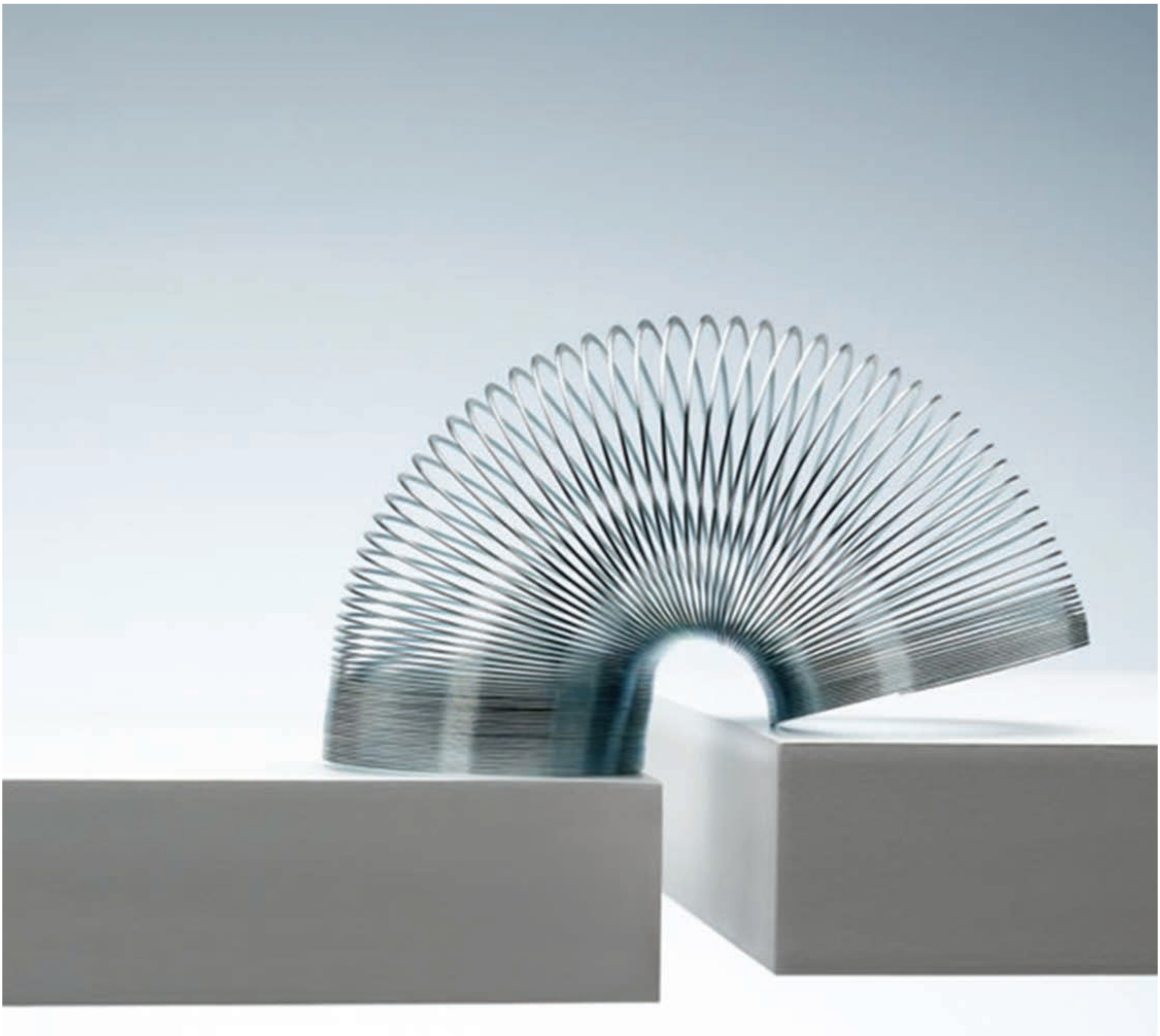
JPMorgan Income & Capital Trust plc

Annual Report & Accounts for the year ended 28th February 2017



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% 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 16.

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 until the end of the Company's fixed life on or around the 28th February 2018.

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)

+15.3%
Shareholders' funds total return[1]
(2016: –5.5%)

+20.8%
Composite benchmark total return[4]
(2016: –6.9%)

+15.8%
Unit net asset value total return[2,3]
(2016: –6.6%)

+13.4%
Unit share price total return[1]
(2016: –4.3%)

+6.8%
Zero Dividend Preference share net asset value total return[3]
(2016: +6.7%)

+6.5%
Zero Dividend Preference share price total return[1]
(2016: +2.3%)

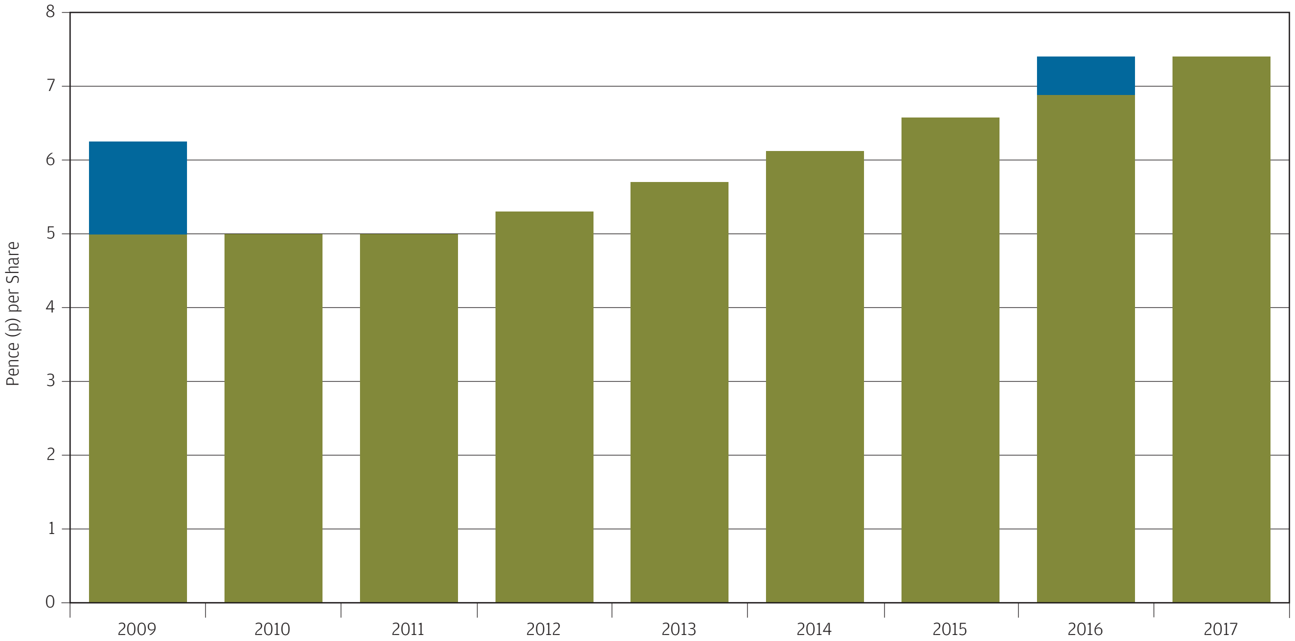
+25.1%
Ordinary share net asset value total return[3]
(2016: –16.4%)

+29.8%
Ordinary share price total return[1]
(2016: –21.0%)

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% Bloomberg Barclays Global Aggregate Corporate Bond Index in sterling terms.

A glossary of terms and definitions is provided on page 63.

Dividend per Ordinary Share



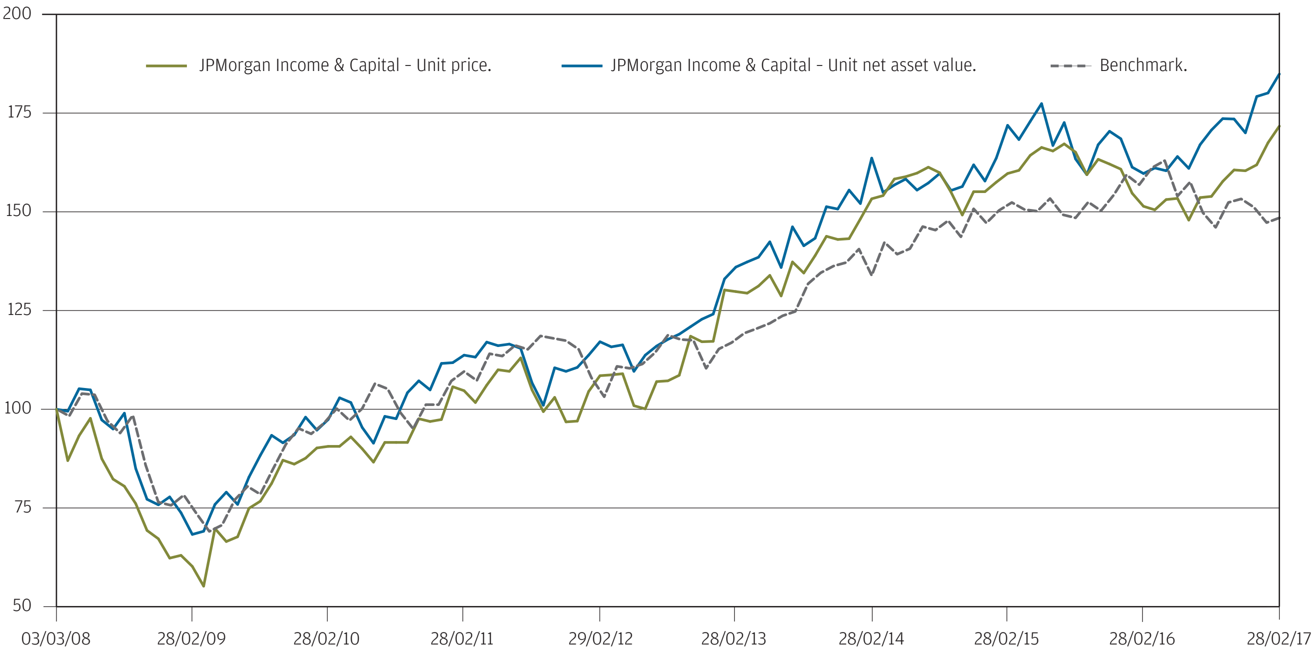
Special dividends detailed in notes 1 and 2 below are identified in blue in the above chart.

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 total return on the Company's assets for the year ended 28th February 2017 was 15.3%. This represented an under-performance of 5.5% against the composite benchmark (comprising 90% FTSE 350 Index, excluding investment trusts, and 10% Bloomberg Barclays Global Aggregate Corporate Bond Index in sterling terms) which recorded a total positive return of 20.8% for the same period.

The Company continued to be underweight in bonds and principally invested in equities throughout the year. The under-performance against the benchmark was mainly due to stock selection, with domestically orientated stocks experiencing sharp falls immediately following the 'Brexit' result which were not regained in the recovery during the second half of the year. Another contributory factor was being underweight in mining stocks, which rallied throughout the period.

Despite the rise in stock markets and improving prospects for global growth there is considerable uncertainty regarding the outcome of the 'Brexit' negotiations and its impact on the UK economy. The Investment Managers' report gives a more detailed commentary about the markets and the results for the year, together with their views concerning the outlook for the current financial year.

Share Price Performance

At 28th February 2017, the value of the Company's listed investments was £148.3 million (see note 11 on page 50). 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:

	28th February 2017		29th February 2016	
	Share Prices	Premium/ (Discount)	Share Prices	Premium/ (Discount)
ZDP	187.5p	4.2%	176.0p	4.4%
Ordinary	85.5p	(13.5)%	72.5p	(15.9)%
Units	351.5p	(7.0)%	325.0p	(4.7)%

As at 17th May 2017, the prices of Ordinary shares, Units and Zero Dividend Preference shares were at (discount)/premium of (13.0)%, (6.5)% and 2.7% 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 need to grow in order to return the current share price to Ordinary shareholders when the Company winds up in February 2018. At 28th February 2017, the Hurdle Rate required to return the Ordinary share price of 85.5p was minus 2.3% per annum and the Hurdle Rate required to return an Ordinary share price of 100.0p was an increase of 4.2% per annum. At 28th February 2017, the Hurdle rate required to return the Final Capital Entitlement of the ZDP shares of 192.13p was minus 41.0% per annum. At 17th May 2017, the Hurdle Rate required to return the current Ordinary share price of 91.75p was minus 4.1% per annum and to return the Final Capital Entitlement of the ZDP shares of 192.13p was minus 51.3% per annum.

Total Return, Revenue and Dividends

The gross return amounted to £21.5 million and net return after interest, administrative expenses, provision for the capital entitlement of the ZDP shareholders and taxation, but before dividends and attributions, amounted to £13.9 million. The distributable income for the period amounted to £6.02 million (8.8p per Ordinary share) compared with £6.14 million (9.0p per Ordinary share) in the previous year. The above figures are included in the Statement of Comprehensive Income on page 40.

A fourth interim dividend of 2.00p per Ordinary share was paid on 21st April 2017 to Ordinary shareholders and Unit holders on the register at the close of business on 31st March 2017. Total dividends paid in respect of the year ended 28th February 2017 amounted to 7.40p per Ordinary share, comprising of three interim dividends each of 1.80p per Ordinary share and a fourth interim dividend of 2.00p per Ordinary share. As anticipated, the total dividend of 7.40p per Ordinary share remained unchanged from the total dividend (comprising 0.50p of special dividends per Ordinary share and 6.90p of ordinary dividends per Ordinary shares) paid in the previous year. This was because the Company received large amounts of special dividends in the year ended 29th February 2016, which were not repeated in the year ended 28th February 2017. The Company's undistributed revenue reserves, after allowing for the payment of the above dividends for the year ended 28th February 2017, amounts to £4.9 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 at 2.0p per Ordinary share during the current financial year ending on the expiry of the Company's life. On the liquidation of the Company any undistributed revenue reserves will be eligible for distribution to shareholders.

The Board

Roderick Collins retired as a Director of the Company in December 2016. The Board is grateful to Roderick for his valuable contribution as a Director since his appointment when the Company was launched in 2008. Following a selection process led by an independent non-executive search consultancy, the Board was pleased to announce the appointment of Sarah MacAulay as a Director on 6th December 2016. A resolution to confirm Sarah MacAulay's appointment as a Director will be proposed at the forthcoming Annual General Meeting and the Board recommends that shareholders support the resolution.

Details of the Directors' backgrounds and experience can be found on pages 21 to 22.

Investment Managers

We were pleased that Sarah Emly, one of the Company's co-Investment Managers, returned to work on a part time basis during the year following a period of leave away from the office for health reasons. 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 during Sarah's absence.

Annual General Meeting

The Directors and I look forward to welcoming shareholders to the ninth Annual General Meeting, which will be held at 60 Victoria Embankment, London EC4Y 0JP on 13th July 2017

CHAIRMAN'S STATEMENT *CONTINUED*

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

Although market metrics, such as price earnings ratios and EBITDA multiples, remain above long term averages, the global economy is strong and corporate results continue mainly to be in line with or exceed expectations and, in the opinion of the Board and the Investment Managers, appear therefore to justify these multiples. There is considerable uncertainty amongst market commentators as to whether these bullish conditions will continue given the potential impact, inter alia, of the policies of the new administration in the USA, the outcome of elections in Europe (including the forthcoming UK General Election), the possible consequences for the UK of the 'Brexit' negotiations and the continuing warfare in the Middle East.

The Board has agreed with the Investment Managers that, in anticipation of the Company's termination in February 2018, it would be appropriate to align the Company's investment portfolio more closely with its benchmark of 90% equities and 10% bonds. Accordingly, the Investment Managers have been reducing the Company's overweight equity position and, as at 21st April 2017, the Company's investment portfolio was invested as to 95% equities and 5% cash. The Board and the Investment Managers may further reduce the Company's equity position depending upon their assessment of market circumstances.

The overall objective of the Board and the Investment Managers, over the remaining period of the Company's life, is to manage the Company's investment portfolio to ensure that the final capital entitlement of the ZDP shares of 192.13p is fully funded as at 28th February 2018 and that holders of Ordinary shares receive quarterly dividends at the rate of 2.00p per share (as referred to above) together with an entitlement to net assets per Ordinary share on that date which is equal to or exceeds 100.00p per Ordinary share. As at 17th May 2017, based on the net asset value per Ordinary share of 105.52p, it would be necessary for the value of the Company's assets to increase by 0.4% in order to achieve an entitlement of 100.00p per Ordinary share. Please see Note 23 on page 58 for details of the Company's net asset value per share.

Future of the Company

The Board is now engaged with the Company's advisers and Investment Managers in considering options for Shareholders following the termination of the Company on 28th February 2018 and its consequent liquidation for cash.

The Board recognises that many shareholders will wish to receive at least one option to roll over their investment in the Company into other listed securities as an alternative to a cash liquidation. The Board has been advised that it is now unlikely that any such option could include a roll over into a new 'split capital' investment trust, given that such structures (comprising two or three different classes of share carrying participation rights broadly equivalent to the Company's Ordinary share, ZDP and Unit classes) are increasingly rare and not recommended to clients by many independent financial advisers.

The Board is therefore exploring other options to offer to shareholders, recognising that any such option will be dependent upon market conditions nearer the time of termination of the Company on 28th February 2018. It will be necessary that any proposal offering shareholders the opportunity to roll over their shareholdings into a new stand-alone investment trust must be capable of attracting sufficient investment capital to make the new company financially sustainable. An alternative option, also under consideration, would be to offer shareholders the opportunity to roll over their shareholdings in the Company into shares in an existing investment trust.

The Board is mindful of the associated costs of offering shareholders more than one or two options to roll over their shareholdings in the Company (in addition to the liquidation of their shareholdings for cash). These costs have been estimated at £552,000 (including VAT) and have been included as a provision in the Company's Annual Report and Accounts for the year ended 28th February 2017. Please see Note 6(b) on page 47 for more details.

Shareholders will receive further updates from the Board in due course and, in any event, in good time before the termination of the Company on 28th February 2018.

Sir Laurence Magnus
Chairman

18th May 2017

INVESTMENT MANAGERS' REPORT

Sarah Emly

John Baker

Market Review

UK stocks rose strongly over the twelve months to 28th February 2017, with the FTSE 350 (excluding investment trusts) Index up 22.6%. Sterling corporate bonds also rose in the period, although by a much more modest amount, with the 10% Bloomberg Barclays Global Aggregate Corporate Bond Index in sterling terms Corporate Bond Index up 6%.

The dominant event during the Company's financial year was the 'Brexit' referendum, with the surprise outcome in favour of leaving the EU. UK stocks fell heavily in the immediate aftermath of this result, while sterling fell sharply against both the US dollar and the euro. Initial sentiment indicators suggested that the result had caused an economic shock in the UK, with both economic and consumer confidence plunging. However, such fears proved to be short lived as the UK economy went on to defy many pessimists' predictions and continued to grow by 2% over the year, making it the fastest growing economy in the G8. The second key political shock of the year was the unexpected victory of Donald Trump in the US Presidential elections of November 2016. Investor sentiment and equity markets were boosted by this surprise result in anticipation that Trump's stated pro-growth policies (lower regulation, tax reform and higher fiscal spending) would significantly boost economic growth and inflation prospects in the US. In the UK, inflation remained low and shortly after the 'Brexit' vote the Bank of England's Monetary Policy Committee cut base rates to 0.25%, where they stayed until the year end.

Headline UK dividend growth was encouraging during the year, with a significant number of UK corporates announcing special dividends during the first half of 2016. However, it was also a year in which mining sector dividends halved (source: Capita Asset Services) as many of the mining stocks either abandoned or significantly reduced their dividend payments, whilst the UK food retailers also saw dividend cuts. Underlying dividend growth from UK companies was mixed, and the positive headline figure of total dividend growth from the UK stock market has been flattered by the positive impact of sterling's weakness on the dividends of some of the more internationally oriented large cap companies. Sterling weakened materially in the aftermath of the EU referendum in June 2016 and this has had a positive impact on some of the key UK dividend payers, which declare their dividends in US dollars, such as the major oil stocks and the major pharmaceuticals. Overall for 2016, underlying UK dividends grew by 2.6% (source: Capita Asset Services), although dividends would have fallen without the currency benefits from weaker sterling. More recently, during early 2017, there have been fewer special dividends than was the case in the first half of 2016.

Portfolio Review

As we wrote in the Interim Report we reduced the portfolio's exposure to UK equities before the June referendum given the uncertainty of the result, increasing cash holdings to approximately 9% of the Company's assets. Subsequently, we have reinvested some of this cash giving a year end equity exposure of approximately 98%. Therefore at the close of the Company's full 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.

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. We constantly analyse each of our holdings to ensure they exhibit these characteristics whilst also assessing new investment opportunities against these same criteria. As such, portfolio construction is determined by bottom up stock selection rather than taking a view on unforecastable economic or market events. We believe 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.

Therefore, whilst many of the companies we hold are cyclical we have always sought to match profit and loss account sensitivity with balance sheet strength. Following the referendum we remained confident that our holdings were free of existential risk and that cash flow streams were visible and predictable. In the interim report we were reassured to say that our holdings by and large delivered reassuring results and more importantly have said that they have possibly experienced no impact from 'Brexit' to date. This was true for domestically exposed companies as much for companies whose earnings are predominantly overseas. This situation still holds. For instance, our house builders, whose prospects were seen as in peril and whose share prices collapsed, all reported strong results and their share prices have since recovered.

Therefore, despite the tumultuous events during the year, activity in the portfolio has not been materially higher than in prior years. We bought a position in electrical parts distributor, Electrocomponents. The company is enjoying a pick-up in activity in North America and Asia and executing a cost reduction programme faster than expected. We also bought Tate & Lyle which is now a global food ingredients company. The business has been performing well leading management to increase their profits projection for 2017. The outlook for earnings growth in the next few years is encouraging whilst dividends are expected to grow by 4% over the next 12 months. We also bought Prudential Plc. The growth outlook is strong as its Asian business continues to expand and cash generation from its US operations remains strong. Unilever was also added following the rejected take-over offer from Kraft, because we expect management to embark on a programme to improve returns. Other purchases were mostly concentrated on increasing our positions in existing holdings such as Rio Tinto and Card Factory.

On the other hand we sold our holding in Informa. The revenue growth outlook in its key business divisions is challenging, leading to a deterioration in anticipated profit growth. We also sold our holding in outsourcing group Serco following a disappointing outlook for profitability in 2018 due to a high number of contracts that will be subject to a retendering process. We also reduced our positions in Booker, Direct Line and British American Tobacco.

Performance Review

In the year to 28th February 2017, the Company's return was +15.3%, in comparison with the composite benchmark return of +20.8%. Although the absolute positive return was encouraging, the underperformance relative to the benchmark was disappointing. This underperformance was experienced during the first half of our financial year, with the Company's relative performance improving during the second half of the year. As outlined in the Interim Report, the portfolio was adversely impacted by a large rally in mining shares that we did not own, many of which reduced their dividends entirely. However, the other key reason for the underperformance during this initial six month period, and consequently for the Company's financial year, was the impact of the 'Brexit' referendum result on many of our long-standing domestic and economically sensitive holdings, as sentiment turned against such stocks. Some of our key domestic holdings such as the housebuilders, Berkeley Group and Persimmon, two premium dividend yielders with attractive valuations, fell sharply in the immediate aftermath of the referendum vote, although they went on to deliver strong operational performance with some considerable share price recovery through the rest of the year. However, the portfolio returned to delivering outperformance during the second half of the year, with our focused approach on bottom-up stock selection with strict criteria, enabling us to avoid some of the key fundamental profit warning stocks during more recent months. Zero holdings in the large-cap media group, Pearson, and in the support services stock, Capita, both of which have been serial disappointers in terms of their earnings delivery, and consequently very poor share price performers.

Our most positive relative contributor to performance was an underweight position in the large-cap telecom stock, BT Group. BT's share price fell by 30% over the course of the year,

INVESTMENT MANAGERS' REPORT *CONTINUED*

with particular weakness in early 2017 due to a profit warning and the announcement of accounting issues at its Italian business, which resulted in increased charges, further downgrades to its prospects and concerns over its cashflow. The portfolio benefited from not owning this stock. Our holding in Fever-Tree, the leading player within the premium segment of the mixer drinks market, performed strongly, as this growth company consistently beat market expectations of its earnings growth. Another new holding introduced during the course of the year, Electrocomponents, delivered strong results and outperformed the wider market, contributing positively to our portfolio's returns. Although we were underweight in the mining sector during the year, which was costly due to some of the exceptional capital returns of some stocks, our long term overweight position in Rio Tinto, the low cost iron ore provider was also positive, whilst also delivering dividends to its shareholders. Our overweight positions in the two premium dividend yielding oil majors, BP and Royal Dutch Shell, both contributed positively to performance over the twelve months, as their prospects improved with the recovering oil price.

Market Outlook

The UK stock market has remained healthy since the Company's year end, with many corporates continuing to deliver good results and encouraging outlook statements. This is also the case globally, with the outlook for the corporate sector improving and growth expectations trending higher, as markets price in a gentle move towards global reflation. Although much of this improvement has been priced in with the strong rally in equity prices since early 2016, we believe that equities can still move higher albeit with more volatility likely. The outlook for UK dividend growth remains mixed, although any further weakness in sterling would clearly be beneficial given the international nature of the UK equity market, particularly amongst large cap holdings.

Political uncertainty is set to continue in 2017, with a number of important elections in Europe (including the forthcoming UK General Election), uncertainty over the impact of Trump's policies on US economic and foreign policy, and domestically, the' Brexit' negotiations. The UK is truly fortunate that the triggering of Article 50 has come at a time when global growth is improving and inflation, whilst rising, is still seen by investors to be under the authorities' control. This could account for the UK stock market's calm reaction to such a momentous recent event.

However, over the coming months, as news trickles out from the long and complex negotiations, the market is likely to move its attention from the supportive macro factors to the micro consequences of any trade deals that are struck. As trade-offs and compromises are made, clear winners and losers will emerge. It would be wrong to pretend that we can predict the outcome of these events with any degree of accuracy; far better that we wait for the facts to emerge. Whilst we will, of course, continue to seek out money making opportunities, at times we have to prioritise simply maintaining capital. Having benefited from being overweight in equities over recent periods of strong equity market returns, as we approach the Company's termination in February 2018, we are now lessening this overweight position and moving closer to the composite benchmark of 90% in equities and 10% in corporate bonds. We will continue to look for attractive investment opportunities within the UK stock market whilst being mindful of valuations and prospects of both asset classes as we progress through the remaining period of the Company's life.

John Baker
Sarah Emly
Investment Managers

18th May 2017

SUMMARY OF RESULTS

	28th February 2017	29th February 2016	% change
Total returns for the year ended			
Shareholders' funds[1]	+15.3%	-5.5%	
Ordinary share net asset value[2]	+25.1%	-16.4%	
Unit net asset value[2]	+15.8%	-6.6%	
Zero Dividend Preference share net asset value[2]	+6.8%	+6.7%	
Ordinary share price[1]	+29.8%	-21.0%	
Unit share price[1]	+13.4%	-4.3%	
Zero Dividend Preference share price[1]	+6.5%	+2.3%	
Composite benchmark[3]	+20.8%	-6.9%	

			% change
Net asset value, market price and premium/(discount)			
Zero Dividend Preference shares[4]			
Capital entitlement (£'000)	83,896	78,592	+6.7
Net asset value per share (p)	180.0	168.6	+6.8
Market price (p)	187.5	176.0	+6.5
Premium	4.2%	4.4%	
Ordinary shares			
Net assets (£'000)	67,797	59,124	+14.7
Net asset value per share (p)	98.9	86.2	+14.7
Market price (p)	85.5	72.5	+17.9
Discount	(13.5)%	(15.9)%	
Units			
Net asset value per Unit (p)	377.8	341.0	+10.8
Market price (p)	351.5	325.0	+8.2
Discount	(7.0)%	(4.7)%	
Assets (Ordinary and Zero Dividend Preference shareholders)			
Shareholders' funds (£'000)	151,693	137,716	+10.1
Revenue for the year ended			
Attributable to Ordinary shareholders			
Gross revenue return (£'000)	7,034	7,192	-1.7
Revenue return for shareholders (£'000)	6,016	6,142	-2.1
Revenue return per share (p)	8.8	9.0	-2.2
Total dividends declared (£'000)	5,073	5,071	+0.0
Total dividend declared per share (p)	7.40	7.40	+0.0
Gearing/(net cash)[5]	**(2.2)%**	**(1.6)%**	
Ongoing charges	**1.23%**	**1.22%**	

[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% Bloomberg 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 16.

[5] The methodology to calculate gearing has been amended during the year. The previous years' figure has been amended for fair comparison. Please refer to the glossary of terms and definitions on page 63 for the revised calculation.

A glossary of terms and definitions is provided on page 63.

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	28th Feb 2017
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	83,896
Net asset value per share (p)	100.0	106.7	114.0	121.6	129.8	138.6	148.0	158.0	168.6	180.0
Market price (p)	102.5	89.5	111.5	123.6	135.0	149.1	162.3	172.1	176.0	187.5
Premium/(discount) (%)	2.5	(16.1)	(2.2)	1.6	4.0	7.6	9.7	8.9	4.4	4.2
Ordinary shares										
Net assets (£'000)	61,627	26,112	46,933	56,235	52,714	61,960	76,372	75,823	59,124	67,797
Net asset value per share (p)	99.0	38.7	69.5	83.3	78.1	91.8	113.1	110.6	86.2	98.9
Share price (p)	100.0	48.3	68.0	74.0	69.3	82.4	96.3	98.8	72.5	85.5
Premium/(discount) (%)	1.0	24.8	(2.2)	(11.2)	(11.3)	(10.3)	(14.9)	(10.7)	(15.9)	(13.5)

Year ended 28th February	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross revenue (£'000)	N/A	5,646	4,090	4,323	5,134	4,934	5,634	6,035	7,192	7,034
Revenue return for shareholders (£'000)	N/A	4,670	3,404	3,559	4,301	4,095	4,727	5,045	6,142	6,016
Revenue return per share (p)	N/A	7.3	5.0	5.3	6.4	6.1	7.0	7.4	9.0	8.8
Total dividends declared (£'000)	N/A	4,076	3,376	3,376	3,578	3,848	4,136	4,491	5,071	5,073
Total dividends declared per share (p)	N/A	6.25[1]	5.00	5.00	5.30	5.70	6.125	6.575	7.40[2]	7.40

Rebased to 100 at 3rd March 2008 Year ended 28th February		2009	2010	2011	2012	2013	2014	2015	2016	2017
Unit share price total return[3]	100.0	60.2	90.6	104.7	108.5	129.8	153.3	159.7	152.8	173.2
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	184.9
Benchmark[3,4]	100.0	69.0	100.1	116.1	118.7	134.5	150.7	159.3	148.4	179.2

1 Includes a special dividend of 1.25p per Ordinary share.
2 Includes special dividends of 0.50p per Ordinary share.
3 Source: Morningstar/J.P. Morgan
4 Source: MSCI. 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 63.

TEN LARGEST INVESTMENTS

		At 28th February 2017 Valuation		At 29th February 2016 Valuation	
Company	Sector	£'000	%[1]	£'000	%[1]
Royal Dutch Shell	Oil & Gas	12,993	8.8	7,486	5.5
HSBC Holdings	Financials	9,880	6.7	6,257	4.6
British American Tobacco	Consumer Goods	8,440	5.7	7,196	5.3
GlaxoSmithKline	Health Care	7,440	5.0	5,606	4.1
BP	Oil & Gas	6,737	4.5	5,220	3.9
Lloyds Banking Group[2]	Financials	5,109	3.4	3,537	2.6
Rio Tinto[2]	Basic Materials	4,815	3.2	2,780	2.1
National Grid	Utilities	4,190	2.8	4,129	3.0
Diageo[3]	Consumer Goods	3,783	2.6	–	–
Imperial Brands	Consumer Goods	3,579	2.4	5,882	4.3
Total		**66,966**	**45.1**		

At 29th February 2016, the value of the ten largest equity investments amounted to £55.4m representing 40.9% of total investments.

[1] Based on total investments of £148.3m (2016: £135.5m).

[2] Not included in the ten largest investments at 29th February 2016.

[3] Not included in the total investments at 29th February 2016.

SECTOR ANALYSIS

Sector	28th February 2017 Portfolio[1] %	28th February 2017 Benchmark %	29th February 2016 Portfolio[1] %	29th February 2016 Benchmark %
Financials	28.0	20.2	27.4	19.1
Consumer Goods	22.8	14.6	17.9	16.6
Oil & Gas	13.3	11.3	9.4	9.9
Consumer Services	9.2	10.7	16.6	12.3
Industrials	7.0	9.7	5.9	9.2
Health Care	6.9	8.9	8.0	8.2
Basic Materials	5.9	6.9	3.4	4.4
Utilities	5.0	3.4	5.1	3.7
Telecommunications	1.0	3.6	6.3	5.2
Technology	0.9	0.7	–	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 £148.3m (2016: £135.5m).

LIST OF INVESTMENTS AT 28TH FEBRUARY 2017

Company	Value £'000
Financials	
HSBC Holdings	9,880
Lloyds Banking Group	5,109
Phoenix Group Holdings	3,509
Barclays	3,210
Aviva	3,139
Beazley	3,075
Prudential	3,025
Direct Line Insurance Group	1,819
Intermediate Capital Group	1,753
Novae Group	1,729
Lancashire Holdings	1,567
Legal & General Group	1,460
Schroders	1,175
Jupiter Fund Management	1,032
	41,482
Consumer Goods	
British American Tobacco	8,440
Diageo	3,783
Imperial Brands	3,579
Berkeley Group Holdings	2,721
Unilever	2,694
Taylor Wimpey	2,578
Persimmon	2,493
Fevertree Drinks	2,426
Galliford Try	1,781
Tate & Lyle	1,634
Headlam Group	1,606
	33,735
Oil & Gas	
Royal Dutch Shell	12,993
BP	6,737
	19,730
Consumer Services	
WPP	3,180
ITV	2,665
Tesco	1,788
WH Smith	1,760
888 Holdings	1,756
Booker Group	1,325
Card Factory	1,206
	13,680

Company	Value £'000
Industrials	
BAE Systems	2,460
Electrocomponents	2,239
DS Smith	1,537
DCC	1,465
Costain Group	1,222
Morgan Advanced Materials	797
Connect Group	673
	10,393
Health Care	
GlaxoSmithKline	7,440
AstraZeneca	2,835
	10,275
Basic Materials	
Rio Tinto	4,815
Mondi	2,667
Croda International	1,183
	8,665
Utilities	
National Grid	4,190
Centrica	1,856
Severn Trent	1,413
	7,459
Telecommunications	
KCOM Group	1,512
	1,512
Technology	
Micro Focus International	1,362
	1,362
Total Equity Investments	**148,293**

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 £67,797,000 and £83,896,000 respectively (note 17). As at 28th February 2017 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. It is a public limited company incorporated in England. 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 28th February 2017, the Company produced a portfolio return of +15.3%, compared with the return on the Company's benchmark index of +20.8%. At 28th February 2017, the value of the Company's investment portfolio was £148.3 million. The Investment Managers' Report on pages 8 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 return amounted to £21.5 million (2016: £5.3 million loss) and net total return after deducting interest, administrative expenses, provision for capital entitlement of the ZDP shareholders (note 7) and taxation, amounted to £13.9 million (2016: £12.1 million loss). Distributable income for the year amounted to £6.0 million (2016: £6.1 million).

A fourth interim dividend of 2.0p per Ordinary share was paid on 21st April 2017 to Ordinary shareholders and Unit holders on the register at the close of business on 31st March 2017.

The dividends paid in respect of the year ended 28th February 2017 amounting in total to 7.4p per Ordinary share, comprise of three interim dividends each of 1.8p per Ordinary share, a fourth interim dividend of 2.0p per Ordinary share and cost £5.1 million (2016: £5.1 million). The Company's undistributed revenue reserves, after allowing for the payment of the above dividends, amounts to £5.0 million (2016: £4.0 million).

BUSINESS REVIEW *CONTINUED*

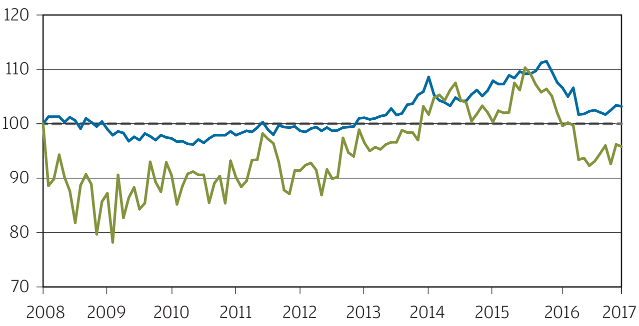
Key Performance Indicators ('KPIs')
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**

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

Performance Relative to Benchmark

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



Source: Morningstar/FTSE.

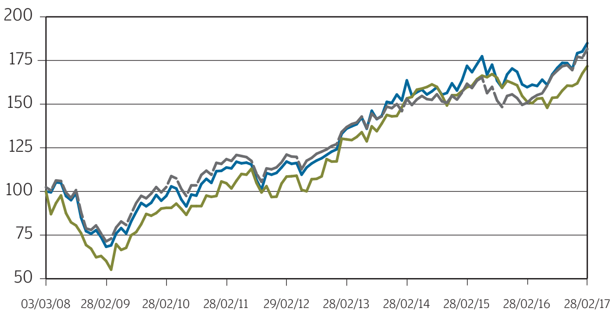
—— JPMorgan Income & Capital - Unit price.

—— 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% 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..

Absolute Performance Since Inception

FIGURES HAVE BEEN REBASED TO 100 SINCE INCEPTION



Source: Morningstar.

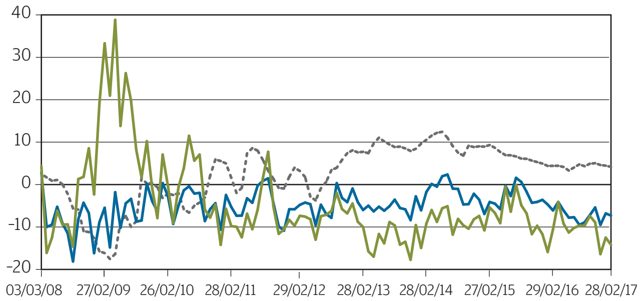
—— JPMorgan Income & Capital - Unit price.

—— 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 28th February 2017, the Ordinary shares traded between a discount of 16.4% and 4.1% and the ZDP shares traded between a premium of 5.0% and 3.3% (using month end data).

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 28th February 2017 were 1.23% (2016: 1.22%). 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 7, the Company did not issue or buyback any shares during the year ended 28th February 2017.

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 24 and the full text of the resolutions is set out in the Notice of Meeting on pages 60 and 61.

Details of the share capital structure of the Company can be found on page 16.

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation.

As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on Human Rights can be found on the following website: www.jpmorganchase.com/corporate/About-JPMC/ab-human-rights.htm

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 and if the ranking of a risk has changed since the past meeting and how the risks are mitigated. 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. Market volatility may also arise during the 'Brexit' negotiations. 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 23.
- 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 25 to 29.
- 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. The threat of Cyber attack is increasing and regarded as having the ability to cause equivalent disruption to the Company's business as more traditional business continuity and security threats. The Company benefits from JPMorgan's Cyber Security Programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by Deloitte and reported every six months against the AAF standard. 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 28 and 29.
- 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 21 on pages 54 to 58.

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 28th February 2017, there were three male Directors and two female Directors on the Board. As mentioned in the Chairman's Statement, Roderick Collins retired from the Board in December 2016 and an independent non-executive search consultant identified suitable candidates for interview. Sarah MacAulay was selected, and appointed as a director on 6th December 2016 by the Board. 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

BUSINESS REVIEW *CONTINUED*

directors. 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). Following the successful conclusion of the second one year arrangement with a Board Observer, the Board has decided to offer the existing Board Observer the opportunity to remain as an observer until the termination of the Company's life in February 2018. The role of Observer is educational and unpaid.

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 evaluates the performance of the Manager and reviews its Corporate Governance. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics below:

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 and is limited by the fixed life of the Company which expires on or around 28th February 2018. The Investment Managers' discuss the outlook in their report on pages 8 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 months 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

18th May 2017

BOARD OF DIRECTORS

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

Last reappointed to the Board: 2016.

Sir Laurence Magnus is a senior adviser at Evercore Partners, a corporate finance advisory business. He is Chairman of Pantheon International plc, 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 Fidelity Japanese Values plc and 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.

Sian Hansen
A Director since 2013.

Last reappointed to the Board: 2016.

Sian Hansen is currently a non-executive director of Pacific Assets Trust plc and an advisor to Oxford Investment Consultants, the research arm of the Oxford Technology Innovation Fund. From 2013 to 2016 Sian was Executive Director of the Legatum Institute, a global public policy think tank and previously, she spent seven years as Managing Director of the UK think tank Policy Exchange. She is currently a commissioner of the Social Metrics Commission in the UK and The Women's Refugee Commission in the USA and Trustee of The Almeida Theatre. Formerly, Sian was a director and Co-Head of Sales for Asian Equities at Société Générale and before that was an equity analyst 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: 2016.

Richard Hills has substantial experience of investment trust and investment company boards and is currently the Chairman of Strategic Equity Capital plc, The SQN Secured Income Fund plc and a director of Henderson International Income Trust plc.

Shared directorships with other Directors: None.

Shareholding in Company: 75,000 Ordinary shares.

BOARD OF DIRECTORS *CONTINUED*

Sarah MacAulay
Appointed to the Board in December 2016.

Sarah MacAulay is a non-executive director of Aberdeen New Thai Investment Trust plc and a Trustee of Glendower School Trust, an educational charitable trust. She has twenty years of Asian fund management experience in London and Hong Kong managing significant institutional assets and unit trusts. She was formerly a director of Baring Asset Management (Asia) Ltd, Head of Asian Equities at Kleinwort Benson Investment Management and Eagle Star Investment Management.

Shared directorships with other Directors: None.

Shareholding in Company: None.

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

Last reappointed to the Board: 2016.

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 Threadneedle UK Select Fund Ltd 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 28th February 2017.

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 59.

Going Concern

Given that the Company has a fixed life and will be wound up voluntarily on or around 28th February 2018, the Directors believe that it would not be reasonable to adopt the going concern basis in preparing the financial statements. Therefore, the financial statements have been prepared on a basis other than going concern, after including a provision for the liquidation of the Company based on estimated costs to liquidate the Company.

Directors

The Directors of the Company who held office at the end of the year are described on pages 21 and 22.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 31.

Details of the tenure of the Directors are on page 26.

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

DIRECTORS' REPORT *CONTINUED*

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 16.

Voting Rights in the Company's shares
As at 17th May 2017 (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
Brewin Dolphin Ltd	214,831	0.2

[1] Non-beneficial.

Zero Dividend Preference shares Shareholders	Number of shares held	%
Brewin Dolphin Ltd	2,928,639	2.5
Investec Wealth & Investment Limited	2,850,496	2.5
Rathbone Brothers Plc	941,746	0.8

Units	Number of shares held	%
Brewin Dolphin Ltd	474,717	0.4

The Company is also aware that approximately 29% 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 6)
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 expiry of the Company's life unless renewed at an earlier general meeting. The full text of the resolution is set out in the Notice of Meeting on page 60.

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 7)
Resolution 7 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 60.

(iii) Authority to repurchase the Company's shares (resolution 8)
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 expiry of the Company's life 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 6 to 8)

The Board considers that resolutions 6 to 8 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 33, indicates how the Company has applied the principles of good governance of the latest applicable UK Corporate Governance Code and the AIC's Code of Corporate Governance (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.

DIRECTORS' REPORT *CONTINUED*

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 21 and 22. 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 5 Roderick Collins retired as Director in December 2016 and an independent non-executive search consultancy identified suitable candidates for interview. Sarah MacAulay was selected by the Board and appointed as a director on 6th December 2016.

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.

As all the Company's Directors were reappointed within the last three years, under the terms of the Articles there is no requirement for any of them to be reappointed at the forthcoming Annual General Meeting. A resolution to confirm Sarah MacAulay's appointment as a Director will be proposed at the forthcoming Annual General Meeting and the Board recommends that Shareholders support the resolution.

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 21 and 22.

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	4	2	0
Sian Hansen	5	2	1
Richard Hills	5	2	1
Sarah MacAulay	1	0	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 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. As referred to on page 20 the Board decided to offer the existing Board Observer the opportunity to remain as an Observer until the termination of the Company's life in February 2018.

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 28th February 2017, 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 43. 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 valuations 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(c) to the accounts on page 43. 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.

Significant issue	How the issue was addressed
Fixed life of the Company and winding up in February 2018	Preparation of the financial statements on a basis other than going concern and Board review of the provision for the liquidation of the Company based on estimated costs to liquidate the Company.

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 28th February 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and 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 33.

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 28 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

DIRECTORS' REPORT *CONTINUED*

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 28th February 2017 is the current Audit Partner's second year of a five year maximum term.

Details of remuneration paid to the external Auditors are given in note 6 on page 47.

There were no non-audit fees paid to the auditor during the year ended 28th February 2017.

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 65. 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 65.

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.

Details on the future developments of the Company are included in the Strategic Report on page 20.

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 19). 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. 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 28th February 2017, 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 20.

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

18th May 2017

DIRECTORS' REMUNERATION REPORT

The Board presents the Directors' Remuneration Report for the year ended 28th February 2017, 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 34 to 39.

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 7th July 2016, 98.6% of votes cast (not including abstentions) were in favour of (or granted discretion to the Chairman who voted in favour of) the Remuneration Policy and 1.4% voted against. Abstentions were received from less than 0.4% 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 Board expect to be particularly busy in the run-up to the Company's end of life and have therefore agreed that, if it is deemed necessary due to the additional time demands that the process is expected to require, the clause in the Company's Articles that permits additional remuneration to be paid to Directors for special duties may be invoked. This potential cost has been included in the provision referred to in the Future of the Company section of the Chairmans Statement on page 6.

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 26.

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

There have been no changes to the policy during the year ended 28th February 2017 and no changes are proposed for the year ending 28th February 2018.

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.

At the Annual General Meeting held on 7th July 2016, 98.6% of votes cast (not including abstentions) were in favour of (or granted discretion to the Chairman who voted in favour of) the remuneration report and 1.4% voted against (not including abstentions). Abstentions were received from less than 0.3% of the votes cast.

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 28th February 2017 was £134,449. 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]

	2017 Fees £	2017 Taxable expenses[2] £	2017 Total £	2016 Fees £	2016 Taxable expenses[2] £	2016 Total £
Sir Laurence Magnus	34,500	–	34,500	34,500	–	34,500
Roderick Collins[3]	19,167	294	19,461	23,000	–	23,000
Sian Hansen	23,000	–	23,000	23,000	–	23,000
Richard Hills	23,000	280	23,280	23,000	–	23,000
Sarah MacAulay[4]	5,458	–	5,458	–	–	–
James West	28,750	–	28,750	28,750	–	28,750
Total	**133,875**	**574**	**134,449**	**132,250**	**–**	**132,250**

[1] Audited information.

[2] Taxable travel and subsistence expenses incurred in attending Board and Committee meetings.

[3] Retired 31st December 2016.

[4] Appointed 6th December 2016.

Remuneration for the role of Chairman over the five years ended 28th February 2017

28th February	Fees £
2017	34,500
2016	34,500
2015	33,000
2014	33,000
2013	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	28th February 2017	29th February 2016
Roderick Collins	–	–
Sian Hansen	–	–
Richard Hills	–	–
Sarah MacAulay	–	–
Sir Laurence Magnus	–	–
James West	–	–

Ordinary shares	28th February 2017	29th February 2016
Roderick Collins	–	–
Sian Hansen	10,000	10,000
Richard Hills	75,000	75,000
Sarah MacAulay	–	–
Sir Laurence Magnus	–	–
James West	35,663	35,663

Units	28th February 2017	29th February 2016
Roderick Collins	–	11,818
Sian Hansen	–	–
Richard Hills	–	–
Sarah MacAulay	–	–
Sir Laurence Magnus	47,268	47,268
James West	–	–

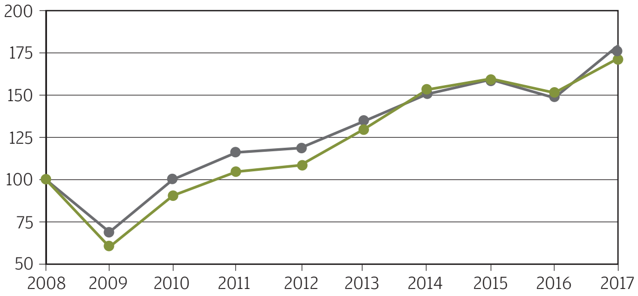
[1] Audited information.

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% Bloomberg 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.

DIRECTORS' REMUNERATION REPORT *CONTINUED*

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 28th February 2017 £	29th February 2016 £
Remuneration paid to all Directors	133,875	132,250
Taxable expenses paid to Directors	574	–
Distribution to shareholders		
– by way of dividend	5,073,000	5,071,000
– by way of share repurchases	nil	nil

For and on behalf of the Board
Sir Laurence Magnus
Chairman

18th May 2017

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) and Financial Reporting Standard (FRS) 102. 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.
- The Annual Report and the financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.
- The Directors complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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

18th May 2017

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 28th February 2017 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report & Accounts (the 'Annual Report'), comprise:

- the Statement of Financial Position as at 28th February 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity 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 United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Context
JPMorgan Income & Capital Trust plc is an Investment Trust Company listed on the London Stock Exchange and invests primarily in UK equities. The operations of the Company are located in the UK. We focus our audit work primarily on the valuation and existence of investments, income and going concern.

Overview

- Overall materiality: £678,000 which represents 1% of net assets.

- The Company is an Investment Trust Company and engages JPMorgan Funds Limited (the 'Manager') to manage its assets.
- We conducted our audit of the financial statements using information provided by JPMorgan Corporate and 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.
- Going concern and the fixed life of the Company.

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. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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 27 (Audit Committee Report), pages 43 to 45 (Accounting Policies) and page 46 (Notes to the Financial Statements).* We focused on the accuracy and completeness of 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 inaccurate income could have a material impact on the Company's net assets value and dividend cover. We also focused on the accuracy and existence 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. 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 checked 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 also checked that the gains or losses on investments held at fair value comprise 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, and also tested the reconciliation of opening and closing investments. No misstatements were identified by our testing which required reporting to those charged with governance.

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments *Refer to page 27 (Audit Committee Report), page 43 to 45 (Accounting Policies) and page 50 to 51 (Notes to the Financial Statements).* The investment portfolio at the year-end principally comprised of listed equity investments. 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 misstatements were identified by our testing which required reporting to those charged with governance.
Going concern and the fixed life of the Company *Refer to page 27 (Audit Committee Report), page 43 to 45 (Accounting Policies) and page 48 (Notes to the Financial Statements).* The Company has a fixed life span of ten years and it is expected to be liquidated after its tenth anniversary on 28th February 2018. Consequently, the financial statements have been prepared on a basis other than going concern. Adjustments have been made to classify fixed assets and long-term liabilities as current. A provision for estimated liquidation costs based on previous experience of the Manager has been included. The fair value of investments is deemed to be a proxy for realisable amount notwithstanding the fact that the ultimate liquidation proceeds to shareholders will vary given the expected change in the portfolio over the last year of the Company.	We checked the adjustments made to the financial statements to reflect the basis of preparation on a basis other than going concern. We evaluated the appropriateness and adequacy of the estimates for the costs of winding up the Company. We did not have anything to report to those charged with governance.

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 geographic structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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	£678,000 (2016: £591,000)
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 £34,000 (2016: £30,000) 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 23, in relation to going concern. Other than the matter highlighted in the 'Area of focus' above on 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. Other than the matter highlighted in the 'Areas of focus' above, we have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is not appropriate to adopt the going concern basis in preparing the financial statements as the Company has a finite lifespan until 28th February 2018. 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 a basis other than going concern was appropriate as the Company will be liquidated after 28th February 2018.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 33, 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 27, 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 19 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 20 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	Other than the matter highlighted in the 'Area of focus' on going concern above, 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 note that the Company has a finite lifespan and it is expected to be liquidated after 28th February 2018 and therefore the financial statements have been prepared on a basis other than going concern.

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 33, 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 primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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

18th May 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28TH FEBRUARY 2017

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains/(losses) on investments held at realisable value (2016: fair value through profit or loss)	3	–	14,501	14,501	–	(12,474)	(12,474)
Net foreign currency gains/(losses)		–	4	4	–	(4)	(4)
Income from investments	4	7,015	–	7,015	7,184	–	7,184
Interest receivable and similar income	4	19	–	19	8	–	8
Gross return/(loss)		**7,034**	**14,505**	**21,539**	**7,192**	**(12,478)**	**(5,286)**
Management fee	5	(482)	(722)	(1,204)	(496)	(744)	(1,240)
Other administrative expenses	6(a)	(545)	–	(545)	(522)	–	(522)
Provision for Liquidation costs	6(b)	–	(552)	(552)	–	–	–
Net return/(loss) on ordinary activities before finance costs and taxation		**6,007**	**13,231**	**19,238**	**6,174**	**(13,222)**	**(7,048)**
Finance costs - appropriations for Zero Dividend Preference shares	7	–	(5,304)	(5,304)	–	(4,968)	(4,968)
Finance costs - other	7	(10)	(15)	(25)	(9)	(14)	(23)
Net return/(loss) on ordinary activities before taxation		**5,997**	**7,912**	**13,909**	**6,165**	**(18,204)**	**(12,039)**
Taxation credit/(charge)	8	19	–	19	(23)	–	(23)
Net return/(loss) on ordinary activities after taxation		**6,016**	**7,912**	**13,928**	**6,142**	**(18,204)**	**(12,062)**
Return/(loss) per class of share							
Return/(loss) per Ordinary share	10	**8.8p**	**11.5p**	**20.3p**	**9.0p**	**(26.6)p**	**(17.6)p**
Return per Zero Dividend Preference share	10	–	**11.4p**	**11.4p**	–	**10.7p**	**10.7p**

Details of dividends paid and declared are given in note 9 on page 49.

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 net return/(loss) on ordinary activities after taxation represents the profit/(loss) for the period and also the Total Comprehensive Income.

The notes on pages 43 to 58 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28TH FEBRUARY 2017

	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 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
Amortisation of expenses of the placing and offer for subscription	–	–	23	–	–	–	23
Net return on ordinary activities	–	–	–	–	7,912	6,016	13,928
Dividends paid in the year	–	–	–	–	–	(5,278)	(5,278)
At 28th February 2017	685	4,627	60,539	8	(4,367)	6,305	67,797

[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 43 to 58 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 28TH FEBRUARY 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	–	135,534
Current assets			
Investments held at realisable value	11	148,293	–
Debtors	12	1,129	2,209
Cash and cash equivalents	12	3,897	200
		153,319	**2,409**
Creditors: amounts falling due within one year	13	(1,074)	(227)
Provision for liquidation	13	(552)	–
Capital entitlement of the Zero Dividend Preference shareholders	14, 17	(83,896)	–
Net current assets		**67,797**	**2,182**
Total assets less current liabilities		**67,797**	**137,716**
Creditors: amounts falling due after more than one year			
Capital entitlement of the Zero Dividend Preference shareholders	14, 17	–	(78,592)
Net assets		**67,797**	**59,124**
Capital and reserves			
Called up share capital	15	685	685
Share premium	16	4,627	4,627
Other reserve	16	60,539	60,516
Capital redemption reserve	16	8	8
Capital reserves	16	(4,367)	(12,279)
Revenue reserve	16	6,305	5,567
Total shareholders' funds		**67,797**	**59,124**
Net asset value per share			
Zero Dividend Preference share	17	**180.0p**	**168.6p**
Ordinary share	17	**98.9p**	**86.2p**

The financial statements on pages 40 to 42 were approved and authorised for issue by the Directors on 18th May 2017 and were signed on their behalf by:

Director

The notes on pages 43 to 58 form an integral part of these financial statements.

Company registration number: 6453183

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28TH FEBRUARY 2017

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 and updated in January 2017.

The Company has a fixed life and will be wound up voluntarily on or around 28th February 2018. Therefore, these financial statements have been prepared on a basis other than going concern. Fixed assets have been reclassified as current assets. The fair value of investments is deemed to be a proxy for realisable amount not withstanding the fact that the ultimate liquidation proceeds to Shareholders will vary given the expected change in the portfolio over the last year of the Company. Creditors falling due after more than one year have been reclassified as current liabilities. A provision has been made for liquidation costs and the relevant estimates will be periodically reviewed and adjusted as appropriate.

Apart from the basis other than going concern referred to above, the policies applied in these financial statements are consistent with those applied in the preceding year.

The Company has elected not to prepare a Statement of Cash Flows for the current year, applying the exemption from FRS 102 Section 7.1A(c).

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. Full disclosure is given in note 20 on page 54.

(b) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, 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 the capital reserve, '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, and unrealised gains and losses on forward foreign currency contracts, are included in the Statement of Comprehensive Income and dealt with in the capital reserve 'Investment holdings gains and losses'.

(c) 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.

Overseas dividends are included gross of any withholding tax.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

1. Accounting policies *continued*

(d) 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 brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 50.

(e) 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.

(f) 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 financial instruments, including short term forward currency contracts are valued at fair value, which is the net unrealised gain or loss, and are included in current assets or current liabilities in the Statement of Financial Position. Changes in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as capital.

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.

(g) 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.

(h) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(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. Monetary assets and liabilities and equity investments held at fair value 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 as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

(j) 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 51.

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 21 on page 54.

(k) Dividends payable

Dividends are included in the financial statements in the year in which they are approved by shareholders.

(l) 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 designated by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off 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.

(m) Provision for liquidation costs

The estimated cost of liquidating the Company on the scheduled wind-up date of 28th February 2018 is recognised as an expense in the Statement of Comprehensive Income under capital and a liability in the Statement of Finance Position under Creditors.

The provision is calculated based upon the costs of recent previous reconstructions undertaken by the Manager.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors 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 significant accounting judgements or estimates 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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

3. Gains/(losses) on investments held at realisable value (2016: fair value through profit and loss)

	2017 £'000	2016 £'000
Gains on sales of investments based on historic cost	4,468	6,443
Amounts recognised in investment holding gains and losses in the previous period in respect of investments sold during the year	(7,706)	(11,143)
Losses on sales of investments based on the carrying value at previous balance sheet date	(3,238)	(4,700)
Net movement in investment holding gains and losses	17,741	(7,771)
Other capital charges	(2)	(3)
Total capital gains/(losses) on investments held at realisable value (2016: fair value through profit and loss)	**14,501**	**(12,474)**

Total capital gains/(losses) on investments held at realisable value of £14,501,000 (2016: fair value through profit and loss £12,474,000 loss) above includes £35,000 of special dividends received during the current year which were treated as capital (2016: £575,000).

4. Income

	2017 £'000	2016 £'000
Income from investments		
UK dividends	5,799	5,696
Special dividends	894	1,151
Overseas dividends	322	249
Unfranked dividends from REITS	–	88
	7,015	7,184
Interest receivable and similar income		
Interest from liquidity fund	19	8
	19	8
Total income	**7,034**	**7,192**

5. Management fee

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Management fee	482	722	1,204	496	744	1,240

Details of the management fee are given in the Directors' Report on page 23.

6(a) Other administrative expenses

	2017 £'000	2016 £'000
Administration expenses	226	189
Directors' fees[1]	134	132
Savings scheme costs[2]	122	138
Auditors' remuneration for audit services[3]	33	33
Depositary fees[4]	30	30
	545	**522**

[1] Full disclosure is given in the Directors' Remuneration Report on page 30.

[2] These amounts were paid to the Manager for the marketing and administration of saving scheme products. Includes £20,000 (2016: £22,000) irrecoverable VAT.

[3] Includes £6,000 (2016: £6,000) irrecoverable VAT.

[4] Includes £5,000 (2016: £5,000) irrecoverable VAT.

(b) A provision for the liquidation of the Company of £552,000 including VAT has been included in the financial statements to allow for financial advisers and lawyers fees, and other costs incurred during the liquidation process.

7. Finance costs

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Interest on bank loans and overdrafts	1	1	2	–	–	–
Finance costs – appropriations for ZDP shares						
Provision for capital entitlement of the ZDP shareholders (note 14)	–	5,304	5,304	–	4,968	4,968
Finance costs – other						
Amortisation of expenses of the placing and offer for subscription	9	14	23	9	14	23
	10	**5,319**	**5,329**	**9**	**4,982**	**4,991**

8. Taxation

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

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Overseas withholding tax	(19)	–	(19)	23	–	23
Current tax (credit)/charge for the year	**(19)**	**–**	**(19)**	**23**	**–**	**23**

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

8. Taxation *continued*

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

The tax charge for the year is lower than (2016: higher) the Company's applicable rate of corporation tax of 20.00% (2016: 20.08%). The factors affecting the total tax (credit)/charge for the year are as follows:

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	5,997	7,912	13,909	6,165	(18,204)	(12,039)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 20.00% (2016: 20.08%)	1,199	1,583	2,782	1,238	(3,655)	(2,417)
Effects of:						
Non taxable UK dividends	(1,330)	–	(1,330)	(1,330)	–	(1,330)
Non taxable overseas dividends	(73)	–	(73)	(96)	–	(96)
Non taxable capital (gains)/losses	–	(2,901)	(2,901)	–	2,505	2,505
Appropriation to Zero Dividend Preference shares	–	1,061	1,061	–	998	998
Amortisation of issue expenses	2	3	5	2	3	5
Overseas withholding tax	(19)	–	(19)	23	–	23
Disallowed expenses	–	110	110	–	–	–
Unrelieved expenses	202	144	346	186	149	335
Total tax (credit)/charge for the year	**(19)**	**–**	**(19)**	**23**	**–**	**23**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £2,012,000 (2016: £1,595,000) based on a prospective corporation tax rate of 19% (2016: 19%). 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, and the fact that the financial statements are prepared on a basis other than going concern, 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.

9. Dividends

(a) Dividends paid and declared[1]

	2017 £'000	2016 £'000
2016 fourth quarterly dividend of 1.80p (2015: 1.70p)	1,234	1,165
First quarterly dividend of 1.80p (2016: 1.70p)	1,234	1,165
Second quarterly dividend of 1.80p (2016: 1.70p)	1,234	1,165
Third quarterly dividend of 1.80p (2016: 1.70p)	1,234	1,165
Special dividend of 0.25p (2016: nil)	171	–
Special dividend of 0.25p (2016: nil)	171	–
Total dividends paid in the year	**5,278**	**4,660**
Fourth quarterly dividend declared of 2.00p (2016: 1.80p)	1,371	1,234
Special dividends declared of nil (2016: 0.50p)	–	342

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

The fourth quarterly dividend in respect of the year ended 28th February 2017 has been declared and was paid on 21st April 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 £6,016,000 (2016: £6,142,000).

	2017 £'000	2016 £'000
First quarterly dividend of 1.80p (2016: 1.70p)	1,234	1,165
Second quarterly dividend of 1.80p (2016: 1.70p)	1,234	1,165
Third quarterly dividend of 1.80p (2016: 1.70p)	1,234	1,165
Fourth quarterly dividend of 2.00p (2016: 1.80p)	1,371	1,234
Special dividends declared of nil (2016: 0.25p)	–	171
Special dividends declared of nil (2016: 0.25p)	–	171
Total dividends for Section 1158 purposes	**5,073**	**5,071**

The revenue reserve after payment of the final dividend will amount to £4,934,000 (2016: £3,991,00).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

10. Return/(loss) per class of share

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

	2017 £'000	2016 £'000
Revenue return	6,016	6,142
Capital return/(loss)	7,912	(18,204)
Total return/(loss)	**13,928**	**(12,062)**
Weighted average number of Ordinary shares in issue	**68,556,782**	**68,556,782**
Revenue return per share	8.8p	9.0p
Capital return/(loss) per share	11.5p	(26.6)p
Total return/(loss) per Ordinary share	**20.3p**	**(17.6)p**

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

	2017 £'000	2016 £'000
Capital entitlement	**5,304**	**4,968**
Weighted average number of Zero Dividend Preference shares in issue	**46,612,200**	**46,612,200**
Return per Zero Dividend Preference share	**11.4p**	**10.7p**

Further details are given in note 14.

11. Investments

	2017 £'000	2016 £'000
Investments held at realisable value (2016: fair value through profit and loss)	148,293	135,534
Opening book cost	119,119	112,643
Opening investment holding gains	16,415	35,329
Opening valuation	135,534	147,972
Movements in the year:		
Purchases at cost	43,080	40,386
Sales – proceeds	(44,824)	(40,353)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(3,238)	(4,700)
Net movement in investment holding gains and losses	17,741	(7,771)
	148,293	135,534
Closing book cost	121,843	119,119
Closing investment holding gains	26,450	16,415
Total investments held at realisable value (2016: fair value through profit and loss)	**148,293**	**135,534**

During the year, prior year investment holding gains amounting to £7,706,000 have been transferred to gains and losses on sales of investments as disclosed in note 16 on page 52.

Transaction costs on purchases during the year amounted to £215,000 (2016: £214,000) and on sales during the year amounted to £29,000 (2016: £29,000). These costs comprise brokerage commission and stamp duty.

Investments held at realisable value were classified as fixed assets (held at fair value through profit and loss) in the prior year, and have been reclassified as current assets in the current year as disclosed in note 1(a).

12. Other current assets

Debtors

	2017 £'000	2016 £'000
Securities sold awaiting settlement	–	1,072
Dividends and interest receivable	1,081	1,069
Taxation recoverable	31	35
Other debtors	17	33
	1,129	**2,209**

The Directors consider that the carrying amount of debtors represents their recoverable amounts.

Cash and cash equivalents

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

13. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Securities purchased awaiting settlement	948	126
Other creditors and accruals	126	101
Provision for liquidation	552	–
	1,626	**227**

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

14. Capital entitlement of the Zero Dividend Preference shareholders

	2017 £'000	2016 £'000
Opening balance	78,592	73,624
Accrued capital entitlement	5,304	4,968
Closing balance	**83,896**	**78,592**

The predetermined final capital entitlement of £89,557,000 payable on the ZDP Repayment Date on 28th February 2018 is explained on page 16. 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:

	2017 £'000	2016 £'000
Ordinary shares of 1p each		
Opening balance of 68,556,782 (2016: 68,556,782) shares	685	685
Closing balance of 68,556,782 (2016: 68,556,782) shares	**685**	**685**
Zero Dividend Preference shares of 1p each		
Opening balance of 46,612,200 (2016: 46,612,000) shares	466	466
Closing balance of 46,612,200 (2016: 46,612,200) shares	**466**	**466**

The share capital of the Company consisted of 68,556,782 (2016: 68,556,782) Ordinary shares and 46,612,200 (2016: 46,612,200) ZDP shares. Details of the share capital structure of the Company can be found on page 16.

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	60,516	8	(28,694)	16,415	5,567	59,124
Amortisation of the expenses of the placing and offer for subscription	–	–	23	–	–	–	–	23
Realised foreign currency gains on cash and cash equivalents	–	–	–	–	4	–	–	4
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(3,238)	–	–	(3,238)
Net movement in investment holding gains and losses	–	–	–	–	–	17,741	–	17,741
Transfer on disposal of investments	–	–	–	–	7,706	(7,706)	–	–
Management fee and finance costs charged to capital	–	–	–	–	(737)	–	–	(737)
Other capital charges	–	–	–	–	(2)	–	–	(2)
Compound growth entitlement of the Zero Dividend Preference shares	–	–	–	–	(5,304)	–	–	(5,304)
Dividends paid in the year	–	–	–	–	–	–	(5,278)	(5,278)
Retained revenue for the year	–	–	–	–	–	–	6,016	6,016
Provision for liquidation	–	–	–	–	–	(552)	–	(552)
Closing balance	**685**	**4,627**	**60,539**	**8**	**(30,265)**	**25,898**	**6,305**	**67,797**

[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:

	2017		2016	
	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	180.0p	83,896	168.6p	78,592
Ordinary shares	98.9p	67,797	86.2p	59,124

18. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2016: none).

19. Related party transactions

Details of the management contract are set out in the Directors' Report on page 23. The management fee payable to Manager for the year was £1,204,000 (2016: £1,240,000) of which £nil (2016: £nil) was outstanding at the year end.

During the year £122,000 (2016: £138,000) was payable to Manager for the marketing and administration of savings scheme products, of which £17,000 (2016: £9,000) was outstanding at the year end.

Included in administration expenses in note 6 on page 47 are safe custody fees amounting to £2,000 (2016: £2,000) payable to JPMorgan Chase of which £554 (2016: £581) was outstanding at the year end.

During the year, brokerage commission on dealing transactions amounted to £38,000 (2016: £32,000) was payable to JPMorgan subsidiaries of which £nil (2016: £nil) was outstanding at the year end.

The Company also holds cash in JPMorgan Sterling Liquidity Fund, managed by JPMorgan. At the year end this was valued at £2.6 million (2016: £nil). Income amounting to £19,000 (2016: £8,000) was receivable during the year of which £nil (2016: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £3,000 (2016: £3,000) were payable to JPMorgan Chase during the year of which £185 (2016: £139) was outstanding at the year end.

At the year end, total cash of £1,281,000 (2016: £200,000) was held with JPMorgan Chase. A net amount of interest of £nil (2016: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2016: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 31 and in note 6 on page 47.

20. Disclosures regarding financial instruments measured at fair value

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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

20. Disclosures regarding financial instruments measured at fair value *continued*

(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 (i.e.: 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(a) on page 43.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 28th February.

	2017		2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	148,293	–	135,534	–
Total	**148,293**	**–**	**135,534**	**–**

There have been no transfers between Levels 1, 2 or 3 during the year (2016: nil).

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

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

These financial risks include market risk (comprising interest rate risk and market price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company has no significant direct exposure to foreign exchange risk. A proportion of the dividends received by the Company are paid in currencies other than sterling. Therefore a significant movement in exchange rates could impact the portfolio yield, however the Board considers this to be a relatively low risk. The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates the Company's risk management strategy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments are as follows:

- investments in UK equity shares and other securities, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- Zero Dividend Preference shares, the purpose of which is to finance the Company's operations;
- short term debtors, creditors and cash arising directly from its operations; and
- derivatives, the purpose of which is to effect changes in the level of the Company's gearing.

(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 market price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the liquidity fund and the interest payable on variable rate borrowings when interest rates are reset.

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 of financial assets and liabilities to floating interest rates using the year end figures, giving cash flow interest rate risk when rates are reset, is shown below.

	2017 £'000	2016 £'000
Exposure to floating interest rates		
Cash and short term deposits	1,281	200
JPMorgan Sterling Liquidity Fund	2,616	–
Total exposure	**3,897**	**200**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2016: same). The target interest rate earned on the JPMorgan Sterling Liquidity Fund is the 7 day sterling London Interbank Bid Rate.

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2016: 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.

	2017		2016	
	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	39	(39)	2	(2)
Total return after taxation	39	(39)	2	(2)
Net assets	**39**	**(39)**	**2**	**(2)**

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(ii) Other price risk

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

Management of other price risk

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

Other price risk exposure

The Company's total exposure to changes in market prices at 28th February comprises its holdings in equity investments as follows:

	2017 £'000	2016 £'000
Investments held at realisable value (2016: fair value through profit and loss)	148,293	135,534

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 13 to 15. This shows that the majority of the investments' value is in the UK. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

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% (2016: 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 equities, adjusting for changes in the management fee but with all other variables held constant.

	2017		2016	
	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	(50)	50	(46)	46
Capital return	14,754	(14,754)	13,484	(13,484)
Total return after taxation	**14,704**	**(14,704)**	**13,438**	**(13,438)**
Net assets	**14,704**	**(14,704)**	**13,438**	**(13,438)**

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its 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 readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required by the lender are shown in the table below. As the financial statements have been prepared on the 'break-up' basis, all liabilities are deemed to be contractually repayable within one year:

	2017			2016		
	Three months or less £'000	More than three months but not 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	126	–	126	101	–	101
Securities purchased awaiting settlement	948	–	948	126	–	126
Final Capital Entitlement of the ZDP shareholders due 28th February 2018	–	89,557	89,557	–	89,557	89,557
Provision for liquidation	–	552	552	–	–	–
	1,074	90,109	91,183	227	89,557	89,784

(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 and cash equivalents

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.

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 Statements of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

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

(d) Recoverable values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at their recoverable or settlement amounts, or the balance sheet 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 £87,398,000 (2016: £82,037,000).

22. Capital management policies and procedures

The Board's capital management policy is to enable the Company to secure the investment objective stated on page 16. It is not the Board's intention to use bank debt to provide long term structural gearing.

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

	2017 £'000	2016 £'000
Capital entitlement of the Zero Dividend Preference shareholders (notes 14 and 21)	83,896	78,592
Capital and reserves attributable to the Ordinary shareholders	67,797	59,124
Total debt and equity	**151,693**	**137,716**

	2017 £'000	2016 £'000
Investments held at realisable value (2016: fair value through profit and loss)	148,293	135,534
Total assets of both share class types	151,693	137,716
Gearing/(net cash)	**(2.2)%**	**(1.6)%**

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

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

23. Subsequent events

The Company's fixed life of ten years will expire at or around the end of February 2018. Therefore, the Company's Annual Report and Accounts to the end of February 2017 have been prepared on a basis other than going concern. As at 17th May 2017 the Company's shares had a net asset value per share as follows: Ordinary shares 105.5p, Zero Dividend Preference Shares 182.5p, Units 393.5p.

The Directors have evaluated the period since the year end and have not noted any other subsequent events.

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 28th February 2017, are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	200%	200%
Actual	99%	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/legal/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

Securities Financing Transactions Regulation (‘SFTR’) Disclosures (Unaudited)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions) or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 28th February 2017.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninth Annual General Meeting of JPMorgan Income & Capital Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Thursday, 13th July 2017 at 12 noon for the following purposes:

1. To receive the Directors' Report & Accounts and the Independent Auditors' Report for the year ended 28th February 2017.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 28th February 2017.
4. To appoint Sarah MacAulay as a Director of the Company.
5. 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

6. 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 on the expiry of the Company's life, 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

7. THAT subject to the passing of Resolution 6 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 6 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 on the expiry of the Company's life, 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

8. 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 the expiry of the Company's life 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

18th May 2017

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 17th May 2017 (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 investments, expressed as a percentage of the shareholders' funds. Previously gearing represented the excess amount above shareholders' funds of total assets expressed as a percentage of shareholders' funds. Total assets included 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 and liquidation 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.

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

Remember: if it sounds too good to be true, it probably is!

FCA FINANCIAL CONDUCT AUTHORITY

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, 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

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, 9.00am to 5.30pm.

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

GB A115 05/17

J.P.Morgan
Asset Management