

Annual Report 08

JPMorgan Mid Cap
Investment Trust plc

Annual Report & Accounts for the year ended 30th June 2008

Features

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Objective

JPMorgan Mid Cap Investment Trust plc (the 'Company') aims to achieve capital growth from investment in medium-sized UK companies. The Company specialises in investment in FTSE 250 companies, using long and short-term borrowings to increase returns to shareholders.

Investment Policy

- To focus on FTSE 250 stocks that deliver strong capital growth and income.
- To have significant exposure to the UK economy.
- To seek out both value stocks and growth stocks to deliver strong performance throughout the market cycle.
- To use gearing to increase potential returns to shareholders.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Benchmark

The FTSE 250 Index (excluding investment trusts).

Capital Structure

- UK domiciled.
- Full listing on the London Stock Exchange.
- Authorised share capital of 48,000,000 ordinary shares of 25p each, of which 25,919,180 excluding shares held in Treasury were in issue as at 30th June 2008 (2007: 29,232,000).

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM') to manage its assets.

Financial Results

Total Return (capital plus income)

-27.7%

Return to shareholders¹
(2007: +27.3%)

-26.1%

Return on net assets^{2,4}
(2007: +25.9%)

-20.0%

Benchmark return^{1,3}
(2007: +25.9%)

16.50p

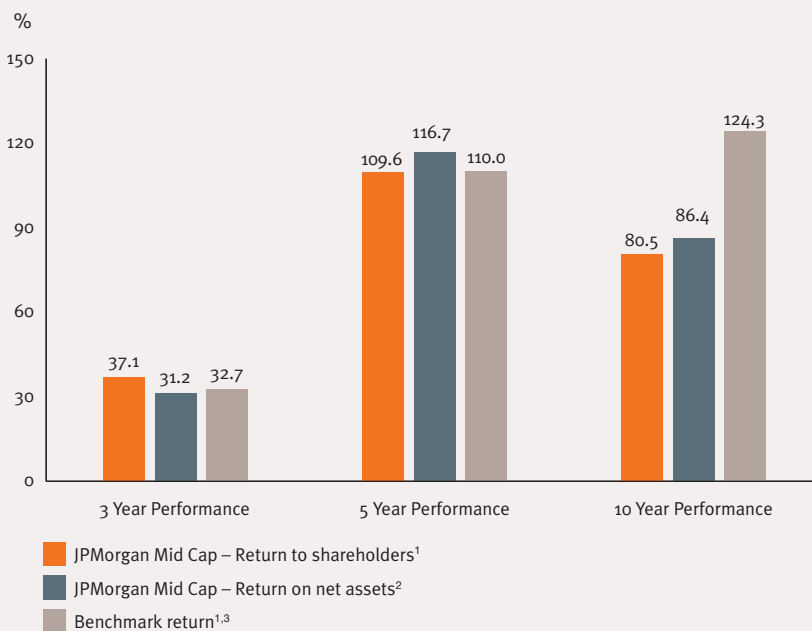
Dividend
(2007: 14.50p)

+13.8%

Dividend increase
(2007: +16.0%)

Long Term Performance

for periods ended 30th June 2008



A glossary of terms and definitions is provided on page 53.

¹Source: Standard & Poor's – www.funds.morningstar.com.

²Source: Fundamental Data – www.funddata.com.

³The Company's benchmark is the FTSE 250 Index (excluding investment trusts).

⁴Net asset value assuming the 213,000 shares held in Treasury at 30th June 2008 (2007: nil) were reissued in accordance with the Board's current policy on the reissue of Treasury shares.

Chairman's Statement



Investment Performance

I have to report to you that over the twelve months to 30th June 2008, your Company saw a decline in net assets of 26.1%, underperforming our benchmark, which fell by 20.0%. The Company's return to shareholders (i.e. share price plus net dividends) was a fall of 27.7%, reflecting the widening of the discount on the Company's shares from 12.4% to 15.2%, with debt at fair value and assuming the reissue of treasury shares. The underperformance recorded is disappointing and reflects a particularly difficult first half to the year. In the second half performance improved, helped by a significant contribution from stock selection. For more detail on the Company's results please see page 8 of this report.

The objective we set our Manager is to achieve capital growth through investing in medium-sized UK companies. The main measurement of the Manager's performance we take as the FTSE 250 index (excluding investment trusts). The Investment Manager's Report on pages 5-7 reviews the year in detail and includes a performance attribution table. The Board thoroughly and regularly reviews the Manager's investment strategy and process as detailed on page 6 of these accounts.

Revenue and Dividends

Net revenue after taxation for the year was £4,785,000 (2006: £4,689,000) and earnings per share were 17.64p (2007: 15.53p). In 2004 the Board established a policy to increase dividends annually at least in line with inflation, as long as normal market conditions prevailed. The Company paid an interim dividend of 5.50p per share (2007: 5.00p) in April 2008 and, having raised the interim dividend in this way, the Board is pleased to recommend an increased final dividend of 11.00p per share (2007: 9.50p) making a total of 16.50p (2007: 14.50p). This represents a 13.8% rise in the total dividend. Since 2004 when the Company's dividend policy changed, the total dividend has increased by 69.2%.

The dividend is payable on 12th November 2008 to shareholders on the register at the close of business on 3rd October 2008.

Gearing

The Company has a £45 million loan facility with the Bank of Ireland and a £9.5 million debenture which give the Managers the ability to gear tactically. The Board of Directors sets the overall gearing strategy and guidelines and reviews these at each meeting. Early in the last financial year gearing was increased to around 116%, in the belief that the market turmoil of the late summer of 2007 would provide significant investment opportunities. As it became apparent that the market turndown was going to be deeper and longer lasting than initially anticipated, that decision was reversed and gearing was reduced to around 107% at the year end.

Share Buy-backs

It is the present intention of the board to continue its policy of buying back shares, whether for cancellation or into treasury, to assist in the maintenance of a stable discount and enhance net asset value per share. This policy will be reviewed regularly in the light of market conditions. During the year under review, the Company repurchased for cancellation 3,099,820 shares, representing 10.6% of the issued share capital at the start of the year, and 213,000 shares into treasury, representing 0.7% of the issued share capital at the start of the year. Over the course of the year this added 1.4% to the Company's net asset value.

Since 30th June 2008, the Company has repurchased a further 481,000 shares into treasury representing 1.9% of the issued share capital. The Directors continue to believe that this mechanism is of benefit to shareholders and therefore propose and recommend that powers to repurchase up to 14.99% of the Company's shares for cancellation be renewed for a further period.

At last year's Annual General Meeting, shareholders approved the use of treasury shares to improve further the liquidity of the Company's shares. The ability to buy shares into treasury and then reissue them at a narrower discount to net asset value gives your Board a further tool to manage any imbalance between supply and demand. In seeking the renewal of shareholder approval for the reissue of shares from treasury at a discount, the Board will maintain its strict limit to the dilution associated with any reissue to a maximum of 0.5% of net asset value in any one year. The Board recommends that shareholders renew the Company's authority to reissue shares from treasury at a discount.

VAT Case

In my statement in last year's accounts, I commented on the prospects of the Company obtaining a refund of some past payments of VAT. During the course of this year progress has been made in this regard and negotiations with JPMorgan Asset Management are at an advanced stage. Whilst we have not accrued for any prospective recovery in these accounts, it is our expectation that we will recover in the region of £1.5m. Once there is certainty on this issue the Company will make an announcement accordingly.

Board of Directors

Your Board has put procedures in place to ensure that the Company complies fully with the Combined Code and the AIC Code on Corporate Governance. Full details are given in the Corporate Governance section of this report on pages 22 to 25.

In accordance with the Company's Articles of Association, the Director retiring by rotation at this year's Annual General Meeting is Alex Scott. During the course of the year, Alex indicated his intention to stand down as a director of the Company and, accordingly, will not be seeking re-election. I would like to thank Alex for his considerable contribution to the success of the Company over his twelve year tenure as a Director.

John Emly retires on grounds of tenure (having served as a Director for twelve years) and seeks re-election. In addition, Michael Hughes and Margaret Littlejohns, who were identified as suitable Directors and appointed to the Board during the course of the year, retire and stand for election. The Nomination Committee has met to consider the attributes of the individuals concerned and, following this review, has no hesitation in recommending their re-election and elections at the forthcoming Annual General Meeting. Brief biographical details of the Directors are shown on page 15.

Investment Manager

The Board has reviewed the investment management, secretarial and marketing services provided to the Company by JPMorgan Asset Management (UK) Limited ("JPMAM"). This annual review has included their performance record, management processes, investment approach, resources and risk control mechanisms. In the light of the disappointing investment performance in the first half of the year, the Board, in its review, paid particular attention to the investment management process. It was observed that over the medium term the process worked well, delivering outperformance of the benchmark. However, at

times of high volatility or around market value inflection points, the process was less successful. As a result, the Board will continue to pay close attention to the performance of the process. Overall, the Board was satisfied with the results of the review and therefore in the opinion of the Directors, the continuing appointment of JPMAM for the provision of these services is in the best interests of shareholders.

Companies Act 2006 and new Articles of Association

It is proposed that the Company adopts new Articles of Association in order to comply with the provisions of the Companies Act 2006 that have been brought into effect already and those that will become effective from 1st October 2008. The new Act is being introduced in stages and is expected to be enacted fully by 1st October 2009. More details on the proposed changes to the Articles are given in the Directors' Report on page 20 and 21 and in the Appendix to the Notice of Meeting on pages 50 to 52. One of the principal changes will allow the Company to use electronic communications to send half year and annual reports to shareholders, although shareholders will have the right to opt to continue to receive hard copies if they wish and will continue to receive hard copy forms of proxy. The Board is also considering whether to take advantage of new regulations which allow companies not to post the half year report to shareholders, but instead direct shareholders to the Company's website. Both of these measures would reduce the Company's administrative expenses, not to mention its carbon footprint, but the Board would welcome shareholder feedback on these possible changes before reaching any decision.

Annual General Meeting

This year's Annual General Meeting will be held on 11th November 2008 at 12.00 noon at The Library, 60 Victoria Embankment, London EC4Y 0JP. As in previous years, in addition to the formal part of the meeting, there will be a presentation from the investment managers who will answer questions on the portfolio and performance. There will also be an opportunity to meet the Board, the investment managers and representatives of JPMAM after the meeting. I look forward to welcoming as many of you as possible to this meeting.

If you have any detailed or technical questions, it would be helpful if you could raise these in advance of the meeting with the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes.

Prospects

UK equity markets remain volatile and investor sentiment depressed, but in the view of our Managers, the price falls we have witnessed have led to the emergence of significant value amongst mid cap stocks. Although there will doubtless be further bouts of turbulence, your Company will continue to attempt to identify attractively valued stocks with the potential to outperform over the medium term.

Andrew Barker
Chairman

24th September 2008

Investment Managers' Report



Jeremy Wells



Christopher Llewelyn

Market Background

After four straight years of substantial gains the latest financial year for the JPMorgan Mid Cap Investment Trust, the 12 months to 30th June 2008, has been a tough period for investors, with an abrupt return to the bear market conditions of the early part of this decade. The period covered by the Company's financial year corresponds very closely with the onset of the financial market and economic woes triggered by the credit crisis that first began to emerge last summer. What appeared initially to be an arcane and somewhat distant problem emanating out of poor lending decisions by US home loan providers to sub-prime borrowers, quickly spread across the Atlantic, and into the wider global economy. In the UK banks stopped lending, firstly to one another, causing Northern Rock to collapse, then to consumers and corporates, leading to the collapse in housing transactions and mortgage lending, which has pushed a number of house builders close to bankruptcy. Where 12 months ago the UK economy was growing at a healthy 2.7%, the latest data released for the second quarter of 2008 recorded no growth, with the prospect of a recession currently looming large. Across swathes of the domestic economy (that is so important for mid cap companies), from retailers to property companies, from pub operators to builders merchants, growth forecasts have been slashed and share prices dramatically reduced. To make matters worse, this collapse in domestic activity has taken place against a backdrop of high and rising oil and commodity prices (the price of oil almost doubled in the period under review), which has kept inflation in the UK substantially above target levels, and constrained the ability of the Bank of England to provide support to the domestic economy through interest rate cuts. Over the 12 months to June 2008 the FTSE 250 Index fell from 11528 to 9146, a capital only decline of 20.7%. Mid caps underperformed large caps in this period with the FTSE 100 index, with its much larger exposure to oil and commodity companies, only declining by 14.9%; this also marked a change in the pattern of the previous four years in which mid caps outperformed large caps.

Portfolio

It is our investment philosophy that cheap companies, and fast growing companies, with improving fundamentals, will outperform the overall market over the long term. We therefore aim to build consistently a portfolio for the Company that is overweight in both the best of value companies and the best of growth companies, whilst also ensuring that the management of the companies selected for your portfolio demonstrate capital discipline. Overall the portfolio should therefore be more lowly valued than the FTSE 250 Index, have more growth expected of it, and have better fundamentals.

Over the latest financial year the Company's net assets per share (NAV) fell to 582.2p, giving a negative total return of 26.1% with net income reinvested, 6.1% behind the negative total return of 20.0% on the FTSE 250 ex IT Index, the Company's investment benchmark. The total return in share price terms was a little behind the NAV return, at -27.7% as the shares fell from 695.5p in June 2007 to 488.0p in June 2008, and as the share price discount widened over the financial year from 12.4% to 15.2%. Overall this was a disappointing result, both in absolute and in relative terms, and one in which the investment managers take no pride. The under-performance that we are reporting on over the 12 months to June 2008 was presaged in the Interim Report, when we highlighted a very difficult end to 2007 for the Company and our investment approach. In the first six months of the year under review, we reported a negative contribution of

Performance attribution for the year to 30th June 2008

Contributions to Total Return	%
Benchmark total return	-20.0
Stock/Sector selection	-3.5
Gearing/cash	-3.0
Investment Manager contribution	-6.5
Portfolio total return	-26.5
Fees/other expenses	-0.6
Share buy-backs	1.4
Residual*	-0.4
Other effects	0.4
Net asset value total return	-26.1
Impact of increase in discount	-1.6
Share price total return	-27.7

Source: Xamin, JPMAM and Fundamental Data. All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark index.

* The Residual arises principally from timing differences in the treatment of income flows.

The Xamin attribution system accounts for income on a received (on the xd date) basis whereas Fundamental Data calculates the Company's NAV Total Return using the actual dividend(s) paid by the Company (on the xd date).

6.7% from stock selection, as cheap companies within the portfolio were sold off sharply by the market on credit crunch/slowdown fears. In the second six months of the year our philosophy of picking a combination of cheap and fast growing companies, with good newsflow, has reverted to delivering positive stock selection returns. Stock/sector selection returns in this second six month period were a positive 2.4%, leaving stock/sector selection for the year as a whole still negative, at 3.5%, but less so. Performance for the whole period was also impacted by your investment managers' decision to remain geared during a period when mid cap stocks in general fell in share price terms. Tactically we misinterpreted the initial market volatility in the summer of 2007 as a buying opportunity, and increased portfolio gearing in August 2007 ahead of the run on Northern Rock. Whilst in recent months we reversed that tactical move, and have kept gearing at lower levels than has typically been the norm for the Company over the last decade, the overall decision to be even modestly geared reduced overall returns by 3.0% for the year.

The investment management approach of your managers is to target performance at the stock level, and to use predominantly sector exposure to mitigate risk within the portfolio. Among the stocks held in the portfolio that benefited stock selection in the last financial year, the top five were Game Group, Petrofac, Aggreko, Stagecoach, JKX Oil & Gas. Amongst these names both Petrofac, the oil services company, and Aggreko, the mobile power generation company, also featured last year. Both companies continued to report strong growth in profits, and continued to exceed market expectations for their growth during the latest period; they also represent good examples of our belief that good share price returns are earned from running "winners" within the portfolio. Of the other large positive contributors, Game Group, the specialist computer games retailer, continued to report strong sales and profits growth, which was in part the result of the success of the Nintendo Wii in attracting a new audience to the world of computer games. Stagecoach, the bus and rail operator, reported steady profits growth through the period, with rail profits in particular leading to a number of share price upgrades. JKX Oil & Gas reported surging profits growth, as crude oil prices surged. Among the stocks which cost the portfolio performance, the worst five were Savills, SThree, Investec, Michael Page International and Hays. All five holdings within the portfolio were cheap, economically sensitive companies, which saw their share prices reduced much more aggressively than any change to their growth prospects would have normally suggested. Three of the companies, Sthree, Michael Page and Hays, are recruitment companies where investors took the view from mid 2007 onward that profits would be wiped out in a downturn in the UK economy, and sold/shorted the shares accordingly; in fact trading performance over the last 12 months for all three has proven resilient. Investec, the boutique South African Investment Bank and UK private client stockbroker, suffered a severe share price decline, partly as market sentiment turned firmly against financial companies in general, and partly as investors decided that the company's foray into the buy-to-let mortgage market would adversely impact returns. Savills, the estate agency and property fund management business, was sold off by investors in anticipation of a UK property market crash. In each case investor sentiment to these economically sensitive names, and to other similar situations, has been apocalyptic for most of the last 12 months, when in most cases the reality has been much less severe. This has created a real dichotomy between valuation and sentiment for a large swathe of cheap companies in the UK market.

Investment Managers' Report continued

Future Outlook

It has been a torrid period for UK stock market investors, with the mid cap market down nearly 30% from its May 2007 peak and sentiment towards domestically focused UK equities remains extremely downbeat. Share prices implicitly are factoring in very steep declines in earnings and profits, on the assumption that a recession in the UK economy will hit UK companies hard. From this perspective, company profits forecasts are simply regarded as hopelessly optimistic, with stock market analysts being too slow to recognise the bad news from the economy in their projections. However, one of the supposed attributes of equity markets is that they are forward looking, and discount the expected future flow of profits, so current investor despondency and the likely pressure on corporate profits should therefore already be largely reflected in current share prices. Over the last twelve months the mid cap index has become significantly cheaper, as a result of the fall in share prices and the downgrading of core profit expectations. The increased cheapness of the mid cap market can also be seen in the yield on the FTSE 250 ex IT Index, which is currently around 4%, and which compares favourably with a yield on 10 year Gilts of 4.5%. If UK mid cap stocks continue to report earnings and profits broadly in line with current expectations, the next few months of 2008 may prove to be a good time to go bargain hunting for stocks that will deliver significant growth on a medium term view.

Jeremy Wells
Christopher Llewelyn
Investment Managers

24th September 2008

Summary of Results

	2008	2007	
Total Returns for the year ended 30th June			
Return to shareholders ¹	-27.7%	+27.3%	
Return on net assets ^{2,3}	-26.1%	+25.9%	
Benchmark return ^{1,4}	-20.0%	+25.9%	
Net Asset Value, Share Price and Discount at 30th June			
			% change
Shareholders' funds (£'000)	150,912	233,651	-35.4
Net asset value per share with debt at par value	582.2p	799.3p	-27.2
Net asset value per share with debt at par value assuming reissue of Treasury shares ³	581.8p	799.3p	-27.2
Net asset value per share with debt at fair value ⁵	576.1p	793.7p	-27.4
Net asset value per share with debt at fair value assuming reissue of Treasury shares ^{3,5}	575.6p	793.7p	-27.5
Share price	488.0p	695.5p	-29.8
Discount of share price to net asset value with debt at par value	16.2%	13.0%	
Discount of share price to net asset value with debt at par value assuming reissue of Treasury shares ³	16.1%	13.0%	
Discount of share price to net asset value with debt at fair value	15.3%	12.4%	
Discount of share price to net asset value with debt at fair value assuming reissue of Treasury shares ^{3,5}	15.2%	12.4%	
Shares in issue (excluding shares held in Treasury)	25,919,180	29,232,000	
Revenue for the year ended 30th June			
Net revenue attributable to shareholders (£'000)	4,785	4,689	+2.0
Return per share	17.64p	15.53p	+13.6
Dividend per share	16.50p	14.50p	+13.8
Actual Gearing Factor at 30th June			
	106.8%	112.8%	
Total Expense Ratio (TER) ⁶			
	0.63%	0.69%	

A glossary of terms and definitions is provided on page 53.

¹Source: Standard & Poor's – www.funds.morningstar.com.

²Source: Fundamental Data – www.funddata.com.

³Net asset value assuming the 213,000 shares held in Treasury at 30th June 2008 were reissued in accordance with the Board's current policy on the reissue of Treasury shares.

⁴The Company's benchmark is the FTSE 250 Index (excluding investment trusts).

⁵The fair value of the £9.5m debenture issued by the Company has been calculated with reference to a similar dated gilt plus a margin. The carrying value of other debt is deemed to be equivalent to fair value.

⁶Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and the prior year restated. Further details are given in the glossary of terms and definitions on page 53.

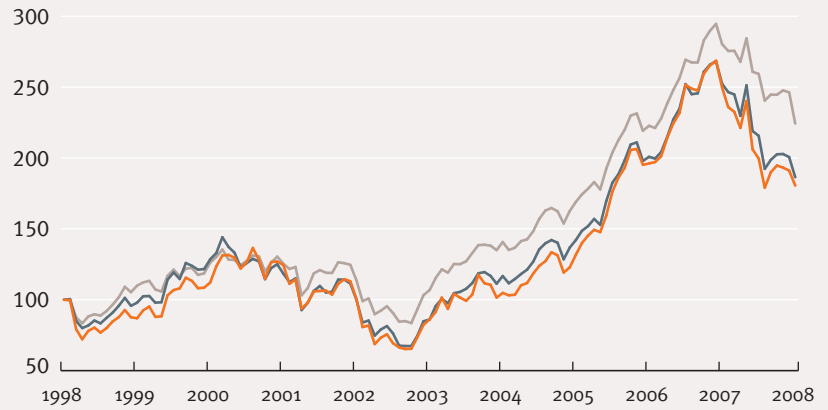
Performance

- JPMorgan Mid Cap – Share price
- JPMorgan Mid Cap – Net asset value
- Benchmark

Source: Standard & Poor's – www.funds.morningstar.com/
 Fundamental Data – www.funddata.com.

Ten Year Performance

Figures have been rebased to 100 at 30th June 1998

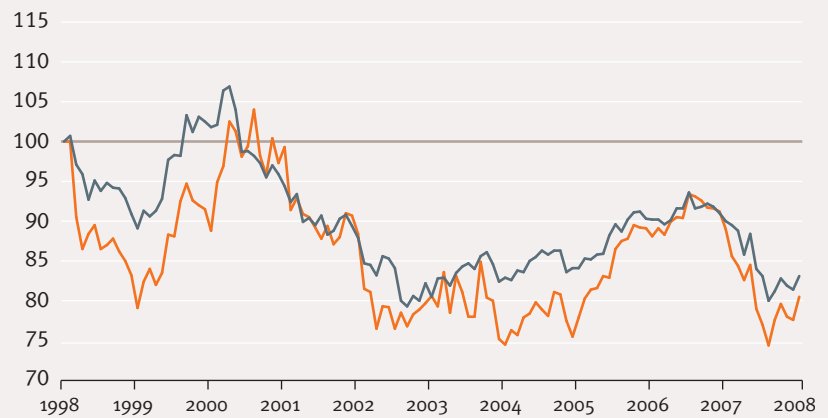


- JPMorgan Mid Cap – Share price
- JPMorgan Mid Cap – Net asset value
- Benchmark

Source: Standard & Poor's – www.funds.morningstar.com/
 Fundamental Data – www.funddata.com.

Performance Relative to Benchmark

Figures have been rebased to 100 at 30th June 1998



Ten Year Financial Record

As at 30th June	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Shareholders' funds (£'m)	152.7	147.2	184.5	167.3	138.2	114.5	153.6	165.9	201.4	233.7	150.9
Net asset value per share (p)	381.8	367.9	476.4	433.6	358.3	296.9	398.1	473.5	647.4	799.3	582.2
Share price (p)	349.5	298.0	378.5	414.5	326.5	268.0	315.0	384.5	558.0	695.5	488.0
Discount (%)	8.4	19.0	20.5	4.4	8.9	9.7	20.9	18.8	13.8	13.0	16.2
Actual gearing factor (%)	114.4	119.0	119.5	122.2	118.5	124.8	117.1	110.7	114.0	112.8	106.8
Year ended 30th June											
Revenue attributable to shareholders (£'000)	1,878	1,517	2,730	2,921	3,828	4,366	3,364	4,383	4,380	4,689	4,785
Revenue per share (p)	4.69	3.97	6.91	7.57	9.92	11.32	8.72	12.07	13.15	15.53	17.64
Dividend per share (net) (p)	5.30	5.30	6.00	7.00	9.50	10.75	9.75	11.30	12.50	14.50	16.50
Total expense ratio ('TER') (%) ¹	0.73	0.80	1.13	1.07	1.09	1.08	0.80	0.74	0.70	0.69	0.63
Rebased to 100 at 30th June 1998											
Return to shareholders ²	100.0	86.9	112.1	124.5	100.4	86.1	104.8	131.7	196.1	249.6	180.5
Return on net assets ³	100.0	97.9	128.5	118.4	99.9	86.0	116.7	142.1	200.8	252.3	186.4
Benchmark ²	100.0	109.9	126.2	125.4	113.6	106.8	140.7	169.0	222.7	280.3	224.3

A glossary of terms and definitions is provided on page 53.

¹Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. Further details are given in the glossary of terms and definitions on page 53.

²Source: Standard & Poor's – www.funds.morningstar.com.

³Source: Fundamental Data – www.funddata.com.

Ten Largest Investments

at 30th June 2008

Company	Sector	As at 30th June 2008		As at 30th June 2007	
		Valuation £'000	% ¹	Valuation £000	% ¹
Aggreko Provides specialist power and temperature control rental services in two main product areas, mobile electricity generators and temperature control equipment. Aggreko also supplies oil-free diesel compressors used to eliminate oil based contaminants in the food, pharmaceutical and textile industries. The Group operates through approximately 118 depots in 23 countries worldwide.	Industrials	5,331	3.3	7,146	2.7
Aquarius Platinum² A metals producer based in southern Africa. The Company has interests in five operations located in South Africa and Zimbabwe and is one of the world's fastest growing platinum companies.	Basic Materials	5,210	3.2	361	0.1
Stagecoach² A market leader in delivering greener, smarter travel, with extensive operations in the UK, United States and Canada.	Consumer Services	4,694	2.9	3,495	1.3
Weir² A UK-listed engineering company operating worldwide across three sector focused divisions of minerals, oil and gas and power and industrial, each with leading brand name products in their own sector.	Industrials	4,326	2.7	2,012	0.8
Charter² Headquartered in London, the Company owns two international engineering businesses, one focused on welding, cutting and automation ('ESAB') and the other on air and gas handling ('Howden').	Industrials	4,302	2.6	4,654	1.8
Dana Petroleum² An independent oil and gas exploration and production company, aiming to deliver growth for shareholders through the creation and execution of high impact opportunities in the North Sea and Egypt.	Oil & Gas	4,284	2.6	998	0.4
Intermediate Capital² A leading independent specialist provider of mezzanine finance and fund management.	Financials	4,224	2.6	3,718	1.4
Game² Europe's leading specialist retailer of personal computer and video game products.	Consumer Services	4,000	2.5	1,600	0.6
Hays Provides specialist recruitment and human resource services for clients and candidates requiring permanent and temporary, professional and technical staff.	Industrials	3,980	2.5	6,571	2.5
Wellstream³ A leading company within the pipe solutions industry, providing innovative pipe solutions for energy production.	Oil & Gas	3,882	2.4	—	—
Total		44,233	27.3		

¹ Based on total assets less current liabilities of £162.4m (2007: £263.9m), other than loan facilities repayable within one year.

² Not included in the ten largest investments at 30th June 2007.

³ Not held in the portfolio as at 30th June 2007.

As at 30th June 2007, the value of the ten largest investments amounted to £63,948,000 representing 24.3% of total assets less current liabilities, other than loan facilities repayable within one year.

Portfolio Analyses and Investment Activity

Portfolio Analysis

	2008 %	2007 %
FTSE Mid 250 Index companies	95.5	96.6
FTSE 100 Index companies	2.8	2.9
Smaller companies	1.0	0.4
Liquidity fund	0.4	0.1
Net current assets	0.3	—

Based on total assets less current liabilities of £162.4m (2007: £263.9m) other than loan facilities repayable within one year.

Sector Analysis

	Portfolio 2008 %	Benchmark 2008 %	Active position %	Portfolio 2007 %	Benchmark 2007 %	Active position %
Industrials	34.1	32.1	2.0	34.4	32.8	1.6
Consumer Services	21.1	19.9	1.2	19.8	22.6	(2.8)
Financials	19.7	16.1	3.6	22.3	18.7	3.6
Oil & Gas	11.0	8.1	2.9	6.4	6.8	(0.4)
Consumer Goods	5.3	7.6	(2.3)	13.8	9.2	4.6
Basic Materials	3.9	6.3	(2.4)	1.5	1.9	(0.4)
Technology	2.5	5.3	(2.8)	1.5	4.8	(3.3)
Utilities	1.7	2.1	(0.4)	0.2	1.4	(1.2)
Telecommunications	—	1.7	(1.7)	—	0.9	(0.9)
Healthcare	—	0.8	(0.8)	—	0.9	(0.9)
Liquidity fund	0.4	—	0.4	0.1	—	0.1
Net current assets	0.3	—	0.3	—	—	—

Based on total assets less current liabilities of £162.4m (2007: £263.9m) other than loan facilities repayable within one year.

Investment Activity

	Value at 30th June 2007		Purchases	Sales	Change in classification ¹	Change in valuation	Value at 30th June 2008	
	£'000	%	£'000	£'000	£'000	£'000	£'000	%
FTSE Mid 250 Index companies	254,901	96.6	126,968	141,923	(30,862)	(54,075)	155,009	95.8
FTSE 100 Index companies	7,657	2.9	11,016	27,574	10,450	2,987	4,536	2.8
Smaller companies	1,015	0.4	4,062	14,867	20,412	(9,012)	1,610	1.0
Liquidity fund	350	0.1	56,295	55,945	—	—	700	0.4
Total	263,923	100.0	198,341	240,309	—	(60,100)	161,855	100.0

¹Being the re-classification in the year of Admiral, FirstGroup, Invensys, Petrofac, Thomas Cook, John Wood Group from Mid 250 to FTSE 100, Aga Foodservice, Collins Stewart, Findel, Galliford Try, Helphire, JJB Sports, Paragon, Redrow, Restaurant Group, SThree, Topps Tiles from Mid 250 to Smaller Companies, Barratt Developments, Daily Mail & General Trust from FTSE 100 to Mid 250.

List of Investments

at 30th June 2008

Company	Valuation £'000	Company	Valuation £'000
Industrials		Smith (WH)	1,377
Aggreko	5,331	HMV	1,366
Weir	4,326	Yell	1,290
Charter	4,302	William Hill	768
Hays	3,980	Taylor Nelson Sofres	664
Cookson	3,715	Punch Taverns	421
VT	3,087	Greggs	315
Balfour Beatty	3,035	Trinity Mirror	286
Morgan Crucible	2,865	Total Consumer Services	33,961
De La Rue	2,831	Financials	
Chemring	2,378	Intermediate Capital	4,224
Keller	2,003	Tullett Prebon	3,498
WSP	1,963	Investec	2,905
Interserve	1,884	Amlin	2,732
FKI	1,621	Catlin	2,475
Intertek	1,549	Savills	2,072
Regus	1,372	Shaftesbury	2,015
IMI	1,230	Beazley	1,391
Qinetiq	1,194	IG	1,378
Ashtead	1,042	St James's Place	1,333
Mitie	804	Cattles	1,329
Morgan Sindall	790	Unite	1,030
Kier	693	Safestore	1,013
Meggitt	599	Great Portland Estates	987
Michael Page International	569	Brit Insurance	882
Senior	540	Segro	748
Travis Perkins	458	Collins Stewart	598
PV Crystalox Solar	253	Hiscox	439
Speedy Hire	253	Bradford & Bingley	412
BSS	230	International Personal Finance	384
RPS	123	Provident Financial	264
Total Industrials	55,020	Big Yellow	128
Consumer Services		Total Financials	32,237
Stagecoach	4,694	Oil & Gas	
Game	4,000	Dana Petroleum	4,284
National Express	3,433	Wellstream	3,882
Ladbrokes	3,071	JKX Oil & Gas	3,490
Halfords	2,862	Petrofac	3,467
United Business Media	2,680	Premier Oil	2,073
Arriva	2,475	Imperial Energy	529
Inchcape	2,201	Soco International	370
Go-Ahead	2,058	Total Oil & Gas	18,095

List of Investments continued

Company	Valuation £'000
Consumer Goods	
GKN	3,783
Dairy Crest	1,724
Berkeley	1,616
Bellway	512
Headlam	438
Bovis Homes	285
Taylor Wimpey	186
Total Consumer Goods	8,544
Basic Materials	
Aquarius Platinum	5,210
International Ferro Metals	1,304
Total Basic Materials	6,514
Technology	
AVEVA	2,761
CSR	771
Logica	321
Autonomy	205
Total Technology	4,058
Utilities	
Northumbrian Water	1,291
Drax	1,069
Pennon	366
Total Utilities	2,726
Liquidity Funds	
JPMorgan Sterling Liquidity Fund	700
Total Liquidity Fund	700
Total Portfolio	161,855

This portfolio consists entirely of equity shares and liquidity funds.

Board of Directors



Andrew Barker*†‡
(Chairman of the Board and Nomination and Remuneration Committee)

A Director since October 2004 and appointed Chairman in April 2005.

Chairman of British Portfolio Trust plc, International Biotechnology Trust plc and Morant Wright Japan Income Trust PLC. Mr Barker is also a Director of Renaissance US Growth Investment Trust plc.



John Emly

A Director since June 1996.

Retired from Flemings in 2000 after 25 years' service and was appointed Investment Director of The Civil Aviation Authority's Pension Fund in September 2000. He is a Director of F&C Capital & Income Investment Trust plc and a Director of Shaftesbury plc.



Gordon McQueen*†‡
(Chairman of the Audit Committee)

A Director since December 2004.

Served as the Finance Director of Bank of Scotland plc and on the Board of HBOS plc and Halifax plc until the end of 2003. Mr McQueen is a Director of Scottish Mortgage Investment Trust plc and Shaftesbury plc.



Alex Scott*†‡
(Senior Independent Director)

A Director since April 1996.

Chairman of Sand Aire Investment Management Limited, a London based investment company, and a Director of Stramongate Assets plc.



Michael Hughes CBE*†‡

Appointed 8th May 2008.

A Director of Baring Asset Management from 1998 and Chief Investment Officer from 2000 until his retirement in 2007. Prior to this, he was a Managing Director of Barclays Capital (previously BZW) and Chairman of their Board of pension trustees. Before 'Big Bang' he was a Partner at stockbrokers de Zoete and Bevan. He now acts as an investment consultant to various family offices and charities.



Margaret Littlejohns*†‡

Appointed 2nd July 2008.

Founder and Finance Director of The Space Place, a self storage company in the Midlands. Before this, she spent 18 years working for Citigroup, specialising in risk management and derivatives. She is also a Director of Hendersons High Income Trust plc and a trustee of two lymphatic cancer charities.

* Member of the Audit Committee

† Member of the Nomination and Remuneration Committee

‡ Considered by the Board to be independent

Directors' Report

The Directors present their report for the year ended 30th June 2008.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th June 2007. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify as an investment trust company. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 30th June 2007 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 4, and in the Investment Managers' Report on pages 5 to 7.

Objective

The Company's objective is to achieve capital growth from investments in medium-sized UK companies. The Company specialises in investment in FTSE 250 companies, using long and short term borrowings to increase returns to shareholders.

Investment Policies and Risk Management

In order to achieve its objective, the Company invests in a diversified portfolio, concentrating on FTSE 250 companies with the most attractive prospects. The Company makes use of long and short-term borrowings to increase returns and does not invest more than 15% of its gross assets in other UK listed investment companies (including investment trusts).

Investment Limits and Restrictions

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

- The Company will not invest more than 15% of its assets in other UK listed investment companies.
- No more than 10% of the portfolio should be invested outside the FTSE 250 Index.

- 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 will not invest more than 15% of its assets in any one individual stock at the time of acquisition.
- The Company's gearing policy is to operate within a range of 95% to 120% invested in normal market conditions.

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.

Performance

In the year to 30th June 2008, the Company produced a total return to shareholders of -27.7% and a total return on net assets of -26.1%. This compares with the return on the Company's benchmark index of -20.0%. As at 30th June 2008, the value of the Company's investment portfolio was £161.9m. The Investment Managers' Report on pages 5 to 7 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

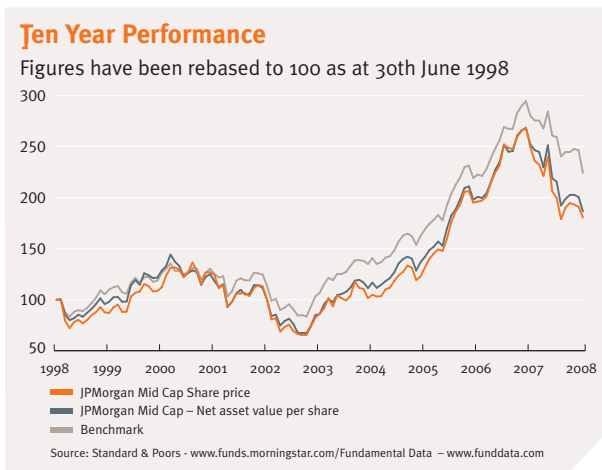
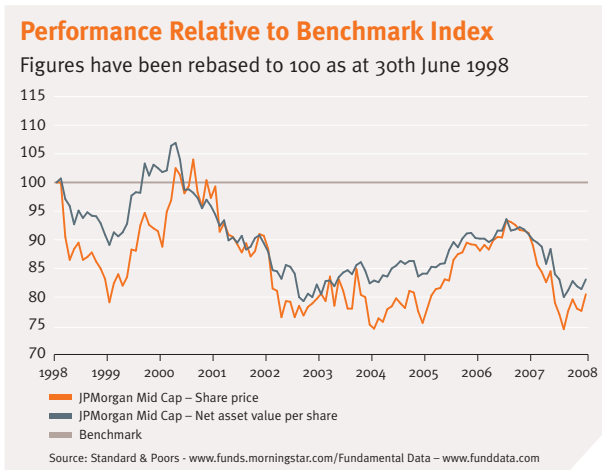
Total Loss, Revenue and Dividends

Gross total loss for the year totalled £55.7m (2007: return of £52.4m) and net total loss after deducting interest, administrative expenses and taxation amounted to £58.9m (2007: return of £48.7m). Distributable income for the year totalled £4.8m (2007: £4.7m).

The Directors recommend a final dividend of 11.0p per share (2007: 9.5p) payable on 12th November 2008 to holders on the register at the close of business on 3rd October 2008. This distribution will absorb £2,851,000. An interim dividend of 5.5p per share (2007: 5.0p) was paid on 23rd April 2008. Following the payment of the final dividend, the revenue reserve will amount to £5,696,000.

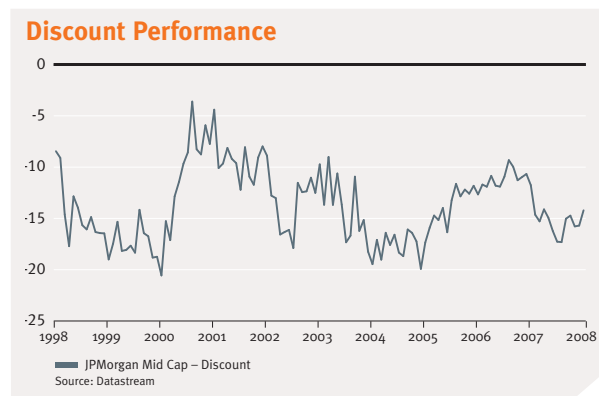
Key Performance Indicators ('KPIs')

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 against the Company’s peers**
The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.
- Performance attribution**
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company’s relative performance of the various components such as stock and sector allocation. Details of the attribution analysis for the year ended 30th June 2008 are given in the Investment Managers’ Report on page 6.
- Discount to net asset value (‘NAV’)**
The Board has a share repurchase programme which seeks to address imbalances in supply of and demand for

the Company’s shares within the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company’s shares trade in relation to its peers in the sector. In the year to 30th June 2008, the shares traded between a discount of 12.4% and 15.2% with debt at fair value and assuming the reissue of shares held in treasury.



- Total expense ratio (‘TER’)**
The TER represents management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 30th June 2008 was 0.63% (2007: 0.69% as restated). The Board reviews each year an analysis which shows a comparison of the Company’s TER and its main expenses with those of its peers.

Share Capital

The Company has authority to repurchase shares in the market either for cancellation or into treasury and to issue new shares for cash. During the year the Company repurchased a total of 3,099,820 ordinary shares for cancellation, for a total consideration of £18,594,000. Since the year end, no further shares have been bought back for cancellation.

During the year 213,000 shares were repurchased, for a total consideration of £1,140,000, and held in Treasury. Since the end of the financial year the Company has repurchased a further 481,000 ordinary shares into treasury at a total consideration of £2,285,236.

Resolutions to renew the Company’s authorities to repurchase shares for cancellation or into treasury will be put to shareholders at the forthcoming Annual General Meeting.

The Company did not issue any new shares during the year.

Directors' Report continued

Principal Risks

With the assistance of the Manager the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting 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. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and review data which shows statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.
- **Market:** Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. 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 JPMAM. The Board monitors the implementation and results of the investment process with the Investment Managers.
- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Should the Company breach Section 842, it may lose investment trust status and as a consequence capital gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 1985 and, as 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. A breach of the UKLA Listing Rules may result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with the Companies Act 1985, the relevant amendments in the Companies Act 2006 and the UKLA Listing Rules.

- **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 in the Corporate Governance report on pages 22 to 25.
- **Operational:** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 24.
- **Financial:** The financial risks faced by the Company are disclosed in note 21 on pages 41 to 45.

Future Developments

Clearly the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The Investment Managers discuss the outlook in their report on pages 5 and 7.

Management of the Company

The Manager and Secretary is JPMorgan Asset Management (UK) Limited (JPMAM). JPMAM is employed under a contract which can be terminated on six months notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

JPMAM is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board

also considered the investment strategy and process of the Investment Managers and the support that the Company receives from JPMAM.

Management and Performance Fees

The fixed basic annual management fee is 0.4% per annum of the Company's total assets less current liabilities. The management fee includes a contribution towards JPMAM's general marketing and client administration costs.

The terms of the management contract make allowance for the exclusion of management charges on investments held in funds on which JPMAM earns a management fee.

In addition to the basic annual management fee, a performance related fee is calculated at 17.5% of outperformance of the Company's net asset value total return (excluding gearing and management fee) over the benchmark. The maximum total fee payable in any one year in respect of the fixed management fee and any performance fee is capped at 1.65% of the Company's total assets less current liabilities at the year end date. The performance fee will be calculated annually and paid within three months of the year end. An estimate is accrued monthly and reflected in the Company's published net asset value per share. The performance fee calculation restarts when outperformance of the benchmark has been achieved and a performance fee earned. This means that the performance fee is only payable when there has been positive relative performance since the last performance fee was paid. No performance fee was payable in the year to 30th June 2008 (2007: £nil).

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 30th June 2008, the Company had no outstanding trade creditors (2007: none).

Directors

The Directors of the Company at the end of the year, together with their beneficial interests in the Company's shares, are shown below.

Directors	30th June 2008	1st July 2007 ¹
Andrew Barker	8,000	8,000
John Emly	5,107	4,978
Michael Hughes ²	4,000	—
Margaret Littlejohns ³	1,000	1,000
Gordon McQueen	1,500	1,500
Alexander Scott	3,700	3,700

¹ 1st July 2007 or date of appointment.

² Appointed 8th May 2008.

³ Appointed 2nd July 2008.

No changes in the above holdings have been notified by any Director between the year end and the date of this report.

In accordance with the Articles of Association and Combined Code on Corporate Governance, the Directors retiring at the forthcoming Annual General Meeting are Alex Scott, John Emly, Michael Hughes and Margaret Littlejohns. Alex Scott retires by rotation and is not seeking re-election. John Emly retires on grounds of tenure and is standing for re-election. Michael Hughes and Margaret Littlejohns, having been appointed during the year, will retire and stand for election.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties.

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) of which the Company's auditors are unaware, and
- (b) each of the Directors has taken all the steps that he ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) 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 234ZA of the Companies Act 1985.

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 the inside cover of this report.

Directors' Report continued

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 11 to the Notice of AGM on page 49.

Notifiable Interests in the Company's Voting Rights

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of shares held	%
Puddle Dock Nominees ¹	6,847,826	24.35
Barclays plc	3,348,814	12.92
Co-operative Insurance Society	1,617,900	6.19
Insight Investment Management	1,605,241	6.14
Legal & General	1,207,149	4.62

¹ Held on behalf of JPMAM Share Plan, PEP and ISA participants.

Independent Auditors

Ernst & Young LLP have expressed their willingness to continue in office as Auditors and a resolution proposing to re-appointment them, and authorise the Directors to determine their remuneration for the ensuing year, will be put to shareholders at the Annual 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 advisor 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 repurchase the Company's shares (resolution 8)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2007 AGM, will expire on 10th May 2009 unless renewed at the forthcoming AGM. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder approval at the AGM to renew this authority, which will last until 10th May 2010 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on page 48. Repurchases will be made at the discretion of the Board,

and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

(ii) Treasury shares/disapplication of pre-emption rights (resolutions 9 and 10)

Under the Companies Act 1985, the Company is permitted to repurchase up to 10% of its own shares into Treasury for reissue or cancellation at a future date, as an alternative to repurchasing for immediate cancellation. The Board considers that circumstances could arise in which it would be in shareholders' interests for such powers to be exercised.

The Board believes that the effective use of Treasury shares could assist the Company in improving liquidity in the Company's shares, of managing any imbalances between supply and demand and minimising the volatility and absolute level of the discount at which the Company's shares trade to their net asset value, for the benefit of shareholders.

Accordingly, shareholders will also be asked at the Annual General Meeting to approve resolutions 9 and 10 which will allow the Company to reissue shares from treasury at a discount to NAV and disapply statutory pre-emption rights respectively. This will enable the Company to reissue shares held in treasury without having to make a pro rata offer to existing shareholders. Shares may be reissued at a price that is below the then current net asset value, but will not be reissued at a wider discount than the size weighted average buying-in level or below the prevailing bid price at that time. Reissues will also be limited so that in the year to the Company's 2009 Annual General Meeting, the aggregate dilution in net asset value per share arising on such reissues does not exceed 2.8 pence per share, being approximately 0.5% of the net asset value per share at 30th June 2008. The Board does not at present propose to set a time limit for cancellation of treasury shares. However, the situation will be monitored closely and it is likely that future policy will be based on experience of discount movements and other factors. It is the Directors intention that this resolution will be put to the shareholders at subsequent Annual General Meetings.

(iii) Adoption of new Articles of Association (Resolution 11) the Company proposes to adopt new articles of association

These incorporate amendments to the current articles of association to reflect the provisions of the Companies Act 2006 (the '2006 Act') and otherwise generally update the Articles of Association for current law, regulation and market practice. The 2006 Act will not be fully in force

until October 2009, it is not yet possible to fully reflect the 2006 Act changes and it is expected that shareholders will be asked to approve further changes to the articles of association at the 2009 AGM.

The principal changes brought about by the new articles of association proposed to be adopted at the forthcoming AGM relate to electronic communication with shareholders, shareholder meetings and resolutions, directors' indemnities, transfers of shares and directors' conflicts of interest. For a more detailed explanation of these and other amendments please refer to the Appendix on pages 50 to 52.

A copy of the current Articles of Association and the proposed new Articles of Association will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of JPMAM, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ from the date of this report up until the close of the AGM. Copies will also be available at The Library, 60 Victoria Embankment, London EC4Y 0PJ, being the place of the AGM for 15 minutes prior to and during the meeting.

Recommendation

The Board considers that resolutions 8 to 11 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 recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 23,307 shares representing approximately 0.09% of the voting rights of the Company.

By order of the Board
Andrew Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
24th September 2008

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities in respect of the accounts on page 27, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the Combined Code, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMAM 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 during the year. 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.

The Board meets at least quarterly 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 in the furtherance of their duties 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, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board chaired by Andrew Barker consists of six non-executive Directors, five of whom are considered to be independent of the Company's Manager. Given his

employment until the year 2000 with the predecessor management company, John Emly is not deemed to be independent. The Board believes that it is appropriate to have a Senior Independent Director and Alex Scott fulfils this role. Following Alex Scott's retirement at the forthcoming Annual General Meeting, Michael Hughes will assume the role of Senior Independent Director. 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 page 15.

The Company has complied with the provisions of the Combined Code and the AIC Code in regard to the re-election of Directors every three years. The Board does not consider that Directors should serve for a fixed period of time. However, in order to achieve a balance of skills, experience, ages and length of service, it is the Board's policy to refresh itself in an orderly manner over time.

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 elected by shareholders. Thereafter, a Director's appointment will run for a maximum term of three years. A Director may thereafter be invited to serve for one or more further terms of three years, in every case subject to the normal requirements for re-election by shareholders at Annual General Meetings. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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 AGM.

The Board recommends the re-election of John Emly, who requires annual re-election as he has served as a Director for a period in excess of nine years. Furthermore, having appointed Michael Hughes in May 2008 and Margaret Littlejohns in July 2008, both retire and stand for election. The Board recommends their election. Alexander Scott will retire at the next AGM and not seek re-election. Before recommending John Emly for re-election, the Nomination

and Remuneration Committee conducted a thorough review of his performance and contribution and was satisfied that he fulfilled his role in an effective manner.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 15. Directors who are not members of Committees may attend at the invitation of the Chairman.

The table below details the number of Board and Committee meetings attended by each Director. During the year there were 5 Board meetings, including a private meeting of the Directors to evaluate the Manager. In addition, a separate meeting devoted to strategy, two Audit Committee meetings, and a meeting of the Nomination and Remuneration Committee were held.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination & Remuneration Committee Meetings Attended
Andrew Barker	5	2	1
John Emly	5	2 ¹	1 ¹
Michael Hughes ²	1	—	—
Margaret Littlejohns ³	—	—	—
Gordon McQueen	5	2	1
Alexander Scott	5	2	1

¹Attended by invitation of the Committee.

²Appointed 8th May 2008.

³Appointed 2nd July 2008.

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter regular briefings are provided on changes in regulatory requirements that affect the Company and Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board conducts a formal evaluation of the Manager, its own performance and that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, and the Senior Independent Director leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, which consists of all of the independent Directors and is chaired by Andrew Barker, 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. A variety of sources, including the employment of external search consultants, are used to ensure that a wide range of candidates are considered.

The Committee undertakes an annual performance evaluation, as described above, to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The membership of the Audit Committee, which is chaired by Gordon McQueen, and comprises five of the Directors is set out on page 15. The Committee meets at least twice each year. The members of the Committee consider that they have the requisite skills and financial experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the interim and annual financial statements and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. Representatives of the Company's auditors attend the committee meeting at which the draft annual report and financial statements are considered. The Audit Committee have reviewed the independence and objectivity of the auditors of the Company and are satisfied that the auditors are independent. The Board reviews and approves any non-audit services provided by the independent auditors and assesses the impact of any non-audit work on the ability of the auditor to remain independent. Details of the auditors' fees charged for both audit and other services are disclosed in note 5 on page 35. The Directors' statement on the Company's system of internal control is set out below.

Both the Remuneration and Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which

Corporate Governance continued

are available for inspection on the Company's website, 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 the daily publication, through the London Stock Exchange, of the net asset value and share price 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 with and answer shareholders' questions. In addition, a presentation is given by the investment managers who review the Company's performance. During the year the Company's brokers, the investment managers and JPMAM hold regular discussions. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 46.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 46.

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

Internal Control

The Combined 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 including business, financial, operational, compliance and risk management.

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.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM. 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 Agreement – Appointment of a manager and custodian, with responsibilities clearly defined in a written agreement and regulated by the Financial Services Authority (FSA).

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 JPMAM's compliance department which regularly monitors compliance with FSA 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:

- reviews the terms of the management agreement and receives regular reports from JPMAM's compliance department;
- reviews the report on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviews every six months an independent report on the internal controls and the operations of JPMAM.

By the means of the procedures set out above, which accord with the Turnbull guidance on internal controls, the Board confirms that it has reviewed and is satisfied with the

effectiveness of the Company's system of internal control for the year ended 30th June 2008, 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 has not identified or been advised of any failings or weaknesses which it has determined to be significant.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The text below is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows:

Go to www.jpmorganassetmanagement.co.uk/institutional and within the 'Commentary Analysis' tab you will find a section on Corporate Governance.

"JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect those companies to demonstrate high standards of governance in the management of their business.

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. 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.

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues. These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote."

Corporate Social Responsibility

The following is a summary of JPMAM's policy statement on corporate social responsibility which has been noted by the Board:

"We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision."

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 28.

Directors' Remuneration (Audited Information)

Director's Name	2008 £	2007 £
Andrew Barker	26,000	26,000
John Emly	17,500	17,500
Michael Hughes ¹	1,862	—
Margaret Littlejohns ²	—	—
Gordon McQueen	19,500	19,500
Alexander Scott	17,500	17,500
Total	82,362	80,500

¹Appointed as a Director on 8th May 2008.

²Appointed as a Director on 2nd July 2008.

For the year under review Directors' fees were paid at the fixed rate of £26,000 for the Chairman, £19,500 for the Chairman of the Audit Committee and £17,500 for the other Directors. With effect from 1st July 2008 Directors' fees were increased to £28,000 for the Chairman, £22,500 for the Chairman of the Audit Committee and £19,000 for the other Directors.

The total Directors' fees of £82,362 (2007: £80,500) comprise £82,362 (2007: £80,500) in respect of aggregate emoluments paid to Directors and £nil (2007: £nil) paid to third parties for making available the services of one of the Directors.

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

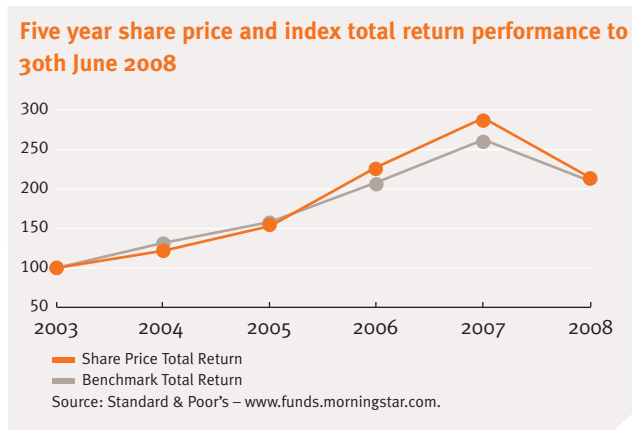
The Board has established a Nomination and Remuneration Committee, which reviews fees on a regular basis. Fee levels are set with a view to the Company's ability to attract and retain Directors of a sufficiently high calibre. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited, and industry research, on

the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance-related. The Articles stipulate that aggregate fees must not exceed £150,000. Any increase in this amount requires both Board and Shareholder approval.

The terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 22.

The Company does not operate any type of incentive 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 paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

A graph showing the Company's share price total return compared with its benchmark, the FTSE 250 Index (excluding investment trusts) is shown below.



By order of the Board
Andrew Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
24th September 2008

Directors' Responsibilities in Respect of the Accounts

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 accounts for each financial year. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company as at the end of the year and of the total return for the year. In preparing those accounts, the Directors are required to:

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

The Directors confirm that they comply with these requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985 and the relevant amendments in 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.jpmmidcap.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website is, so far as it relates to the Company, the responsibility of JPMAM.

Statement under the Disclosure & Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

- (a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) this Annual 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 they face.

For and on behalf of the Board
 Andrew Barker
 Chairman
 24th September 2008

Independent Auditors' Report

Independent Auditors' Report to the members of JPMorgan Mid Cap Investment Trust plc

We have audited the financial statements of JPMorgan Mid Cap Investment Trust plc for the year ended 30th June 2008 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' Responsibilities in Respect of the Accounts.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

In addition we will report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only Features, Financial Results, Chairman's Statement, Investment Managers' Report, Summary of Results, Performance, Ten Year Financial Record, Ten Largest Investments, Portfolio Analyses and Investment Activity, List of Investments, Board of Directors, Directors' Report, Corporate Governance, the unaudited part of the Directors' Remuneration Report, Information about the Company, Shareholder Analysis, Notice of Meeting, Appendix and Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30th June 2008 and of its net loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

ERNST & YOUNG LLP

Registered Auditor
London

24th September 2008

Income Statement

for the year ended 30th June 2008

	Notes	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
(Losses)/gains from investments held at fair value through profit or loss	2	—	(61,675)	(61,675)	—	46,400	46,400
Income from investments	3	5,938	—	5,938	5,984	—	5,984
Other interest receivable and similar income	3	25	—	25	19	—	19
Gross return/(loss)		5,963	(61,675)	(55,712)	6,003	46,400	52,403
Management fee	4	(270)	(631)	(901)	(360)	(840)	(1,200)
Other administrative expenses	5	(306)	—	(306)	(298)	—	(298)
Net return/(loss) on ordinary activities before finance costs and taxation		5,387	(62,306)	(56,919)	5,345	45,560	50,905
Finance costs	6	(602)	(1,405)	(2,007)	(656)	(1,530)	(2,186)
Net return/(loss) on ordinary activities before taxation		4,785	(63,711)	(58,926)	4,689	44,030	48,719
Taxation	7	—	—	—	—	—	—
Net return/(loss) on ordinary activities after taxation		4,785	(63,711)	(58,926)	4,689	44,030	48,719
Return/(loss) per share	9	17.64p	(234.86)p	(217.22)p	15.53p	145.85p	161.38p

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 'Total' column represents all the information that is required to be disclosed in a 'Statement of Total Recognised Gains and Losses' ('STRGL'). For this reason a STRGL has not been presented. The notes on pages 33 to 45 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30th June 2008

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30th June 2006	7,777	2,223	184,165	7,231	201,396
Shares bought back and cancelled	(469)	469	(12,385)	—	(12,385)
Net return on ordinary activities	—	—	44,030	4,689	48,719
Dividends appropriated in the year	—	—	—	(4,079)	(4,079)
At 30th June 2007	7,308	2,692	215,810	7,841	233,651
Shares bought back and cancelled	(775)	775	(18,594)	—	(18,594)
Repurchase of shares into Treasury	—	—	(1,140)	—	(1,140)
Net (loss)/return on ordinary activities	—	—	(63,711)	4,785	(58,926)
Dividends appropriated in the year	—	—	—	(4,079)	(4,079)
At 30th June 2008	6,533	3,467	132,365	8,547	150,912

The notes on pages 33 to 45 form an integral part of these accounts.

Balance Sheet

at 30th June 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Equity investments at fair value through profit or loss		161,155	263,573
Investments in liquidity funds at fair value through profit or loss		700	350
Total investments	10	161,855	263,923
Current assets			
Debtors	11	701	983
Cash and short term deposits		225	292
		926	1,275
Current liabilities			
Creditors: amounts falling due within one year	12	(2,395)	(22,081)
Net current liabilities		(1,469)	(20,806)
Total assets less current liabilities		160,386	243,117
Creditors: amounts falling due after more than one year	13	(9,474)	(9,466)
Total net assets		150,912	233,651
Capital and reserves			
Called up share capital	14	6,533	7,308
Capital redemption reserve	15	3,467	2,692
Capital reserve	15	132,365	215,810
Revenue reserve	15	8,547	7,841
Shareholders' funds		150,912	233,651
Net asset value per share	16	582.2p	799.3p

The accounts on pages 29 to 45 were approved and authorised for issue by the Directors on 24th September 2008 and signed on their behalf by:

Andrew Barker
Chairman

The notes on pages 33 to 45 form an integral part of these accounts.

Cash Flow Statement

for the year ended 30th June 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	17	4,500	4,890
Returns on investments and servicing of finance			
Interest paid		(2,030)	(2,214)
Net cash outflow from returns on investments and servicing of finance		(2,030)	(2,214)
Capital expenditure and financial investment			
Purchases of investments		(198,285)	(178,413)
Sales of investments		240,526	191,288
Transaction costs		(1,566)	(1,579)
Other capital charges		(9)	(8)
Net cash inflow from capital expenditure and financial investment		40,666	11,288
Dividends paid		(4,079)	(4,079)
Net cash inflow before financing		39,057	9,885
Financing			
Repurchase of ordinary shares		(20,324)	(11,691)
(Repayment)/drawdown of short term loans		(18,800)	300
Net cash outflow from financing		(39,124)	(11,391)
Decrease in cash and cash equivalents	18	(67)	(1,506)

The notes on pages 33 to 45 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th June 2008

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the AIC in December 2005.

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

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments at fair value.

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in notes 21 and 22 on pages 41 to 45.

(b) Valuation of investments

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. This 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 '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 in the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the income statement within 'Gains from investments held at fair value through profit or loss'. All purchases and sales are accounted for on a trade date basis.

(c) Income

Dividends receivable 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 and included in realised gains or losses on investments.

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

Bank interest and deposit interest receivable is taken to revenue on an accruals basis.

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.

Underwriting commission is recognised as income where it relates to shares that the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance taken to income.

(d) Expenses

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

- performance related fees are allocated 100% to capital.
- management fees are allocated 30% to revenue and 70% 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 include items such as stamp duty and broker commissions.

(e) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest rate method in accordance with the provisions of FRS 25 'Financial Instruments: Presentation' and FRS 26 'Financial Instruments: Measurement'.

Finance costs are allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

Notes to the Accounts continued

(f) Financial instruments

Cash at bank and in hand 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.

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

Debenture issues, bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method.

The Company has not utilised any derivative financial instruments in the current or comparative year.

(g) Taxation

Deferred tax is accounted for in accordance with FRS 19: 'Deferred Tax'.

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 probable that taxable profits will be available against which those timing differences can be utilised.

(h) Dividends

In accordance with FRS 21: 'Events after the Balance Sheet Date', dividends are included in the accounts in the year in which they are declared.

(i) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non taxable supplies. Further information regarding VAT on management fees is given in note 4 on page 35 and note 19 on page 41.

	2008 £'000	2007 £'000
2. (Losses)/gains from investments held at fair value through profit or loss		
Realised gains from investments held at fair value through profit or loss based on historical cost	6,733	39,849
Amounts recognised as revaluation gains in the previous year	(34,249)	(27,349)
Realised (losses)/gains based on carrying value at previous balance sheet date	(27,516)	12,500
Net movement in revaluation (losses)/gains	(32,584)	35,487
Transaction costs	(1,566)	(1,579)
Other capital charges	(9)	(8)
Total (losses)/gains from investments held at fair value through profit or loss	(61,675)	46,400

	2008 £'000	2007 £'000
3. Income		
Income from investments		
UK dividend income	5,718	5,945
Overseas dividend income	71	13
Property income distribution	45	—
Income from liquidity fund	104	26
	5,938	5,984
Other interest receivable and similar income		
Deposit interest	21	19
Underwriting commission	4	—
	25	19
Total income	5,963	6,003

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
4. Management fee						
Management fee	257	600	857	306	715	1,021
VAT thereon	13	31	44	54	125	179
	270	631	901	360	840	1,200

Details of the management and performance fees are given in the Directors' Report on page 19.

	2008 £'000	2007 £'000
5. Other administrative expenses		
Other management expenses	189	179
Directors' fees ¹	82	81
Auditors' remuneration for audit services ²	24	24
Auditors' remuneration for all other services ²	—	2
Safe custody fees	11	12
	306	298

¹ Full disclosure is given in the Directors' Remuneration Report on page 26.

² Includes £3,000 (2007: £4,000) irrecoverable VAT.

Notes to the Accounts continued

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
6. Finance costs						
Bank loans and overdrafts	286	668	954	342	797	1,139
Debenture stock	316	737	1,053	314	733	1,047
	602	1,405	2,007	656	1,530	2,186

	2008 £'000	2007 £'000
7. Taxation		
UK corporation tax at 29.5% (2007: 30%)	—	—

The tax charge for the year is lower than (2007: lower than) the Company's applicable rate of corporation tax of 29.5% (2007: 30%). The difference is explained below.

	2008 £'000	2007 £'000
Revenue return on ordinary activities before taxation	4,785	4,689
Corporation tax at 29.5% (2007: 30%)	1,412	1,407
Effects of:		
Non taxable UK dividends	(1,672)	(1,784)
Unutilised revenue expenses	260	377
	—	—

The Company has an unrecognised deferred tax asset of £11,371,000 based on a prospective corporation tax rate of 28% (2007: £11,307,000 based on a corporation tax rate of 30%). This has arisen from deductible expenses exceeding taxable income. Given the composition of the Company's portfolio it is not likely that this asset will be utilised in the foreseeable future.

Given the Company's status as an investment trust company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

8. Dividends

	2008 £'000	2007 £'000
(a) Dividends paid and proposed		
Unclaimed dividends refunded to the Company	(14)	—
2007 final dividend of 9.5p (2006: 8.5p) ¹	2,643	2,587
Interim of 5.5p (2007: 5.0p)	1,450	1,492
Total dividends paid in the year	4,079	4,079
2008 Final dividend proposed of 11.0p (2007: 9.5p)	2,851	2,777

¹The final dividend declared in respect of the year ended 30th June 2007 amounted to £2,777,000 (2006: £2,644,000). However, the amount paid amounted to £2,643,000 (2006: £2,587,000) due to share repurchases after the balance sheet date but prior to the record date.

The final dividend has been proposed in respect of the year ended 30th June 2008 and is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ended 30th June 2009.

(b) Dividends for the purposes of Section 842 of the Income and Corporation Taxes Act 1988

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered. The revenue available for distribution by way of dividend for the year is £4,785,000 (2007: £4,689,000).

	2008 £'000	2007 £'000
Interim of 5.5p (2007: 5.0p)	1,450	1,492
Final dividend of 11.0p (2007: 9.5p)	2,851	2,777
Total dividends for Section 842 purposes	4,301	4,269

9. Return/(loss) per ordinary share

The revenue return per share is based on the earnings attributable to the ordinary shares of £4,785,000 (2007: £4,689,000) and on the weighted average number of shares in issue during the year of 27,127,678 (2007: 30,188,673).

The capital loss per share is based on the capital loss attributable to the ordinary shares of £63,711,000 (2007: return of £44,030,000) and on the weighted average number of shares in issue during the year of 27,127,678 (2007: 30,188,673).

Total loss per share is based on the total loss attributable to the ordinary shares of £58,926,000 (2007: return of £48,719,000) and on the weighted average number of shares in issue during the year of 27,127,678 (2007: 30,188,673).

Notes to the Accounts continued

	2008 £'000	2007 £'000
10. Investments		
Investments listed on a recognised stock exchange ¹	161,855	263,923
Opening book cost	206,670	
Opening revaluation gains	57,253	
Opening valuation	263,923	
Movements in the year:		
Purchases at cost	198,341	
Sales – proceeds	(240,309)	
Sales – realised losses	(27,516)	
Net movement in revaluation gains/losses	(32,584)	
	161,855	
Closing book cost	171,435	
Closing revaluation losses	(9,580)	
	161,855	

¹Includes the investment in the JPMorgan Sterling Liquidity Fund.

Transaction costs on purchases during the year amounted to £1,094,000 (2007: £1,155,000) and on sales during the year amounted to £472,000 (2007: £424,000). These costs include stamp duty and broker commission.

During the year, prior year revaluation gains of £34,249,000 on listed investments have been transferred to realised as disclosed in notes 2 and 15.

	2008 £'000	2007 £'000
11. Current assets		
Debtors		
Securities sold for future settlement	48	265
Dividends and interest receivable	617	700
Other debtors	36	18
	701	983

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

Cash and short term deposits

Cash and short term deposits comprise bank balances and cash held by the Company, including short term bank deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

	2008 £'000	2007 £'000
12. Creditors: amounts falling due within one year:		
Securities purchased for future settlement	56	—
Interest payable	151	182
Short term loans	2,000	20,800
Repurchases of the Company's own shares for future settlement	104	694
Other creditors and accruals	84	405
	2,395	22,081

The Directors consider that the carrying amount of creditors at 30th June 2008 approximates to their fair value.

The £2,000,000 loan at 30th June 2008 comprises two short term loans drawn down on the Company's facility with The Bank of Ireland. The £20,800,000 loan at 30th June 2007 comprised four short term loans drawn down on the same facility. Further details are given in note 21(a) on page 42.

	2008 £'000	2007 £'000
13. Creditors: amounts falling due after more than one year:		
£9,500,000 11% debentures 2016	9,474	9,466

The debenture is secured by a floating charge on the assets of the Company.

The debenture must be redeemed at par on 1st January 2016. However, the whole amount may be redeemed at par at the option of the Company at any time after 1st December 2011.

	2008 £'000	2007 £'000
14. Called up share capital		
Authorised:		
48,000,000 (2007: 48,000,000) ordinary shares of 25p each	12,000	12,000
Allotted:		
Ordinary shares of 25p each		
Opening balance of 29,232,000 shares (2007: 31,108,000) ¹	7,308	7,777
Purchase of 213,000 (2007: nil) shares into Treasury	(53)	—
Repurchase of 3,099,820 shares (2007: 1,876,000)	(775)	(469)
Subtotal	6,480	7,308
213,000 (2007: nil) shares held in Treasury ²	53	—
Closing balance ³	6,533	7,308

¹During the year, the Company repurchased 3,099,820 ordinary shares with a nominal value of £775,000, for cancellation, representing 10.6% of the shares outstanding at the beginning of the year. The aggregate consideration paid for these shares was £18,594,000 and the reason for the purchases was to reduce the discount of the share price to net asset value.

²During the year 213,000 shares were bought into Treasury for a total consideration of £1,140,000.

³Represented by 26,132,180 (2007: 29,232,000) shares including 213,000 shares held in Treasury (2007: nil).

Notes to the Accounts continued

	2008			Revenue reserve £'000
	Capital redemption reserve £'000	Capital reserve – unrealised £'000	Capital reserve – realised £'000	
15. Reserves				
Opening balance	2,692	57,253	158,557	7,841
Realised losses on investments	—	—	(27,516)	—
Net movement in revaluation losses	—	(32,584)	—	—
Transaction costs	—	—	(1,566)	—
Transfer on disposal of investments	—	(34,249)	34,249	—
Management fee and finance costs charged to capital	—	—	(2,036)	—
Repurchase of ordinary shares	775	—	(18,594)	—
Purchase of shares into Treasury	—	—	(1,140)	—
Other capital charges	—	—	(9)	—
Dividends appropriated in the year	—	—	—	(4,079)
Retained revenue for the year	—	—	—	4,785
Closing balance	3,467	(9,580)	141,945	8,547

16. Net asset value per share

Net asset value per ordinary share is based on total shareholders' funds attributable to ordinary shareholders of £150,912,000 (2007: £233,651,000) and on 25,919,180 shares in issue at the year end, excluding shares held in Treasury (2007: 29,232,000).

	2008 £'000	2007 £'000
17. Reconciliation of total (loss)/return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Net (loss)/return on ordinary activities before finance costs and taxation	(56,919)	50,905
Capital loss/(return) before finance costs and taxation	62,306	(45,560)
Decrease in accrued income	83	57
Increase in other debtors	(18)	(18)
(Decrease)/increase in accrued expenses	(321)	346
Management fee charged to capital	(631)	(840)
Net cash inflow from operating activities	4,500	4,890
Reconciliation of net cash flow to movement in net debt		
Net debt at beginning of the year	(29,974)	(28,161)
Decrease in cash for the year	(67)	(1,506)
Cash outflow/(inflow) from changes in debt	18,800	(300)
Changes in net debt arising from cash flows	(11,241)	(29,967)
Amortisation of debenture issue expenses	(8)	(7)
Closing net debt	(11,249)	(29,974)

	At 30th June 2007 £'000	Cash flow £'000	Other movements £'000	At 30th June 2008 £'000
18. Analysis of changes in net debt				
Cash and short term deposits	292	(67)	—	225
Debt due within one year	(20,800)	18,800	—	(2,000)
Debt due after five years	(9,466)	—	(8)	(9,474)
Net debt	(29,974)	18,733	(8)	(11,249)

19. Contingent assets/liabilities and capital commitments

In 2004 the AIC lodged a joint appeal for the payment of investment trust management fees to be exempt from VAT. In June 2007 the European Court of Justice found in favour of the AIC and in November 2007 HM Revenue and Customs ('HMRC') announced their withdrawal from the case. This means that VAT will no longer be charged on investment management fees and that the Company is entitled to seek reimbursement of VAT paid in the past. The Manager ceased charging VAT on management fees with effect from 1st October 2007 and has filed protective claims for the period subsequent to 1st February 2001 and as a result an amount in excess of £1.5 million is potentially recoverable for this period. A decision in the Court of Appeal has opened the possibility for additional VAT recovery from HMRC for the period from 1st January 1990 to 4th December 1996.

In the absence of a definitive agreement with the Manager, there is not yet certainty as to the amount or timing of any recovery. Accordingly no asset has been recognised in the accounts at 30th June 2008.

There were no contingent liabilities or capital commitments at the balance sheet date (2007: nil).

20. Transactions with JPMorgan

Details of the management contract (which includes a performance fee contract) are set out on page 19. The terms make allowance for the exclusion of management charges on investments held in funds on which JPMorgan earns a separate management fee. Details of the management fee payable for the year can be found in note 4 on page 35. A management fee amounting to £nil was outstanding at 30th June 2008 (2007: £276,000). Safe custody fees and handling charges amounting to £20,000 (2007: £20,000) were payable to JPMorgan Chase of which £13,000 (2007: £4,000) was outstanding at the year end.

JPMAM carries out some of its investment activities through JPMorgan subsidiaries. These transactions are carried out at arm's length. The commission paid on transactions with JPMorgan subsidiaries was £17,000 (2007: £nil).

The Company holds an investment in the JPMorgan Sterling Liquidity Fund. At 30th June 2008 this holding was valued at £700,000 (2007: £350,000). During the year the Company made purchases of this fund amounting to £56.3 million (2007: £15.5 million) and sales of £55.9 million (2007: £15.2 million). Income receivable from this fund amounted to £104,000 (2007: £26,000). JPMorgan earns no management fee on this fund.

At the year end a bank balance of £225,000 (2007: £292,000) was held with JPMorgan Chase. During the year ended 30th June 2008, a net amount of interest of £21,000 (2007: £nil) was receivable from JPMorgan Chase.

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 secure its investment objective stated on page 16. 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 risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Manager, in close cooperation with the Board, coordinates the Company's risk management. The Company has no material direct exposure to foreign currencies.

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.

Notes to the Accounts continued

The Company's financial instruments may comprise the following:

- Investments in equity shares of UK companies and a Sterling liquidity fund. These are held in accordance with the Company's investment objective;
- Short term debtors, creditors and cash amounts arising directly from its operations; and
- Sterling bank loans and debenture stock, the purpose of which is to raise finance for the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements – interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) to (ii) of this note, together with sensitivity analyses where appropriate.

The Board reviews and agrees policies for managing these risks, which 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 and the interest payable on the Company's variable rate cash borrowings when rates are re-set.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the loan facility. However, amounts drawn down on this facility are for short term one month periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below. The £9.5 million debenture in issue carries a fixed rate of interest and therefore has no exposure to interest rate movements.

	2008 £'000	2007 £'000
Exposure to floating interest rates:		
JPMorgan Sterling Liquidity Fund	700	350
Cash at bank	225	292
Creditors: amounts falling due within one year		
– borrowings on the loan facility	(2,000)	(20,800)
Total exposure	(1,075)	(20,158)

The target interest earned on the JPMorgan Sterling Liquidity Fund is the 7 day Sterling London Interbank Bid Rate.

Interest receivable on cash balances is at a margin over LIBOR.

The Company has a £45 million loan facility with The Bank of Ireland which expires on 24th April 2009. Under the terms of this agreement the Company may draw down up to £35 million at an interest rate of LIBOR as offered in the market for Sterling deposits in the amount and term of the relevant period, plus a margin of 0.4% per annum plus the Mandatory Cost, which is the cost of complying with certain regulatory requirements. Amounts drawn down in excess of £35 million incur interest at LIBOR plus a margin of 0.5% plus the Mandatory Cost. At 30th June 2008, the Company had drawn down £2 million on this facility, comprising two tranches of £1 million for a term of one month each, at an effective interest rate of 5.9%. At 30th June 2007, the Company had drawn down four tranches totalling £20.8 million on this facility for terms ranging between one and two months at an effective interest rate of 6.1%.

The exposure to floating interest rates has fluctuated during the year between net loan balances and net cash balances as follows:

	2008 £'000	2007 £'000
Maximum interest rate exposure to floating rates – net loan balances	(22,331)	(20,861)
Minimum interest rate exposure to floating rates – net cash/(loan) balances	2,779	(13,017)

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue after taxation for the year and net assets to a 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 reasonably possible 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.

	2008		2007	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Income statement – return after taxation				
Revenue return increase/(decrease)	3	(3)	(56)	56
Capital return (decrease)/increase	(14)	14	(146)	146
Total (decrease)/increase in return after taxation for the year	(11)	11	(202)	202
Net assets (decrease)/increase	(11)	11	(202)	202

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole year as the level of exposure changes frequently as borrowings are drawn down and repaid during the year. During the year, the amount drawn down on the loan facility fluctuated between £1 million and £21 million and the interest rate on the drawings fluctuated between 5.8% and 7.2%.

(ii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of 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 objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Other price risk exposure

The Company's exposure to changes in market prices at 30th June comprises its holdings in equity investments as follows:

	2008 £'000	2007 £'000
Equity investments at fair value through profit or loss	161,155	263,573

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

Notes to the Accounts continued

Concentration of exposure to other price risk

An analysis of the Company's investments by industry sector is given on pages 12 to 14. All 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's country of domicile does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

The following table illustrates the sensitivity of net assets to an increase or decrease of 10% in the fair value of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2008		2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement – return after taxation				
Revenue return – (decrease)/increase	(19)	19	(32)	32
Capital return – increase/(decrease)	16,070	(16,070)	26,283	(26,283)
Total increase/(decrease) in return after taxation	16,051	(16,051)	26,251	(26,251)
Net assets increase/(decrease)	16,051	(16,051)	26,251	(26,251)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in settling financial liabilities as they fall due.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise 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, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a) (i) to this note on page 42.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end are as follows. The table includes the principal amounts repayable and finance costs, from the balance sheet date to the earliest dates on which payment can be required.

	2008					2007				
	Within one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000	Within one year £'000	one to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Creditors: amounts falling due within one year										
Purchases of investments for future settlement	56	—	—	—	56	—	—	—	—	—
Purchases of the Company's own shares for future settlement	104	—	—	—	104	694	—	—	—	694
Loans	2,010	—	—	—	2,010	20,873	—	—	—	20,873
Other creditors	235	—	—	—	235	587	—	—	—	587
Creditors: amounts falling due after more than one year										
£9,500,000 11% debenture 2016	1,045	1,045	3,135	12,113	17,338	1,045	1,045	3,135	13,158	18,383
	3,450	1,045	3,135	12,113	19,743	23,199	1,045	3,135	13,158	40,537

(c) Credit risk

Credit risk is the risk that the counterparty to a transaction fails to discharge its obligations under that transaction which could result in a loss to the Company.

Management of credit risk

This risk is not significant and is managed by:

- only dealing with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies; and
- setting limits to the maximum exposure to any one counterparty at any time.

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year end.

Cash at bank comprises balances held at banks with an A-1 credit rating or higher (2007: same).

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value except for the debenture disclosed below. The fair value of the £9.5 million debenture issued by the Company has been calculated by reference to a similar dated gilt plus a margin.

	Accounts value		Fair value	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Debenture	9,474	9,466	11,079	11,102

22. Capital management policies and procedures

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range 95% to 120%. Gearing for this purpose is defined as investments, excluding liquidity fund holdings, expressed as a percentage of total net assets.

	2008 £'000	2007 £'000
Investments excluding liquidity fund holdings	161,155	263,573
Net assets	150,912	233,651
Gearing	106.8%	112.8%

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; and
- the need for issues of new shares, including issues from Treasury.

Information about the Company

Financial Calendar

Financial year end	30th June
Final results announced	September
Half year end	December
Half year results announced	February
Interim Management Statements	October (2008) and April (2009)
Half yearly dividends on ordinary shares paid	November, April
11% Debenture Stock 2016 interest paid	1st December, 1st June
Annual General Meeting	November

History

JPMorgan Mid Cap Investment Trust plc was launched in 1972 as Crossfriars Trust Limited and raised £10 million by a public offer of shares. Its original policy was to invest up to 25% of its assets in UK unquoted shares. The Company changed its name to The Fleming Enterprise Investment Trust in 1982. It adopted its current investment policy of concentrating on FTSE 250 companies in 1993 and reaffirmed this policy in February 1997. The Company changed its name to The Fleming Mid Cap Investment Trust plc in October 1998, to JPMorgan Fleming Mid Cap Investment Trust plc in November 2001 and adopted its present name in November 2005.

Company Numbers

Company registration number: 1047690
 London Stock Exchange number: 0235761
 ISIN: GB0002357613
 Bloomberg code: JMF LN

Market Information

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, the Daily Telegraph, The Scotsman, The Independent and on the JPMorgan website at www.jpmmidcap.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmmidcap.co.uk

Share Transactions

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

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
 20 Finsbury Street
 London EC2Y 9AQ
 Telephone number: 0207 742 6000

Please contact Andrew Norman for company secretarial and administrative matters.

Registrars

Equiniti
 Reference 1082
 The Causeway
 Worthing
 West Sussex BN99 6DA
 Telephone number: 0871 384 2321

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1082.

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

Savings Product Administrators

For queries on the JPMorgan ISA, Share Plan or Pension Account, see contact details on the back cover of this report.

Auditors

Ernst & Young LLP
 1 More London Place
 London SE1 2AF

Brokers

Numis Securities Ltd
 The London Stock Exchange Building
 10 Paternoster Square
 London EC4M 7LT

aic

The Association of
 Investment Companies A member of the AIC

Shareholder Analysis

at 30th June 2008

	Number of shares	% holding
Unit trusts	2,655,544	10.2
Investment trusts ¹	1,979,560	7.6
Pension funds	891,696	3.4
Other institutions	859,290	3.3
Insurance companies	631,124	2.4
Charities	118,678	0.5
Total institutions	7,135,892	27.3
Private client brokers	7,513,729	28.8
Retail investors ²	4,345,853	16.6
Individuals in the Investment Trust Shareplan ³	3,671,719	14.1
Individuals in the Investment Trust Individual Savings Account ³	2,903,081	11.1
Individuals in the Investment Trust Pension Account ³	348,906	1.3
Total retail holdings	18,783,288	71.9
Treasury shares ⁴	213,000	0.8
Total shares in issue	26,132,180	100.00

Nominee accounts have been allocated to their appropriate category.

¹ Includes 354,560 shares held by JPMorgan Elect plc.

² Includes shares below threshold.

³ Savings product managed by JPMorgan.

⁴ Shares held in Treasury do not carry any voting rights.

Source: Thomson Financial

Notice of Meeting

Notice is hereby given that the thirty-sixth Annual General Meeting of JPMorgan Mid Cap Investment Trust plc will be held at The Library, 60 Victoria Embankment (entrance located on John Carpenter Street), London EC4Y 0PJ on 11th November 2008 at 12.00 noon for the following purposes:

- 1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2008.
- 2 To approve the Directors' Remuneration Report for the year ended 30th June 2008.
- 3 To approve a final dividend.
- 4 To re-elect John Emly as a Director of the Company.
- 5 To elect Michael Hughes as a Director of the Company.
- 6 To elect Margaret Littlejohns as a Director of the Company.
- 7 To re-appoint Ernst & Young LLP as auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

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 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued shares of 25p each in the capital of the Company

PROVIDED ALWAYS THAT

- (i) the maximum number of shares hereby authorised to be purchased shall be 3,885,285 or, if less, that number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for a share shall be 25p;

- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of (a) 105% of the average of the middle market quotations for an share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors) at the date following not more than seven days before the date of purchase;
- (v) the authority hereby conferred shall expire on 6th May 2009 unless the authority is renewed at the Company's Annual General Meeting in 2008 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Authority to reissue shares from treasury – Special Resolution

- 9 THAT the Directors of the Company be authorised, for the purposes of paragraph 12.6 of the Listing Rules of the United Kingdom Listing Authority, to reissue shares of 25 pence each in the capital of the Company at a price below the net asset value per share of the existing shares in issue, provided always that such issue will be limited to:
- (i) up to an aggregate nominal amount of £700,072, representing approximately 10% of the total share capital in issue as at the date of the passing of this resolution;
 - (ii) the reissue of shares which immediately before such reissue, were held by the Company as treasury shares; and
 - (iii) such number of shares and such reissue prices that, in the year to the Company's 2009 Annual General Meeting, the aggregate dilution associated with all the reissues does not exceed 2.8 pence per share, being approximately 0.5% of the net asset value per share at 30th June 2008.

Authority to disapply pre-emption rights on sale of shares from treasury – Special Resolution

10 THAT subject to the passing of resolution 9 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Act to allot (within the meaning of Section 94(3A) of the Act) equity securities (within the meaning of Section 94(2) of the Act) wholly for cash as if Section 89(1) of the Act did not apply to any such sale, provided that this power shall be limited to the allotment (within the meaning of Section 94(3A) of the Act) of equity securities for cash out of Treasury up to an aggregate nominal amount of £647,979, representing approximately 10% of the Company's total share capital in issue as at the date of the passing of this resolution and shall expire on 6th May 2009 unless the authority is renewed at the Company's Annual General Meeting in 2008 or at any other general meeting prior to such time.

Adoption of new Articles of Association

11 THAT the Articles of Association, contained in the document produced to the meeting and signed by the Chairman for the purposes of identification, be approved and adopted as new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the 2008 Annual General Meeting.

By order of the Board

Andrew Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
24th September 2008

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. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
- 3 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.

- 4 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
- 5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) 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 sent shall be treated as replacing and revoking the other or others.
- 6 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 6.00 p.m. two 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 6.00 p.m. two days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
- 7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.
- 8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
- 9 The register of interests of the Directors and connected persons in the share capital of the Company is 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.
- 10 No Director has any contract of service with the Company.
- 11 As at 22nd September 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 26,132,180 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 25,438,180. (The shares held in Treasury, totalling 694,000, do not carry voting rights).

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.

Appendix

Explanatory Notes to Resolution 11

The Companies Act 2006 (the '2006 Act'), which is replacing the Companies Act 1985 (the '1985 Act') is being implemented in stages and will be fully in force by 1st October 2009. Under resolution 11, the Company is proposing to adopt new Articles of Association (the 'new Articles') which will reflect the changes in company law brought about by the 2006 Act which are already in force or which are to come into effect on 1st October 2008, as well as some minor technical or clarifying changes. The new Articles will also generally update the Articles of Association for current law, regulation and market practice.

1. Transfer of shares (Articles 31 and 32)

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements.

2. Disclosure of interests (Article 40)

The provisions relating to the disclosure of interests in shares contained in the 1985 Act, including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section 212, were brought into force simultaneously. Article 40 reflects the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

3. Notice of general meetings (Articles 47 and 48)

The provisions in the new Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act. In particular, a general meeting (other than the annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Article 48 deals with situations where, because of a postal strike or similar situation beyond the control of the Company, a notice of meeting is not received by a shareholder. This ensures that such failure does not invalidate proceedings at the meeting in question.

4. Quorum (Article 49)

Article 49 amends the quorum requirement for a general meeting from three persons to two persons and, further, makes it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

5. Attending and speaking at meetings (Article 55)

Article 55 of the new Articles now provides that the Chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

6. Polls (Article 61)

Article 61 clarifies that a poll may be demanded before a show of hands, as well as immediately after the result of a show of hands, and gives the directors the right to demand a poll as well as the Chairman of the meeting.

7. Votes of members, proxies and corporate representatives (Articles 68, 73 and 80)

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The new Articles reflect these new proxy rights. The 2006 Act also provides for multiple corporate representatives to be appointed and the Articles therefore refer to the right to appoint multiple corporate representatives.

8. Receipt of appointments of proxy and termination of proxy authority (Articles 77 and 78)

Article 77 provides that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 77 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

9. Directors' appointments, interests and conflicts of interest (Articles 102 and 103)

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1st October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, if the articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

Article 102 is the provision for dealing with conflicts, allowing directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the company is interested. It confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

Article 103 gives the directors authority to approve conflict situations including other directorships held by the company's directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed Article 103 also contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

10. Permitted interests and voting (Article 112)

The provisions which previously deemed certain interests of a director's connected persons to be the interests of the director himself for the purposes of this article have been deleted. There is no requirement in the 2006 Act to include such a provision and the 2006 Act contains a much wider definition of "connected person" of a director. The director and the Company must still take a view each time a matter is being considered as to whether the interests of the director's connected persons mean that the director should be treated as interested for the purposes of this article.

11. Making and retention of minutes (Article 115)

Article 115 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

12. The seal (Articles 117 and 118)

Article 117 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors.

13. Notices and other communications (Articles 76, 132-141)

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 133 will provide the Company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the Company will also be able to send any other document or information to members using this variety of methods.

Article 76 allows proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting.

The Company may ask each member for his or her consent to receive communications from the Company via its website. If the member does not respond to the request for consent within 28 days, the Company may take that as consent by the member to receive communications in this way. If the Company sends or supplies any notice, document or information to members by making it available on the Company's website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website, either by post or by email (if the member has specifically agreed to receive communications in electronic form), that the notice, document or information has been placed on the website. A member who has consented or is deemed to have consented to receive communications via the website can request a hard copy of any document at any time. Members can also revoke their consent to receive electronic communications at any time by giving notice in writing to the Company.

In relation to joint holders of shares, Article 133(3) provides that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. Article 133(4) permits the Company not to

Appendix continued

send or supply any notice, document or information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Article 133(5) and (6) cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 140 deals with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company.

Article 141 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

14. Power to indemnify directors (Article 144)

The law governing the giving by a company of indemnities to directors of that company or an associated company was amended in 2005 and further amended by the 2006 Act. In particular, a company may now, *inter alia*, do the following: (i) in the case of liabilities arising from actions brought by third parties (other than regulatory authorities or criminal prosecutors), both the costs (of the director and of the third party) and any damages may be paid by the company even if the judgement goes against the director; (ii) in the case of liabilities arising from actions brought by the company or an associated company, the company will not be able to indemnify a director against damages awarded to the company itself but may pay the director's defence costs as they are incurred (although a director would be liable to repay his defence costs if his defence was to be unsuccessful); (iii) the company will not be permitted to indemnify directors against criminal fines, fines by regulators or the legal costs of successful criminal proceedings against directors; and (iv) a company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

As a result of the above, the directors' indemnity provisions of the Articles of Association have been amended. Article 144 has now been drafted as a permissive provision that gives the Company a broad power to indemnify a director, subject to the provisions of the 2006 Act. Article 144 also permits the maintenance by the Company of liability insurance for

directors and it specifically makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

Glossary of Terms

Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received (net of tax) were reinvested in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company (net of tax) were reinvested in the NAV of the Company at the time the shares were quoted ex-dividend.

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received (net of tax) were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index 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" this index and consequently, there may be some divergence between the Company's performance and that of the stated index.

Actual Gearing Factor

Investments excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds. This shows the effect of gearing on the NAV if the market value of the portfolio was to increase by 100%.

Total Expense Ratio (TER)

Management fees and all other operating expenses, excluding interest and performance fee payments, expressed as a percentage of the average of the opening and closing net assets. The method of calculating the TER has been changed and prior years restated. In prior years, the TER was: management fees and all other operating expenses (including tax relief, where allowable, but excluding interest and performance fee payments) expressed as a percentage of the average of the month end net assets over the year. The reason for the change was to bring the method into line with industry practice and to make the calculation more transparent, as all the figures now used in the calculation are extracted from the audited accounts.

Discount/Premium

If the share price of an investment company is lower than the NAV per share, the trust is said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company to trade at a discount than a premium.

Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Stock/Sector Allocation

Measures the effect of investing in securities/sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities outside of the benchmark.

Gearing/Cash

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Fees/Other Expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Share buy-backs

Measures the effect on relative performance of decreasing the number of shares in issue.

Residual

Arises when there is a divergence between total return as calculated by Fundamental Data (includes dividends paid out by the Company) and total return from the attribution systems (includes dividend income received in on the stocks held by the Company). This is a result of methodologies and timing differences.

JPMorgan Helpline

Freephone 0800 20 40 20 or 0207 742 9999
9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline

Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 5.00 pm Monday to Friday

Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

www.jpmmidcap.co.uk