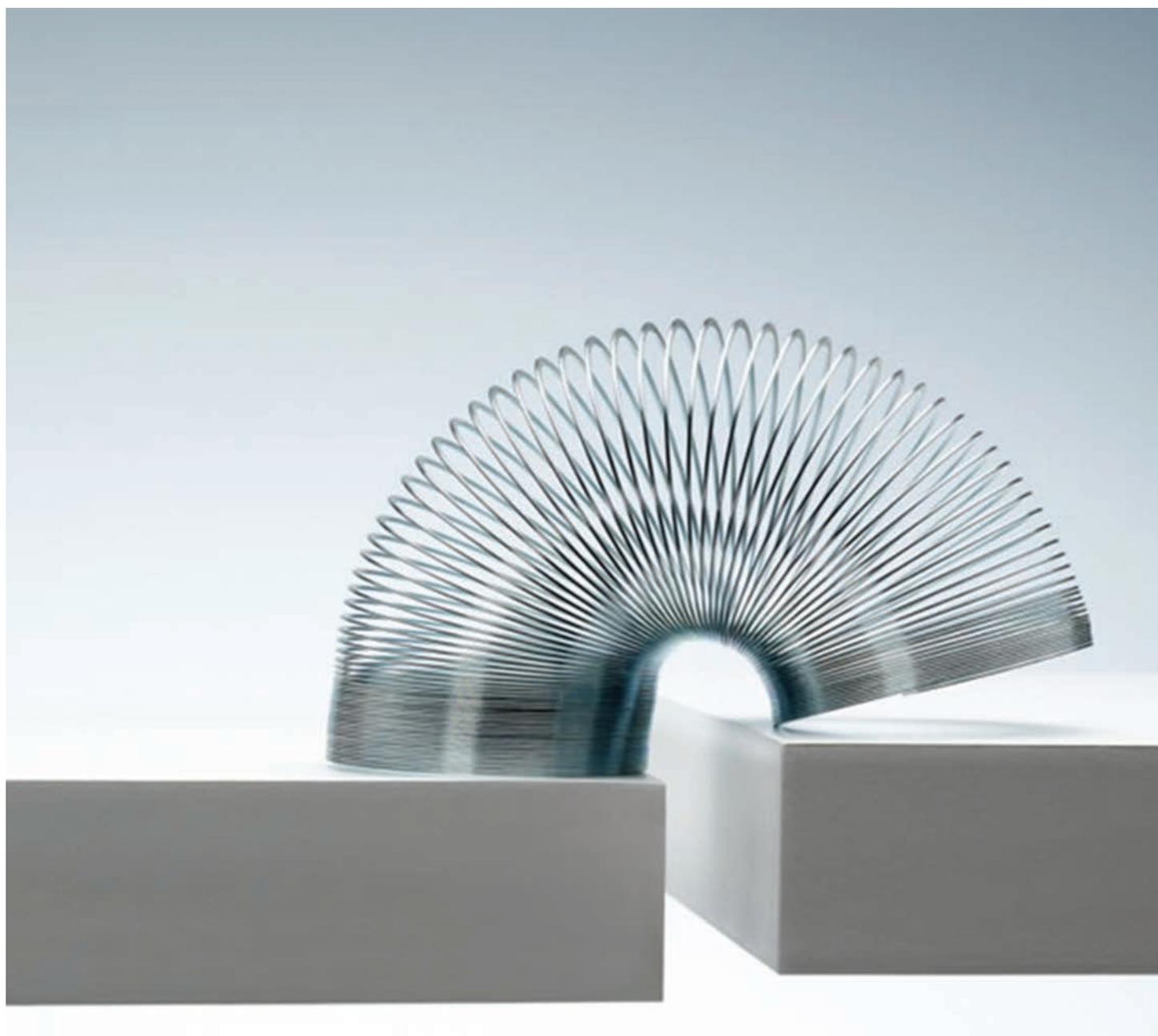

JPMorgan Income & Capital Trust plc

Half Year Report & Accounts for the six months ended 31st August 2016



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% Bloomberg 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 19.

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.

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.

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Half Year Performance

TOTAL RETURNS TO 31ST AUGUST 2016 (INCLUDES DIVIDENDS REINVESTED)

+6.3%

Shareholders' funds
total return¹

+12.4%

Composite benchmark
total return³

+6.9%

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

+1.6%

Unit share price
total return^{1,2}

+3.3%

Zero Dividend Preference share net
asset value total return¹

+3.7%

Zero Dividend Preference share
price total return¹

+10.5%

Ordinary share net asset value
total return¹

+19.1%

Ordinary share price
total return¹

¹ Source: J.P. Morgan.

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

³ Source: J.P. Morgan - The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding Investment Trusts) and 10% Bloomberg Barclays Global Aggregate Corporate Bond Index, in sterling terms.

A glossary of terms and definitions is provided on page 20.

FINANCIAL SUMMARY (HALF YEAR ACCOUNTS)

	31st August 2016	29th February 2016	% change
Assets			
Shareholders' funds (£'000)	143,439	137,716	+4.2
Zero Dividend Preference shares			
Net assets (£'000)	81,201	78,592	+3.3
Net asset value per share	174.2p	168.6p	+3.3
Share price	182.5p	176.0p	+3.7
Share price premium to net asset value per share	4.8%	4.4%	
Ordinary shares			
Net assets (£'000)	62,238	59,124	+5.3
Net asset value per share	90.8p	86.2p	+5.3
Share price	82.0p	72.5p	+13.1
Share price discount to net asset value per share	(9.7)%	(15.9)%	
Units¹			
Net asset value per unit	355.8p	341.0p	+4.3
Unit price	322.0p	325.0p	-0.9
Unit price discount to net asset value per share	(9.5)%	(4.7)%	
Ongoing charges	1.23%	1.22%	

¹ A Unit comprises two Ordinary shares and one Zero Dividend Preference share.

Please refer to note 3 on page 15 for details of dividends paid.

A glossary of terms and definitions is provided on page 20.

About the Company

CHAIRMAN'S STATEMENT



Introduction and Performance

During the six months ended 31st August 2016, the total return on shareholder's funds was 6.3%, compared with a return of 12.4% recorded by the composite benchmark (comprising 90% FTSE 350 Index and 10% Bloomberg Barclays Global Aggregate Corporate Bond Index in sterling terms).

This relative underperformance is disappointing. It resulted from the portfolio having too much domestic exposure and therefore missing out on the 'post-Brexit' rally in UK stocks with overseas earnings prompted by the decline in the exchange rate. In addition, some of the domestic focused shares that the Company holds experienced very sharp falls immediately following the 'Brexit' vote. The Company remains predominantly invested in equities and therefore a rise in bond prices during the period also reduced the relative performance against the benchmark.

The Bank of England's decision to halve its Base Rate from 0.5% to 0.25% and to resume quantitative easing helped support confidence in UK financial markets during the period. The result has been that the FTSE350 Index has overcome the initial turbulence following the 'Brexit' vote in June and is currently experiencing an upward trend.

The Investment Managers provide a detailed commentary covering market developments and your Company's portfolio in their report.

Share Price Performance

Despite the performance of the portfolio, the price of the Company's ordinary shares increased by 13% (as the discount to net asset value narrowed) and the price of units (each comprising two ordinary shares and one ZDP share) fell by 1% over the period.

The prices of the Company's two classes of share and of its units were at a premium/(discount) to net asset value at 31st August 2016 and at previous period end dates as follows:

	31st August 2016		29th February 2016		31st August 2015	
	Share prices	Premium/ (discount)	Share prices	Premium/ (discount)	Share prices	Premium
ZDP	182.5p	4.8%	176.0p	4.4%	174.0p	6.6%
Ordinary	82.0p	(9.7)%	72.5p	(15.9)%	96.3p	0.0%
Units	322.0p	(9.5)%	325.0p	(4.7)%	361.5p	1.6%

At 17th October 2016, the prices of the Ordinary shares and Units were at discounts of (7.6)% and (7.4)% respectively whilst the ZDP share price was at a premium of 4.5%.

Statement of Comprehensive Income and Dividends

Revenue after tax and before dividends for the period was £4.1 million and the revenue return per Ordinary share was 5.9 pence.

The capital return per Ordinary share was 2.7 pence, reflecting the impact of the rise in the value in our shareholdings. The total return per Ordinary Share was therefore 8.6 pence.

The Board has declared two quarterly interim dividends for the first six months of the Company's financial year ending 28th February 2017, each of 1.8 pence per Ordinary Share, paid/payable to Ordinary shareholders and Unit holders respectively on 22nd July 2016 and 21st October 2016. The Board intends, in the absence of unforeseen circumstances, to maintain the current level of quarterly dividends to Ordinary shareholders and Unit holders for the remainder of the financial year ending 28th February 2017.

The undistributed revenue reserves, after allowing for the payment of the second interim dividend, amounts to £5.6 million.

Hurdle Rate

The Hurdle Rate measures the amount by which the total assets of the Company have to grow each year in order to return the current share price to Ordinary shareholders when the Company winds up in February 2018. At 31st August 2016, the Hurdle Rate required to return the Ordinary share price of 82.0 pence was 1.1% per annum and the Hurdle Rate required to return an Ordinary share price of 100.0 pence was 6.7% per annum. At 31st August 2016, the Hurdle Rate required to return the Final Capital Entitlement of the ZDP shares of 192.13 pence was minus 27.0% per annum.

At 17th October 2016, the Hurdle Rate required to return the current Ordinary share price of 84.5 pence was 1.5% per annum, to return an ordinary share price of 100 pence was 6.8% per annum and to return the Final Capital Entitlement of the ZDP shares of 192.13 pence was minus 29.6% per annum.

The Board

As referred to in my Chairman's Statement included in the Company's Annual Report and Accounts for the year ended 29th February 2016, Roderick Collins will be stepping down as a Director of the Company in December 2016. The Board and I would like to reiterate our gratitude to Roderick for his valuable contribution as a Director since his appointment when the Company was launched in 2008. The Nomination Committee is conducting a search for a replacement non-Executive Director with the assistance of an independent search consultancy.

Outlook

There is anxiety surrounding the longer term impact of the 'Brexit' vote on the UK economy, with many significant unanswered questions regarding the terms of the UK's future access to European markets. The extent to which stock markets around the world can sustain their current levels without substantial central bank support is also a cause for concern.

Although investors have had to contend with considerable uncertainty since the financial crash in 2008, there are some particularly major issues worrying market commentators as they look to the months ahead. These include the 'Brexit' negotiations, political developments in Continental Europe (with elections due in France, Germany and Italy and continuing financial instability in Greece), tension between Russia and NATO, the war in the Middle East, the forthcoming presidential election in the USA and the continuing threats from terrorism. Taken together with increasing concern that some central banks are close to exhausting their ability to stimulate markets, it is not surprising that the outlook is unclear.

Your Board and the Managers are managing the Company's portfolio with the objective of meeting the final capital entitlement of the ZDP shareholders and providing income and capital growth for Ordinary shareholders. They continue to believe that shareholders are best served through keeping the portfolio predominantly invested in equities, selecting companies with strong balance sheets, good operational cash flows and with business models which are well placed in these uncertain times to prosper.

Sir Laurence Magnus
Chairman

18th October 2016

INVESTMENT MANAGERS' REPORT



Sarah Emly



John Baker

Market Review

UK stocks rose sharply over the six months to 31 August 2016, with the FTSE 350 (excluding investment trusts) Index up 13.0%. Sterling corporate bonds rose in the period, with the Bloomberg Barclays Global Aggregate Corporate Bond Index up 7.6%, as demand for yield remained robust given the ongoing low interest rate environment.

The dominant event in the six-month period was the 'Brexit' referendum, with the surprise outcome in favour of leaving the EU announced on the 24th June 2016. UK stocks fell heavily in the immediate aftermath of the referendum result, compounding the losses suffered ahead of the ballot, while sterling sank against the US dollar and the euro following the vote. Sentiment indicators suggested that the result had caused an economic shock, with both business and consumer confidence plunging in July, although purchasing managers' indices (PMIs) bounced back sharply in August.

The PMIs for both services and manufacturing jumped to 52.9 and 53.3 respectively in August, well above market expectations and firmly in expansionary territory, while industrial production grew by a stronger-than-predicted 2.1% year on year in July. Retail sales grew at the fastest pace in 10 months in July, on an annual basis, while the unemployment rate was unchanged in the three months to June and the number of people claiming unemployment benefits fell in July. Meanwhile, the UK economy grew by a better-than-forecast 0.6% in the second quarter, marking the strongest year on year pace in 12 months. Therefore, despite many political and market commentators forecasting doom and gloom ahead if the UK voted to leave the EU, the data suggested that the economy may be holding up better than expected in the wake of the 'Brexit' vote.

Both UK stocks and sterling rallied sharply following the release of better-than-expected economic data, and were further supported by action from the Bank of England (BoE). The BoE held off on changing monetary policy in July, presumably waiting for definitive signs of slowdown before acting. However, at its August meeting the BoE announced a package of measures designed to prevent a 'post-Brexit' recession. It cut interest rates for the first time since 2009 and restarted its Gilt-buying programme, while also introducing measures designed to support lending to UK companies. The action represented a significant step towards supporting growth and employment in the UK in the aftermath of the 'Brexit' vote.

UK dividend growth surprised positively in the review period driven by an unexpected flurry of large special dividends. The headline payout was 7.6% higher year on year, with 22 companies paying a special dividend in the quarter—the largest number on record for any quarter. All industries saw dividend payouts increase, with the exception of basic materials, which is largely comprised of miners.

Portfolio Review

Ahead of the June referendum we reduced the portfolio's exposure to UK equities given the uncertainty of the outcome. This increased cash holdings to approximately 9% of the portfolio's assets. Subsequently, we reinvested some of this cash giving a period end equity exposure of approximately 95%. Therefore at the close of the Company's half year we are overweight equities relative to the composite benchmark. We believe UK equities are attractively valued and offer a large yield premium to bonds.

¹ Source: FactSet, as at 31 August 2016, total return gross in sterling terms

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. We constantly analyse each of our holdings to ensure they satisfy these criteria whilst also assessing new investment opportunities against these criteria.

Our view going into the referendum was that we were confident in the long term outlook for our holdings whilst acknowledging that a vote to leave could result in significant volatility given a high proportion of domestically focused companies in the portfolio. Whilst many of the companies we hold are cyclical we have always sought to match profit and loss account sensitivity with balance sheet strength. Therefore, we remain confident that our holdings are in companies that have cash flow streams which are visible and predictable. The imperative course of action is to assess on an ongoing basis the individual holdings as events unfold, but avoid taking 'panicked' steps. Behaviourally this is difficult but the strength of our investment approach is that stock fundamentals drive our investment process and so long as these remain robust we will maintain our position. Panicked reaction more often than not leads to trading at prices not consistent with inherent value.

We are encouraged that subsequent to the vote our companies have by and large delivered reassuring results and more importantly have said that they have experienced no impact from 'Brexit' to date. This is true for domestically exposed companies as much for companies whose earnings are predominantly overseas.

During the period we bought new positions in 888 Holdings, Serco and MicroFocus amongst others. 888 Holdings is an on-line gaming company with a consistent track record of beating earnings estimates and returning excess cash to shareholders via special dividends. Serco is an outsourcing company whose activities include running prisons, schools and hospitals. Following a long period of contract difficulties the company's profitability has begun to recover and the outlook is improving as evidenced by earnings upgrades. We also bought MicroFocus which is a multinational software and information technology company. The company is highly cash generative which allows for either cash returns to shareholders or the acquisition of growth opportunities.

Conversely, our sales included BT Group, Ashtead and Easyjet. BT Group is facing an increasingly competitive environment with the launch of mobile services by Sky and regulatory pressure on prices. Ashtead is an equipment rental company whose business is mainly conducted in the US. This market was showing evidence of oversupply leading to lower rental rates and consequently earnings for the full year were revised down. Easyjet was sold when it warned that profits for the full year would be lower than expected for reasons that included 'Brexit'.

Performance Review

In the six month period to the 31st August the Company's return was +6.3%. However, this was disappointing relative to the composite benchmark's return of +12.4%. The poor performance was predominantly a function of a large rally in mining shares, and emerging market exposed companies such as Standard Chartered Bank which we did not own. Secondly, returns were hurt by the impact of the 'Brexit' referendum result on our holdings in the house construction, retail and media sectors. For instance, Taylor Wimpey which is a long term holding in the portfolio, fell 40% in the two days subsequent to the referendum. The stock began a grinding recovery paring losses to 16% by period end as the company

INVESTMENT MANAGERS' REPORT *CONTINUED*

said trading remained strong and that they are confident they will be in a position to pay their promised special dividend. Many of the holdings in the portfolio experienced similar recoveries through July and August though still insufficient to make up all the lost ground..

Market Outlook

The UK stock market is currently riding high on the back of low interest rates and a cheap currency. Underlying risks are, however, increasing. Developed markets growth rates continue to disappoint and monetary policy is largely exhausted. The UK's decision to leave the EU only heightens the risks of an economic slowdown. Unpicking 40 years of EU trade agreements will be a long, tortuous and costly process and the success or otherwise of such negotiations will not become apparent for some years yet.

The Bank of England's Monetary Policy Committee (MPC) is sufficiently worried that it has recently cut base rates to just 25bps and the new Chancellor, Philip Hammond, has wasted no time in abandoning his predecessor's target to run a fiscal surplus by 2020. The "fiscal reset" in the Autumn Statement could be significant, particularly as there is a worrying amount of anecdotal evidence that many businesses are already holding back on investment.

However, even though the economic outlook is likely to remain uncertain for some considerable time yet, the UK stock market may continue to perform well if, as is likely, sterling remains weak and interest rates remain low. We continue to prefer equities with good and growing dividends to low yielding bonds although overall investment returns are likely to remain volatile until the investment skies start to clear.

Sarah Emly
John Baker
Investment Managers

18th October 2016

Investment Review

LIST OF INVESTMENTS AT 31ST AUGUST 2016

Company	Sector	Valuation £'000	%
Royal Dutch Shell	Oil & Gas	11,608	8.5
British American Tobacco	Consumer Goods	8,661	6.4
GlaxoSmithKline	Health Care	7,399	5.5
HSBC	Financials	7,026	5.1
BP	Oil & Gas	6,357	4.7
Imperial Brands	Consumer Goods	6,307	4.6
AstraZeneca	Health Care	4,532	3.3
National Grid	Utilities	4,483	3.3
Beazley	Financials	3,872	2.8
Diageo	Consumer Goods	3,517	2.6
Rio Tinto	Basic Materials	3,360	2.5
Direct Line Insurance	Financials	3,152	2.3
WPP	Consumer Services	2,940	2.2
Compass Group	Consumer Services	2,940	2.2
Next	Consumer Services	2,732	2.0
Aviva	Financials	2,701	2.0
ITV	Consumer Services	2,641	1.9
Phoenix Group	Financials	2,508	1.8
Berkeley	Consumer Goods	2,471	1.8
Barclays	Financials	2,439	1.8
Booker Group	Consumer Services	2,400	1.7
RELX	Consumer Services	2,323	1.7
Taylor Wimpey	Consumer Goods	2,311	1.7
Novae	Financials	2,238	1.6
Persimmon	Consumer Goods	2,205	1.6
Mondi	Basic Materials	2,201	1.6
BAE Systems	Industrials	2,101	1.6
Kcom	Telecommunications	1,837	1.3
Fevertree Drinks	Consumer Goods	1,693	1.2
888 Holdings	Consumer Services	1,652	1.2
WH Smith	Consumer Services	1,585	1.2
DCC	Industrials	1,477	1.1
Intermediate Capital Group	Financials	1,470	1.1
Serco Group	Industrials	1,464	1.1
Severn Trent	Utilities	1,440	1.0
Informa	Consumer Services	1,415	1.0
DS Smith	Industrials	1,409	1.0
Galliford Try	Consumer Goods	1,333	1.0
Micro Focus International	Technology	1,245	0.9
Legal & General	Financials	1,237	0.9

LIST OF INVESTMENTS *CONTINUED*

Company	Sector	Valuation £'000	%
Headlam group	Consumer Goods	1,198	0.9
Lloyds Banking Group	Financials	1,163	0.9
Croda International	Basic Materials	1,116	0.8
Costain Group	Industrials	1,109	0.8
Card Factory	Consumer Services	1,094	0.8
Schroders	Financials	1,065	0.8
Jupiter Fund Management	Financials	1,032	0.8
Connect Group	Industrials	781	0.6
Morgan Advanced Materials	Industrials	731	0.5
William Hill	Consumer Services	426	0.3
Total		136,397	100.0

SECTOR ANALYSIS

Sector	31st August 2016		29th February 2016	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Financials	21.9	18.7	27.4	19.1
Consumer Goods	21.8	16.3	17.9	16.6
Consumer Services	16.2	10.8	16.6	12.3
Oil & Gas	13.2	10.5	9.4	9.9
Health Care	8.8	9.3	8.0	8.2
Industrials	6.7	9.5	5.9	9.2
Basic Materials	4.9	5.1	3.4	4.4
Utilities	4.3	3.7	5.1	3.7
Telecommunications	1.3	4.3	6.3	5.2
Technology	0.9	1.8	–	1.4
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 £136.4m (29th February 2016: £135.5m).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31ST AUGUST 2016

	(Unaudited) Six months ended 31st August 2016			(Unaudited) Six months ended 31st August 2015			(Audited) Year ended 29th February 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	4,806	4,806	–	(8,770)	(8,770)	–	(12,474)	(12,474)
Net foreign currency losses	–	–	–	–	(1)	(1)	–	(4)	(4)
Income from investments	4,565	–	4,565	4,646	–	4,646	7,184	–	7,184
Interest receivable	15	–	15	3	–	3	8	–	8
Gross return/(loss)	4,580	4,806	9,386	4,649	(8,771)	4,122	7,192	(12,478)	(5,286)
Management fee	(235)	(352)	(587)	(254)	(380)	(634)	(496)	(744)	(1,240)
Other administrative expenses	(262)	–	(262)	(279)	–	(279)	(522)	–	(522)
Net return/(loss) on ordinary activities before finance costs and taxation	4,083	4,454	8,537	4,116	(9,151)	(5,035)	6,174	(13,222)	(7,048)
Finance costs - appropriations for Zero Dividend Preference shares	–	(2,609)	(2,609)	–	(2,444)	(2,444)	–	(4,968)	(4,968)
Finance costs - other	(5)	(7)	(12)	(5)	(7)	(12)	(9)	(14)	(23)
Net return/(loss) on ordinary activities before taxation	4,078	1,838	5,916	4,111	(11,602)	(7,491)	6,165	(18,204)	(12,039)
Taxation	(4)	–	(4)	(4)	–	(4)	(23)	–	(23)
Net return/(loss) on ordinary activities after taxation	4,074	1,838	5,912	4,107	(11,602)	(7,495)	6,142	(18,204)	(12,062)
Return/(loss) per class of share (note 4)									
Ordinary share	5.9p	2.7p	8.6p	6.0p	(16.9)p	(10.9)p	9.0p	(26.6)p	(17.6)p
Zero Dividend Preference share	–	5.6p	5.6p	–	5.2p	5.2p	–	10.7p	10.7p

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

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

The return/(loss) per share represents the profit/(loss) per share for the period and also the total comprehensive income per share.

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31ST AUGUST 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
Six months ended 31st August 2016 (Unaudited)							
At 29th February 2016	685	4,627	60,516	8	(12,279)	5,567	59,124
Amortisation of expenses of the placing and offer for subscription	–	–	12	–	–	–	12
Net return on ordinary activities	–	–	–	–	1,838	4,074	5,912
Dividends paid in the year	–	–	–	–	–	(2,810)	(2,810)
At 31st August 2016	685	4,627	60,528	8	(10,441)	6,831	62,238
Six months ended 31st August 2015 (Unaudited)							
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	–	–	12	–	–	–	12
Net (loss)/return on ordinary activities	–	–	–	–	(11,602)	4,107	(7,495)
Dividends paid in the period	–	–	–	–	–	(2,330)	(2,330)
At 31st August 2015	685	4,627	60,505	8	(5,677)	5,862	66,010
Year ended 29th February 2016 (Audited)							
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.

STATEMENT OF FINANCIAL POSITION AT 31ST AUGUST 2016

	(Unaudited) 31st August 2016 £'000	(Unaudited) 31st August 2015 £'000	(Audited) 29th February 2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	136,397	137,326	135,534
Current assets			
Debtors	1,191	3,617	2,209
Cash and cash equivalents	5,911	2,211	200
	7,102	5,828	2,409
Creditors: amounts falling due within one year	(60)	(1,076)	(227)
Net current assets	7,042	4,752	2,182
Total assets less current liabilities	143,439	142,078	137,716
Creditors: amounts falling due after more than one year			
Capital entitlement of the Zero Dividend Preference shareholders	(81,201)	(76,068)	(78,592)
Net assets	62,238	66,010	59,124
Capital and reserves			
Called up share capital	685	685	685
Share premium	4,627	4,627	4,627
Other reserve	60,528	60,505	60,516
Capital redemption reserve	8	8	8
Capital reserves	(10,441)	(5,677)	(12,279)
Revenue reserve	6,831	5,862	5,567
Total equity shareholders' funds	62,238	66,010	59,124
Net asset value per share (note 5)			
Zero Dividend Preference share	174.2p	163.2p	168.6p
Ordinary share	90.8p	96.3p	86.2p

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST AUGUST 2016

1. Financial statements

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

The figures and financial information for the year ended 29th February 2016 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The 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 UK and 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.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 31st August 2016.

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 to adopt these amendments early in these interim financial statements. Full disclosure is given in note 6.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 29th February 2016.

The Company has elected not to prepare a Statement of Cash Flows for the current period on the basis that substantially all of its investments are liquid and carried at market value.

3. Dividends paid

	(Unaudited) Six months ended 31st August 2016 £'000	(Unaudited) Six months ended 31st August 2015 £'000	(Audited) Year ended 29th February 2016 £'000
Fourth quarterly dividend of 2.05p ¹ (2015: 1.7p)	1,405	1,165	1,165
First quarterly dividend of 2.05p ¹ (2016: 1.7p)	1,405	1,165	1,165
Second quarterly dividend of 1.7p	n/a	n/a	1,165
Third quarterly dividend of 1.7p	n/a	n/a	1,165
Total dividends paid in the period/year	2,810	2,330	4,660

¹ Includes special dividends of 0.25p each paid in April and July in respect of the 2016 financial year.

A second quarterly dividend of 1.8p (2016: 1.7p) per Ordinary share amounting to £1,234,000 (2016: £1,165,000) has been declared payable in respect of the year ending 28th February 2017.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
4. Return/(loss) per class of share

	(Unaudited) Six months ended 31st August 2016 £'000	(Unaudited) Six months ended 31st August 2015 £'000	(Audited) Year ended 29th February 2016 £'000
Return/(loss) per Ordinary share is based on the following:			
Revenue return	4,074	4,107	6,142
Capital return/(loss)	1,838	(11,602)	(18,204)
Total return/(loss) per share	5,912	(7,495)	(12,062)
Weighted average number of Ordinary shares in issue	68,556,782	68,556,782	68,556,782
Revenue return per share	5.9p	6.0p	9.0p
Capital return/(loss) per share	2.7p	(16.9)p	(26.6)p
Total return/(loss) per share	8.6p	(10.9)p	(17.6)p

	(Unaudited) Six months ended 31st August 2016 £'000	(Unaudited) Six months ended 31st August 2015 £'000	(Audited) Year ended 29th February 2016 £'000
Return per Zero Dividend Preference share is based on the following:			
Capital return - compound growth entitlement	2,609	2,444	4,968
Weighted average number of Zero Dividend Preference shares in issue	46,612,200	46,612,200	46,612,200
Return per share	5.6p	5.2p	10.7p

5. Net asset value per share

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

	(Unaudited) Six months ended 31st August 2016	(Unaudited) Six months ended 31st August 2015	(Audited) Year ended 29th February 2016
Zero Dividend Preference shares			
Net assets (£'000)	81,201	76,068	78,592
Number of shares in issue	46,612,200	46,612,200	46,612,000
Net asset value per share	174.2p	163.2p	168.6p
Ordinary shares			
Net assets (£'000)	62,238	66,010	59,124
Number of shares in issue	68,556,782	68,556,782	68,556,782
Net asset value per share	90.8p	96.3p	86.2p

6. Fair valuation of investments

The fair value hierarchy analysis for financial instruments held at fair value at the period end is as follows:

	(Unaudited) Six months ended 31st August 2016		(Unaudited) Six months ended 31st August 2015		(Audited) Year ended 29th February 2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1: Quoted prices for identical instruments in active markets	136,397	–	137,326	–	135,534	–
Total	136,397	–	137,326	–	135,534	–

Shareholder Information

INTERIM MANAGEMENT REPORT

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

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 29th February 2016.

Related Parties' Transactions

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

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, 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 and, more specifically, that there are no material uncertainties relating to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of the approval of this half yearly financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors' Responsibilities

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

- (i) the condensed set of financial statements contained within the half year financial report has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and

fair view of the state of affairs of the Company and of the assets and liabilities, financial position and net return and loss of the Company as at 31st August 2016 as required by the UK Listing Authority Disclosure and Transparency Rule ('DTR') 4.2.4R; and

- (ii) the interim management report includes a fair review of the information required by DTR 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

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 accounting 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.

For and on behalf of the Board

Sir Laurence Magnus
Chairman

18th October 2016

CAPITAL STRUCTURE OF THE COMPANY

Introduction

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

Ordinary shares

Investment Characteristics

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

Entitlements

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

Voting Rights

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

Zero Dividend Preference shares

Investment Characteristics

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

Entitlements

The ZDPs are not entitled to any dividends and are designed to provide a predetermined Final Capital Entitlement payable on the

ZDP Repayment Date which ranks behind the Company's creditors, but in priority to the Ordinary shares (except for any revenue profits). The final Capital Entitlement per ZDP Share due on the ZDP Repayment Date equates to an annual return of 6.75% per annum compound on their issue price of 100p.

Voting Rights

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

Units

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

Investment Characteristics

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

Entitlements and Voting Rights

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

GLOSSARY OF TERMS AND DEFINITIONS

Shareholders' funds total return

Change in net assets, 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 February
Final results announced	April/May
Half year end	31st August
Half year results announced	October
Dividend on ordinary shares	January, April, July and October
Annual General Meeting	July

History

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

Directors

Sir Laurence Magnus (Chairman)
Roderick Collins
Sian Hansen
Richard Hills
James West (Chairman of the Audit Committee)

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, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at jpmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

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.

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The Association of
Investment Companies

A member of the AIC

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.