247)	–	17,665	17,665	–	25,377	25,377
Income from investments	2,184	–	2,184	2,292	–	2,292	4,003	–	4,003
Other interest receivable and similar income	134	–	134	57	–	57	87	–	87
Gross return/(loss)	2,318	(1,247)	1,071	2,349	17,665	20,014	4,090	25,377	29,467
Management fee	(162)	(243)	(405)	(131)	(196)	(327)	(286)	(429)	(715)
Other administrative expenses	(187)	–	(187)	(190)	–	(190)	(391)	–	(391)
Net return/(loss) on ordinary activities before finance costs and taxation	1,969	(1,490)	479	2,028	17,469	19,497	3,413	24,948	28,361
Finance costs – appropriations Provision for the compound growth entitlement of the Zero Dividend Preference shares	–	(1,743)	(1,743)	–	(1,633)	(1,633)	–	(3,320)	(3,320)
Finance costs – other	(5)	(7)	(12)	(12)	(19)	(31)	(9)	(14)	(23)
Net return/(loss) on ordinary activities before taxation	1,964	(3,240)	(1,276)	2,016	15,817	17,833	3,404	21,614	25,018
Taxation	(1)	–	(1)	–	–	–	–	–	–
Net return/(loss) on ordinary activities after taxation	1,963	(3,240)	(1,277)	2,016	15,817	17,833	3,404	21,614	25,018
Return/(loss) per class of share (note 4)									
Ordinary share	2.9p	(4.8)p	(1.9)p	3.0p	23.4p	26.4p	5.0p	32.0p	37.0p
Zero Dividend Preference share	–	3.8p	3.8p	–	3.5p	3.5p	–	7.2p	7.2p

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information 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.

Reconciliation of Movements in Shareholders' Funds

For the six months ended 31st August 2010 (unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 28th February 2010	675	3,640	60,378	8	(19,234)	1,466	46,933
Amortisation of expenses of the placing and offer for subscription	–	–	12	–	–	–	12
Net (loss)/return on ordinary activities	–	–	–	–	(3,240)	1,963	(1,277)
Dividends appropriated in the period	–	–	–	–	–	(1,688)	(1,688)
At 31st August 2010	675	3,640	60,390	8	(22,474)	1,741	43,980

For the six months ended 31st August 2009 (unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 28th February 2009	675	3,640	60,355	8	(40,848)	2,282	26,112
Amortisation of expenses of the placing and offer for subscription	–	–	31	–	–	–	31
Net return on ordinary activities	–	–	–	–	15,817	2,016	17,833
Dividends appropriated in the period	–	–	–	–	–	(2,532)	(2,532)
At 31st August 2009	675	3,640	60,386	8	(25,031)	1,766	41,444

For the year ended 28th February 2010 (audited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 28th February 2009	675	3,640	60,355	8	(40,848)	2,282	26,112
Amortisation of expenses of the placing and offer for subscription	–	–	23	–	–	–	23
Net return on ordinary activities	–	–	–	–	21,614	3,404	25,018
Dividends appropriated in the year	–	–	–	–	–	(4,220)	(4,220)
At 28th February 2010	675	3,640	60,378	8	(19,234)	1,466	46,933

Balance Sheet

at 31st August 2010

	(Unaudited) 31st August 2010 £'000	(Unaudited) 31st August 2009 Restated – see note 2 £'000	(Audited) 28th February 2010 £'000
Fixed assets			
Investments held at fair value through profit or loss	96,563	91,067	97,885
Investments in liquidity funds held at fair value through profit or loss	690	413	770
	97,253	91,480	98,655
Current assets			
Debtors	1,228	584	585
Cash and short term deposits	234	558	390
	1,462	1,142	975
Creditors: amounts falling due within one year	(453)	(275)	(154)
Derivative financial instruments held at fair value through profit or loss	(22)	(73)	(26)
Net current assets	987	794	795
Total assets less current liabilities	98,240	92,274	99,450
Creditors: amounts falling due after more than one year			
Capital entitlement of the Zero Dividend Preference shareholders	(54,260)	(50,830)	(52,517)
Net assets	43,980	41,444	46,933
Capital and reserves			
Called up share capital	675	675	675
Share premium	3,640	3,640	3,640
Other reserve	60,390	60,386	60,378
Capital redemption reserve	8	8	8
Capital reserves	(22,474)	(25,031)	(19,234)
Revenue reserve	1,741	1,766	1,466
Equity shareholders' funds	43,980	41,444	46,933
Net assets value per share (note 5)			
Zero Dividend Preference share	117.7p	110.3p	114.0p
Ordinary share	65.1p	61.4p	69.5p

Cash Flow Statement

for the six months ended 31st August 2010

	(Unaudited) Six months ended 31st August 2010 £'000	(Unaudited) Six months ended 31st August 2009 £'000	(Audited) Year ended 28th February 2010 £'000
Net cash inflow from operating activities (note 6)	1,719	1,853	2,945
Taxation paid	–	–	(33)
Net cash (outflow)/inflow from capital expenditure and financial investment	(187)	1,032	1,493
Dividends paid	(1,688)	(2,532)	(4,220)
(Decrease)/increase in cash for the period	(156)	353	185
Reconciliation of net cash flow to movement in net debt			
Net cash movement	(156)	353	185
Net funds at the beginning of the period	390	205	205
Net funds at the end of the period	234	558	390
Represented by: Cash and short term deposits	234	558	390

Notes to the Accounts

for the six months ended 31st August 2010

1. Financial statements

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

The figures and financial information for the year ended 28th February 2010 are extracted from the latest published accounts of the Company and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009.

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

The accounting policies applied in these half year accounts are consistent with those applied in the accounts for the year ended 28th February 2010.

The Company changed its accounting policy in the accounts for the year ended 28th February 2010 to account for the Ordinary shares as equity. In prior years, both classes of the Company's shares had been classified in the accounts as liabilities due to the Company's limited life and the rights and obligations attached to those share classes. The amendment required presentational changes to the Balance Sheet and the inclusion of a Reconciliation of Movements in Shareholders' Funds.

The Comparative balance sheet for the six months ended 31st August 2009 presented in these accounts has been restated in accordance with the above change and a Reconciliation of Movements in Shareholders' Funds has been included in respect of the Ordinary shares for that period.

3. Dividends on Ordinary shares

	(Unaudited) Six months ended 31st August 2010 £'000	(Unaudited) Six months ended 31st August 2009 £'000	(Audited) Year ended 28th February 2010 £'000
Fourth quarterly dividend of 1.25p (2009: 1.25p) paid in April	844	844	844
Special dividend of 1.25p paid in April	–	844	844
First quarterly dividend of 1.25p (2009: 1.25p) paid in July	844	844	844
Second quarterly dividend of 1.25p paid in October	N/a	N/a	844
Third quarterly dividend of 1.25p paid in January	N/a	N/a	844
Total dividends paid in the period	1,688	2,532	4,220

A second quarterly dividend of 1.25p (2009: 1.25p) per Ordinary share amounting to £844,000 (2009: £844,000) has been declared payable in respect of the six months ended 31st August 2010.

Notes to the Accounts continued

4. Return/(loss) per class of share

Return/(loss) per Ordinary share is based on the following:

	(Unaudited) Six months ended 31st August 2010 £'000	(Unaudited) Six months ended 31st August 2009 £'000	(Audited) Year ended 28th February 2010 £'000
Revenue return	1,963	2,016	3,404
Capital (loss)/return	(3,240)	15,817	21,614
Total (loss)/return	(1,277)	17,833	25,018
Weighted average number of Ordinary shares in issue	67,506,782	67,506,782	67,506,782
Revenue return per share	2.9p	3.0p	5.0p
Capital (loss)/return per share	(4.8)p	23.4p	32.0p
Total (loss)/return per share	(1.9)p	26.4p	37.0p

Return per Zero Dividend Preference share is based on the following:

	Six months ended 31st August 2010 £'000	Six months ended 31st August 2009 £'000	Year ended 28th February 2010 £'000
Capital return – compound growth entitlement	1,743	1,633	3,320
Weighted average number of Zero Dividend Preference shares in issue	46,087,200	46,087,200	46,087,200
Return per share	3.8p	3.5p	7.2p

5. Net asset values per share

Net asset values per share calculated in accordance with the Articles of Association are as follows:

	(Unaudited) 31st August 2010	(Unaudited) 31st August 2009	(Audited) 28th February 2010
Zero Dividend Preference shares			
Net assets attributable (£'000)	54,260	50,830	52,517
Shares in issue at the period end	46,087,200	46,087,200	46,087,200
Net asset value per share	117.7p	110.3p	114.0p
Ordinary shares			
Net assets attributable (£'000)	43,980	41,444	46,933
Shares in issue at the period end	67,506,782	67,506,782	67,506,782
Net asset value per share	65.1p	61.4p	69.5

6. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) Six months ended 31st August 2010 £'000	(Unaudited) Six months ended 31st August 2009 £'000	(Audited) Year ended 28th February 2010 £'000
Net return on ordinary activities before finance costs and taxation	479	19,497	28,361
Capital loss/(return) before finance costs and taxation	1,490	(17,469)	(24,948)
Scrip dividends included in income	(12)	–	(75)
Decrease in net debtors and accrued income	5	21	36
Management fee charged to capital	(243)	(196)	(429)
Net cash inflow from operating activities	1,719	1,853	2,945

Interim Management Report

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

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 28th February 2010.

Related Parties' Transactions

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

Directors' Responsibilities

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

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

For and on behalf of the Board

Sir Laurence Magnus Bt

Chairman

12th October 2010

Capital Structure of the Company

The Company's capital consists of Ordinary shares of 1p each and Zero Dividend Preference shares ('ZDPs') of 1p each which are traded on the London Stock Exchange, both separately and in the form of Units (each comprising two Ordinary shares and one ZDP),

Ordinary shares

Investment Characteristics

The Ordinary shares are designed to provide a regular quarterly income, together with the potential for capital growth. Ordinary shareholders should note that the Ordinary shares are considered to carry above-average risk.

Entitlements

Ordinary shareholders are entitled to all dividends paid by the Company and, on a winding-up, to all of the Company's net surplus assets (including any growth in their value) after any indebtedness has been repaid and the prior entitlement of the holders of ZDPs has been met in full.

Voting Rights

Ordinary shareholders have the right to vote at general meetings and, on a poll, to one vote for each Ordinary share held.

Zero Dividend Preference shares

Investment Characteristics

The ZDPs are designed to provide a pre-determined, but not guaranteed, capital entitlement ranking in priority to the Ordinary shares. Because of their prior capital entitlement and pre-determined growth, they are considered to carry below-average risk.

Entitlements

The ZDPs are not entitled to any dividends and are designed to provide a predetermined Final Capital Entitlement payable on the ZDP Repayment Date which ranks behind the Company's creditors, but in priority to the Ordinary shares (except for any revenue profits). The final Capital Entitlement per ZDP Share due on the ZDP Repayment Date equates to an annual return of 6.75% per annum compound on their issue price of 100p.

Voting Rights

Holders of ZDPs will be entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each ZDP held. Holders of ZDPs will not, however, be entitled to vote on resolutions relating to the payment of dividends to Ordinary shareholders and of the revenue profits of the Company.

Units

The Units each consist of two Ordinary shares and one ZDP.

Investment Characteristics

The Units are designed to provide a regular quarterly income together with the potential for capital growth. The income yield provided by the Units is lower than that provided by the Ordinary shares, but the inclusion of the ZDP in each Unit means that the capital risk is also lower. Unitholders should note therefore, that the Units are considered to carry less risk than the Ordinary shares but more risk than the ZDPs.

Entitlements and Voting Rights

Unitholders have the same entitlements and voting rights as if they held separately the Ordinary shares and ZDPs comprised in their Units. In addition, they will be entitled in respect of the component shares comprised in their Units to vote at class meetings of both the Ordinary shareholders and ZDP shareholders convened to consider certain proposals which would be likely to affect their position.

Glossary of Terms and Definitions

Shareholders funds total return

Change in net assets with net income reinvested, excluding the effect of share issues and share repurchases.

Composite benchmark return

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

The benchmark comprises two recognised indices 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' these indices and, consequently, there may be some divergence between the Company's performance and the benchmark performance.

Ordinary share price total return

Total return to the investor based on the change in the Ordinary share mid market price and assuming that all dividends quoted ex-dividend during the period were reinvested without transaction costs into Ordinary shares at the time the shares were quoted ex-dividend.

Unit share price total return

Total return to the investor based on the change in the Unit mid market price and assuming that all dividends quoted ex-dividend during the period were reinvested without transaction costs into Units at the time the Units were quoted ex-dividend. Note that a Unit comprises two Ordinary shares and one Zero Dividend Preference share.

Zero Dividend Preference share price total return

Total return to the investor based on the change in the Zero Dividend Preference share mid market price.

Ordinary share net asset value total return

Return to the investor based on the change in the net asset value ('NAV') per Ordinary share and assuming all dividends quoted ex-dividend during the period were reinvested into Ordinary shares at the NAV per Ordinary share at the time the shares were quoted ex-dividend.

Unit net asset value total return

Return to the investor based on the change in the Unit net asset value ('NAV') and assuming all dividends quoted ex-dividend in respect of a Unit during the period were reinvested into Units at the NAV per Unit at the time the Units were quoted ex-dividend. Note that a Unit comprises two Ordinary shares and one Zero Dividend Preference share.

Share price discount/premium to net asset value ('NAV')

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

Information about the Company

Financial Calendar

Financial year end	28th February
Final results announced	April/May
Half year end	31st August
Half year results announced	October
Interim Management Statements announced	June and December
Dividend on Ordinary shares	January, April, July and October
Annual General Meeting	July

History

The Company is an investment trust which was launched as the successor vehicle to JPMorgan Income & Capital Investment Trust plc. Dealings in the securities of the Company began on 3rd March 2008 and the Company has a fixed life of 10 years. Accordingly, the Company will be wound-up on 28th February 2018 unless, prior to that date, shareholders and unitholders approve alternative arrangements.

Directors

Sir Laurence Magnus Bt (Chairman)
Roderick Collins
Antony Hichens (Chairman of the Audit Committee)
Richard Hills
James West

Company Numbers

Company registration number: 6453183
London Stock Exchange numbers:
Ordinary shares: B2NBJ06
Units: B2NBJ40
ZDPs: B2NBJ28

ISIN:

Ordinary shares: GB00B2NBJ068
Units: GB00B2NBJ407
ZDPs: GB00B2NBJ282

Bloomberg codes:

Ordinary shares: JPI LN
Units: JPIU LN
ZDPs: JPIZ LN

Market Information

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, the Daily Telegraph, The Scotsman, The Independent and on the JPMorgan website at www.jpmincomeandcapital.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmincomeandcapital.co.uk

Share Transactions

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

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

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

For company secretarial and administrative matters please contact Divya Amin.

Registrars

Equiniti
Reference 2422
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0871 384 2633

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 2422.

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hay's Galleria
1 Hay's Lane
London SE1 2RD

Brokers

Winterflood Securities
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

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.

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