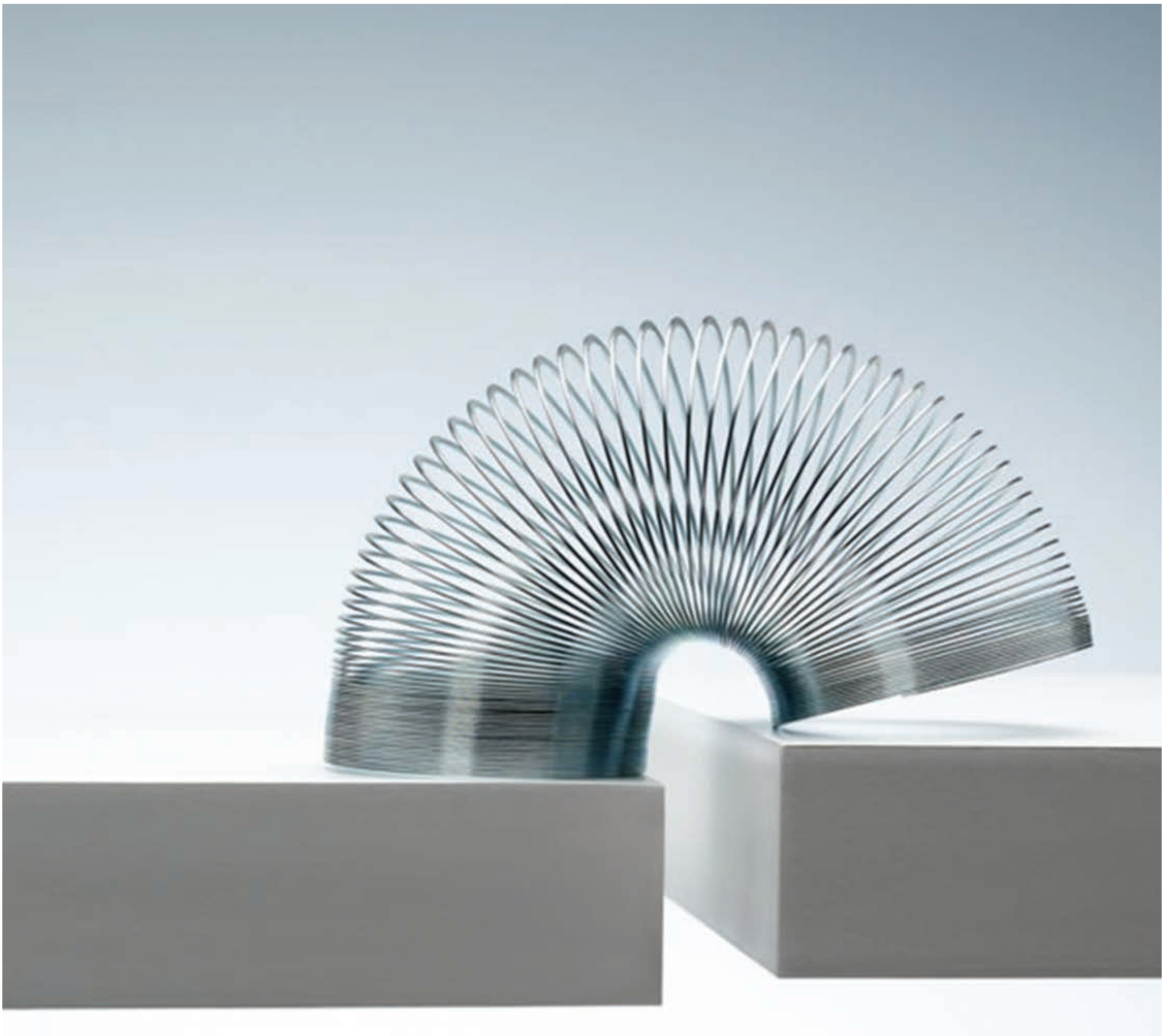
JPMorgan Income & Capital Trust plc

Annual Report & Accounts for the year ended 29th February 2016



J.P.Morgan
Asset Management

Features

Objectives

To meet the final capital entitlement of the Zero Dividend Preference ('ZDP') shareholders 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

The benchmark is a composite comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Barclays Global Aggregate Corporate Bond Index in sterling terms. Prior to 1st March 2010, the benchmark was a composite 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 17.

Life of the Company

The Company has a fixed life of ten years, which expires at the end of February 2018 unless, prior to that date, shareholders and unitholders approve alternative arrangements.

Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the Financial Conduct Authority ('FCA') rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

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

Contents

Financial Results

TOTAL RETURNS (INCLUDES DIVIDENDS REINVESTED)

–5.5%
Shareholders' funds total return[1]
(2015: +5.4%)

–6.9%
Composite benchmark total return[4]
(2015: +5.8%)

–6.6%
Unit net asset value total return[2,3]
(2015: +5.1%)

–4.3%
Unit share price total return[1]
(2015: +4.2%)

+6.7%
Zero Dividend Preference share net asset value total return[3]
(2015: +6.8%)

+2.3%
Zero Dividend Preference share price total return[1]
(2015: +6.1%)

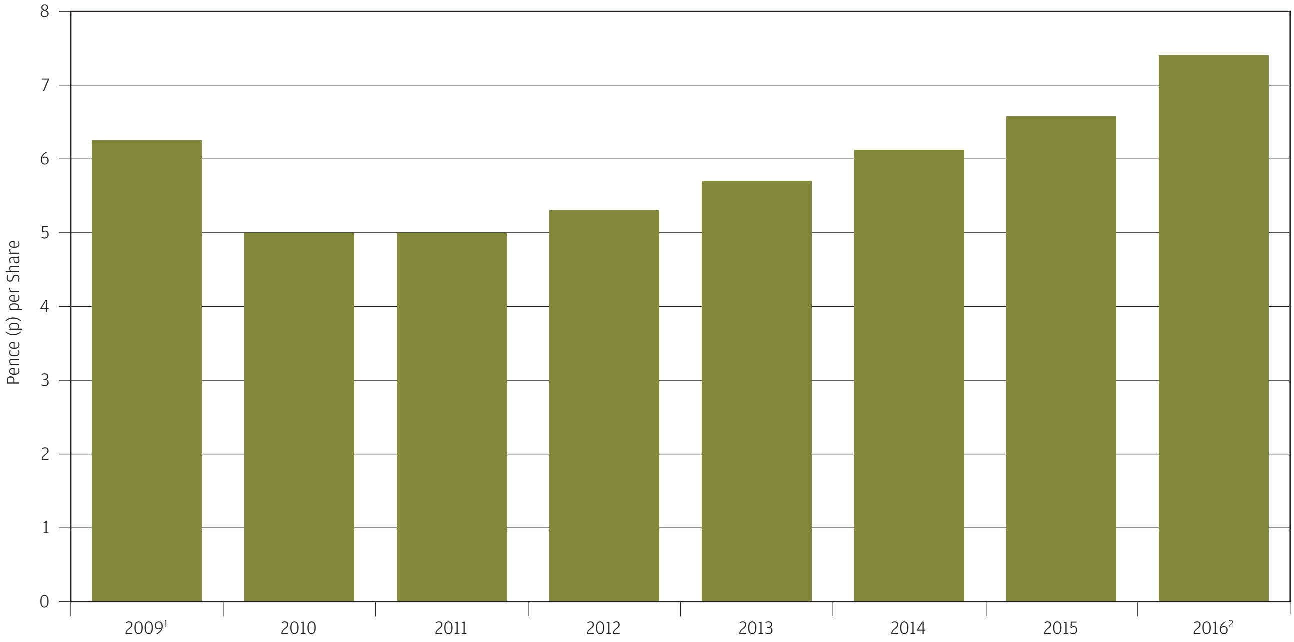
–16.4%
Ordinary share net asset value total return[3]
(2015: +4.2%)

–21.0%
Ordinary share price total return[1]
(2015: +9.9%)

[1] Source: Morningstar.
[2] A Unit comprises two Ordinary shares and one Zero Dividend Preference share.
[3] Source: J.P. Morgan.
[4] Source: MSCI. The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Barclays Global Aggregate Corporate Bond Index in sterling terms.

A glossary of terms and definitions is provided on page 65.

Dividend per Ordinary Share

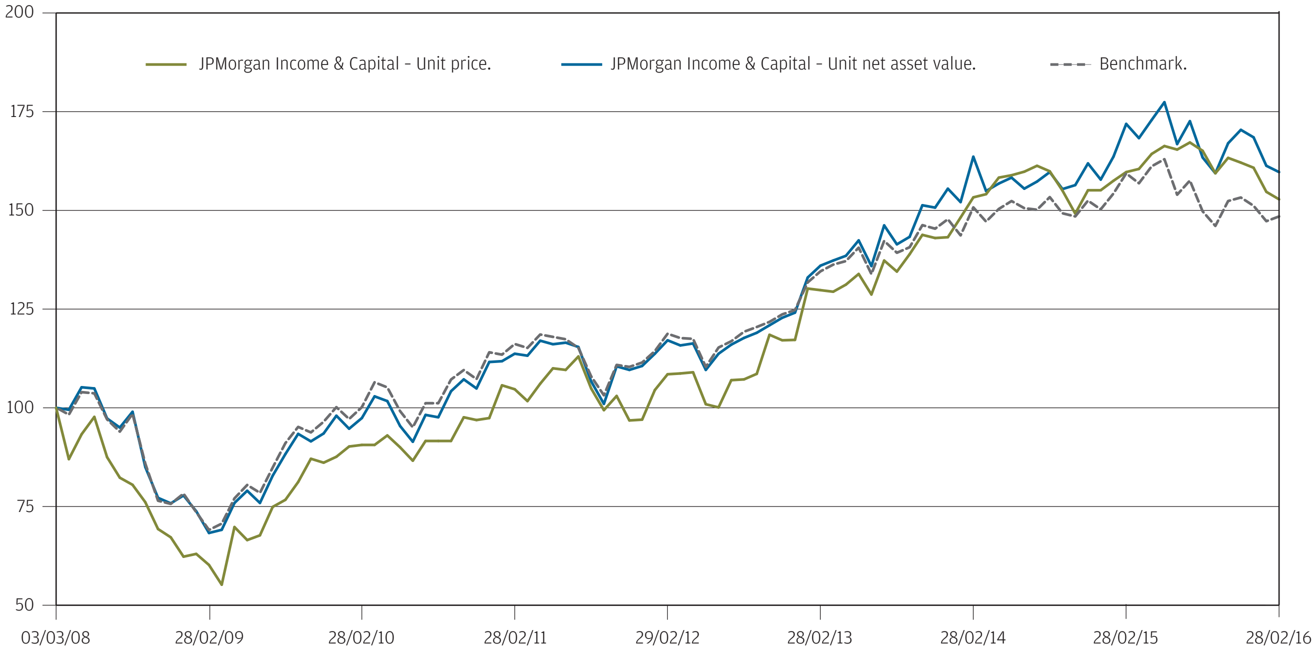


[1] 2009 dividend includes a special dividend of 1.25p per share arising from earnings from funds held in cash during the initial phase of the Company's life.

[2] 2016 dividend includes special dividends of 0.50p.

Absolute Performance since Inception

Figures have been rebased to 100 since inception



CHAIRMAN'S STATEMENT

Introduction and Performance

The Company's net assets fell during the year ended 29th February 2016, reflecting a general market decline. The total return on the Company's assets for the year ended 29th February 2016 was a negative 5.5%. This represented an over-performance of 1.4% against the composite benchmark (comprising 90% FTSE 350 Index, excluding investment trusts, and 10% Barclays Global Aggregate Corporate Bond Index in sterling terms) which recorded a total negative return of 6.9% for the same period.

The Company continued to be underweight in bonds and entirely invested in equities throughout the year. The over-performance against the benchmark was mainly due to stock selection, with domestically orientated and mid-cap markets falling less than the constituents of the FTSE 100 Index. The underweight position in corporate bonds detracted somewhat from the over-performance against the benchmark.

The general climate of economic and market uncertainty, which was mentioned in the half year report, continued to influence investor sentiment. The ability of Central Banks effectively to smooth market volatility with a combination of quantitative easing and nominal (or even negative) interest rates became increasingly questionable. The United Kingdom European Union membership referendum, scheduled to be held on 23rd June 2016, has engendered further uncertainty since the year end, including the recent weakening in sterling.

Despite these market concerns, however, the UK economy has continued to generate relatively positive data, including falls in unemployment levels, subdued inflationary pressure and expectations of continuing low interest rates.

The Investment Managers' report gives a more detailed commentary about the markets and the results for the year, together with their views on the outlook for the current financial year.

Share Price Performance

At 29th February 2016, the value of the Company's listed investments was £135.5 million (see note 11 on page 52). The prices of the Company's two classes of share and of its Units (comprising two Ordinary shares and one ZDP) compared with those at the last year-end date were as follows:

	29th February 2016		28th February 2015	
	Share Prices	Premium/ (Discount)	Share Prices	Premium/ (Discount)
ZDP	176.0p	4.4%	172.1p	8.9%
Ordinary	72.5p	(15.9)%	98.8p	(10.7)%
Units	325.0p	(4.7)%	353.0p	(6.9)%

As at 9th May 2016, the prices of Ordinary shares, Units and Zero Dividend Preference shares were at (discount)/premium of (3.8)%, (3.3)% and 4.3% respectively. The Company did not issue any shares or Units in the year under review.

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 29th February 2016, the Hurdle Rate required to return the Ordinary share price of 72.50p was 0.6% per annum and the Hurdle Rate required to return an Ordinary share price of 100.0p was 7.2% per annum. At 29th February

2016, the Hurdle rate required to return the Final Capital Entitlement of the ZDP shares of 192.13p was minus 19.4% per annum. At 9th May 2016, the Hurdle Rate required to return the current Ordinary share price of 82.4p was 3.3% per annum and to return the Final Capital Entitlement of the ZDP shares of 192.13p was minus 21.2% per annum.

Total Return, Revenue and Dividends

The gross total loss amounted to £5.286 million and net total loss after interest, administrative expenses, provision for the capital entitlement of the ZDP shareholders and taxation, but before dividends and attributions, amounted to £12.062 million. The distributable income for the period amounted to £6.142 million (9.0p per Ordinary share) compared with £5.045 million (7.4p per Ordinary share) in the previous year. The above figures are included in the Statement of Comprehensive Income on page 41.

A fourth interim dividend of 1.80p and a special dividend of 0.25p per Ordinary share were paid on 22nd April 2016 to Ordinary shareholders and Unit holders on the register at the close of business on 8th April 2016. The Board decided that the payment of a special dividend of 0.25p per Ordinary share was appropriate in order to reflect the higher than usual receipt of special dividends.

Under HMRC rules, Investment Trust companies are not permitted to retain more than 15% of their income and any retained income in excess of 15% is required to be distributed as dividend before the filing of the Company's corporation tax return (effectively within one year after the year-end).

Following the payment of a special dividend by Beazley plc, which was received towards the end of the financial year, it is necessary for the Company to pay a further special dividend to ensure that retained income for the year ended 29th February 2016 remains within the 15% limit. Therefore, an additional special dividend of 0.25p per Ordinary share in respect of the year ended 29th February 2016 will be paid, together with the Company's first interim dividend of 1.80p per Ordinary share for the year ending 28th February 2017, which the Board announced at the same time as it released the final results included in this Annual Report and Accounts. Accordingly, in July 2016, Ordinary shareholders will receive a total of 2.05p per Ordinary Share.

In summary, the dividends paid or to be paid in respect of the year ended 29th February 2016, amounting in total to 7.40p per Ordinary share, comprise of three interim dividends each of 1.70p per Ordinary share, a fourth interim dividend of 1.80p per Ordinary share and two special dividends of 0.25p per Ordinary share. This represents an increase of 12.5% over the total dividend of 6.575p per Ordinary share paid in respect of the previous year. The Company's undistributed revenue reserves, after allowing for the payment of the above dividends, amounts to £3.991 million.

The Board anticipates that, in the absence of unforeseen circumstances, the Company will be in a position to maintain the level of quarterly dividend, during the current financial year ending 28th February 2017, at 1.80p per Ordinary share (making a total, before any special dividends, of 7.20p per Ordinary share).

The Board

The Directors retiring by rotation at this year's Annual General Meeting are Sian Hansen and myself. Being eligible, we both offer ourselves for reappointment. The Board recommends that shareholders vote in favour of Sian's and my reappointment. Details of the Directors' backgrounds and experience can be found on page 22.

CHAIRMAN'S STATEMENT *CONTINUED*

Roderick Collins will be stepping down as a Director of the Company in December 2016. The Board is most grateful to Roderick for his valuable contribution as a Director since his appointment when the Company was launched in 2008. The Nominations Committee will be conducting a search, with the assistance of an independent non-executive search consultancy, to identify a suitably qualified and experienced person to replace Roderick as a Director.

Investment Managers

The Company announced in September last year that Sarah Emly, one of the Company's co-Investment Managers, would be taking a period of leave away from the office for health reasons. She has been absent from the office for several months. I am sure that shareholders will join me in wishing her well and in looking forward to welcoming her back later this year. In the meantime, the Board would like to thank William Meadon for his ongoing help in overseeing the asset allocation and John Baker for the ongoing management of the portfolio.

Annual General Meeting

The Directors and I look forward to welcoming shareholders to the eighth Annual General Meeting, which will be held at 60 Victoria Embankment, London EC4Y 0JP on 7th July 2016 at 12 noon. The Investment Managers will make a presentation to shareholders, reviewing the previous financial year and commenting on the outlook for the current financial year. It would be helpful if shareholders could submit, in advance, in writing any detailed or technical questions that they wish to raise at the Annual General Meeting to the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP.

Outlook

The short term outlook is dominated by the forthcoming referendum to determine whether or not the United Kingdom should remain within the European Union. The impact on the UK economy as a consequence of a vote in the forthcoming referendum to leave the European Union is uncertain. The Board, together with the Company's Manager, JPMorgan Asset Management, is keeping a close eye on developments.

Despite the market volatility experienced since the summer of 2015, dividend yields from the UK stock market have remained healthy. The Board currently has no plans to change the Company's investment strategy. The Board and the Investment Managers continue to believe that growth from equities, both in terms of increased income and increased capital values, offer the best prospects for achieving the Company's investment objectives.

The Board is starting to consider the options available to shareholders upon the expiry of the Company's ten year life on 28th February 2018. The Board is very aware that many shareholders will be keen to receive an opportunity to roll over their interests into a successor vehicle whilst others will be keen to receive cash equivalent to the then prevailing net asset value. Although much will depend upon the state of investment markets nearer the time, the Board is now regularly reviewing this issue with the Investment Managers and its other advisers.

Sir Laurence Magnus
Chairman — 11th May 2016

INVESTMENT MANAGERS' REPORT

Sarah Emly

John Baker

Market review

The UK stock market ended a challenging year with a negative return. Performance was particularly disappointing given the strong start to the review period, as a recovering domestic economy and continued low interest rate environment helped propel the market to a succession of new highs up to the end of May. However, the second half of the period was characterised by bouts of volatility, with the market buffeted by ongoing concerns over China and a slump in commodity prices. The Barclays Global Aggregate Corporate Bond Index was marginally lower in sterling terms over the 12 months to 29th February 2016.

The market was boosted in the first half of the review period by a strong economic backdrop, as the UK economy showed signs of picking up steam. GDP growth rebounded to 0.7% in the second quarter, up from 0.4% in the first quarter, while labour market conditions continued to improve, with unemployment falling to 5.4%, the lowest level since 2008. Nevertheless, subdued wage inflation helped to convince investors that the Bank of England (BoE) would keep interest rates at their record low for the time being, further supporting investor sentiment.

A surprise outright majority for the Conservatives in the General Election in early May 2015 prompted a sharp relief rally, particularly in sectors that had faced tighter regulation under a Labour-led government, such as homebuilders, utility companies and property developers. Meanwhile, ongoing worries over the Greek debt crisis were largely shrugged off, as the Greek government moved towards a deal for a third bailout from its creditors – although the package (finalised in early July) was not agreed without several setbacks along the way.

A resolution (at least in the short term) to the Greek crisis failed to set up markets for a strong second half to 2015. Instead, global markets wobbled, with China at the centre of investors' worries. The dramatic bursting of a bubble in the domestic A-share market through the summer and a surprise currency devaluation in August raised concerns about the extent of the country's economic slowdown. On the UK stock market, Chinese growth worries were most keenly felt in the mining and oil & gas sectors as commodity prices fell sharply, reflecting a drop in Chinese demand.

Metal prices recorded big falls, with copper, for example, falling to a six-year low in January 2016. Other base metals, such as zinc and iron ore, experienced similar weakness. However, it was the precipitous drop in the price of oil that grabbed the headlines, with Brent crude continuing on its downward journey from above $100 per barrel in September 2014, to end February 2016 at just $36 – its lowest level since mid-2004.

Although a drop in Chinese demand was a factor, the sharp drop in oil prices owed more, in our view, to oversupply, boosted in recent years by US shale production, the recent lifting of international sanctions on Iranian oil exports, and the inability of the Organisation of the Petroleum Exporting Countries (OPEC) to agree production cuts.

The UK market has a relatively large weighting to mining companies and oil producers. Both sectors struggled as the commodity rout sparked swingeing cost cuts and dividends came under pressure. Anglo American, for example, said in December that it would cut its workforce by 60%, suspend its dividend and close several business units, while Glencore was forced to sell assets and significantly cutback its copper mining operations in order to reduce its debts.

Away from China and commodities, the focus was very much on interest rates, with central banks on both sides of the Atlantic making significant policy announcements. In the US, the

INVESTMENT MANAGERS' REPORT *CONTINUED*

Federal Reserve (Fed) was expected to raise interest rates in September 2015 for the first time since 2006. In the event it did not act as forecast, but waited until December 2015. Markets reacted calmly to the news, interpreting the 25 basis point rate increase as an affirmation that the world's biggest economy was finally back on the path to sustainable growth.

Earlier in December 2015, the European Central Bank (ECB) – in complete contrast to the Fed's policy tightening – announced an extension to its asset purchase programme and a further cut in its deposit rate as it battled to boost eurozone growth and counter the threat of deflation. However, many investors were left disappointed, having had their expectations raised perhaps a little too high by some rather enthusiastic ECB guidance in the lead up to the announcement.

In the UK, the BoE kept base rates on hold at a record low of 0.5% throughout as the UK economy continued to grow at a reasonable pace, supported by low unemployment and low inflation. With forecasts for 2016 growth coming under pressure from global headwinds, including the Chinese slowdown, expectations for the first rise in UK rates since before the financial crisis were pushed back further into 2016 and even 2017 as the year progressed.

In the final two months of the year, UK stocks experienced heightened turbulence amid continued weakness in commodity prices and uncertainty over the outlook for global growth. Fears of a so-called 'Brexit' also contributed to volatility after the UK announced a referendum on the country's membership of the European Union, causing the pound to fall 1.7% against the US dollar to its lowest level since 2009. However, UK stocks rallied from mid February onwards, as investor confidence began to improve and beaten down commodity related stocks bounced back as oil surged on the prospects of a production cut.

The contrast between the broadly positive UK economic backdrop and a deterioration in emerging market demand drove a dramatic divergence in performance between larger and smaller companies on the UK stock market during the year. The more domestically focused FTSE Mid 250 and FTSE Small Cap were down 1.4% and 1.2% respectively, compared to a fall of approximately 13% in the FTSE 100, which was hit by its much bigger weighting towards the mining and oil sectors.

Portfolio Review

There has been no significant change to the asset allocation of the portfolio during the Company's financial year. The portfolio remains overweight equities relative to its composite benchmark. We believe UK equities are attractively valued and offer a large yield premium to bonds. In addition, the UK remains one of the strongest growing economies in the developed world which should support earnings growth and by extension dividend growth.

We assess individual investment opportunities on whether earnings estimates are being revised up, whether the valuation is attractive and whether the balance sheet and forecast cash flows allow for dividend growth. As such, portfolio construction is determined by bottom up stock selection.

For example, we bought a position in Headlam which is the largest distributor of floorcoverings in Europe. Resilient revenues, operational gearing and high cash conversion should mean the company can sustain its record of delivering 12% dividend growth. We also bought Connect Group, a wholesaler of newspapers and magazines previously known as Smiths News. Good results and strong cash generation support a dividend yield of 6%. Photo-Me International was another new entrant. The company operates photo booths in several countries including the UK, France, Germany and Japan. However, it also operates a range of other instant service equipment such as outdoor self service launderettes. The company is highly cash generative and has a policy of returning excess cash to shareholders by increasing its ordinary dividend as well as special distributions. Other purchases were mostly concentrated on increasing positions in existing holdings such as GlaxoSmithKline, British American Tobacco and Taylor Wimpey.

On the other hand we sold our positions in two of our mining holdings – Glencore and BHP Billiton. It became increasingly apparent that the prolonged period of weakness in commodity prices was putting their balance sheets, and hence dividend paying ability, under pressure. In addition, we sold Interserve. The company provides support services and operates a portfolio of Private Finance Initiative concessions in the UK. It also engages in construction in the Middle East. The prospect of increasing costs in the UK due to the introduction of the National Living Wage and a slow down in the Middle East due to weak oil prices put pressure on earnings. We also sold Old Mutual where a weaker outlook for loan growth in South Africa as well as weakness in the Rand dented the prospects for earnings growth. Other sales included Halfords and Provident Financial both of which had reported weak results.

Performance Review

In the year to 29th February 2016 the Company's shareholders' funds total return was –5.5%, in comparison to a benchmark return of –6.9%. The outperformance of the portfolio was due to equity stock selection whilst being underweight in corporate bonds detracted from returns relative to the Company's composite benchmark.

Our best performing stock over the financial year was Beazley which is a specialist insurance company which manages six Lloyds' syndicates. Profitability has been running ahead of expectations due to strong underwriting returns. The growth outlook is positive as the company has an attractive position in cyber security insurance. Additionally, the company has materially increased its 2016 dividend giving a yield at the time of writing of 7%. Imperial Brands (previously known as Imperial Tobacco) also contributed meaningfully to returns. The earnings prospects for the company have improved following the acquisition of various US brands. The cash return potential of the company is also very attractive. Our long term holding in WH Smith was also beneficial as growth in its stores in airports and train stations offset slower growth on the High Street. The company also benefited from the new, if unusual interest in adult colouring books. KCOM, which provides telecom services in Kingston (Yorkshire), boosted portfolio returns as the market welcomed the sale of its fibre optic cable network and rewarded strong results and a healthy dividend.

When looking at relative returns what is not owned can be as important as what is owned. Frustratingly, we did not own either SABMiller or BG Group, both of which were recipients of takeover approaches. This cost us 1.07% of relative performance alone. Slowing industrial momentum in the US led to very weak performances from engineering group GKN and equipment rental company Ashtead. Both of these companies have significant exposure to US industrial markets. Our holding in iron ore producer Rio Tinto was also unhelpful as commodity prices weakened impacting earnings and leading to fears that the dividend was unsustainable.

Market Outlook

Economically, we continue to live in a world of very low numbers: growth, inflation and consequently interest rates are all likely to remain at historically low levels for the foreseeable future. Worryingly, too many economies remain buoyed by debt, QE and low

INVESTMENT MANAGERS' REPORT *CONTINUED*

interest rates to be regarded as healthy. Growth has been sufficiently strong in the US to merit a rise in interest rates but this is likely to be the exception and will not presage a round of global interest rate rises.

Whilst the UK economy continues to be one of the strongest in the developed world, it is still too reliant on domestic consumption (rather than manufacturing and exports) for its growth. The UK Treasury continues to struggle to control public finances. In spite of one of the biggest fiscal consolidations of the post-war period, it is becoming an increasing concern to investors that, four years from now, the UK might not (despite Chancellor Osborne's legal commitment!) be in annual surplus.

The impending EU referendum is looking increasingly difficult to call. Against this backdrop sterling is likely to be weak. With the exception of the oil and mining stocks, the majority of quoted UK companies are still in reasonable shape with generally strong balance sheets and proven management. Valuations for such strong companies, whilst not cheap, are reasonable value on many yardsticks provided a global recession can be averted, which we think it can. A yield of approximately 4% on the UK market is ostensibly attractive although dividends will probably fall in aggregate this year. Against such a tough backdrop, stock specific risk is increasing and any disappointments are likely to be treated harshly.

We are treading cautiously but for the remaining life of the Company we currently see value in a diversified portfolio of quality, high yielding equities.

Sarah Emly
John Baker
Investment Managers — 11th May 2016

SUMMARY OF RESULTS

	29th February 2016	28th February 2015	% change
Total returns for the year ended			
Shareholders funds[1]	-5.5%	+5.4%	
Ordinary share net asset value[2]	-16.4%	+4.2%	
Unit net asset value[2]	-6.6%	+5.1%	
Zero Dividend Preference share net asset value[2]	+6.7%	+6.8%	
Ordinary share price[1]	-21.0%	+9.9%	
Unit share price[1]	-4.3%	+4.2%	
Zero Dividend Preference share price[1]	+2.3%	+6.1%	
Composite benchmark[3]	-6.9%	+5.8%	
			% change
Net asset value, market price and premium/(discount)			
Zero Dividend Preference shares[4]			
Capital entitlement (£'000)	78,592	73,624	+6.7
Net asset value per share (p)	168.6	158.0	+6.7
Market price (p)	176.0	172.1	+2.3
Premium	4.4%	8.9%	
Ordinary shares			
Net assets (£'000)	59,124	75,823	-22.1
Net asset value per share (p)	86.2	110.6	-22.1
Market price (p)	72.5	98.8	-26.6
Discount	(15.9)%	(10.7)%	
Units			
Net asset value per Unit (p)	341.0	379.2	-10.1
Market price (p)	325.0	353.0	-7.9
Discount	(4.7)%	(6.9)%	
Assets (Ordinary and Zero Dividend Preference shareholders)			
Shareholders' funds (£'000)	137,716	149,447	-7.8
Revenue for the year ended			
Attributable to Ordinary shareholders			
Gross revenue return (£'000)	7,192	6,035	+19.2
Revenue return for shareholders (£'000)	6,142	5,045	+21.7
Revenue return per share (p)	9.0	7.4	+21.6
Total dividends declared (£'000)	5,071	4,491	+12.9
Total dividend declared per share	7.40	6.575	+12.5
Gearing/(net cash)	**(0.1)%**	**(0.7)%**	
Ongoing charges	**1.22%**	**1.21%**	

A glossary of terms and definitions is provided on page 65.

[1] Source: Morningstar.

[2] Source: J.P. Morgan.

[3] Source: MSCI. The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Barclays Global Aggregate Corporate Bond Index in sterling terms.

[4] The predetermined final capital entitlement of 192.13p per ZDP (£89,557,000) is explained on page 17.

FINANCIAL RECORD

FROM 3RD MARCH 2008 (THE DATE THE COMPANY BEGAN INVESTING) TO DATE

	3rd Mar 2008	28th Feb 2009	28th Feb 2010	28th Feb 2011	29th Feb 2012	28th Feb 2013	28th Feb 2014	28th Feb 2015	29th Feb 2016
Zero Dividend Preference shares									
Net assets (£'000)	46,037	49,197	52,517	56,061	59,844	63,882	68,193	73,624	78,592
Net asset value per share (p)	100.0	106.7	114.0	121.6	129.8	138.6	148.0	158.0	168.6
Market price (p)	102.5	89.5	111.5	123.6	135.0	149.1	162.3	172.1	176.0
Premium/(discount) (%)	2.5	(16.1)	(2.2)	1.6	4.0	7.6	9.7	8.9	4.4
Ordinary shares									
Net assets (£'000)	61,627	26,112	46,933	56,235	52,714	61,960	76,372	75,823	59,124
Net asset value per share (p)	99.0	38.7	69.5	83.3	78.1	91.8	113.1	110.6	86.2
Share price (p)	100.0	48.3	68.0	74.0	69.3	82.4	96.3	98.8	72.5
Premium/(discount) (%)	1.0	24.8	(2.2)	(11.2)	(11.3)	(10.3)	(14.9)	(10.7)	(15.9)
Year ended 29th February	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Gross revenue (£'000)	N/A	5,646	4,090	4,323	5,134	4,934	5,634	6,035	7,192
Revenue return for shareholders (£'000)	N/A	4,670	3,404	3,559	4,301	4,095	4,727	5,045	6,142
Revenue return per share (p)	N/A	7.3	5.0	5.3	6.4	6.1	7.0	7.4	9.0
Total dividends declared (£'000)	N/A	4,076	3,376	3,376	3,578	3,848	4,136	4,491	5,071
Total dividends declared per share (p)	N/A	6.25[1]	5.00	5.00	5.30	5.70	6.125	6.575	7.400[2]
Rebased to 100 at 3rd March 2008 Year ended 29th February		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Unit share price total return[3]	100.0	60.2	90.6	104.7	108.5	129.8	153.3	159.7	152.8
Unit net asset value total return[3]	100.0	65.1	94.7	112.0	115.5	135.3	162.7	171.0	159.7
Benchmark[3,4]	100.0	69.0	100.1	116.1	118.7	134.5	150.7	159.3	148.4

A glossary of terms and definitions is provided on page 65.

1 Includes a special dividend of 1.25p per Ordinary share.
2 Includes special dividends of 0.50p per Ordinary share.
3 Source: Morningstar
4 Source: MSCI. The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Barclays Global Aggregate Corporate Bond Index in sterling terms.

TEN LARGEST INVESTMENTS

Company	Sub-sector	At 29th February 2016 Valuation £'000	%[1]	At 28th February 2015 Valuation £'000	%[1]
Royal Dutch Shell	Oil & Gas Producers	7,486	5.5	10,894	7.4
British American Tobacco	Tobacco	7,196	5.3	6,680	4.5
HSBC	Banks	6,257	4.6	8,061	5.5
Imperial Brands	Tobacco	5,882	4.3	5,049	3.4
GlaxoSmithKline	Pharmaceuticals & Biotechnology	5,606	4.2	5,646	3.8
BP	Oil & Gas Producers	5,220	3.9	6,515	4.4
AstraZeneca	Pharmaceuticals & Biotechnology	5,200	3.8	5,170	3.5
BT	Fixed Line Telecommunications	4,844	3.6	4,655	3.1
National Grid[2]	Gas, Water & Multiutilities	4,129	3.1	3,300	2.2
Beazley[2]	Non-Life Insurance	3,573	2.6	2,149	1.5
Total		55,393	40.9		

At 28th February 2015, the value of the ten largest equity investments amounted to £62.8m representing 42.4% of total investments.

[1] Based on total investments of £135.5m (2015: £148.0m).

[2] Not included in the ten largest investments at 28th February 2015.

SECTOR ANALYSIS

	29th February 2016		28th February 2015	
Sector	Portfolio[1] %	Benchmark %	Portfolio[1] %	Benchmark %
Financials	27.4	19.1	28.8	20.2
Consumer Goods	17.9	16.6	15.3	14.0
Consumer Services	16.6	12.3	11.0	10.8
Oil & Gas	9.4	9.9	11.8	11.7
Health Care	8.0	8.2	7.3	8.1
Telecommunications	6.3	5.2	7.8	4.6
Industrials	5.9	9.2	7.9	9.1
Utilities	5.1	3.7	3.1	3.4
Basic Materials	3.4	4.4	7.0	6.8
Technology	–	1.4	–	1.3
Total equities	100.0	90.0	100.0	90.0
Fixed interest	–	10.0	–	10.0
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £135.5m (2015: £148.0m).

[2] Galliford Try has been reclassified as Consumer Goods as at 28th February 2015 from Industrials.

LIST OF INVESTMENTS AT 29TH FEBRUARY 2016

Company	Value £'000
Financials	
Banks	
HSBC	6,257
Lloyds Banking Group	3,537
Barclays	2,437
	12,231
Non-Life Insurance	
Beazley	3,573
Direct Line Insurance	3,321
Novae	2,164
	9,058
Life Insurance	
Aviva	2,761
Phoenix Group	2,446
Legal & General	1,334
	6,541
Real Estate	
British Land	2,000
	2,000
General Financial	
Man Group	2,132
Jupiter Fund Management	1,753
Schroders	1,742
Intermediate Capital Group	1,606
	7,233
Total Financials	**37,063**
Consumer Goods	
Tobacco	
British American Tobacco	7,196
Imperial Brands	5,882
	13,078
Household Goods & Home Construction	
Berkeley	3,004
Taylor Wimpey	2,668
Persimmon	2,641
Galliford Try	1,728
Headlam group	1,007
	11,048

Company	Value £'000
Leisure Goods	
Photo-Me International	126
	126
Total Consumer Goods	**24,252**
Consumer Services	
Media	
ITV	3,271
WPP	2,553
RELX	1,996
Moneysupermarket.com	1,996
Informa	1,372
	11,188
Travel & Leisure	
Go-Ahead	2,115
easyJet	1,186
	3,301
Food & Drug Retails	
Booker Group	1,560
	1,560
General Retailers	
Next	3,343
WH Smith	1,881
Card Factory	1,281
	6,505
Total Consumer Services	**22,554**
Oil & Gas	
Oil & Gas Producers	
Royal Dutch Shell	7,486
BP	5,220
Total Oil & Gas	**12,706**
Health Care	
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	5,606
AstraZeneca	5,200
Total Health Care	**10,806**

LIST OF INVESTMENTS AT 29TH FEBRUARY 2016 *CONTINUED*

Company	Value £'000
Telecommunications	
Fixed Line Telecommunications	
BT	4,844
Kcom	1,803
	6,647
Mobile Telecommunications	
Vodafone	1,927
	1,927
Total Telecommunications	8,574
Industrials	
Support Services	
DCC	1,523
Ashtead	1,357
Connect Group	720
	3,600
Aerospace & Defense	
BAE Systems	2,005
	2,005
Construction & Materials	
Costain Group	1,073
	1,073
General Industrials	
DS Smith	1,341
	1,341
Total Industrials	8,019

Company	Value £'000
Utilities	
Gas, Water & Multiutilities	
National Grid	4,129
Severn Trent	2,815
Total Utilities	6,944
Basic Materials	
Mining	
Rio Tinto	2,780
	2,780
Forestry & Paper	
Mondi	1,836
	1,836
Total Basic Materials	4,616
Total Investments	135,534

Total investments comprised £135,534,000 in equity shares.

CAPITAL STRUCTURE OF THE COMPANY

Background and Details

Investment Objectives
The Company is a split-capital investment trust. Its objective is 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.

The Company's capital comprises 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). The net asset values of the Ordinary shares and ZDPs are £59,124,000 and £78,592,000 respectively (note 17). As at 29th February 2016 the Company's share capital consisted of 68,556,782 Ordinary shares and 46,612,200 Zero Dividend Preference shares. The final capital entitlement of £89,557,000 is payable on the ZDP Shares on 28th February 2018 (note 14).

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 surplus assets (including any growth in their value) after any indebtedness has been repaid and the prior entitlement of £89,557,000 to 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 of 192.13p per ZDP share due on 28th February 2018 (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.

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.

BUSINESS REVIEW

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review and the Business Review forms part of this report. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies, investment limits and restrictions, performance and key performance indicators, share capital, principal risks and how the Company seeks to manage those risks, the Company's environmental, social and ethical policy and finally its future developments.

Structure of the Company

JPMorgan Income & Capital Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. The Company employs J.P. Morgan Funds Limited ('JPMF' or the 'Manager') which in turn delegates portfolio management to JPMorgan Asset Management (UK) Limited ('JPMAM') to manage actively the Company's assets. The Board has determined an investment policy and related guidelines and limits, as described below.

The Company is subject to UK and European legislation and regulations including UK company law, Financial Reporting Standards, the UK Listing Authority (UKLA) Listing, Prospectus, Disclosure and Transparency Rules, taxation law and the Company's own Articles of Association. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

Investment Objective and Policies

The Company's objective is 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.

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

- The Company will not invest more than 10% of its Gross Assets in any one individual investment (excluding Government bonds and liquidity funds) at the time of acquisition, unless invested in a diversified fund where the limit is 15%.
- 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 may invest, with the approval of the Board, in derivative instruments for the purposes of efficient portfolio management and for generating income.

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.

Life of the Company

The Company has a fixed life and will be wound up voluntarily on 28th February 2018 unless, prior to that date, shareholders and unitholders approve alternative arrangements.

Performance

In the year ended 29th February 2016, the Company produced a portfolio return of -5.5%, compared with the return on the Company's benchmark index of -6.9%. At 29th February 2016, the value of the Company's investment portfolio was £135.5 million. The Investment Managers' Report on pages 7 to 10 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 total loss amounted to £5.3 million (2015: £9.1 million return) and net total loss after deducting interest, administrative expenses, provision for capital entitlement of the ZDP shareholders (note 7) and taxation, amounted to £12.1 million (2015: £2.9 million return). Distributable income for the year amounted to £6.1 million (2015: £5.0 million).

A fourth interim dividend of 1.80p and a special dividend of 0.25p per Ordinary share were paid on 22nd April 2016 to Ordinary shareholders and Unit holders on the register at the close of business on 8th April 2016. An additional special dividend of 0.25p per Ordinary share in respect of the year ended 29th February 2016 will be paid, together with the Company's first interim dividend of 1.80p per Ordinary share for the year ending 28th February 2017, which the Board announced at the same time as it released the final results included in this Annual Report and Accounts. Accordingly, in July 2016, Ordinary shareholders will receive a total of 2.05p per Ordinary Share.

The dividends paid or to be paid in respect of the year ended 29th February 2016 amounting in total to 7.40p per Ordinary share, comprise of three interim dividends each of 1.70p per Ordinary share, a fourth interim dividend of 1.80p per Ordinary share and two special dividends of 0.25p per Ordinary share. The total dividend of 7.40p per Ordinary share cost £5.1 million (2015: £4.5 million). The Company's undistributed revenue reserves, after allowing for the payment of the above dividends, amounts to £4.0 million (2015: £2.9 million). In accordance with the accounting policy of the Company, the fourth interim dividend and the special dividends will be reflected in the financial statements for the year ending 28th February 2017.

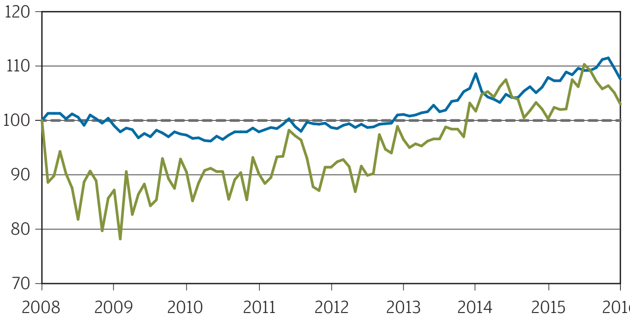
Key Performance Indicators ('KPIs')
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**

  This is the most important KPI by which performance is judged.

Performance Relative to Benchmark

FIGURES HAVE BEEN REBASED TO 100 AT THE TIME OF THE LAUNCH OF THE COMPANY



Source: Morningstar/FTSE.

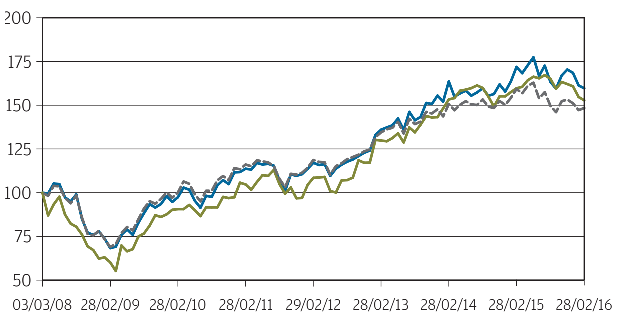
JPMorgan Income & Capital – Unit price.

JPMorgan Income & Capital – Unit net asset value.

---- The composite benchmark index is represented by the dotted horizontal line. The Company's benchmark is a composite of 90% FTSE 350 index (excluding Investment Trusts) and 10% Barclays Global Aggregate Corporate Bond Index in sterling terms. Prior to 1st March 2010, the benchmark was a composite comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Merrill Lynch 5-10 year UK Sterling Corporate Index for bonds..

Absolute Performance Since Inception

FIGURES HAVE BEEN REBASED TO 100 SINCE INCEPTION



Source: Morningstar.

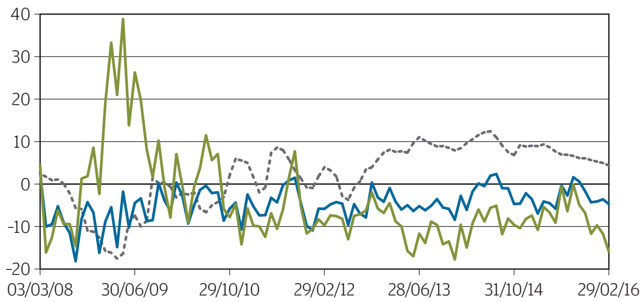
JPMorgan Income & Capital – Unit price.

JPMorgan Income & Capital – Unit net asset value.

---- Benchmark.

- **Share price discount/premium to net asset value ('NAV') per share**
  The Board recognises that the tendency of investment trust shares to trade at a discount can be a key disadvantage that can discourage investors. The Board has approval from shareholders for a share repurchase programme that may assist to address imbalances in supply of and demand for the Company's shares within the market and thereby reduce the volatility and absolute level of the share price discount or premium to NAV per share at which the Company's shares trade. In the year ended 29th February 2016, the Ordinary shares traded between a discount of 15.9% and 0.1% and the ZDP shares traded between a premium of 9.3% and 4.4%.

Premium (+)/Discount (–)



Source: Datastream.

JPMorgan Income & Capital – Ord (Dis)/Prem.

JPMorgan Income & Capital – Unit (Dis)/Prem.

---- JPMorgan Income & Capital – ZDPs (Dis)/Prem.

- **Ongoing Charges**
  The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the year. The ongoing charges for the year ended 29th February 2016 were 1.22% (2015: 1.21%). The Board reviews each year an analysis which shows a comparison of the Company's ongoing charges and its main expenses with those of its peers.

Share Capital

The Directors have authority on behalf of the Company to repurchase shares in the market for cancellation. As referred to in the Chairman's Statement on pages 4 to 6, the Company did not issue or buyback any shares during the year ended 29th February 2016.

Resolutions to renew the authority to repurchase shares and issue new shares will be put to shareholders at the forthcoming Annual General Meeting. More details are given on page 25 and the full text of the resolutions is set out in the Notice of Meeting on pages 62 and 63.

BUSINESS REVIEW *CONTINUED*

Details of the share capital structure of the Company can be found on page 17.

Principal Risks

With the assistance of the Manager, JPMorgan Funds Limited ('JPMF') the Board has drawn up a risk matrix, which identifies the key risks to the Company. It is confirmed that the Directors have carried out a robust assessment of the principal risks facing the Company. These key risks fall broadly into 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 which can result 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 on. JPMF provides the Directors with timely and accurate management information, including performance data and attribution analysis, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with representatives of the Investment Manager, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Board holds a separate meeting devoted to strategy each year.
- Market: The Company is inevitably exposed to movement in stock markets, both as a consequence of macro-economic trends and developments at the particular companies in which it holds securities. 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 JPMF. 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 ('Section 1158') of the Corporation Tax Act 2010. 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 JPMF and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Acts 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. 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 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, JPMF, to ensure compliance with the Companies Act 2006 and the UKLA Listing Rules. The Company is also required to comply with the Alternative Investment Fund Managers Directive (AIFMD) see page 24.
- 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 on pages 26 to 30.
- Operational: Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Depositary or 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 the Manager and its associates and the key elements designed to provide effective internal control are included on pages 29 and 30.
- Financial: The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Bank counterparties are subject to daily credit analysis by the Manager. In addition the Board receives regular reports on the Manager's monitoring and mitigation of credit risks on share transactions carried out by the Company. Further details are disclosed in note 22 on pages 57 to 60.

Board Composition

When recruiting a new Director, the Board's policy is to appoint individuals on merit. In addition diversity is important in bringing in an appropriate range of skills and experience to the Board. At 29th February 2016, there were four male Directors and one female Director on the Board. As mentioned in the Chairman's statement, Roderick Collins is expected to retire from the Board in December 2016 and a process will be implemented later in the year to appoint a replacement. Since 1st April 2015 the Company has agreed to permit an observer to attend all of its meetings over a period of one year under a scheme designed to increase the talent pool of prospective non-executive directors. Following the successful conclusion of the first one year arrangement with a board observer, the Board has decided to offer another one year position to a new Board observer recommended by the Board Apprentice organisation. The role of observer or 'Board Apprentice' is educational and unpaid. The Association of Investment Companies ('AIC') has encouraged Investment Trust Companies to participate in such schemes. See www.boardapprentice.com for further details of the scheme.

Employees, Social, Community and Human Rights Issues

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

Social, Environmental and Human Rights

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.

Greenhouse Gas Emissions

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

Future Developments

The future development of the Company depends on the success of the Company's investment strategy. The Investment Managers discuss the outlook in their report on pages 7 to 10.

Long Term Viability

Taking account of the Company's current position, the principal risks that it faces and their potential impact on its future developments and prospects, the Directors have assessed the viability of the Company, to the extent that they are able to do so, over the remaining years of its fixed life to 28th February 2018. The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the period of assessment up to the expiry of the Company's life on or around 28th February 2018.

By order of the Board
Paul Winship, for and on behalf of
JPMorgan Funds Limited
Secretary

11th May 2016

BOARD OF DIRECTORS

Sir Laurence Magnus (Chairman of the Board and Nomination Committee)
A Director since 2008.

Last reappointed to the Board: 2014.

Sir Laurence Magnus is a senior adviser at Evercore Partners, a corporate finance advisory business. He is a non-executive director of Pantheon International Participations plc and Fidelity Japanese Values plc. He is Chairman of Historic England (formerly English Heritage) and a trustee of The Allchurches Trust, The Windsor Leadership Trust and The English Heritage Trust. He is a director of Aggregated Micro Power Holdings Plc. He was formerly an executive managing director of investment banking at Donaldson, Lufkin & Jenrette and its successor company Credit Suisse First Boston. He was Chairman of Lexicon Partners immediately prior to its merger with Evercore Partners in 2011.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 47,268 units.

Roderick Collins
A Director since 2008.

Last reappointed to the Board: 2014.

Roderick Collins has had extensive business and investment management experience, notably as chief executive of the private banking activities of Matheson & Co. Limited between 1985 and 2000. He is a director of Solent Systematic Investment Strategies Limited. He sits on various investment committees.

Shared directorships with other Directors: None.

Shareholding in Company: 11,818 Units.

Sian Hansen
A Director since 2013.

Last reappointed to the Board: 2013.

Sian Hansen is Executive Director of The Legatum Institute, a public policy organisation focusing on promoting policies which foster free and prosperous societies around the world. She is responsible for the Legatum Institute's operations and high-level strategic leadership. Previously Sian spent seven years as the Managing Director of the UK's leading think tank Policy Exchange; an educational charity encouraging discourse on domestic policy development. Sian is a non-executive director of the Centre for Entrepreneurs, a Commissioner of The Women's Refugee Commission (USA), Sian is also a director of Pacific Assets Trust plc. She was formerly Head of Sales for Asian Equities at Société Générale. Prior to this she was an equity analyst and broker with Enskilda Securities in Europe.

Shared directorships with other Directors: None.

Shareholding in Company: 10,000 Ordinary shares.

Richard Hills
A Director since 2008.

Last reappointed to the Board: 2015.

Richard Hills has substantial experience of investment trust and investment company boards and is currently the Chairman of Strategic Equity Capital plc, the Aztec Group Ltd (one of the largest Channel Islands administrators of private equity funds) and a director of Henderson International Income Trust Plc and GLI Alternative Finance plc.

Shared directorships with other Directors: None.

Shareholding in Company: 75,000 Ordinary shares.

James West (Chairman of the Audit Committee and Senior Independent Director)
A Director since 2008.

Last reappointed to the Board: 2015.

James West FCA is a former chief executive of Lazard Asset Management and a managing director of Lazard Brothers, prior to which he was managing director of Globe Investment Trust plc. He is currently Chairman of CQS New City High Yield Fund Ltd. He is a non-executive director of BlackRock Income Strategies Trust plc, Aberdeen Smaller Companies High Income Trust plc, and a director of other companies.

Shared directorships with other Directors: None.

Shareholding in Company: 35,663 Ordinary shares.

All Directors are members of the Audit and Nomination Committees and are considered independent of the Manager.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 29th February 2016.

Management of the Company

The Manager and Company Secretary is JPMorgan Funds Ltd ('JPMF'). Portfolio Management is delegated to JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMF and JPMAM are wholly owned subsidiaries of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodial services to the Company.

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received provides value for money for shareholders. No separate management engagement committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process.

The Board reviews the performance of the Manager each year. The most recent review covered the performance of the Manager, its management processes, investment style, resources and risk controls and the quality of support that the Company receives from the Manager including the marketing support provided. The Board is of the opinion that the continuing appointment of the Manager is in the best interests of shareholders as a whole.

Management Fee

The current Management Agreement was entered into with effect from 1st July 2014 following implementation of the Alternative Investment Fund Managers Directive.

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

The annual management fee is charged at 0.85% per annum of the value of the Company's net assets, excluding investments in funds on which JPMAM charges a management fee, calculated and paid monthly.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF, an affiliate of JPMAM, has been appointed as the Company's alternative investment fund manager ('AIFM'). JPMF has been approved as an AIFM by the Financial Conduct Authority ('FCA'). For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. JPMF is required to ensure that a depositary is appointed to the Company. The Company therefore has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has delegated its safekeeping function to the Custodian, JPMorgan Chase Bank, N.A., however, BNY remains responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

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

There have been no material changes to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider. The Company's leverage and JPMF remuneration disclosures are set out on page 61.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 17), risk management policies (see page 20), capital management policies and procedures (see page 17), 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.

Directors

The Directors of the Company who held office at the end of the year are described on pages 22 and 23.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 32.

Details of the tenure of the Directors are on page 27.

The Nomination Committee, having considered the Directors' qualifications, performance and contribution to the Board and its Committees, confirms that each Director continues to be effective and demonstrates commitment to the role. The Board recommends to shareholders that those Directors standing for reappointment be reappointed.

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 in place during the year and as at the date of this report.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain potential 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 2006) 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 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 Section 418(2) of the Companies Act 2006.

Independent Auditors

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

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 page 17.

Voting Rights in the Company's shares

As at 9th May 2016 (being the latest business day prior to the publication of this report), the Company's issued share capital consists of 68,556,782 Ordinary Shares and 46,612,200 Zero Dividend Preference Shares carrying one vote each. Therefore, the total voting rights in the Company are 115, 168,982.

Notifiable Share Interests

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

Ordinary shares Shareholders	Number of shares held	% of total voting rights
Rathbone Brothers Plc	9,770,993	8.5
JPMorgan Chase & Co[1]	5,655,942	4.9
Investec Wealth & Investment Limited	915,816	0.8

[1] Non-beneficial.

Zero Dividend Preference shares Shareholders	Number of shares held	%
Investec Wealth & Investment Limited	2,850,496	2.47
Rathbone Brothers Plc	941,746	0.8

The Company is also aware that approximately 31.0% of the Company's total voting rights are held by individuals through savings products managed by JPMF and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMF has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

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:

(i) Authority to allot relevant Securities (resolution 7)

The Directors will seek authority at the Annual General Meeting to issue new shares equivalent to 5% of the present issued share capital. This authority will remain in effect until the Annual General

DIRECTORS' REPORT *CONTINUED*

Meeting in 2017 unless renewed at an earlier general meeting. The full text of the resolution is set out in the Notice of Meeting on page 62.

It is advantageous for the Company to be able to issue new shares to 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 NAV, they increase the assets underlying each share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares.

(ii) Disapplication of pre-emption rights (resolution 8)
Resolution 8 seeks authority to disapply statutory pre-emption rights on any issues of new shares under (i) above. This avoids the legal requirement to offer them pro rata to all shareholders. The full text of the resolution is set out in the Notice of Meeting on page 62.

(iii) Authority to repurchase the Company's shares (resolution 9)
A resolution will be proposed at the Annual General Meeting that the Company be authorised to purchase in the market up to 14.99% of the Company's issued share capital as at the date of the passing of this resolution using its realised capital reserves.

The decision as to whether the Company repurchases any shares will be at the discretion of the Board and purchases will be made in the market and at prices below the prevailing net asset value per share. Under the rules of the London Stock Exchange, the maximum price that may be paid on a purchase by a company of its shares under a general authority is 105% of the average of the middle market quotations of the shares for the five business days immediately before the day on which the purchase is made. The minimum price that the Company will pay for a share will be one pence (the nominal value of each share). The Company will utilise the authority to purchase shares on an ad hoc basis by either a single purchase or a series of purchases as and when market conditions are appropriate.

The authority to purchase shares will last until the Annual General Meeting in 2017 or until the whole of the 14.99% has been acquired, whichever is the earlier. The authority may be renewed by shareholders at any time at a general meeting.

Recommendation (resolutions 7 to 9)

The Board considers that resolutions 7 to 9 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommended that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 34, indicates how the Company has applied the principles of good governance of the 2014 UK Corporate Governance Code and the AIC's Code of Corporate Governance 2013 (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board is responsible for corporate governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code and the AIC Code throughout the period under review.

Role of the Board
A management agreement between the Company and JPMF 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.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company, which arose during the year.

Following the introduction of the Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

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

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

Board Composition

The Board, chaired by Sir Laurence Magnus, currently consists of five non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager and Company Secretary. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 22 and 23. There have been no changes to the Chairman's other significant commitments during the year under review.

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. The Board has appointed James West as Senior Independent Director. He is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

As referred to in the Chairman's statement and on page 20 Roderick Collins is expected to retire as Director in December 2016 and the services of an independent non-executive search consultancy are being considered in order to identify a replacement to take Roderick Collin's place.

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 reappointed by shareholders. Thereafter, a Director's appointment runs for a term of three years. In the light of the performance evaluation carried out each year, the Board will decide, when the term expires, whether it is appropriate for the Director, if he or she so wishes, to seek an additional term.
A Director's continuing appointment is subject to reappointment by shareholders on retirement by rotation in accordance with the Company's Articles of Association.

The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-appointment but, when making a recommendation, the Board will take into account the ongoing requirements of the UK Corporate Governance 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.

The Board recommends the reappointment of Sir Laurence Magnus and Sian Hansen following a performance review, conducted by the Nomination Committee, which concluded that they continued to add value to the Board.

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

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and 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 trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on pages 22 and 23.

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

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Roderick Collins	5	2	1
Sian Hansen	5	2	1
Richard Hills	5	2	1
Sir Laurence Magnus	5	2	1
James West	5	2	1

Board Committees

Nomination Committee

The Nomination Committee, chaired by Sir Laurence Magnus, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills to carry out its fiduciary duties and to select and propose suitable candidates when necessary for appointment. The appointment process takes account of the benefits of all aspects of diversity, including gender.

The Board takes account of all aspects of diversity, including gender, during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity. Therefore, no targets have been set against which to report. There were no new directors appointed in the year. As referred to on page 20 following the successful conclusion of the Board observer arrangement on 31st March 2016 the Company has agreed to appoint another

DIRECTORS' REPORT *CONTINUED*

observer for one year under a scheme designed to broaden the talent pool of prospective non-executive directors

The Committee undertakes an annual performance evaluation of the Board, its committees, individual Directors and the Chairman, to ensure that all its members have devoted sufficient time and contributed adequately to the work of the Board. The Senior Independent Director leads the evaluation of the Chairman's performance. In the light of these evaluations, the Committee makes recommendations to the Board concerning the reappointment by shareholders of any Director under the 'retirement by rotation' provisions in the Company's Articles of Association. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required in relation to remuneration policy.

Each Director submits a list of potential conflicts of interest at each Board meeting. These are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved by the Board.

Audit Committee

The Audit Committee, chaired by James West, and comprising all the Directors, meets at least twice 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 UK Corporate Governance Code.

During its review of the Company's financial statements for the year ended 29th February 2016, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1 to the financial statements on page 45. 100% of the portfolio can be verified against daily published prices. The audit includes the determination of the valuation, existence and ownership of the investments. Controls are in place to ensure valuation are appropriate and existence is verified through custodian reconciliations. The Board monitors significant movements in the underlying portfolio.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(e) to the accounts on page 46. The Board reviews elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st March 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

The Audit Committee was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Having taken all available information into consideration and having discussed the content of the annual report and accounts with the Alternative Investment Fund Manager ('JPMF'), Investment Managers, Company Secretary and other third party service providers, the Audit Committee has concluded that the Annual Report for the year ended 29th February 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 34.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

The Audit Committee examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department (see page 29 Risk Management and Internal Controls) and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. In the Directors' opinion the Auditors are independent.

The Audit Committee has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attended the Audit Committee meeting at which the draft Annual Report & Accounts were considered and also engage with Directors as and when required. Having reviewed the performance of the external Auditors, including assessing the quality of work, timing of communications and work with JPMF, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The current audit firm, PricewaterhouseCoopers LLP, has audited the Company's financial statements since its launch. The Company's year ended 29th February 2016 is the current Audit Partner's first year of a five year maximum term.

Details of remuneration paid to the external Auditors are given in note 6 on page 49.

Terms of Reference

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their responsibilities. Copies are available for inspection on request at the Company's registered office and at the 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 twice a year by way of the Annual Report and Accounts and the Half Year Report. This is supplemented by daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting, at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions, and a presentation is given by the Investment Manager, who reviews the Company's performance. During the year the Company's brokers, and representatives of the Manager hold regular discussions with larger shareholders and make the Board fully aware of their views. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 67. The Chairman can also be contacted via the Company's website by following the 'Ask a Question' link at jpmincomeandcapital.co.uk.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders who cannot attend the meeting but wish to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 67.

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

Miscellaneous Information

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

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

Risk Management and Internal Control

The UK Corporate Governance 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 controls.

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.

The Company's system of internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. Investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on page 20). This process has been in place for the year under review and up to the date of the approval of the Annual Report & Accounts, and it accords with the Financial Reporting Council's guidance. The Company does not have an internal audit function of its own, but relies on the internal audit department of the Manager, and the Board keeps this arrangement under review. 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 – Appointment of a manager and depositary regulated by the Financial Conduct Authority (FCA), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems.

DIRECTORS' REPORT *CONTINUED*

These are monitored by the Manager's Compliance Department which regularly monitors compliance with FCA rules.

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

The Board, either directly or through the Audit Committee, 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:

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMF's Compliance department;
- the Board reviews the report on the risk management and internal controls and operations of its depositary BNY Mellon Trust & Depositary UK Limited and its custodian JPMorgan Chase Bank, which are themselves independently reviewed; and
- the Directors review every six months an independent report on the internal controls and the operations of JPMF.

By 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 29th February 2016, and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of internal control, the Board had not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Further details on the items listed above can be seen in the Strategic Report Section pages 4 to 21.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMF. The following is a summary extract of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 20.

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
It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.

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

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

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

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

By order of the Board
Paul Winship, for and on behalf of
JPMorgan Funds Limited,
Secretary

11th May 2016

DIRECTORS' REMUNERATION REPORT

The Board presents the Directors' Remuneration Report for the year ended 29th February 2016, which has been prepared in accordance with the requirements of Section 421 (as amended) of the Companies Act 2006.

The law requires the Company's Auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors opinion is included in their report on pages 35 to 40.

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.

Directors' Remuneration Policy

Although the Directors' Remuneration Policy is required to be subject to a triennial binding vote, a decision has been taken to seek approval annually and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote is set out in full below and is currently in force.

At the AGM held on 2nd July 2015, 99.24% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the Remuneration Policy and 0.76% voted against. Abstentions were received from less than 1.32% of votes cast.

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 other Directors, reflecting the greater time commitment involved in fulfilling those roles.

Reviews are based on information provided by the Manager, JPMF, and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required. There is no employee comparative data to provide in relation to the setting of the remuneration policy for Directors.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

Directors fees were last increased with effect from 1st March 2015. In the year under review fees were paid at the following rates. Directors' £23,000, Audit Committee Chairman £28,750, Chairman £34,500.

The Company's Articles of Association stipulate that aggregate fees must not exceed £175,000 per annum. Any increase in this maximum aggregate amount requires both Board and shareholder approval.

The Company's Articles of Association provide for additional remuneration to be paid to the Company's Directors for duties or services performed outside their ordinary duties. The amount paid is not limited by the £175,000 limit referred to above.

The Company has not sought shareholder views on its remuneration policy. The Nomination Committee will consider any comments received from shareholders on remuneration policy on an ongoing basis and will take account of any such views.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 27.

The Company's Remuneration Policy applies to new Directors as well.

There have been no changes to the policy during the year ended 29th February 2016 and no changes are proposed for the year ending 28th February 2017.

Directors' Remuneration Policy Implementation Report

The Directors' Remuneration Policy Implementation Report, which provides details of how the Directors' remuneration policy has been implemented, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting.

DIRECTORS' REMUNERATION REPORT *CONTINUED*

At the Annual General Meeting held on 2nd July 2015, 99.36% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration report and 0.64% voted against. Abstentions were received from less than 0.92% of the votes cast.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Policy Implementation Report from the 2016 Annual General Meeting will be given in the annual report for the year ending 28th February 2017.

Details of how the Company's remuneration policy has been implemented are given below. No advice from remuneration consultants was received during the year under review.

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 29th February 2016 was £132,250. The single total figure of remuneration for each Director is detailed below, together with the comparative figure for the prior year.

Single total figure table[1]

	Total fees	
Directors' Name	2016 £	2015 £
Sir Laurence Magnus	34,500	33,000
Roderick Collins	23,000	22,000
Sian Hansen	23,000	22,000
Richard Hills	23,000	22,000
James West	28,750	27,500
Total	**132,250**	**126,500**

[1] Audited information. Other columns have been omitted because no payments of any other type were made or are applicable.

Remuneration for the role of Chairman over the five years ended 29th February 2016

29th February	Fees £
2016	34,500
2015	33,000
2014	33,000
2013	30,000
2012	30,000

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' beneficial shareholdings are detailed below.

Zero Dividend Preference shares	29th February 2016	28th February 2015
Roderick Collins	–	–
Sian Hansen	–	–
Richard Hills	–	–
Sir Laurence Magnus	–	–
James West	–	–

Ordinary shares	29th February 2016	28th February 2015
Roderick Collins	–	–
Sian Hansen	10,000	10,000
Richard Hills	75,000	75,000
Sir Laurence Magnus	–	–
James West	35,663	35,663

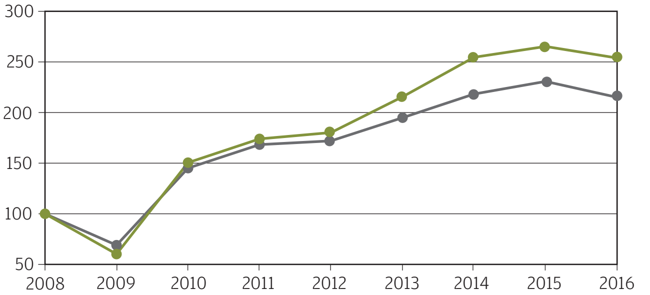
Units	29th February 2016	28th February 2015
Roderick Collins	11,818	11,818
Sian Hansen	–	–
Richard Hills	–	–
Sir Laurence Magnus	47,268	47,268
James West	–	–

[1] Audited information.

The Directors have no other share interests or share options in the Company and no other share schemes are available.

A graph showing the Company's Unit price total return compared with its composite benchmark index since inception is shown below. The benchmark is a composite comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Barclays Global Aggregate Corporate Bond Index in sterling terms. The Board believes this benchmark is the most representative comparator for the Company given its objectives.

Unit price and benchmark total return performance since inception



Source: Morningstar/MSCI.

Unit price total return.

Benchmark total return.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended	
	29th February 2016 £	28th February 2015 £
Remuneration paid to all Directors	132,250	126,500
Distribution to shareholders		
– by way of dividend	5,071,000	4,491,000
– by way of share repurchases	nil	nil

For and on behalf of the Board
Sir Laurance Magnus
Chairman

11th May 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the accounts 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, taken as a whole, the annual report and accounts are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the net return and loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

and the Directors confirm that they have done so.

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 to 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.jpmincomeandcapital.co.uk website, which is maintained by the Company's Manager, JPMF. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. 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.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

Each of the Directors whose names and functions are listed in the Directors' Report confirms that, to the best of his/her knowledge:

- The financial statements, which have been 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 net return or loss of the Company.
- The Strategic Report and Directors' 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.

The Board confirms that it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the strategy and business model of the Company.

For and on behalf of the Board
Sir Laurence Magnus
Chairman

11th May 2016

Independent Auditors’ Report

TO THE MEMBERS OF JPMORGAN INCOME & CAPITAL TRUST PLC

Report on the financial statements

Our opinion

In our opinion, JPMorgan Income & Capital Trust plc’s financial statements (the ‘financial statements’):

- give a true and fair view of the state of the Company’s affairs as at 29th February 2016 and of its net return and cash flows 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.

What we have audited

The financial statements, included within the Annual Report & Accounts (the ‘Annual Report’), comprise:

- the Statement of Financial Positon as at 29th February 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’.

Our audit approach

Overview

- Overall materiality: £591,000 which represents approximately 1% of net assets.

- The Company is a standalone Investment Trust Company and engages JPMorgan Funds Limited (the ‘Manager’) to manage its assets.
- We conducted our audit of the financial statements from information provided by JPMorgan Corporate & Investment Bank (the ‘Administrator’) to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

- Income.
- Valuation and existence of investments.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (‘ISAs (UK & Ireland)’).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Income *Refer to page 28 (Directors' Report), pages 45 and 46 (Accounting Policies) and page 48 (Notes to the Financial Statements).* We focused on the accuracy and completeness of dividend income recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or in accurate income could have material impact on the Company's net assets value and dividend cover. We also focused on the calculation of realised and unrealised gains or losses on the investment portfolio.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. In addition, we tested dividend income by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP. We then tested the validity of revenue and capital special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP. We have also tested the gains or losses on investments held at fair value comprising realised and unrealised gains or losses. For realised gains or losses, we tested a sample of disposal proceeds to bank statements. For unrealised gains or losses, we tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. No misstatements were identified by our testing which required reporting to those charged with governance.
Valuation and existence of investments *Refer to page 28 (Directors' Report), page 45 (Accounting Policies) and page 52 (Notes to the Financial Statements).* The investment portfolio at the year-end principally comprised of listed equity investments of £135.5 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.	We tested the valuation of the listed investment portfolio by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JPMorgan Chase Bank, N.A. No differences were identified.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the Manager and Administrator, the accounting processes and controls, and the industry in which the Company operates.

The Company's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager and the Directors.

As part of our risk assessment, we assessed the control environment in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and reading the relevant control reports issued by the independent auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. We then identified those key controls at the Administrator on which we could place reliance to provide audit evidence. We also assessed the gap period of five months between the period covered by the controls report and the year-end of the Company. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work. For the purposes of our audit, we determined that additional testing of controls in place at the Administrator was not required because additional substantive testing was performed.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£591,000 (2015: £758,000)
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £29,560 (2015: £39,600) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 24, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting
Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 34, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 28, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company
Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the Directors' confirmation on page 20 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 21 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 34, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

11th May 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29TH FEBRUARY 2016

	Notes	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	3	–	(12,474)	(12,474)	–	3,109	3,109
Net foreign currency losses		–	(4)	(4)	–	(8)	(8)
Income from investments	4	7,184	–	7,184	6,023	–	6,023
Other interest receivable and similar income	4	8	–	8	12	–	12
Gross return/(loss)		7,192	(12,478)	(5,286)	6,035	3,101	9,136
Management fee	5	(496)	(744)	(1,240)	(483)	(725)	(1,208)
Other administrative expenses	6	(522)	–	(522)	(504)	–	(504)
Net return/(loss) on ordinary activities before finance costs and taxation		6,174	(13,222)	(7,048)	5,048	2,376	7,424
Finance costs – appropriations for Zero Dividend Preference shares	7	–	(4,968)	(4,968)	–	(4,553)	(4,553)
Finance costs – other	7	(9)	(14)	(23)	(9)	(14)	(23)
Net return/(loss) on ordinary activities before taxation		6,165	(18,204)	(12,039)	5,039	(2,191)	2,848
Taxation (charge)/credit	8	(23)	–	(23)	6	–	6
Net return/(loss) on ordinary activities after taxation		6,142	(18,204)	(12,062)	5,045	(2,191)	2,854
Return/(loss) per class of share							
Return/(loss) per Ordinary share	10	9.0p	(26.6)p	(17.6)p	7.4p	(3.2)p	4.2p
Return per ZDP share	10	–	10.7p	10.7p	–	9.8p	9.8p

Details of dividends paid and declared are given in note 9 on page 51.

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 notes on pages 45 to 60 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29TH FEBRUARY 2016

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve[1] £'000	Total £'000
At 28th February 2014	675	3,640	60,470	8	8,116	3,463	76,372
Issue of Ordinary shares	10	987	–	–	–	–	997
Amortisation of expenses of the placing and offer for subscription	–	–	23	–	–	–	23
Net (loss)/return on ordinary activities	–	–	–	–	(2,191)	5,045	2,854
Dividends paid in the year	–	–	–	–	–	(4,423)	(4,423)
At 28th February 2015	685	4,627	60,493	8	5,925	4,085	75,823
Amortisation of expenses of the placing and offer for subscription	–	–	23	–	–	–	23
Net (loss)/return on ordinary activities	–	–	–	–	(18,204)	6,142	(12,062)
Dividends paid in the year	–	–	–	–	–	(4,660)	(4,660)
At 29th February 2016	685	4,627	60,516	8	(12,279)	5,567	59,124

[1] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

The notes on pages 45 to 60 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 29TH FEBRUARY 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	135,534	147,972
Current assets	12		
Debtors		2,209	708
Cash and cash equivalents[1]		200	1,005
		2,409	**1,713**
Creditors: amounts falling due within one year	13	(227)	(238)
Net current assets		**2,182**	**1,475**
Total assets less current liabilities		**137,716**	**149,447**
Creditors: amounts falling due after more than one year			
Capital entitlement of the Zero Dividend Preference shareholders	14	(78,592)	(73,624)
Net assets		**59,124**	**75,823**
Capital and reserves			
Called up share capital	15	685	685
Share premium	16	4,627	4,627
Other reserve	16	60,516	60,493
Capital redemption reserve	16	8	8
Capital reserves	16	(12,279)	5,925
Revenue reserve	16	5,567	4,085
Total equity shareholders' funds		**59,124**	**75,823**
Net asset value per share			
Zero Dividend Preference share	17	**168.6p**	**158.0p**
Ordinary share	17	**86.2p**	**110.6p**

[1] This line item combines the two lines of 'Investments in liquidity funds held at fair value through profit or loss' and 'Cash and short term deposits' in the financial statements for the year ended 28th February 2015 into one. Under FRS 102, liquidity funds are considered cash equivalents as they are held for cash management purposes.

The financial statements on pages 41 to 44 were approved and authorised for issue by the Directors on 11th May 2016 and were signed on their behalf by:

James West
Director

The notes on pages 45 to 60 form an integral part of these financial statements.

Company registration number: 6453183

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 29TH FEBRUARY 2016

	Notes	2016 £'000	2015 £'000
Net cash outflow from operations before dividends and interest received	18	(1,750)	(1,724)
Dividends received		6,727	5,997
Interest received		8	4
Overseas tax recovered		–	6
Net cash inflow from operating activities		**4,985**	**4,283**
Purchases of investments		(40,408)	(34,870)
Sales of investments		39,278	33,184
Settlement of foreign currency contracts		–	18
Net cash outflow from investing activities		**(1,130)**	**(1,668)**
Dividends paid		(4,660)	(4,423)
Proceeds of new Ordinary shares		–	997
Proceeds of new Zero Dividend Preference shares	14	–	878
Net cash outflow from financing activities		(4,660)	(2,548)
(Decrease)/increase in cash and cash equivalents		(805)	67
Cash and cash equivalents at the start of the year		1,005	937
Exchange movements		–	1
Cash and cash equivalents at the end of the year		200	1,005
(Decrease)/increase in cash and cash equivalents		(805)	67
Cash and cash equivalents consist of:			
Cash and short term deposits		200	455
JPMorgan Sterling Liquidity Fund		–	550
Total		**200**	**1,005**

The notes on pages 45 to 60 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29TH FEBRUARY 2016

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014.

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

The financial statements have been prepared on a going concern basis. The disclosure on going concern on page 24 of the Directors Report form part of these financial statements.

Early adoption

In March 2016, the FRC published amendments to FRS 102 concerning fair value hierarchy disclosures. These amendments are effective for accounting periods beginning on or after 1st January 2017. The Company has elected for early adoption of these amendments in this set of financial statements. Full disclosure is given in note 21.

(b) Transition to FRS 102

This set of financial statements, in accordance with the SORP includes changes arising from the adoption of FRS 102 (date of transition 1st March 2014), which the Company is required to comply with for the first time for the year ended 29th February 2016.

Aside from amendments to the disclosure of fair value hierarchy information and presentational aspects relating to the Statement of Cash Flows and Statement of Financial Position, no significant changes have arisen from the adoption of the new standards. Where changes have arisen, they are substantially in relation to presentation, disclosure and non-quantifiable aspects – there has been no impact to financial position or financial performance and no comparative figures require restating.

(c) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

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. The 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 treated by the Company as 'held at fair value through profit or loss' (FVTPL). They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

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

(d) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on cash and cash equivalents, realised gains and losses on foreign currency, management fee and finance costs charged to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Gains and losses on sales of investment'.

Increases and decreases in the valuation of investments held at the year end, including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holdings gains and losses'.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

1. Accounting policies *continued*

(e) Income

Dividends receivable from equity shares 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 taken to capital. Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as income or capital.

UK dividends are accounted for net of tax credits. Overseas dividends are included gross of any withholding tax.

Interest receivable from fixed interest securities is included in revenue on a time apportionment basis using the effective interest method.

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 as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Deposit interest receivable on cash and cash equivalents is taken to revenue on an accruals basis.

Underwriting commission is taken to revenue on a receipts basis. Underwriting commission is recognised in income 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 taken to income.

Property income distributions are taken to revenue on an accruals basis.

(f) Expenses

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

- the management fee is allocated 40% to revenue and 60% 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 and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly stamp duty and brokerage commission. Details of transaction costs are given in note 11 on page 52.

(g) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method.

The provision for the capital entitlement of the Zero Dividend Preference shares is charged wholly to capital as to allocate any portion to revenue would affect the rights and benefits attributable to the Ordinary shareholders.

Finance costs are allocated 40% to revenue and 60% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(h) Financial instruments

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

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

Derivative transactions which the Company may enter into comprise forward currency contracts, the purpose of which is to manage currency risk a rising from the Company's investing activities. The Company does not use derivative financial instruments for speculative purposes. These are shown as part of current assets.

Because of the Company's limited life and the rights and obligations attached to the Zero Dividend Preference shares, these shares are classified in the financial statements as liabilities.

(i) Foreign currency

The Company is required to identify a functional currency, being the currency of the primary economic environment in which the Company operates.

The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the Statement of Comprehensive Income as an exchange gain or loss in revenue return or capital return, depending on whether the gain or loss is of a revenue or capital nature.

(j) Taxation

Current tax is provided at the amounts expected to be paid or received.

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.

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.

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

(k) Value Added Tax ('VAT')

Irrecoverable VAT is included in the expense on which it has been suffered.

The Company may recover a small proportion of VAT input tax and this is calculated using the partial exemption method which is based on the proportion of non taxable supplies to total supplies.

(l) Capital entitlement of the Zero Dividend Preference shareholders

The provision for the capital entitlement of the Zero Dividend Preference shares is included as a finance cost in the Statement of Comprehensive Income and is credited to the capital entitlement of the Zero Dividend Preference shareholders in note 14 on page 53. The provision is calculated on a cumulative compound basis. The Zero Dividend Preference shares are recognised as liabilities due to their predetermined life and details of the final capital entitlement are disclosed in note 22 on page 57.

(m) Dividends payable

Dividends are included in the financial statements in the year in which they are paid.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires management to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

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

3. (Losses)/gains on investments held at fair value through profit or loss

	2016 £'000	2015 £'000
Gains on sales of investments held at fair value through profit or loss based on historic cost	6,443	7,492
Amounts recognised as investment holding gains and losses in the previous period in respect of investments sold during the year	(11,143)	(10,121)
Losses on sales of investments based on the carrying value at previous balance sheet date	(4,700)	(2,629)
Net movement in investment holding gains and losses	(7,771)	5,740
Other capital charges	(3)	(2)
Total capital (losses)/gains on investments held at fair value through profit or loss	**(12,474)**	**3,109**

Total capital (losses)/gains on investments held at fair value through profit and loss of £(12,474,000) (2015: £3,109,000) above includes £575,000 of special dividends received during the current year which were treated as capital (2015: £22,000).

4. Income

	2016 £'000	2015 £'000
Income from investments		
UK dividend income	5,696	5,110
Special dividends	1,151	672
Overseas dividends	249	208
Unfranked dividends from REITS	88	33
Total income from investments	7,184	6,023
Other interest receivable and similar income		
Interest from liquidity fund	8	4
Underwriting commission	–	8
Total other interest receivable and similar income	8	12
Gross revenue return	**7,192**	**6,035**

5. Management fee

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Management fee	496	744	1,240	483	725	1,208

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

6. Other administrative expenses

	2016 £'000	2015 £'000
Administration expenses	189	188
Savings scheme costs[1]	138	141
Directors' fees[2]	132	127
Auditors' remuneration for audit services[3]	33	32
Depositary fees[4]	30	16
	522	504

[1] These fees are payable to the Manager for the marketing and administration of savings scheme products. Includes £22,000 (2015: £23,000) irrecoverable VAT.

[2] Full disclosure is given in the Directors' Remuneration Report on page 31.

[3] Includes £6,000 (2015: £5,000) irrecoverable VAT.

[4] Includes £5,000 (2015: £3,000) irrecoverable VAT.

7. Finance costs

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Finance costs – appropriations for ZDP shares						
Provision for capital entitlement of the ZDP shareholders (note 14)	–	4,968	4,968	–	4,553	4,553
Finance costs – other						
Amortisation of expenses of the placing and offer for subscription	9	14	23	9	14	23

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

8. Taxation

(a) Analysis of tax charge/(credit) for the year

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Overseas withholding tax	23	–	23	(6)	–	(6)
Current tax charge/(credit) for the year	**23**	**–**	**23**	**(6)**	**–**	**(6)**

(b) Factors affecting current tax charge/(credit) for the year

The tax charge for the year is higher (2015: lower) than the Company's applicable rate of corporation tax of 20.08% (2015: 21.17%). The difference is explained below:

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Net return/(loss) on ordinary activities before taxation	6,165	(18,204)	(12,039)	5,039	(2,191)	2,848
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 20.08% (2015: 21.17%)	1,238	(3,655)	(2,417)	1,067	(464)	603
Effects of:						
Non taxable UK dividends	(1,330)	–	(1,330)	(1,193)	–	(1,193)
Non taxable overseas dividends	(96)	–	(96)	(76)	–	(76)
Non taxable capital losses/(gains)	–	2,505	2,505	–	(656)	(656)
Appropriation to Zero Dividend Preference shares	–	998	998	–	964	964
Amortisation of issue expenses	2	3	5	2	3	5
Overseas withholding tax	23	–	23	(6)	–	(6)
Unrelieved expenses	186	149	335	200	153	353
Current tax charge/(credit) for the year	**23**	**–**	**23**	**(6)**	**–**	**(6)**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £1,595,000 (2015: £1,439,000) based on a prospective corporation tax rate of 19% (2015: 20%). The UK government announced in July 2015 that the corporation tax is set to be cut to 19% in 2017 and 18% in 2020. These reductions in the standard rate of corporation tax were substantively enacted on 26th October 2015 and became effective from 18th November 2015. 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 the Company will be able to utilise this asset in the foreseeable future and therefore no asset has been recognised in the financial statements.

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 for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. Dividends

(a) Dividends paid and declared[1]

	2016 £'000	2015 £'000
2015 fourth quarterly dividend of 1.70p (2014: 1.625p)	1,165	1,097
First quarterly dividend of 1.70p (2015: 1.625p)	1,165	1,106
Second quarterly dividend of 1.70p (2015: 1.625p)	1,165	1,106
Third quarterly dividend of 1.70p (2015: 1.625p)	1,165	1,114
Total dividends paid in the year	**4,660**	**4,423**
Fourth quarterly dividend declared of 1.80p (2015: 1.70p)	1,234	1,165
Special dividends declared of 0.50p (2015: nil)	342	–

[1] All dividends paid and declared in the year have been funded from the Revenue Reserve.

The fourth quarterly dividend and two special dividends in respect of the year ended 29th February 2016 have been declared. In accordance with the accounting policy of the Company, these dividends will be reflected in the financial statements for the year ending 28th February 2017.

(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 year as follows. The revenue available for distribution by way of dividend for the year is £6,142,000 (2015: £5,045,000).

	2016 £'000	2015 £'000
First quarterly dividend of 1.70p (2015: 1.625p)	1,165	1,106
Second quarterly dividend of 1.70p (2015: 1.625p)	1,165	1,106
Third quarterly dividend of 1.70p (2015: 1.625p)	1,165	1,114
Fourth quarterly dividend of 1.80p (2015: 1.70p)	1,234	1,165
Special dividends declared of 0.50p (2015: nil)	342	–
Total dividends for Section 1158 purposes	**5,071**[2]	**4,491**

[2] As referred to in the Total Return, Revenue and Dividends section of the Chairman's Statement on page 5, an additional special dividend of 0.25p per ordinary share costing £171,000 will be paid in respect of the year ended 29th February 2016 in order that the Company does not retain more than 15% of its income. This is included in the special dividends declared of 0.50p referred to above.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

10. Return/(loss) per class of share

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

	2016 £'000	2015 £'000
Revenue return	6,142	5,045
Capital loss	(18,204)	(2,191)
Total (loss)/return	**(12,062)**	**2,854**
Weighted average number of Ordinary shares in issue	**68,556,782**	**68,085,001**
Revenue return per share	9.0p	7.4p
Capital loss per share	(26.6)p	(3.2)p
Total (loss)/return per Ordinary share	**(17.6)p**	**4.2p**

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

	2016 £'000	2015 £'000
Capital entitlement	**4,968**	**4,553**
Weighted average number of Zero Dividend Preference shares in issue	**46,612,200**	**46,376,310**
Return per Zero Dividend Preference share	**10.7p**	**9.8p**

Further details are given in note 14.

11. Investments

	2016 £'000	2015[1] £'000
Investments listed on a recognised stock exchange	135,534	147,972

	2016 £'000	2015 £'000
Opening book cost	112,643	102,102
Opening investment holding gains	35,329	39,710
Opening valuation	147,972	141,812
Movements in the year:		
Purchases at cost	40,386	31,471
Sales – proceeds	(40,353)	(28,422)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(4,700)	(2,629)
Net movement in investment holding gains and losses	(7,771)	5,740
	135,534	147,972
Closing book cost	119,119	112,643
Closing investment holding gains	16,415	35,329
Total investments held at fair value through profit or loss	**135,534**	**147,972**

[1] Relevant numbers have been amended in line with the current presentation adopted. Under FRS 102, liquidity funds are credited as cash equivalents.

During the year, prior year investment holding gains amounting to £11,143,000 have been transferred to gains and losses on sales of investments as disclosed in note 16 on page 54.

Transaction costs on purchases during the year amounted to £214,000 (2015: £181,000) and on sales during the year amounted to £29,000 (2015: £19,000). These costs comprise brokerage commission and stamp duty.

12. Current assets

Debtors

	2016 £'000	2015 £'000
Securities sold awaiting settlement	1,072	–
Dividends and interest receivable	1,069	643
Taxation recoverable	35	27
Other debtors	33	38
	2,209	**708**

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

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term deposits and liquidity funds. The carrying amount of these balances represents their fair value.

13. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Securities purchased awaiting settlement	126	148
Other creditors and accruals	101	90
	227	**238**

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

14. Capital entitlement of the Zero Dividend Preference shareholders

	2016 £'000	2015 £'000
Opening balance	73,624	68,193
Issue of nil (2015: 525,000) ZDP shares	–	878
Accrued capital entitlement	4,968	4,553
Closing balance	**78,592**	**73,624**

The predetermined final capital entitlement of £89,557,000 payable on the ZDP Repayment Date on 28th February 2018 is explained on page 17. The entitlement is accrued year by year in accordance with the Company's accounting policy.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

15. Called up share capital

Issued and fully paid:

	2016 £'000	2015 £'000
Ordinary shares of 1p each		
Opening balance of 68,556,782 (2015: 67,506,782) shares	685	675
Issue of nil (2015: 1,050,000) shares	–	10
Closing balance of 68,556,782 (2015: 68,556,782) shares	**685**	**685**
Zero Dividend Preference shares of 1p each		
Opening balance of 46,612,200 (2015: 46,087,200) shares	466	461
Issue of nil (2015: 525,000) shares	–	5
Closing balance of 46,612,200 (2015: 46,612,200) shares	**466**	**466**

During the year nil (2015: 525,000) Units were allotted for a total consideration of £nil (2015: £1,875,000) (consisting of two Ordinary shares and one ZDP share per Unit). Therefore, the share capital of the Company consisted of 68,556,782 (2015: 68,556,782) Ordinary shares and 46,612,200 (2015: 46,612,200) ZDP shares.

16. Capital and reserves

					Capital reserves			
	Called up share capital £'000	Share premium £'000	Other reserve[1] £'000	Capital redemption reserve £'000	Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve[2] £'000	Total £'000
Opening balance	685	4,627	60,493	8	(29,404)	35,329	4,085	75,823
Amortisation of the expenses of the placing and offer for subscription	–	–	23	–	–	–	–	23
Realised foreign currency losses on cash and cash equivalents	–	–	–	–	(4)	–	–	(4)
Losses on sales of investments	–	–	–	–	(4,700)	–	–	(4,700)
Investment holding losses	–	–	–	–	–	(7,771)	–	(7,771)
Transfer on disposal of investments	–	–	–	–	11,143	(11,143)	–	–
Management fee and finance costs charged to capital	–	–	–	–	(758)	–	–	(758)
Other capital charges	–	–	–	–	(3)	–	–	(3)
Compound growth entitlement of the Zero Dividend Preference shares	–	–	–	–	(4,968)	–	–	(4,968)
Dividends paid in the year	–	–	–	–	–	–	(4,660)	(4,660)
Net revenue for the year	–	–	–	–	–	–	6,142	6,142
Closing balance	685	4,627	60,516	8	(28,694)	16,415	5,567	59,124

[1] Formerly share premium account which was cancelled on 23rd April 2008 and redesignated as a distributable reserve.
[2] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

17. Net asset value per share

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

	2016		2015	
	Net asset value per share in pence	Net assets attributable £'000	Net asset value per share in pence	Net assets attributable £'000
Zero Dividend Preference shares	168.6p	78,592	158.0p	73,624
Ordinary shares	86.2p	59,124	110.6p	75,823

18. Reconciliation of total return on ordinary activities before finance charges and taxation to net cash outflow from operations before dividends and interest

	2016 £'000	2015 £'000
Net (loss)/return on ordinary activities before finance costs and taxation	(7,048)	7,424
Add capital loss/(less capital return) before finance costs and taxation	13,222	(2,376)
Increase in accrued income and other debtors	(421)	(29)
Increase in other creditors and accruals	11	12
Overseas withholding tax	(31)	(14)
Management fee charged to capital	(744)	(725)
Dividends received	(6,727)	(5,997)
Interest received	(8)	(4)
Realised loss on foreign currency transactions	(4)	(15)
Net cash outflow from operations before dividends and interest	**(1,750)**	**(1,724)**

19. Contingent liabilities and capital commitments

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

20. Related party transactions

Details of the management contract are set out in the Directors' Report on page 24. The management fee payable to the Manager for the year was £1,240,000 (2015: £1,208,000) of which £nil (2015: £nil) was outstanding at the year end.

During the year £138,000 (2015: £141,000) was payable to the Manager for the marketing and administration of savings scheme products, of which £9,000 (2015: £nil) was outstanding at the year end.

Safe custody fees and other charges amounting to £2,000 (2015: £2,000) were payable to third party custodians on behalf of the Manager, of which £581 (2015: £561) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable in the year was £32,000 (2015: £5,000) of which £nil (2015: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £3,000 (2015: £2,000) were payable to JPMorgan Chase during the year of which £139 (2015: £93) was outstanding at the year end.

During the year, the Company made £11.3 million (2015: £6.5 million) purchases and £11.9 million (2015: £6.7 million) sales of units in the JPMorgan Sterling Liquidity Fund, which is managed by JPMAM. The Manager charges no fee for managing this fund. At the year end, the Company's investment in this fund amounted to £nil (2015: £0.6 million). Income amounting to £8,000 (2015: £4,000) was receivable from this investment during the year of which £nil (2015: £nil) was outstanding at the year end.

At the year end, a bank balance of £200,000 (2015: £455,000) was held with JPMorgan Chase. A net amount of interest of £nil (2015: £nil) was receivable by the Company during the year from JPMorgan Chase.

As key management personnel, full details of Directors' remuneration and shareholdings can be found on page 32. No fees were outstanding at the year end (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

21. Disclosures regarding financial instruments measured at fair value

The fair value hierarchy disclosures required by FRS 102 are given below.

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

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

(1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

(2) Inputs other than quoted prices included within Level 1 that are observable (i.e: developed using market data) for the asset or liability, either directly or indirectly.

When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

(3) Inputs are unobservable (ie: for which market data is unavailable) for the asset or liability.

If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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(c) on page 45.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 29th February.

	2016		2015	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	135,534	–	147,972	–
Total	**135,534**	**–**	**147,972**	**–**

There have been no transfers between Levels 1, 2 or 3 during the year (2015: nil).

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

As an investment trust, the Company invests in equities and other investments 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 financial 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 Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy. The Company has no significant exposure to foreign currency risk.

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 comprise the following:

- investments in UK equity shares which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash and cash equivalents arising directly from its operations;
- derivative transactions comprising forward foreign currency contracts; and
- Zero Dividend Preference shares, the purpose of which is to finance the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument 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. 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 the liquidity fund and cash deposits and the interest payable on variable rate cash borrowings.

Management of interest rate risk

It is not intended that bank debt will be used to provide long term structural gearing. The Company does not normally hold significant cash balances. An overdraft facility is available if required.

Interest rate exposure

The underlying investments in this liquidity fund and cash deposit fund may carry fixed coupons and their value may fluctuate when interest rates are reset. This in turn may impact the Company's capital return but the amounts are not significant. Other than this investment and the Zero Dividend Preference shares, which are carried in the Statement of Financial Position at their predetermined capital entitlement, the Company has no financial assets or liabilities carrying a fixed rate of interest. The exposure to floating rates of interest, giving cash flow interest rate risk when rates are reset, is shown below.

	2016 £'000	2015 £'000
Exposure to floating interest rates		
JPMorgan Sterling Liquidity Fund	–	550
Cash and short term deposits	200	455
Total exposure	**200**	**1,005**

The target interest earned on the JPMorgan Sterling Liquidity Fund is the 7 day Sterling London Interbank Bid Rate. Interest receivable on bank balances and payable on overdrafts is at a margin below or above LIBOR respectively. The above year end amounts are broadly representative of the exposure to interest rates during the year.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(a) Market risk *continued*

(i) Interest rate risk *continued*

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2015: 1%) 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.

	2016		2015	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	2	(2)	10	(10)
Total return after taxation for the year	2	(2)	10	(10)
Net assets	**2**	**(2)**	**10**	**(10)**

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(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. An investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives 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 29th February comprises its holdings in equity investments as follows:

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	135,534	147,972

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

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 10% (2015: 10%) in the fair values of the Company's equities. 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 exposure through equity investments and written options and includes the impact on the management fee but assumes all other variables are held constant.

	2016		2015	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(46)	46	(50)	50
Capital return	13,484	(13,484)	14,722	(14,722)
Total return after taxation and net assets	**13,438**	**(13,438)**	**14,672**	**(14,672)**

(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 mainly realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

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:

	2016			2015		
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year						
Other creditors and accruals	101	–	101	90	–	90
Securities purchased awaiting settlement	126	–	126	148	–	148
Creditors: amounts falling due after more than one year						
Final Capital Entitlement of the ZDP shareholders due 28th February 2018	–	89,557	89,557	–	89,557	89,557
	227	89,557	89,784	238	89,557	89,795

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction 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 continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(c) Credit risk *continued*

Custody

BNY Mellon Trust & Depositary (UK) Limited ('BNY'), as the Company's appointed depositary, is responsible for the appointment of the custodian and its network of sub custodians. Under the terms of the depositary agreement BNY has strict liability for the loss or misappropriation of assets held at custody.

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The custody agreement grants a general lien over the securities credited to the securities account. The Company's assets are segregated from JPMorgan Chase's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase were to cease trading.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year end.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value, or the amount is a reasonable approximation of fair value, except for the Zero Dividend Preference shares whose fair value as determined by reference to their market value at the balance sheet date was £82,037,000 (2015: £80,220,000).

23. Capital management policies and procedures

The Board's capital management policy is to enable the Company to secure the investment objective stated on page 17. It is not the Board's intention to use bank debt to provide long term structural gearing.

The Company's current debt and capital structure comprises the following:

	2016 £'000	2015 £'000
Capital entitlement of the Zero Dividend Preference shareholders (notes 14 and 22)	78,592	73,624
Capital and reserves attributable to the Ordinary shareholders	59,124	75,823
Total debt and equity	**137,716**	**149,447**

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss	135,534	147,972
Current assets excluding cash and cash equivalents	2,209	708
Current liabilities	(227)	(238)
Total assets (excluding cash)	**137,516**	**148,442**
Total assets less current liabilities	**137,716**	**149,447**
Gearing/(net cash)	**(0.1)%**	**(0.7)%**

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 need to buy back shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium;
- the opportunity 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.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (‘AIFMD’) DISCLOSURES (UNAUDITED)

Leverage

For the purposes of the Alternative Investment Fund Managers Directive (‘AIFMD’), leverage is any method which increases the Company’s exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company’s exposure and its net asset value and can be calculated on a gross and a commitment method in accordance with AIFMD. Under the gross method, exposure represents the sum of the Company’s positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Companys maximum and actual leverage levels, calculated as prescribed by the AIFMD as at 29th February 2016, are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	98%	100%

JPMorgan Funds Limited (JPMF) Remuneration

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

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

JPMF Remuneration Policy

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

JPMF Quantitative Disclosures

Disclosure in accordance with Fund 3.3.5, Article 22(2)e and 22(2)f of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the Company’s website at www.incomeandcapital.co.uk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighth Annual General Meeting of JPMorgan Income & Capital Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Thursday, 7th July 2016 at 12 noon for the following purposes:

1. To receive the Directors' Report & Accounts and the Independent Auditors' Report for the year ended 29th February 2016.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 29th February 2016.
4. To reappoint Sir Laurence Magnus as a Director of the Company.
5. To reappoint Sian Hansen as a Director of the Company.
6. To reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new ordinary shares – Ordinary Resolution

7. 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 for the Company to allot relevant securities (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 £34,278, representing approximately 5% of the Ordinary issued share capital and £23,306, representing approximately 5% of the ZDP issued share capital at the date of the passing of this resolution provided that this authority shall expire at the Company's Annual General Meeting in 2017, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

8. THAT subject to the passing of Resolution 7 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) pursuant to the authority conferred by Resolution 7 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 each up to an aggregate nominal amount of £34,278, representing approximately 5% of the Ordinary issued share capital and £23,306, representing approximately 5% of the ZDP 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 Ordinary or ZDP share and shall expire at the Company's Annual General Meeting in 2017, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

9. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued Ordinary Shares, Zero Dividend Preference Shares ('ZDP') and Units.

   PROVIDED ALWAYS THAT

   (i) Ordinary Shares may only be purchased at prices below their prevailing net asset value (as determined by the Directors as at a date falling not more than 10 days before the date of repurchase) and where the Cover on the ZDPs is 1.15 times or above and where such purchases will not reduce the Cover on the ZDPs (in each case as determined by the Directors as at a date falling not more than 10 days before the date of repurchase) below 1.15 times;

   (ii) ZDPs may only be purchased as prices below their prevailing net asset value (as determined by the Directors as at a date falling not more than 10 days before the date of repurchase);

   (iii) the maximum number of Ordinary Shares authorised to be purchased is 10,276,661 or such number as is equal to 14.99% of the issued Ordinary Shares (including in the form of Units) as at the date of the passing of its Resolution;

   (iv) the maximum number of ZDPs authorised to be purchased is 6,987,168 or such number as is equal to 14.99% of the issued ZDPs (including in the form of Units) as at the date of the passing of this Resolution;

(v) the minimum price which may be paid for any Ordinary Share or ZDP is 1p in each case, the minimum price which may be paid for a Unit is 3p and the maximum price which may be paid for any Ordinary Share, ZDP or Unit is an amount equal to 105% of the average of the market values for an Ordinary Share, a ZDP or a Unit, as the case may be taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the relevant security is purchased;

(vi) the authority hereby conferred shall expire on 1st January 2018 unless the authority is renewed at any other general meeting prior to such time; and

(vii) the Company may make a contract to purchase Ordinary shares under the authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

By order of the Board
Paul Winship, for and on behalf of
JPMorgan Funds Limited,
Secretary

11th May 2016

Notes

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

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.

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

4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments 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 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. 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 ANNUAL GENERAL 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.jpmincomeandcapital.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 9th May 2016 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 68,556,782 Ordinary shares and 46,612,200 Zero Dividend Preference shares carrying one vote each. Therefore the total voting rights in the Company are 115,168,982.

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

Shareholders' funds total return
Change in net assets, excluding the effect of share issues, share repurchases and dividend payments.

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 year were reinvested, without transaction costs, into 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 paid out during the year 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 paid out in respect of a Unit during the year 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 paid out during the year were reinvested into Ordinary shares at the NAV per Ordinary 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 total return on net assets.

Unit net asset value ('NAV') total return
Return to the investor based on the change in the Unit NAV and assuming all dividends paid out in respect of a Unit during the year 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.

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

Gearing/(net cash)
Gearing represents the excess amount above shareholders' funds of total assets expressed as a percentage of shareholders' funds. Total assets include total investments and net current assets/liabilities less cash/cash equivalents and excluding bank loans of less than one year. If the amount calculated is negative, this is shown as a 'net cash' position.

Ongoing charges
The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the year.

Cover on the Zero Dividend Preference Shares
Represents the Gross Assets of the Company divided by the Final Capital Entitlement of the Zero Dividend Preference shares.

Financial Conduct Authority

Beware of share fraud

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

How to avoid share fraud

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

Report a scam

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

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

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

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

Information about the Company

FINANCIAL CALENDAR

Financial year end	28th/29th February
Final results announced	May
Half year end	31st August
Half year results announced	November
Dividend on ordinary shares	Payable quarterly in October, January, April and July
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.

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 and on the JPMorgan website at www.jpmincomeandcapital.co.uk, where the share price is updated every 15 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 and J.P. Morgan ISA. These products are all available on the online service at www.jpmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

aic
The Association of Investment Companies
A member of the AIC

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 020 7742 4000

For company secretarial and administrative matters, please contact Paul Winship.

Depositary

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

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

Registrars

Equiniti Limited
Reference 3300
Aspect House
Spencer Road
West Sussex BN99 6DA
Telephone number: 0371 384 2633

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

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 3300.

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Brokers

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

Savings Product Administrators

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

www.jpmincomeandcapital.co.uk

J.P. Morgan Helpline

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

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

GB A115 05/16

J.P.Morgan
Asset Management