



Half Year Report 09

JPMorgan Income & Capital Trust plc

Half Year Report & Accounts for the six months ended 31st August 2009

**J.P.Morgan**  
Asset Management

# 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% Merrill Lynch 5-10 year UK Sterling Corporate Index for bonds.

### Capital Structure

For details of the capital structure of the Company please refer to page 15.

### 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)

<b>+27.6%</b> Shareholders' funds total return	<b>+31.8%</b> Unit net asset value total return <sup>1,2</sup>	<b>+3.3%</b> Zero Dividend Preference share net asset value total return <sup>1</sup>	<b>+75.1%</b> Ordinary share net asset value total return <sup>1</sup>
<b>+32.0%</b> Composite benchmark return <sup>4</sup>	<b>+27.4%</b> Unit share price total return <sup>2,3</sup>	<b>+12.6%</b> Zero Dividend Preference share price total return <sup>3</sup>	<b>+44.6%</b> Ordinary share price total return <sup>3</sup>

## Financial Data

	31st August 2009	28th February 2009	% change
<b>Assets</b>			
Shareholders' funds (£'000)	92,274	75,309	+22.5
<b>Zero Dividend Preference shares</b>			
Net assets (£'000)	50,830	49,197	+3.3
Net asset value per share	110.3p	106.7p	+3.3
Share price	100.75p	89.50p	+12.6
Share price discount to net asset value	(8.7%)	(16.1%)	
<b>Ordinary shares</b>			
Net assets (£'000)	41,444	26,112	+58.7
Net asset value per share	61.4p	38.7p	+58.7
Share price	64.50p	48.25p	+33.7
Share price premium to net asset value	5.0%	24.7%	
Dividends paid on the Ordinary shares during the period amount to 3.75p per share			
<b>Units<sup>2</sup></b>			
Net asset value per unit	233.1p	184.1p	+26.6
Share price	213.0p	174.5p	+22.1
Share price discount to net asset value	(8.6%)	(5.2%)	

A glossary of terms is provided on page 16.

<sup>1</sup>Source: J.P. Morgan

<sup>2</sup>A Unit comprises two Ordinary shares and one Zero Dividend Preference share.

<sup>3</sup>Source: Morningstar

<sup>4</sup>Source: MSCI - The Company's benchmark is a composite comprising 90% FTSE 350 Index (excluding Investment Trusts) and 10% Merrill Lynch 5-10 year UK Sterling Corporate Index for bonds.

# Chairman's Statement



## Introduction and Performance

The first half of this financial year witnessed extreme volatility in equity markets with a severe fall in March 2009 before recovering sharply.

During the six months ended 31st August 2009, the overall net asset value of the Company recovered significantly, increasing by 27.6%. 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 32.0% during the same period. The principal reason for underperforming the benchmark index was the desire by our investment management team to hold quality high-yielding stocks during a period of extreme market volatility. Although these stocks did recover sharply, they had in general not fallen as far as more risky, low yielding stocks which outperformed in the recovery phase.

The Investment Manager's report gives a detailed commentary on the markets during the first half of the financial year and how the current portfolio has been restructured and positioned in response to market conditions.

## 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 2009	28th February 2009	31st August 2008
ZDP	(8.7)%	(16.1)%	(5.6)%
Ordinary	5.0%	24.7%	(17.4)%
Units	(8.6)%	(5.2)%	(17.8)%

Since the period end, share prices have been very volatile. At 13th October 2009, the price of the Ordinary shares was at a premium of 0.7%, whilst the ZDP share price and Unit price was at a premium of 1.5% and a discount of 5.3% respectively.

## Revenue and Dividends

Revenue after tax and before dividends for the period was £2.02 million and revenue return per Ordinary share was 3.0 pence. The decline in income reflects dividend cuts from a number of portfolio companies as well as lower deposit interest income received from cash on deposit.

During the six months the Board has declared two quarterly interim dividends, each of 1.25p per Ordinary share, payable to Ordinary shareholders and Unit holders on 31st July 2009 and 30th October 2009. The Board anticipates that, in the absence of unforeseen circumstances, the Company will be in a position to maintain the current level of quarterly dividends to Ordinary shareholders and Unit holders for the remainder of the current financial period to 28th February 2010.

The undistributed revenue reserves, after allowing for the payment of the second interim dividend, are approximately £0.92 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 2009, the Hurdle Rate required to return the Ordinary share price of 64.5p was 4.3% per annum and the Hurdle rate to return the Final Capital Entitlement of 192.13p of the ZDP shares was -0.5%.

At 2nd October 2009, the Hurdle Rate required to return the current Ordinary share price of 66.75p was 5.1% per annum and to return the Final Capital Entitlement of the ZDP shares of 192.13p was 0%.

### **Outlook**

Considerable uncertainty surrounds the strength and sustainability of the recent recovery in financial markets. The improvement derived from an extraordinary level of government support ranging from “quantitative easing,” low interest rates and fiscal deficits may be offset by rising unemployment, continuing deleverage by companies and individuals and the prospect, at some stage, of fiscal and monetary tightening. The Board is confident that the Company’s portfolio is reasonably positioned in the context of this uncertainty and its investment objectives.

**Sir Laurence Magnus Bt**  
Chairman

14th October 2009

# Investment Managers' Report



John Baker

## Market Review

It was a strong six months for UK investors, with equities surging higher and corporate bond spreads narrowing significantly as the emergence of some encouraging economic “green shoots” allowed markets to move away from pricing in another Great Depression which had been the case in early March 2009. UK equities, as measured by the FTSE 350 Index, ended the six month review period +33.3% above the level of our Company’s financial year end on the 28th February 2009. During this period the Merrill Lynch 5-10 Year UK Sterling Corporate Index for bonds delivered a return of +19.9%, resulting in the Company’s combined benchmark delivering a return of +32.0% for the period under review.



Sarah Emly

Following the challenging start to calendar 2009 when equity markets worldwide came under severe pressure, governments and central banks around the world took drastic action to stave off a worsening of the financial and economic crises. In early March 2009 UK interest rates were reduced to a record low of just 0.5% and the Bank of England took the unprecedented step of announcing plans to buy £75 billion of government bonds. This programme is called quantitative easing and its aim is to bring down borrowing costs for businesses and individuals by forcing long-term government bond yields lower.

As the six months progressed, signs began to emerge that the unprecedented monetary policy action, combined with the various government stimulus packages may be working. Economic data began to suggest that the pace of economic contraction was slowing, with the services purchasing managers’ index picking up and retail sales rising again. Even housing market reports have suggested that house prices may at last be stabilising after falling sharply since late 2007.

The result of this better economic news, and improving corporate sentiment, was a very sharp rebound in both equities and corporate bonds as investors, no longer concerned that the world was heading for economic meltdown, began to regain their appetite for risk.

## Performance Review

The overall net asset value of the Company recovered markedly during the first half of this year, rising by +27.6%, in comparison with the composite benchmark’s return of +32.0%.

In terms of contributors to performance over the half year, the Company’s underweight position in the banking sector, particularly not owning Lloyds Banking Group or Royal Bank of Scotland, negatively impacted performance, although being overweight in HSBC was a positive contributor. By contrast, the Company benefited from being overweight in both general financials and life insurance, notably Tullett Prebon and Investec, two lowly valued financial stocks that outperformed the rising market. However, the fund’s overweight positions in some of the high yielding, more defensive stocks and sectors, including British American Tobacco and GlaxoSmithKline were detrimental during such a strong market rally, where the very cyclical and often non-yielding stocks led the market higher.

### **Portfolio Review**

At the beginning of the new financial year the Company had a modest overweight position in equities, with the balance held in cash. In April, as the general market outlook became more stable, we reduced the cash level and purchased a 5% position in a Global Corporate Bond Fund as a diversified approach to enhancing income yield whilst also benefiting from corporate recovery and reducing our underweight position in fixed income assets relative to the Company's benchmark. During the first half of the year we sold some stocks that no longer looked attractively valued or were at risk of delivering disappointing newsflow, such as Tui Travel, the tour operator, which after a period of strong performance was no longer attractively valued and whose trading outlook became less certain. We also reduced our positions in some of the more defensive stocks that had outperformed the falling market of early 2009, such British American Tobacco and Tesco. By contrast, we bought into stocks that were lowly valued and delivering improving newsflow, whilst also participating in the two major rights issues of HSBC and Rio Tinto, to increase our existing positions in these attractive stocks. We added to our position in Barclays, the UK bank which has not had to accept government support, whilst introducing some slightly more cyclical names such as Next, Northern Foods and Restaurant Group. We are focusing on ensuring that the portfolio remains sensibly balanced to benefit from economic and corporate recovery whilst also holding stocks with resilient earnings and dividend prospects.

### **Economic and Market Outlook**

UK equity valuations continue to look broadly attractive, both on an historic basis and relative to government bond yields. The UK economy, although still weak, is likely to benefit from the significant government stimulus measures and central bank easing, which in turn should help boost corporate earnings expectations.

However, with global credit conditions still tight and with household de-leveraging and rising unemployment likely to constrain the extent of the rebound in consumer spending, any economic recovery through the rest of 2009 is likely to be modest. Nevertheless, there are several factors that we think may continue to support equities for the time being. High unemployment will keep wage growth low, helping to support corporate earnings until companies can generate higher revenues. Meanwhile, central banks have indicated that they currently have no intention of increasing interest rates from the current very low levels. Much uncertainty still exists, especially given the challenging state of government, corporate and consumer finances. However, recent economic and corporate newsflow has become more encouraging, and provided this trend continues, current equity market levels should be supported.

**John Baker**

**Sarah Emly**

Investment Managers

JPMorgan Asset Management (UK) Limited

14th October, 2009

# Ten Largest Equity Investments

at 31st August 2009

Company	Sector	Valuation £'000	% <sup>1</sup>
HSBC	Financials	8,930	9.7
Royal Dutch Shell	Oil & Gas	7,801	8.5
BP	Oil & Gas	6,992	7.6
GlaxoSmithKline	Healthcare	4,461	4.8
Vodafone	Telecommunications	4,348	4.7
BHP Billiton	Basic Materials	3,628	3.9
British American Tobacco	Consumer Goods	3,061	3.3
AstraZeneca	Healthcare	2,984	3.2
Rio Tinto	Basic Materials	2,482	2.7
Barclays	Financials	2,396	2.6
<b>Total</b>		<b>47,083</b>	<b>51.0</b>

<sup>1</sup>Based on total assets less current liabilities of £92.3m.

As at 28th February 2009, the value of the ten largest investments amounted to £40.6m representing 53.9% of total assets less current liabilities.

# Portfolio Analyses

## Class of security

	31st August 2009 % <sup>1</sup>	Benchmark %	28th February 2009 % <sup>1</sup>	Benchmark %
Equities	94.0	90.0	93.4	90.0
Fixed interest	4.7	10.0	-	10.0
Liquidity funds	0.4	-	7.9	-
Net current assets/(liabilities)	0.9	-	(1.3)	-
	100.0	100.0	100.0	100.0

<sup>1</sup>Based on total assets less current liabilities of £92.3m (28th February 2009: £75.3m).

## Sector Analysis

	31st August 2009		28th February 2009	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials	24.0	20.3	13.8	13.4
Oil & Gas	19.2	17.2	22.2	20.2
Basic Materials	9.2	9.3	6.1	6.6
Industrials	8.4	6.0	9.9	6.3
Healthcare	8.1	7.5	10.0	8.8
Consumer Goods	7.9	10.7	8.2	12.4
Consumer Services	7.8	8.9	8.6	9.7
Telecommunications	5.7	5.6	7.9	6.9
Utilities	2.8	3.3	5.8	4.6
Technology	0.9	1.2	0.9	1.1
Total equities	94.0	90.0	93.4	90.0
Fixed interest	4.7	10.0	-	10.0
Liquidity funds	0.4	-	7.9	-
Net current assets/(liabilities)	0.9	-	(1.3)	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Based on total assets less current liabilities of £92.3m (28th February 2009: £75.3m).

# Income Statement

for the six months ended 31st August 2009

	(Unaudited) Six months ended 31st August 2009			(Unaudited) Period ended 31st August 2008 (note 2)			(Audited) Period ended 28th February 2009 (note 2)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>	-	17,665	17,665	-	(3,602)	(3,602)	-	(37,134)	(37,134)
Income from investments	2,292	-	2,292	2,901	-	2,901	4,782	-	4,782
Other interest receivable and similar income	57	-	57	678	-	678	864	-	864
<b>Gross return/(loss)</b>	<b>2,349</b>	<b>17,665</b>	<b>20,014</b>	<b>3,579</b>	<b>(3,602)</b>	<b>(23)</b>	<b>5,646</b>	<b>(37,134)</b>	<b>(31,488)</b>
Management fee	(131)	(196)	(327)	(178)	(267)	(445)	(328)	(493)	(821)
Other administrative expenses	(190)	-	(190)	(198)	-	(198)	(440)	-	(440)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>2,028</b>	<b>17,469</b>	<b>19,497</b>	<b>3,203</b>	<b>(3,869)</b>	<b>(666)</b>	<b>4,878</b>	<b>(37,627)</b>	<b>(32,749)</b>
Finance costs - appropriations	-	(1,633)	(1,633)	-	(1,528)	(1,528)	-	(3,107)	(3,107)
Finance costs - other	(12)	(19)	(31)	(2)	(3)	(5)	(29)	(43)	(72)
Dividends on Ordinary shares (note 4)	(2,532)	-	(2,532)	(775)	-	(775)	(2,388)	-	(2,388)
<b>Net (loss)/return on ordinary activities before taxation</b>	<b>(516)</b>	<b>15,817</b>	<b>15,301</b>	<b>2,426</b>	<b>(5,400)</b>	<b>(2,974)</b>	<b>2,461</b>	<b>(40,777)</b>	<b>(38,316)</b>
Taxation	-	-	-	(190)	75	(115)	(179)	140	(39)
<b>Net (loss)/return on ordinary activities after taxation</b>	<b>(516)</b>	<b>15,817</b>	<b>15,301</b>	<b>2,236</b>	<b>(5,325)</b>	<b>(3,089)</b>	<b>2,282</b>	<b>(40,637)</b>	<b>(38,355)</b>
<b>Return/(loss) per Ordinary share (note 5)</b>	<b>3.0p</b>	<b>23.4p</b>	<b>26.4p</b>	<b>4.9p</b>	<b>(8.6)p</b>	<b>(3.7)p</b>	<b>7.3p</b>	<b>(63.4)p</b>	<b>(56.1)p</b>
<b>Return per Zero Dividend Preference share</b>	<b>-</b>	<b>3.5p</b>	<b>3.5p</b>	<b>-</b>	<b>3.3p</b>	<b>3.3p</b>	<b>-</b>	<b>6.7p</b>	<b>6.7p</b>

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.

# Balance Sheet

at 31st August 2009

	(Unaudited) 31st August 2009 £'000	(Unaudited) 31st August 2008 £'000	(Audited) 28th February 2009 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	91,067	103,162	70,317
Investment in liquidity funds held at fair value through profit or loss	413	500	5,980
	<b>91,480</b>	103,662	76,297
<b>Current assets</b>			
Debtors	584	885	665
Cash and short term deposits	558	1,663	205
	<b>1,142</b>	2,548	870
<b>Creditors:</b> amounts falling due within one year	<b>(275)</b>	(520)	(1,858)
Derivative financial instruments held at fair value through profit or loss	<b>(73)</b>	(499)	–
<b>Net current assets/(liabilities)</b>	<b>794</b>	1,529	(988)
<b>Total assets less current liabilities</b>	<b>92,274</b>	105,191	75,309
<b>Total net assets</b>	<b>92,274</b>	105,191	75,309
Zero Dividend Preference shares	<b>50,830</b>	47,565	49,197
Ordinary shares	<b>41,444</b>	57,626	26,112
	<b>92,274</b>	105,191	75,309
<b>Net asset values (note 6)</b>			
Per Zero Dividend Preference share	<b>110.3p</b>	103.3p	106.7p
Per Ordinary share	<b>61.4p</b>	93.8p	38.7p

# Cash Flow Statement

for the six months ended 31st August 2009

	(Unaudited) Six months ended 31st August 2009  £'000	(Unaudited) Period ended 31st August 2008 (note 2) £'000	(Audited) Period ended 28th February 2009 (note 2) £'000
<b>Net cash inflow from operating activities (note 7)</b>	<b>1,853</b>	2,256	3,803
Net cash outflow from servicing of finance	<b>(2,532)</b>	(780)	(2,398)
Net cash inflow/(outflow) from capital expenditure and financial investment	<b>1,032</b>	(3,483)	(8,305)
Net cash inflow from financing	-	3,670	7,105
<b>Increase in cash for the period</b>	<b>353</b>	1,663	205
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net cash movement	<b>353</b>	1,663	205
Net funds at the beginning of the period	<b>205</b>	-	-
<b>Net funds at the end of the period</b>	<b>558</b>	1,663	205
Represented by:			
Cash and short term deposits	<b>558</b>	1,663	205

# Notes to the Accounts

for the six months ended 31st August 2009

## 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 period ended 28th February 2009 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that period. 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. Comparative accounting periods

The comparative accounts cover the periods from 13th December 2007 (the date of incorporation) to 31st August 2008 and 13th December 2007 to 28th February 2009. The Company began investing on 3rd March 2008.

## 3. 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' issued in January 2009.

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

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the period ended 28th February 2009.

## 4. Dividends on Ordinary shares

	(Unaudited) Six months ended 31st August 2009 £'000	(Unaudited) Period ended 31st August 2008 (note 2) £'000	(Audited) Period ended 28th February 2009 (note 2) £'000
Fourth quarterly dividend of 1.25p paid in April	844	N/a	N/a
Special dividend of 1.25p paid in April	844	N/a	N/a
First quarterly dividend of 1.25p (2008: 1.25p) paid in July	844	775	775
Second quarterly dividend of 1.25p paid in October	N/a	N/a	769
Third quarterly dividend of 1.25p paid in January	N/a	N/a	844
Total dividends paid in the period	2,532	775	2,388

A second quarterly dividend of 1.25p (2008: 1.25p) per Ordinary share amounting to £844,000 (2008: £769,000) has been declared payable in respect of the six months ended 31st August 2009. The increased cost of dividends payable is due to the 6,100,000 Ordinary shares issued in October and November 2008.

# Notes to the Accounts continued

## 5. Return/(loss) per Ordinary share

Return/(loss) per Ordinary share is based on the weighted average number of Ordinary shares in issue during the period of 67,506,782 (period ended 31st August 2008: 61,957,859 and period ended 28th February 2009: 64,084,669).

	(Unaudited) Six months ended 31st August 2009	(Unaudited) Period ended 31st August 2008 (note 2)	(Audited) Period ended 28th February 2009 (note 2)
	£'000	£'000	£'000
<b>Revenue return per Ordinary share</b>			
Net revenue (loss)/return on ordinary activities after taxation	(516)	2,236	2,282
Add back dividends on Ordinary shares	2,532	775	2,388
Revenue return attributable to Ordinary shareholders	2,016	3,011	4,670
Revenue return per Ordinary share (pence)	3.0p	4.9p	7.3p
<b>Capital return/(loss) per Ordinary share</b>			
Capital return/(loss) attributable to Ordinary shareholders	15,817	(5,325)	(40,637)
Capital return/(loss) per Ordinary share (pence)	23.4p	(8.6)p	(63.4)p

## 6. Net asset values

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

Zero Dividend Preference shares	(Unaudited) 31st August 2009	(Unaudited) 31st August 2008	(Audited) 28th February 2009
Net assets attributable (£'000)	50,830	47,565	49,197
Shares in issue at the period end	46,087,200	46,037,200	46,087,200
Net asset value per share	110.3p	103.3p	106.7p
<b>Ordinary shares</b>	<b>(Unaudited)</b> <b>31st August 2009</b>	<b>(Unaudited)</b> <b>31st August 2008</b>	<b>(Audited)</b> <b>28th February 2009</b>
Net assets attributable (£'000)	41,444	57,626	26,112
Shares in issue at the period end	67,506,782	61,406,782	67,506,782
Net asset value per share	61.4p	93.8p	38.7p

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

	(Unaudited) Six months ended 31st August 2009 £'000	(Unaudited) Period ended 31st August 2008 (note 2) £'000	(Audited) Period ended 28th February 2009 (note 2) £'000
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>19,497</b>	(666)	(32,749)
Add back capital (return)/loss before finance costs and taxation	<b>(17,469)</b>	3,869	37,627
Scrip dividends included in income	-	-	(64)
Decrease/(increase) in net debtors and accrued income	<b>21</b>	(688)	(516)
Net premium on debt securities allocated to income	-	8	8
Management fee charged to capital	<b>(196)</b>	(267)	(493)
Overseas withholding tax and UK income tax	-	-	(10)
Net cash inflow from operating activities	<b>1,853</b>	2,256	3,803

# 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 five 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 period ended 28th February 2009.

During the recent period of market turmoil, JPMAM reacted with heightened management scrutiny of counterparty risk. In addition, reviews were initiated of exposures, policies, procedures and legal arrangements applicable to the major sources of counterparty exposure.

## Related Parties Transactions

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

## Directors' Responsibilities

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

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

14th October 2009

# 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 cent 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

## **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 in the shares of the underlying companies, at the time the shares were quoted ex-dividend, without transaction costs.

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 into Ordinary shares at the time the shares were quoted ex-dividend, without transaction costs.

## **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 into Units at the time the Units were quoted ex-dividend, without transaction costs. 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 net asset value (NAV) per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than 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: GBO0B2NBJ068  
Units: GBO0B2NBJ407  
ZDPs: GBO0B2NBJ282  
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](http://www.jpmincomeandcapital.co.uk), where the share price is updated every fifteen minutes during trading hours.

## Website

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

## Share Transactions

The Company's shares may be dealt in directly through a stockbroker or through professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account ('ISA'), and Pension Account.

## 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](http://www.shareview.co.uk).

## Independent Auditors

PricewaterhouseCoopers LLP  
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 JPMorgan ISA, Share Plan or Pension Plan, see contact details on the back cover of this report.

**aic**

The Association of  
Investment Companies A member of the AIC

