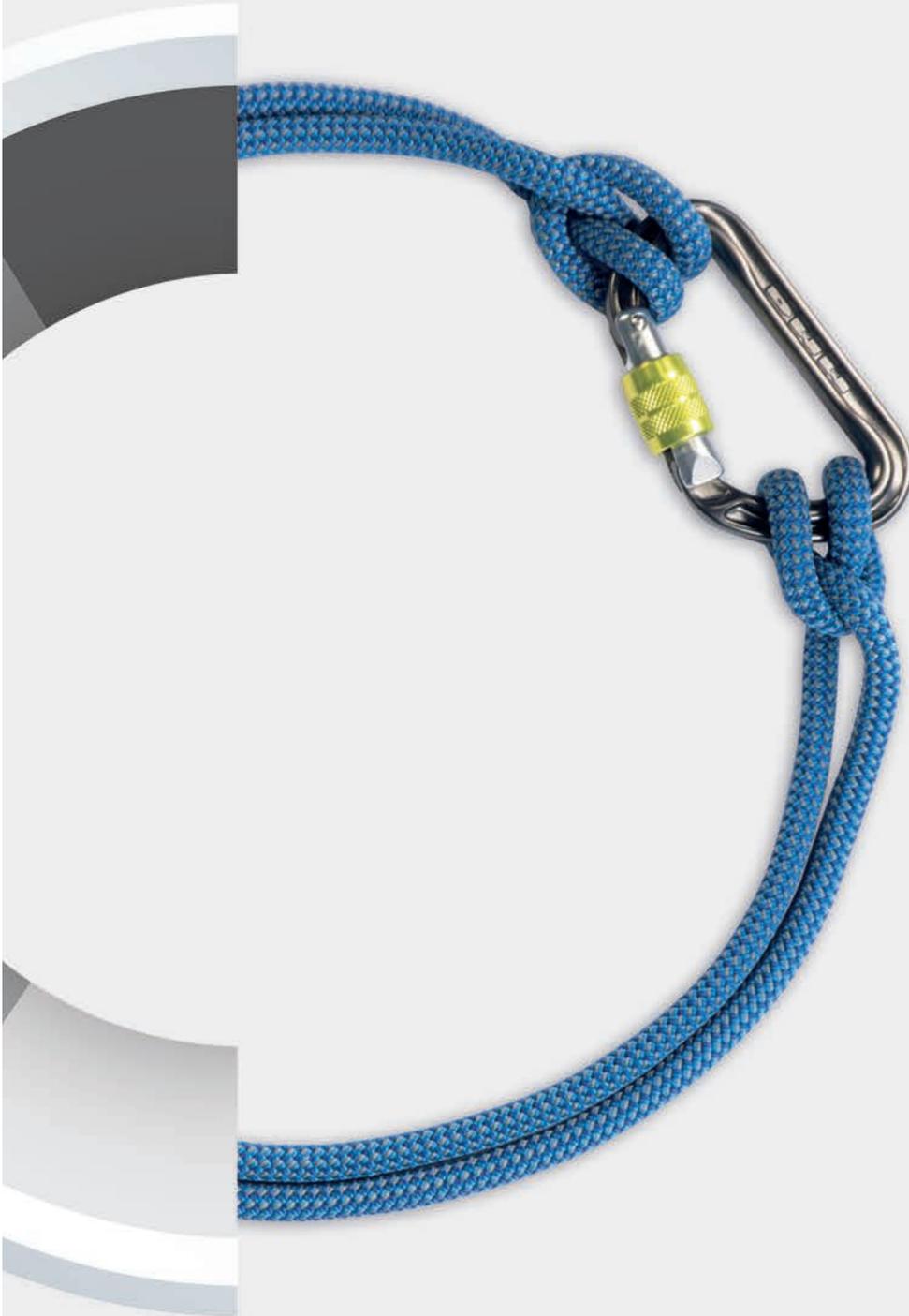


# JPMorgan Income & Capital Trust plc

---

Half Year Report & Accounts for the six months ended 31st August 2017



# 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 17.

## Life of the Company

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

## 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](http://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

---

## HALF YEAR PERFORMANCE

### ABOUT THE COMPANY

- 4 Chairman's Statement
- 6 Investment Managers' Report

### INVESTMENT REVIEW

- 8 List of Investments
- 9 Sector Analysis

### FINANCIAL STATEMENTS

- 10 Statement of Comprehensive Income
- 11 Statement of Changes in Equity
- 12 Statement of Financial Position
- 13 Notes to the Financial Statements

## 16 INTERIM MANAGEMENT REPORT

## SHAREHOLDER INFORMATION

- 17 Capital Structure of the Company
- 18 Glossary of Terms and Alternative Performance Measures
- 21 Information about the Company

# Half Year Performance

---

## TOTAL RETURNS TO 31ST AUGUST 2017 (INCLUDES DIVIDENDS REINVESTED)

**+5.8%**

Shareholders' funds  
total return<sup>1</sup>

**+4.8%**

Composite benchmark  
total return<sup>3</sup>

**+6.5%**

Unit net asset value  
total return<sup>1,2</sup>

**+8.0%**

Unit share price  
total return<sup>1,2</sup>

**+3.3%**

Zero Dividend Preference share net  
asset value total return<sup>1</sup>

**+0.5%**

Zero Dividend Preference share  
price total return<sup>1</sup>

**+9.5%**

Ordinary share net asset value  
total return<sup>1</sup>

**+16.7%**

Ordinary share price  
total return<sup>1</sup>

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

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

<sup>3</sup> 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 alternative performance measures is provided on page 18.

## FINANCIAL SUMMARY (HALF YEAR ACCOUNTS)

	31st August 2017	28th February 2017	% change
<b>Assets (Ordinary and Zero Dividend Performance shareholders)</b>			
Shareholders' funds (£'000) Dividend	158,022	151,693	+4.2
<b>Zero Dividend Preference shares</b>			
Net assets (£'000)	86,680	83,896	+3.3
Net asset value per share	186.0p	180.0p	+3.3
Share price	188.5p	187.5p	+0.5
Share price premium to net asset value per share	1.3%	4.2%	
<b>Ordinary shares</b>			
Net assets (£'000)	71,342	67,797	+5.2
Net asset value per share	104.1p	98.9p	+5.3
Share price	95.5p	85.5p	+11.7
Share price discount to net asset value per share	(8.3)%	(13.5)%	
<b>Units<sup>1</sup></b>			
Net asset value per unit	394.2p	377.8p	+4.3
Unit price	371.5p	351.5p	+5.7
Unit price discount to net asset value per share	(5.8)%	(7.0)%	
<b>Ongoing charges</b>	<b>1.14%</b>	<b>1.23%</b>	

<sup>1</sup> A Unit comprises two Ordinary shares and one Zero Dividend Preference share.

Please refer to note 3 on page 13 for details of dividends paid.

A glossary of terms and alternative performance measures is provided on page 18.

# About the Company

## CHAIRMAN'S STATEMENT



### Introduction and Performance

During the six months ended 31st August 2017, the total return on shareholders' funds was 5.8%, compared with a return of 4.8% recorded by the composite benchmark (comprising 90% FTSE 350 Index and 10% Bloomberg Barclays Global Aggregate Corporate Bond Index in sterling terms).

During the period, the UK stock market performed well with a strengthening global economic outlook and continuing low interest rates maintaining a positive momentum. Domestically, the unexpected General Election on 8th June produced a shock result, with the incumbent Conservative Party losing its parliamentary majority and generating further political uncertainty. Levels of employment in the UK reached record highs, although there were signs that growth in consumer spending was faltering and increasing concerns regarding the possible negative impacts of 'Brexit' on the economy. The Bank of England maintained interest rates at 0.25% throughout the period, with some discussion of possible future rises and consequent unwinding of the £435 billion quantitative easing programme.

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

### Share Price Performance

The price of the Company's ordinary shares increased by 11.7% (as the discount to net asset value narrowed) and the price of units (each comprising two ordinary shares and one ZDP share) rose 5.7% over the period.

The prices of the Company's two classes of share and of its units were at a premium/(discount) to net asset value at 31st August 2017 and at previous period end dates as follows:

	31st August 2017		28th February 2017		31st August 2016	
	Share prices	Premium/(discount)	Share prices	Premium/(discount)	Share prices	Premium/(discount)
ZDP	188.5p	1.3%	187.5p	4.2%	182.5p	4.8%
Ordinary	95.5p	(8.3)%	85.5p	(13.5)%	82.0p	(9.7)%
Units	371.5p	(5.8)%	351.5p	(7.0)%	322.0p	(9.5)%

At 13th October 2017, the prices of the Ordinary shares and Units were at discounts of (7.6)% and (5.5)% respectively whilst the ZDP share price was at a premium of 0.9%.

### Statement of Comprehensive Income and Dividends

Revenue after tax and before dividends for the period was £3.8 million and the revenue return per Ordinary share was 5.5p. The capital return per Ordinary share was 3.7p, reflecting the impact of the rise in the value in our shareholdings. The total return per Ordinary Share was therefore 9.2p.

The Board has declared two quarterly interim dividends for the first six months of the Company's financial year ending 28th February 2018, each of 2.0p per Ordinary Share, paid/payable to Ordinary shareholders and Unit holders respectively on 28th July 2017 and 20th October 2017. The Board intends, in the absence of unforeseen circumstances, to maintain the current level of quarterly dividends to Ordinary shareholders and Unit holders

---

for the remainder of the financial year ending 28th February 2018. The Company's third interim dividend is expected to be paid in January as in previous years. However, the fourth interim dividend, usually paid in April, will be paid before the liquidation of the Company.

The undistributed revenue reserves, after allowing for the payment of the second interim dividend, amounts to £6.3 million.

### **Hurdle Rate**

The Hurdle Rate measures the amount by which the total assets of the Company have to grow each year in order to return the current share price to Ordinary shareholders when the Company winds up in February 2018. At 31st August 2017, the Hurdle Rate required to return the Ordinary share price of 95.5p was minus 3.8% per annum and the Hurdle Rate required to return an Ordinary share price of 100.0p was 0.1% per annum. At 31st August 2017, the Hurdle Rate required to return the Final Capital Entitlement of the ZDP shares of 192.13p was minus 68.2% per annum.

At 13th October 2017, the Hurdle Rate required to return the current Ordinary share price of 94.8p was minus 5.1% per annum, to return an ordinary share price of 100p was 0.8% per annum and to return the Final Capital Entitlement of the ZDP shares of 192.13p was minus 77.6% per annum.

### **Outlook**

There continues to be anxiety surrounding the progress of the 'Brexit' negotiations, with many significant unanswered questions regarding the terms of the UK's future access to European markets. It also remains unclear whether the UK economy is strong enough to begin the transitional steps to 'normalisation' through interest rate increases and the winding back of quantitative easing.

In the remaining months of the Company's life, your Board and the Managers will pay particularly close attention to developments in the markets, as the portfolio is positioned in preparation for the Company's termination. Our objective remains to manage the Company's portfolio in order to meet the final capital entitlement of the ZDP shareholders and to maintain the current level of quarterly dividends whilst maximising the final capital return to ordinary shareholders.

### **Future of the Company**

The Board continues to work with the Company's advisers and Investment Managers in considering options for shareholders following the termination of the Company on 28th February 2018. The Board is considering offering shareholders a rollover option into a new investment trust as an alternative to liquidating their shares for cash. This new investment trust would have a multi-asset investment strategy with a primary focus of income generation. The Board has requested the Company's advisers and Investment Managers to take market soundings on this possible offer.

**Sir Laurence Magnus**  
Chairman

17th October 2017

## INVESTMENT MANAGERS' REPORT



Sarah Emly



John Baker

### Market Review

The UK equity market delivered positive returns over the six month period to 31st August 2017, with the FTSE 350 ex ITs Index up 5.0%, despite the ongoing political and economic uncertainties. The more domestically focused FTSE Mid 250 and Small Cap indices outperformed the more globally oriented FTSE100 large-cap index. Sterling corporate bonds also rose in the period, with the Bloomberg Barclays Global Aggregate Corporate Bond Index up 2.8%.

Politics dominated investors' thoughts in the first half of the year, particularly in light of the unexpected snap UK General Election in June. The UK government went, within six months, from being genuinely strong and stable to being weak and divided. The Prime Minister lost her majority and negotiated a 'confidence and supply' agreement with the Democratic Unionist Party. The Brexit clock was started in March 2017 and the negotiations are proving to be as challenging as feared. The Bank of England's Monetary Policy Committee held base rates at 0.25%, despite the more recent pick-up in inflation, which is eating into real wage growth. In Europe, the improving economic and confidence indicators continued to surprise positively and global economic growth has continued to accelerate.

UK dividend growth was good during the first half, with encouraging profitability being boosted by the weakness of sterling over the last twelve months. This has enhanced the sterling value of dividends from some of the globally oriented large-cap stocks that declare their dividends in US dollars. There have also been some special dividends, as companies have delivered higher earnings and improved cash generation.

### Portfolio Review

The allocation to equities stood at approximately 98% at the close of the last financial year (28th February 2017). Since the year end we have been progressively reducing the equity exposure as we approach the termination date of 28th February 2018. The equity allocation at the half year period end stood at approximately 85%. This has been achieved by reducing a selection of the largest overweight stocks in the portfolio such as Beazley, Berkeley Group and Jupiter. Therefore, we are underweight equities relative to the Trust's composite benchmark.

Outwith decisions based on asset allocation, we have also sold our positions in Fevertree, Tesco and WPP. The sale of Fevertree was predicated on booking the gains from a profitable holding whose valuation had become less attractive. The sales of Tesco and WPP were as a result of a deterioration in their earnings' trends.

We continue to add new names where we judge the opportunity is attractive notwithstanding the reduction in the overall equity exposure. For instance, we bought Vodafone as free cash flow guidance meant the dividend will be covered going forward. We also bought Evraz, an iron ore producer and steel manufacturer. PageGroup, a global recruitment specialist was also added as their results showed that they are benefiting from synchronised global economic growth.

---

## Performance Review

In the six month period to the 31st August the Trust's return was +5.8%, in comparison with the composite benchmark return of +4.8%. This encouraging result was driven by strong stock selection. Some of the most significant contributors to performance were the portfolio's overweight positions in the housebuilding stocks, Persimmon, Berkeley Group and Taylor Wimpey. These domestically focused stocks delivered strong results during the half year, whilst also having attractive dividend yields. The overweight position in Electrocomponents, the global distributor for engineers, continued to outperform the rising market and its results have consistently beaten market consensus expectations. By contrast, some of the portfolio's more defensive and more globally oriented stocks, such as Imperial Brands and GlaxoSmithKline, underperformed the rising market over this period. The holding in ITV was also unhelpful as its share price weakened despite delivering good dividend growth and another special dividend. Overall the Trust delivered positive absolute and relative performance during the first half of the current financial year.

## Market Outlook

The domestic economic and political outlook for the rest of 2017 and beyond has become more uncertain, due to the unexpected UK Election result and concerns over the Government's negotiating powers for Brexit.

Having benefited from being overweight in equities over recent periods of positive equity market returns, we have been lessening this overweight position over recent months as we approach the Company's termination in February 2018.

**Sarah Emlly**

**John Baker**

Investment Managers

17th October 2017

# Investment Review

## LIST OF INVESTMENTS AT 31ST AUGUST 2017

Company	Value £'000	Company	Value £'000
<b>Financials</b>		<b>Basic Materials</b>	
HSBC	11,469	Rio Tinto	5,175
Prudential	4,392	Mondi	2,570
Aviva	3,291	Evraz	1,506
Lloyds Banking	3,155		<b>9,251</b>
Legal & General	2,751	<b>Consumer Services</b>	
Beazley	2,542	Carnival	2,373
Phoenix	2,223	888	1,991
Intermediate Capital	2,098	WH Smith	1,924
Direct Line Insurance	2,012	Card Factory	1,514
Novae	1,967	ITV	1,068
Allied Irish Banks	1,639		<b>8,870</b>
Lancashire	1,554	<b>Health Care</b>	
Schroders	1,289	GlaxoSmithKline	6,923
	<b>40,382</b>	Indivior	1,646
<b>Consumer Goods</b>			<b>8,569</b>
British American Tobacco	6,747	<b>Telecommunications</b>	
Diageo	4,321	Vodafone	4,329
Unilever	4,018	KCOM	1,666
Imperial Brands	3,020		<b>5,995</b>
Persimmon	2,690	<b>Utilities</b>	
Taylor Wimpey	2,583	National Grid	2,391
Headlam	1,716	Severn Trent	1,372
Galliford Try	1,633		<b>3,763</b>
Berkeley	1,409	<b>Total Investments</b>	<b>138,765</b>
	<b>28,137</b>		
<b>Oil &amp; Gas</b>			
Royal Dutch Shell	12,037		
BP	6,612		
	<b>18,649</b>		
<b>Industrials</b>			
Electrocomponents	2,977		
BAE Systems	2,374		
DS Smith	1,717		
Weir	1,526		
DCC	1,502		
Costain	1,406		
Pagegroup	1,221		
Morgan Sindall	1,176		
Morgan Advanced Materials	766		
Connect	484		
	<b>15,149</b>		

## SECTOR ANALYSIS

Sector	31st August 2017		28th February 2017	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Financials	29.1	20.8	28.0	20.2
Consumer Goods	20.3	15.4	22.8	14.6
Oil & Gas	13.4	10.9	13.3	11.3
Industrials	10.9	10.1	7.0	9.7
Basic Materials	6.7	7.3	5.9	6.9
Consumer Services	6.4	10.2	9.2	10.7
Health Care	6.2	8.1	6.9	8.9
Telecommunications	4.3	3.5	1.0	3.6
Utilities	2.7	3.0	5.0	3.4
Technology	–	0.7	0.9	0.7
<b>Total equities</b>	<b>100.0</b>	<b>90.0</b>	<b>100.0</b>	<b>90.0</b>
Fixed interest	–	10.0	–	10.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £138.8m (28th February 2017: £148.3m).

# Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31ST AUGUST 2017

	(Unaudited) Six months ended 31st August 2017			(Unaudited) Six months ended 31st August 2016			(Audited) Year ended 28th February 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at realisable value (2016 : fair value through profit or loss)</b>	–	5,692	5,692	–	4,806	4,806	–	14,501	14,501
Net foreign currency gains	–	4	4	–	–	–	–	4	4
Income from investments	4,280	–	4,280	4,565	–	4,565	7,015	–	7,015
Interest receivable and similar income	13	–	13	15	–	15	19	–	19
<b>Gross return</b>	<b>4,293</b>	<b>5,696</b>	<b>9,989</b>	<b>4,580</b>	<b>4,806</b>	<b>9,386</b>	<b>7,034</b>	<b>14,505</b>	<b>21,539</b>
Management fee	(262)	(393)	(655)	(235)	(352)	(587)	(482)	(722)	(1,204)
Other administrative expenses	(231)	–	(231)	(262)	–	(262)	(545)	–	(545)
Provision for liquidation costs	–	–	–	–	–	–	–	(552)	(552)
<b>Net return on ordinary activities before finance costs and taxation</b>	<b>3,800</b>	<b>5,303</b>	<b>9,103</b>	<b>4,083</b>	<b>4,454</b>	<b>8,537</b>	<b>6,007</b>	<b>13,231</b>	<b>19,238</b>
Finance costs - appropriations for Zero Dividend Preference shares	–	(2,784)	(2,784)	–	(2,609)	(2,609)	–	(5,304)	(5,304)
Finance costs - other	(5)	(7)	(12)	(5)	(7)	(12)	(10)	(15)	(25)
<b>Net return on ordinary activities before taxation</b>	<b>3,795</b>	<b>2,512</b>	<b>6,307</b>	<b>4,078</b>	<b>1,838</b>	<b>5,916</b>	<b>5,997</b>	<b>7,912</b>	<b>13,909</b>
Taxation (charge)/credit	(31)	–	(31)	(4)	–	(4)	19	–	19
<b>Net return on ordinary activities after taxation</b>	<b>3,764</b>	<b>2,512</b>	<b>6,276</b>	<b>4,074</b>	<b>1,838</b>	<b>5,912</b>	<b>6,016</b>	<b>7,912</b>	<b>13,928</b>
<b>Return per class of share (note 4)</b>									
Ordinary share	5.5p	3.7p	9.2p	5.9p	2.7p	8.6p	8.8p	11.5p	20.3p
Zero Dividend Preference share	–	6.0p	6.0p	–	5.6p	5.6p	–	11.4p	11.4p

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

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

The return per share represents the profit per share for the period and also the total comprehensive income per share.

## STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31ST AUGUST 2017

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>Six months ended 31st August 2017 (Unaudited)</b>							
<b>At 28th February 2017</b>	685	4,627	60,539	8	(4,367)	6,305	67,797
Amortisation of expenses of the placing and offer for subscription	–	–	11	–	–	–	11
Net return on ordinary activities	–	–	–	–	2,512	3,764	6,276
Dividends paid in the year	–	–	–	–	–	(2,742)	(2,742)
<b>At 31st August 2017</b>	685	4,627	60,550	8	(1,855)	7,327	71,342
<b>Six months ended 31st August 2016 (Unaudited)</b>							
<b>At 29th February 2016</b>	685	4,627	60,516	8	(12,279)	5,567	59,124
Amortisation of expenses of the placing and offer for subscription	–	–	12	–	–	–	12
Net return on ordinary activities	–	–	–	–	1,838	4,074	5,912
Dividends paid in the year	–	–	–	–	–	(2,810)	(2,810)
<b>At 31st August 2016</b>	685	4,627	60,528	8	(10,441)	6,831	62,238
<b>Year ended 28th February 2017 (Audited)</b>							
<b>At 29th February 2016</b>	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)
<b>At 28th February 2017</b>	685	4,627	60,539	8	(4,367)	6,305	67,797

<sup>1</sup> This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

**STATEMENT OF FINANCIAL POSITION AT 31ST AUGUST 2017**

	(Unaudited) 31st August 2017 £'000	(Unaudited) 31st August 2016 £'000	(Audited) 28th February 2017 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	–	136,397	–
<b>Current assets</b>			
Investments held at realisable value (note 2)	138,765	–	148,293
Debtors	2,787	1,191	1,129
Cash and cash equivalents	17,148	5,911	3,897
	<b>158,700</b>	<b>7,102</b>	<b>153,319</b>
<b>Creditors:</b> amounts falling due within one year	(126)	(60)	(1,074)
Provision for liquidation	(552)	–	(552)
Capital entitlement of the Zero Dividend Preference shareholders	(86,680)	–	(83,896)
<b>Net current assets</b>	<b>71,342</b>	<b>7,042</b>	<b>67,797</b>
<b>Total assets less current liabilities</b>	<b>71,342</b>	<b>143,439</b>	<b>67,797</b>
<b>Creditors:</b> amounts falling due after more than one year			
Capital entitlement of the Zero Dividend Preference shareholders	–	(81,201)	–
<b>Net assets</b>	<b>71,342</b>	<b>62,238</b>	<b>67,797</b>
<b>Capital and reserves</b>			
Called up share capital	685	685	685
Share premium	4,627	4,627	4,627
Other reserve	60,550	60,528	60,539
Capital redemption reserve	8	8	8
Capital reserves	(1,855)	(10,441)	(4,367)
Revenue reserve	7,327	6,831	6,305
<b>Total shareholders' funds</b>	<b>71,342</b>	<b>62,238</b>	<b>67,797</b>
<b>Net asset value per share</b> (note 5)			
Zero Dividend Preference share	<b>186.0p</b>	<b>174.2p</b>	<b>180.0p</b>
Ordinary share	<b>104.1p</b>	<b>90.8p</b>	<b>98.9p</b>

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31ST AUGUST 2017

### 1. Financial statements

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

The figures and financial information for the year ended 28th February 2017 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies and including the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

### 2. Accounting policies

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the 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.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 31st August 2017.

The Company has a fixed life and will be wound up voluntarily on or around 28th February 2018. Therefore, these half year financial statements have been prepared on a basis other than going concern. Fixed assets have been reclassified as current assets. The fair value for investments is deemed to be a proxy for realisable amount notwithstanding the fact that the ultimate liquidation proceeds to shareholders will vary according to stock market movements. 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.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 28th February 2017.

### 3. Dividends paid

	(Unaudited) Six months ended 31st August 2017 £'000	(Unaudited) Six months ended 31st August 2016 £'000	(Audited) Year ended 28th February 2017 £'000
Fourth quarterly dividend of 2.00p (2016: 2.05p <sup>1</sup> )	1,371	1,405	1,405
First quarterly dividend of 2.00p (2017: 2.05p <sup>1</sup> )	1,371	1,405	1,405
Second quarterly dividend of 1.80p	n/a	n/a	1,234
Third quarterly dividend of 1.80p	n/a	n/a	1,234
<b>Total dividends paid in the period</b>	<b>2,742</b>	<b>2,810</b>	<b>5,278</b>

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

A second quarterly dividend of 2.0p (2017: 1.80p) per Ordinary share amounting to £1,371,000 (2017: £1,234,000) has been declared payable in respect of the year ending 28th February 2018.

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**
**4. Return per class of share**

	(Unaudited) Six months ended 31st August 2017 £'000	(Unaudited) Six months ended 31st August 2016 £'000	(Audited) Year ended 28th February 2017 £'000
<b>Return per Ordinary share is based on the following:</b>			
Revenue return	3,764	4,074	6,016
Capital return	2,512	1,838	7,912
<b>Total return</b>	<b>6,276</b>	<b>5,912</b>	<b>13,928</b>
Weighted average number of Ordinary shares in issue	68,556,782	68,556,782	68,556,782
Revenue return per Ordinary share	5.5p	5.9p	8.8p
Capital return per Ordinary share	3.7p	2.7p	11.5p
<b>Total return per Ordinary share</b>	<b>9.2p</b>	<b>8.6p</b>	<b>20.3p</b>

	(Unaudited) Six months ended 31st August 2017 £'000	(Unaudited) Six months ended 31st August 2016 £'000	(Audited) Year ended 28th February 2017 £'000
<b>Return per Zero Dividend Preference share is based on the following:</b>			
Capital return - compound growth entitlement	2,784	2,609	5,304
Weighted average number of Zero Dividend Preference shares in issue	46,612,200	46,612,200	46,612,200
<b>Return per Zero Dividend Preference share</b>	<b>6.0p</b>	<b>5.6p</b>	<b>11.4p</b>

**5. Net asset value per share**

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

	(Unaudited) Six months ended 31st August 2017	(Unaudited) Six months ended 31st August 2016	(Audited) Year ended 28th February 2017
<b>Zero Dividend Preference shares</b>			
Net assets (£'000)	86,680	81,201	83,896
Number of shares in issue	46,612,200	46,612,200	46,612,200
Net asset value per share	186.0p	174.2p	180.0p
<b>Ordinary shares</b>			
Net assets (£'000)	71,342	62,238	67,797
Number of shares in issue	68,556,782	68,556,782	68,556,782
Net asset value per share	104.1p	90.8p	98.9p

---

## 6. Fair valuation of investments

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

	(Unaudited) Six months ended 31st August 2017		(Unaudited) Six months ended 31st August 2016		(Audited) Year ended 28th February 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	138,765	–	136,397	–	148,293	–
<b>Total</b>	<b>138,765</b>	<b>–</b>	<b>136,397</b>	<b>–</b>	<b>148,293</b>	<b>–</b>

# Interim Management Report

---

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

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; accounting, legal and regulatory; corporate governance and shareholder relations; operational; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 28th February 2017.

## Related Parties' Transactions

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

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence until its impending termination on 28th February 2018 and, more specifically, that there are no material uncertainties relating to the Company that would prevent its ability to meet its liabilities as they fall due. With the impending termination of the Company's life on 28th February 2018, these financial statements have been prepared on a basis other than going concern.

## Directors' Responsibilities

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

- (i) the condensed set of financial statements contained within the half year financial report has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and fair view of the state of affairs of the Company and of the assets and liabilities, financial position and net return and loss of the Company as at 31st August 2017 as required by the UK Listing Authority Disclosure and Transparency Rule ('DTR') 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by DTR 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

and the Directors confirm that they have done so.

For and on behalf of the Board

**Sir Laurence Magnus**  
Chairman

17th October 2017

# Shareholder Information

---

## CAPITAL STRUCTURE OF THE COMPANY

### Introduction

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

### Ordinary shares

#### Investment Characteristics

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

#### Entitlements

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

#### Voting Rights

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

### Zero Dividend Preference shares

#### Investment Characteristics

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

#### Entitlements

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

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

#### Voting Rights

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

### Units

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

#### Investment Characteristics

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

#### Entitlements and Voting Rights

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

## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

### Shareholders' funds total return

Change in net assets, excluding the effect of share issues, share repurchases and dividend payments (see page 2).

### 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 (see page 2).

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 (see page 2).

### 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 (see page 2).

### 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 (see page 2).

### 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 (see page 2).

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 (see page 2).

### 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 (see page 3).

### Gearing/(net cash)

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

### Ongoing charges

The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the daily net assets during the year (see page 3).

### 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.

---

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

#### 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](http://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](http://www.actionfraud.police.uk)

**Find out more at**  
[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)



# Information about the Company

## FINANCIAL CALENDAR IN THE FINAL YEAR OF FIXED LIFE

Financial year end	28th February
Expiry of fixed life	28th February
Dividend on ordinary shares	July, October, January and February
General Meetings	February

### History

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

### Directors

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

### Company Numbers

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

### ISIN:

Ordinary shares: GB00B2NBJ068  
Units: GB00B2NBJ407  
ZDPs: GB00B2NBJ282

### Bloomberg codes:

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

### Market Information

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, the Daily Telegraph, The Scotsman and on the JPMorgan website at [www.jpmincomeandcapital.co.uk](http://www.jpmincomeandcapital.co.uk), where the share price is updated every 15 minutes during trading hours.

### Website

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

### Share Transactions

The Company's shares may be dealt in directly through a stockbroker or 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](http://jpmorgan.co.uk/online)

### Manager and Company Secretary

JPMorgan Funds Limited

### Company's Registered Office

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

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

### Depository

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

The Depository 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](http://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.

**aic**

The Association of  
Investment Companies

A member of the AIC

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

**J.P. MORGAN HELPLINE**

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

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