



Annual Report **2010**
JPMorgan Income & Growth
Investment Trust plc

Annual Report & Accounts for the year ended 31st January 2010

Features

Contents

About the Company

- 1 Financial Results
- 2 Chairman's Statement

Investment Review

- 5 Investment Managers' Report
- 8 Ten Largest Equity Investments
- 9 Portfolio Analysis
- 10 List of Investments
- 12 Capital Structure of the Company

Directors' Report

- 13 Board of Directors
- 14 Directors' Report
- 14 Business Review
- 19 Corporate Governance

Accounts

- 24 Directors' Remuneration Report
- 25 Directors' Responsibilities in Respect of the Accounts
- 26 Independent Auditor's Report
- 27 Income Statement
- 28 Reconciliation Of Moments in Shareholders' Funds
- 29 Balance Sheet
- 30 Cash Flow Statement
- 31 Notes to the Accounts

Shareholder Information

- 50 Shareholder Analyses
- 51 Notice of Meeting
- 54 Appendix
- 58 Glossary of Terms
- 61 Information about the Company

Objective

The Company's investment objectives are to meet the final capital entitlement of the Income Shareholders and to provide them with a regular quarterly income as well as to provide capital growth for Capital Shareholders.

Investment Policy

In order to manage risk, the Company invests in a diversified portfolio, typically comprising 50 to 70 UK equities and a range of other assets. The investments are primarily UK equities, however, the Company has the flexibility to vary the allocation between UK equities and other assets in order to seek the best absolute returns.

Benchmark

The FTSE 350 Total Return Index.

Capital Structure

For details of the Company's capital structure, please refer to page 12.

Life of the Company

The Company has a fixed life, and will be wound up voluntarily on or around 30th November 2016.

Management Company

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

Financial Results

Total Returns (capital plus income)

+34.6%

Unit net asset value total return¹ (2009: -43.0%)

0.0%

Capital net asset value total return (2009: -100.0%)

+34.6%

Income net asset value total return¹ (2009: -38.1%)

+32.7%

FTSE 350 Total Return Index² (2009: -27.4%)

-15.8%

Capital share price total return (2009: -53.7%)

+28.1%

Income share price total return³ (2009: -31.9%)

Financial Data

for the year ended 31st January 2010

	31st January 2010	31st January 2009	% change
Income shares:			
Net assets attributable (£'000)	47,777	39,010	+22.5
Net asset value per share (p)	76.3	61.5	+24.1
Share price (p)	68.0	57.5	+18.3
Share price discount to net asset value (%)	10.9	6.5	
Capital shares:			
Net assets attributable (£'000)	0	0	0.0
Net asset value per share (p)	0.0	0.0	0.0
Share price (p)	8.0	9.5	-15.8
Share price discount to net asset value (%)	–	–	
Revenue for the year:			
Gross revenue (£'000)	3,077	5,274	-41.7
Net revenue attributable to income shareholders (£'000)	2,462	3,472	-29.1
Return per Income share (p)	3.9	5.5	-29.1
Dividend per Income share (p)	4.0	6.2	-35.5
Actual gearing factor (%)	134.8	135.0	
Total expense ratio (%)	1.4	1.5	

A glossary of terms and definitions is provided on page 58.

¹Source: J.P. Morgan.

²Source: FTSE.

³Source: Morningstar.

Chairman's Statement



Introduction and Performance

Investment conditions changed dramatically during the year. A sharp fall at the beginning of the year was followed by a strong recovery. The total return on the Company's assets was +34.6%, which compares with an ungeared UK stock market total return, as measured by the FTSE 350 Total Return Index of +32.7%. The portfolio itself delivered a total return of +28.4% to which gearing, in a rising market, contributed a further +5.6%. A detailed analysis of the Company's performance is set out in the attribution table on page 6.

The Investment Managers' report provides a commentary on market conditions and outlook. Two points are worth emphasising here. The portfolio's less favourable performance than the benchmark was not altogether surprising. The rally was particularly strong in cyclical and non-dividend paying stocks which we tend not to hold because of our income requirements. And the decision to remain geared into the rising market was a good one.

Revenue and Dividends

In last year's Statement, we projected that, in a climate of very low interest rates and corporate dividends, the Company's revenue would fall considerably and, in anticipation of this, indicated that it was unlikely that Income Shareholders would receive a dividend of more than 4p per Income Share.

In the event, this proved an accurate projection. The Board declared four quarterly interim dividends, each of 1p; although in order to do this, it was necessary to use £59,000 of the revenue reserves that had been built up in previous periods. The reserves now stand at £248,000.

Our recent revenue projections suggest that the dividend is sustainable at the current level.

Gearing

The Board is responsible for the overall gearing policy. At the start of the financial year, we had a loan of £23 million which provides the necessary structured gearing for this investment trust. It carries an interest rate, fixed by virtue of a swap, at 5.8% but was offset by a cash deposit of £10.6 million. At the end of the financial year, the loan was unchanged but our cash deposit was lower at £79 million.

As I explained in my statement last year, the 'fair value' of the swap contract was reflected in the 2009 accounts under FRS 26. This was an accounting adjustment and does not reflect a realised loss to the Company. The £2.4 million unrealised loss includes £0.6 million which has been written back in these accounts. The balance will eventually reduce to zero at the end of the life of the swap contract in November 2011.

Investment Manager

We believe that the continuing appointment of JPMAM on the current terms is in the best interests of shareholders although their performance is of course being closely monitored.

Discount and Premium Management

At last year's Annual General Meeting on 25th June 2009, the Directors were granted authority to repurchase up to 14.99% of the Capital shares and the Income shares for cancellation, such authority to expire at the conclusion of the Annual General Meeting on 17th May 2010. During the year ended 31st January 2010, this authority was used four times to purchase a total of 850,000 Income shares at discounts ranging between 12.2% and 16.6%. We believe that this was of benefit to shareholders and are therefore proposing that the authority be renewed at the forthcoming Annual General Meeting.

At last year's Annual General Meeting, the Directors were also granted authority to issue up to 5% of the Capital shares and Income shares in issue at that date for cash at prices greater than the underlying net asset value. Although this authority was not used during the year, we believe that it can be of benefit to shareholders and are therefore proposing that it be renewed at the forthcoming Annual General Meeting.

The Board

The Board has put in place procedures to ensure that the Company complies fully with the revised Combined Code and the AIC Code on Corporate Governance.

After serving as your Chairman with this Company and its predecessor for nine years, it is my intention to leave the Board immediately after the AGM. The Board has chosen my colleague, Karl Sternberg, to succeed me as Chairman and, in accordance with the Company's Articles of Association, he will retire at the AGM and offer himself for re-election. Karl is a very able man with a wealth of investment experience, and the Directors commend him to shareholders.

A recruitment process is currently underway, with the help of recruitment consultants, for a replacement Director and it is hoped that this will be completed by the AGM.

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 final provisions of the Companies Act 2006 which is now fully in force. Full details of the proposed changes are given in the Appendix on pages 54 to 57.

Chairman's Statement continued

Annual General Meeting

The Directors and I look forward to welcoming shareholders to the third Annual General Meeting, which will be held at The Armourers' Hall, 81 Coleman Street, London EC2R 5BJ on 17th May 2010 at 12.00 noon. The Investment Managers will make a presentation to shareholders, reviewing the year and commenting on the outlook for the current year. It would be helpful if shareholders could submit, in advance, in writing any detailed or technical questions that they wish to raise at the Annual General Meeting to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ.

Outlook

Recovering earnings seem to support current valuations although there is still a lot of uncertainty around, particularly with the forthcoming general election in the UK. We are hopeful that the portfolio will continue to produce a better performance for shareholders.

Alan Cole
Chairman

9th April 2010

Investment Managers' Report



Sarah Emly

Market Review

The UK stock market's performance over the last twelve months has been extraordinary. After falling sharply in early 2009 amid fears that the global financial system could collapse, the market turned in early March and staged a strong recovery through the remainder of the year. The total return from the FTSE 350 Index was +32.7% for our financial year to 31st January 2010.

The turning point came when investor sentiment was boosted by signs that global authorities would do whatever was necessary to shore up the global financial system and stimulate economic recovery. The Bank of England cut interest rates to a record low of 0.5% and in March 2009 took the unprecedented step of announcing a programme of quantitative easing (effectively printing money to buy Government bonds).

In contrast to the strong performance of equities, the UK economy continued to contract until the fourth quarter of 2009, when GDP returned to very modest growth of just +0.4% quarter on quarter. The subdued recovery reflected a combination of tough conditions for both consumers and the corporate sector. Consumer demand was constrained by tight credit conditions, rising unemployment and high levels of consumer debt. Companies reduced costs and cut debts to withstand the weak economic outlook. Many companies reported significant declines in revenues and profits, with some major quoted UK companies also cutting their dividends, making 2009 a difficult year for equity income investors. These dividend cuts came from a broad range of sectors, but the financial sector was the worst offender, reducing its dividend payment by 43.0%.¹



John Baker

Portfolio Review and Gearing

The trust remained geared to the market throughout the financial reporting period. The Company has drawn down £23 million of long term debt and has held a cash balance of between £7.7 million and £13.9 million against this throughout the year to vary the actual gearing level. At the year end the Company was 135% geared.

We introduced a holding in a Global Corporate Bond Fund, managed by the fixed income experts at JPMorgan Asset Management, as a diversified approach to enhancing the income yield whilst benefiting from corporate recovery.

Throughout the year we have focused on ensuring that the portfolio remains sensibly balanced to benefit from corporate recovery, whilst also holding stocks with resilient earnings and attractive dividend yields. Early in the year we sold some stocks whose earnings were at risk given the worsening economic environment or where their valuations did not reflect the risks to their earnings and dividend streams. For example we sold our position in the tour operator Tui Travel which was likely to see a weakening in demand for holidays. We also sold Marks and Spencer where we felt that the valuation was too high given the outlook for consumer expenditure.

¹Source: Capita Registrars.

Investment Managers' Report continued

Performance attribution for the year ended 31st January 2010

	%	%
Contributions to Total Returns		
Benchmark total return		+32.7
Stock selection		
- Direct equities	-2.8	
- Structured portfolio	-0.7	
- Fixed Interest	-0.8	
Investment Manager contribution		-4.3
Portfolio total return		+28.4
Gearing/cash effect	5.6	
Effect of swap	1.7	
Effect of share repurchases	0.3	
Management fees/ other expenses	-1.4	
Other effects		+6.2
Net asset value total return		+34.6
Impact of increase in discount		-17.1
Unit share price total return		+17.5

Source: Xamin/JPMAM, Fundamental Data and S&P.

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

All figures are on a total return basis.

The table provides a breakdown, relative to the benchmark of the contributions to total return.

A glossary of terms and definitions is provided on page 58.

By contrast, in the spring of 2009 we introduced a holding in the fashion retailer Next because it offered compelling value; as the year progressed this company delivered positive earnings surprises due to cost cutting measures and outperformance versus other retailers in terms of sales growth. We also purchased Restaurant Group, which operates a range of restaurants around the UK in the value-for-money sector of the market. This stock was out of favour and hence trading at a cheap valuation and we took advantage of this to buy a holding in the company, which has gone on to deliver good results. We added to our position in Standard Chartered, an international bank with strong growth prospects that continued to pay a dividend and we also increased our exposure to the global mining company BHP Billiton as the global economic recovery made progress.

Performance Review

In the year to 31st January 2010 the overall net asset value of the Company recovered strongly, with the NAV of the Units (including net income reinvested) finishing the financial year 34.6% above the level of our Company's previous year end. This return compared favourably with the benchmark's return of +32.7%. A detailed breakdown of the performance is given in the accompanying table, which highlights that our decision to remain geared into the market was strongly beneficial during a period of such significant equity market returns.

The performance of the underlying direct equities was somewhat behind the strong returns of the benchmark as some of our high yielding and defensive UK stocks underperformed the market rally that was driven by more cyclical and often non-dividend-paying stocks. For example our holding in the cash-generative tobacco stock, British American Tobacco (dividend yield of 5%), increased by +9.0% over the year, but this underperformed the market return of +32.7%. Similarly, our holding in the major pharmaceutical stock, AstraZeneca, detracted from performance despite delivering earnings and dividend growth, as it only rose by 9.0%, whilst GlaxoSmithKline, another world-leading pharmaceutical company, saw its share price fall by 0.3% as it was out of favour during the market rally.

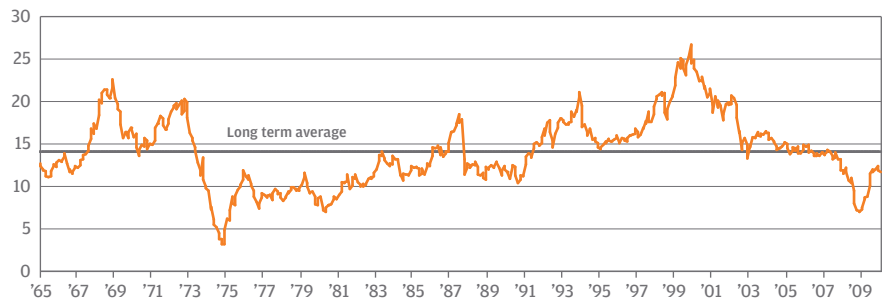
Our holdings in some of the mining stocks delivered exceptionally strong returns, with Kazakhmys, an international copper mining group, rising by 444.8% over the twelve months, whilst Xstrata rose by 220.0% and BHP Billiton by 58.0%. Some of our favoured stocks exposed to the economic recovery, such as the industrial engineers Weir Group and IMI, delivered strong returns, rising by 132.3% and 103.9% respectively, whilst the soft-drink supplier, Britvic rose by 83.1%.

Market Outlook

The UK economy has returned to growth, global demand is increasing and sterling has weakened significantly over the last year. As a result corporate earnings appear well supported.

As a result, we expect growth in dividends and believe there are good prospects for a strong earnings recovery in 2010. Despite a rise of 32.7% in the Company's benchmark over the last year, the price earnings valuation of the UK equity market remains below its long term average, as shown below.

Long term price earnings ratio of the UK market



Source: Datastream. Data as at 28/02/10.

However, there are of course several risks. Not least, concerns over whether the next Government will have a credible plan to address the UK budget deficit. Solving the UK's budget deficit problems will be both urgent and painful, and may curb the extent of the domestic economic recovery in 2010 and 2011. There are also concerns that the economic recovery may be more sluggish than expected given continued household de-leveraging as consumers pay down debts and rebuild savings.

As long as inflation expectations remain subdued the Bank of England should be able to continue with its policy of near-zero interest rates and even extend its asset purchases if necessary. Therefore, although the UK stock market faces several headwinds in the coming months, it remains well supported by reasonable valuations, a strongly recovering corporate earnings outlook and low interest rates.

Sarah Emly
John Baker
 Investment Managers

9th April 2010

Ten Largest Equity Investments

at 31st January 2010

Company	Sector	2010 Valuation		2009 Valuation	
		£'000	% ¹	£'000	%
BP BP is an oil and petrochemicals company. The company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy, and manufactures and markets chemicals.	Oil & Gas	6,180	9.6	4,525	8.6
Royal Dutch Shell Royal Dutch Shell explores for, produces and refines petroleum. The company produces fuels, chemicals, and lubricants. Royal Dutch Shell owns and operates gasoline filling stations worldwide.	Oil & Gas	5,588	8.7	4,998	9.5
HSBC HSBC provides a variety of international banking and financial services, including retail and corporate banking, trade, trusteeship, securities, custody, capital markets, treasury, private and investment banking, and insurance.	Financials	5,110	7.9	2,192	4.1
GlaxoSmithKline GlaxoSmithKline is a research-based pharmaceutical company that develops, manufactures and markets vaccines, prescription and over-the-counter medicines, as well as health-related consumer products. The company which also provides laboratory testing and disease management services, specialises in treatments for respiratory, central nervous system, gastrointestinal and genetic disorders.	Healthcare	3,585	5.6	3,059	5.8
Vodafone Vodafone is a mobile telecommunications company providing a range of services, including voice and data communications. The company operates in Continental Europe, the United Kingdom, the United States and the Far East.	Telecommunications	3,467	5.4	4,175	7.9
AstraZeneca AstraZeneca researches, manufactures and sells pharmaceutical products in eight therapeutic areas: gastrointestinal, oncology, cardiovascular, respiratory, central nervous system, pain control, anaesthesia and infection.	Healthcare	2,605	4.0	2,478	4.7
BHP Billiton² BHP Billiton is an international resources company. The company's principal business lines are mineral exploration and production, including coal, iron ore, gold, titanium, ferroalloys, nickel and copper concentrate, as well as petroleum exploration, production, and refining.	Basic Materials	2,184	3.4	885	1.7
Imperial Tobacco Imperial Tobacco is an international tobacco company that manufactures, markets, and sells a range of cigarettes, tobaccos, rolling papers, and cigars.	Consumer Goods	1,835	2.8	1,249	2.4
British American Tobacco British American Tobacco manufactures, markets and sells cigarettes and other tobacco products, including cigars and roll-your-own tobacco.	Consumer Goods	1,714	2.7	2,005	3.8
Barclays² Barclays offers commercial and investment banking, insurance, financial asset management and related services. The company's banking subsidiaries operate branches in the United Kingdom and overseas.	Financials	1,423	2.2	375	0.7
Total		33,691	52.3		

¹Based on total investments of £64.4m.

²Not included in the ten largest equity investments at 31st January 2009.

At 31st January 2009, the value of the ten largest equity investments amounted to £27.7m representing 52.6% of total investments.

Portfolio Analysis

	At 31st January 2010		At 31st January 2009	
	Portfolio % ¹	FTSE 350 Index % ²	Portfolio % ³	FTSE 350 Index % ²
Financials				
Banks	12.3	13.2	4.9	9.2
Life Insurance	3.5	2.8	2.8	2.7
Non-life Insurance	2.2	0.9	2.8	1.1
Equity Investment Instruments	1.5	1.9	1.4	1.9
Financial Services	1.4	1.7	0.8	1.5
Real Estate Investment Trusts	0.9	1.3	–	1.1
Real Estate Investment and Services	–	0.2	–	–
Total Financials	21.8	22.0	12.7	17.5
Oil & Gas				
Oil & Gas Producers	19.1	18.1	21.3	21.6
Oil Equipment, Service & Distribution	–	0.5	0.9	0.4
Total Oil & Gas	19.1	18.6	22.2	22.0
Basic Materials				
Mining	10.1	11.0	3.7	6.3
Other Basic Materials	–	0.5	–	0.4
Total Basic Materials	10.1	11.5	3.7	6.7
Healthcare				
Pharmaceuticals & Biotechnology	9.6	7.5	10.5	9.7
Healthcare Equipment & Services	–	0.4	–	0.4
Total Healthcare	9.6	7.9	10.5	10.1
Consumer Goods				
Tobacco	5.5	4.1	6.2	5.1
Food Producers	2.1	2.8	2.2	2.9
Beverages	0.9	3.2	0.5	3.3
Household Goods & Home Construction	0.5	2.0	–	2.0
Personal Goods	0.5	0.3	0.4	0.2
Automobiles & Parts	–	0.1	–	–
Total Consumer Goods	9.5	12.5	9.3	13.5
Consumer Services				
Travel & Leisure	3.2	2.6	2.2	2.3
General Retailers	2.7	1.7	0.9	1.5
Food & Drug Retailers	1.3	3.1	1.8	3.7
Media	1.3	2.5	0.4	2.7
Total Consumer Services	8.5	9.9	5.3	10.2
Telecommunications				
Mobile Telecommunications	5.4	4.9	7.9	6.2
Fixed Line Telecommunications	1.2	1.0	0.7	1.1
Total Telecommunications	6.6	5.9	8.6	7.3
Industrials				
Industrial Engineering	2.5	0.5	0.9	0.4
Aerospace & Defence	1.4	1.9	2.0	2.4
Support Services	1.1	3.2	2.3	2.9
Construction & Materials	0.5	0.2	0.6	0.3
General Industrials	–	0.6	0.6	0.6
Industrial Transportation	–	0.1	0.3	0.1
Electronic & Electrical Equipment	–	0.2	–	0.2
Total Industrials	5.5	6.7	6.7	6.9
Utilities				
Gas, Water & Multiutilities	3.2	2.5	5.8	3.3
Electricity	–	1.1	2.8	1.5
Total Utilities	3.2	3.6	8.6	4.8
Technology	–	1.4	–	1.0
	93.9	100.0	87.6	100.0
Structured Portfolio	1.6	–	9.4	–
Fixed Interest	4.5	–	3.0	–
Total	100.0	100.0	100.0	100.0

¹Based on the total investments of £64.4m (2009: £52.7m).

²Source: FTSE.

List of Investments

at 31st January 2010

Company	Value £'000	Company	Value £'000
Financials		Basic Materials	
<i>Banks</i>		<i>Mining</i>	
HSBC	5,110	BHP Billiton	2,184
Barclays	1,423	Xstrata	1,276
Standard Chartered	1,392	Rio Tinto	1,152
	7,925	Kazakhmys	989
		Anglo American	889
<i>Life Insurance</i>		Total Basic Materials	
Aviva	1,014		6,490
Prudential	687	Healthcare	
Legal & General	394	<i>Pharmaceuticals & Biotechnology</i>	
Standard Life	196	GlaxoSmithKline	3,585
	2,291	AstraZeneca	2,605
<i>Non-life Insurance</i>		Total Healthcare	
Amlin	374		6,190
Jardine Lloyd Thompson	357	Consumer Goods	
RSA Insurance	245	<i>Tobacco</i>	
Beazley	225	Imperial Tobacco	1,835
Hiscox	198	British American Tobacco	1,714
	1,399		3,549
<i>Equity Investment Instruments</i>		<i>Food Producers</i>	
JPMorgan European Investment Trust plc	961	Unilever	805
	961	Northern Foods	328
<i>Financial Services</i>		Dairy Crest	230
Provident Financial	584		1,363
Close Brothers	219	<i>Beverages</i>	
Aberdeen Asset Management	88	Britvic	542
	891		542
<i>Real Estate Investment Trusts</i>		<i>Household Goods & Home Construction</i>	
British Land	604	McBride	347
	604		347
Total Financials		<i>Personal Goods</i>	
	14,071	PZ Cussons	307
Oil & Gas			307
<i>Oil & Gas Producers</i>		Total Consumer Goods	
BP	6,180		6,108
Royal Dutch Shell	5,588		
BG	498		
	12,266		

Company	Value £'000	Company	Value £'000
Consumer Services		Support Services	
<i>Travel & Leisure</i>		<i>Support Services</i>	
Compass	1,060	Babcock International	393
Go-Ahead	562	Carillion	336
Restaurant	478		729
	2,100	<i>Construction & Materials</i>	
<i>General Retailers</i>		Balfour Beatty	343
Next	688		343
Halfords	513	Total Industrials	3,550
Brown (N)	315	Utilities	
Home Retail	203	<i>Gas, Water & Multiutilities</i>	
	1,719	National Grid	1,057
<i>Food & Drug Retailers</i>		Centrica	686
Tesco	550	Severn Trent	324
Morrison (Wm)	295		2,067
	845	Total Utilities	2,067
<i>Media</i>		Structured Portfolio	
Daily Mail & General Trust	519	Invesco Leveraged High Yield Fund	863
Pearson	313	ACP Mezzanine	177
	832	Total Structured Portfolio	1,040
Total Consumer Services	5,496	Fixed Interest	
Telecommunications		JPMorgan Global Corporate Bond Fund	
<i>Mobile Telecommunications</i>			2,872
Vodafone	3,467	Total Fixed Interest	2,872
	3,467	Total Fixed Asset Investments¹	
<i>Fixed Line Telecommunications</i>		64,380	
BT	763	Derivative Financial Instruments	
	763	<i>Written Options</i>	
Total Telecommunications	4,230	Xstrata 1300 Call Options Feb 2010	–
Industrials		Vodafone 145 Call Options Mar 2010	(2)
<i>Industrial Engineering</i>		BT 160 Call Options Jun 2010	(3)
IMI	692	Next 2100 Call Options Mar 2010	(5)
Charter International	344	Total Derivative Financial Instruments	(10)
Weir	311	Total Investments	
Melrose	243		64,370
	1,590	¹ Total fixed asset investments comprises £61,508,000 in equity shares and £2,872,000 in fixed interest securities.	
<i>Aerospace & Defence</i>			
BAE Systems	504		
Rolls-Royce	384		
	888		

Capital Structure of the Company

Income shares

Characteristics and Entitlements

The Income shares offer a dividend yield and first call on capital up to a predetermined capital entitlement on winding up.

Income shares will have a maximum capital entitlement of 103.4 pence per share on any winding-up of the Company. They are also entitled to any undistributed revenue reserves.

Income shares are entitled to such dividends as the Directors may determine to distribute in respect of each financial period. Such dividends will take the form of quarterly dividends to be declared in February, May, August and November, and paid in March, June, September and December respectively.

Reserves

At 31st January 2010, undistributed revenue reserves amounted to £874,000 (before payment of the fourth interim dividend) and have been allocated in the accounts to the Income shares.

Voting Rights

Each holder of Income shares present in person at a general meeting will have one vote on a show of hands and, on a poll, each holder present in person or by proxy will have one vote for each Income share held.

Capital shares

Characteristics and Entitlements

Generally by virtue of their effective gearing and their lack of yield, Capital shares have limited protection against adverse market movements and are therefore classed as high risk

securities. Conversely, they are potentially attractive securities to investors seeking a geared exposure to the capital performance of equity markets.

Capital shares are entitled to be paid an amount, on any winding-up of the Company, representing all the surplus net assets after repaying the bank loans and any other obligations and meeting the final capital entitlements of the Income shares. The Capital shares have no entitlement to income.

Voting Rights

Each holder of Capital shares present in person at a general meeting will have one vote on a show of hands and, on a poll, each holder present in person or by proxy will have one vote for each Capital share held.

Units

Characteristics and Entitlements

A Unit share comprises one Capital share and one Income share. On application to the Company's Registrar, these Shares may be separated into Income shares and Capital shares.

Unit shareholders have the same entitlements and voting rights as if they held separately the Income shares and Capital shares comprised in their Units.

Board of Directors



Alan Cole (Chairman of the Board and Nomination Committee)

A Director since October 2006.

He was formerly Chief Executive of Transport Development Group plc. He is currently Director of the NAAFI Pension Fund, Hexadex Limited and Cadogan Petroleum plc.



Nicholas Craig Harvey (Chairman of the Audit Committee)

A Director since October 2006.

He is currently a Director of Lainston Investment Services Limited and Archred Limited. He was formerly a Director of Hambros Bank plc.



Karl Sternberg

A Director since October 2006.

He is currently Chief Executive of Oxford Investment Partnership and was previously Chief Investment Officer of Deutsche Asset Management Limited. He is also a Fellow of St Catherine's College, Oxford. He is Director of Oxford Investment Partners Limited, Whitbread Pension Trustees Limited and Lowland Investment Company plc.



Jane Tozer OBE

A Director since October 2006.

Jane worked for IBM in technical and marketing roles, before becoming CEO of a software company. She is currently a Non-Executive Director of The John Lewis Partnership, F&C Global Smaller Companies plc, Elexon Limited, Citizens Advice in Three Rivers Ltd and The Worshipful Company of Information Technologies Charity. She is also co-founder of the Information and TMT Non-Executives Association and a member of the Advisory & Strategy Board of Warwick University Business School.



David Watts

A Director since October 2006.

He was formerly the joint Chief Executive and Chief Investment Officer of Gartmore Investment Management Limited. He is a Director of Martin Currie Investment Management Limited, Lord Wandsworth College Trust and Stern Farms Limited. He is also Chairman of the Investment Committee of Merchant Navy Ratings Pension Fund Trustees Limited.

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

Directors' Report

The Directors present their report for the year ended 31st January 2010.

Business Review

Business of J.P. Morgan Income & Growth Investment Trust plc

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 31st January 2009. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it continues to qualify. 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 31st January 2009 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 Manager's Report on pages 5 to 7.

Objective

The Company's investment objectives are to meet the final capital entitlement of the Income Shareholders and to provide them with a regular quarterly income as well as to provide capital growth for Capital Shareholders.

Investment Policies and Risk Management

The Company invests principally in UK equities and also in a range of other assets. The Company will retain the flexibility to vary the percentage of its assets attributable to UK equities and other assets, according to the allocation it considers would achieve the best absolute returns. The allocation to UK equities will typically consist of some 50 to 70 holdings of equities. In order to achieve its investment objective and to seek to manage risk, the Company invests in a diversified portfolio.

Investment Limits and Restrictions

- The Company will invest a minimum of 60% of its portfolio in UK equities (31st January 2009: 60%).
- The Company will not invest more than 15% of its portfolio in any individual investment (31st January 2009: 15%).

- The Company will use gearing when appropriate to increase potential returns to Shareholders. The Company has the power under its Articles to borrow up to an amount equal to 60% of its Net Asset Value at the time of the drawdown. The Directors have set a maximum level of 35% of Net Asset Value at the time of the drawdown (31st January 2009: 35%).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies (31st January 2009: 15%).

Performance

In the year ended 31st January 2010, the Company produced a unit net asset value total return of +34.6%. This compares with a return on the Company's benchmark of +32.7%. At 31st January 2010, the value of the Company's investment portfolio was £64.4 million. The Investment Manager's 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 Return, Revenue and Dividends

Capital shares

Gross capital return for the year amounted to £10.6 million (2009: £30.4 million loss) and net total return after deducting capitalised management fee and finance costs amounted to £9.8 million (2009: £33.1 million loss). The balance on the shortfall reserve at the beginning of the year amounted to £27.6 million and after deduction of the £9.8 million net return, the balance at the end of the year is £17.8 million, which comprises £17.0 million of capital and £0.8 million of revenue.

Income shares

The assets available to meet the final capital entitlement of the Income shares increased by £9.8 million during the year, reducing the deficit to £17.0 million.

Distributable income for the year, attributable to the Income shareholders amounted to £2.5 million (2009: £3.5 million). The Directors have declared a fourth interim dividend of 1.0p (2009: 1.55p) per Income share. This dividend will cost £0.6 million (2008: £1.0 million) and the revenue available for distribution after allowing for this dividend will amount to £0.2 million (2009: £0.3 million).

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:**

Performance Since Inception

Figures have been rebased to 100 at 20th December 2006, which is the date the Company began investing.



Source: Morningstar/FTSE

- JPMorgan Income & Growth - Unit price
- JPMorgan Income & Growth - Net asset value per Unit
- Benchmark

- **Performance against the Company's peers**

The principal objective is to meet the final capital entitlement of the Income shareholders and to provide them with a regular quarterly income as well as capital growth for Capital shareholders. The Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**

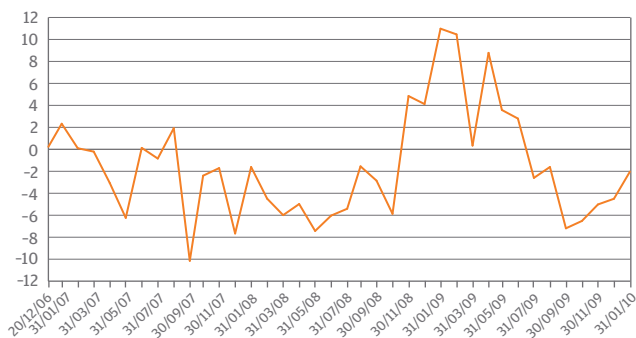
The purpose of performance attribution analysis is assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st January 2010 are given in the Investment Managers' Report on page 6.

- **Discount to net asset value ('NAV')**

The Board has a share repurchase policy which seeks to address imbalances in supply of and demand for the Company's shares within the market and thereby reduce the volatility and absolute level of the discount or premium to NAV at which the Company's shares trade.

In the year to 31st January 2010, the Company's shares traded between a discount of 7.3% and a premium of 11.0%.

Unit Premium (+)/Discount (-)



Source: Datastream

- JPMorgan Income & Growth - Discount

- **Total expense ratio ('TER')**

The TER represents the Company's management fees and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 31st January 2010 was 1.4% (2009: 1.5%). The Board reviews the TER of the Company regularly and on an annual basis compares its TER against other companies with similar investment objectives and policies.

Share Capital

The Company has the authority to repurchase shares in the market for cancellation and issue shares.

During the year, the Company repurchased a total of 850,000 Income shares for cancellation, for a total consideration of £569,000. No Income shares were issued during the year. Since the end of the year and up to the date of this report, the Company has repurchased a further 130,000 Income shares.

The Company has not issued or repurchased any Capital shares during the year or since the end of the year.

A resolution to renew the Company's issuance powers will be put to shareholders for approval at the Annual General Meeting. The full text of this resolution is set out in the Notice of Meeting on page 51.

A resolution to renew the Company's authority to repurchase shares at a discount to NAV will be put to shareholders at the forthcoming Annual General Meeting. The full text of this resolution is set out in the Notice of Meeting on page 51.

Details of the share capital structure of the Company can be found on page 12.

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. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. 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 reviews data which show 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:** Should the Company breach Section 842, it may lose investment trust status and as a consequence 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 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules issued by the FSA. 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 2006 and The UKLA Listing Rules.

- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with respect to Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 19 to 23.
- **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 22 and 23.
- **Financial:** The financial risks faced by the Company include market risk (comprising interest rate risk and other price risk), liquidity risk, credit risk and fair values of financial assets and liabilities risk. Further details are disclosed in note 23 on pages 44 to 49.

Future Developments

The future development of the Company depends on the success of the Company's investment strategy. The Investment Managers discuss the outlook in their report on pages 5 to 7.

Management of the Company

The Manager and Company Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract terminable on six months notice. 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 thoroughly reviewed the performance of JPMAM in the course of the year. The review covered the performance of the Manager, its management processes, investment style, resources and risk controls. The Board is of the opinion that the continuing appointment of the Manager is in the interests of shareholders. Such a review is carried out on an annual basis.

Management Fee

The annual management fee is paid monthly at the annualised rate of 0.8% of the Company's net assets. The rate reduces to 0.7% of the Company's net assets over £65 million. Funds managed or advised by JPMAM or any of its associated companies that are held in the Company's portfolio of assets are excluded from the calculation and therefore attract no fee.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 14), risk management policies (see page 44), capital management policies and procedures (see page 49), nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts. In arriving at this conclusion, the Directors have considered the fixed life of the Company and the final capital entitlement of the Income shareholders.

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 these terms. As at 31st January 2010, the Company had no outstanding trade creditors (2009: none).

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's share capital, were:

Capital	31st January 2010	1st February 2009
Alan Cole	13,434	13,434
Nicholas Craig Harvey	13,310	13,310
Karl Sternberg	6,825	6,825
Jane Tozer	44,592	44,592
David Watts	–	–

Income	31st January 2010	1st February 2009
Alan Cole	162,110	78,440
Nicholas Craig Harvey	–	–
Karl Sternberg	23,000	–
Jane Tozer	28,168	26,127
David Watts	146,507	296,507

Units	31st January 2010	1st February 2009
Alan Cole	4,804	4,804
Nicholas Craig Harvey	4,760	4,760
Karl Sternberg	2,924	2,730
Jane Tozer	19,108	17,841
David Watts	–	–

Since the year end, Karl Sternberg acquired a further 34 Units and Jane Tozer acquired a further 388 Income shares and 225 Units. No other changes in the above holdings have been recorded by any Director to the date of this report.

In accordance with the Company's Articles of Association, Karl Sternberg, being eligible, will stand for re-election at the forthcoming Annual General Meeting.

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. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

Directors' Report continued

- (a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware, and
- (b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of 418(2) of the Companies Act 2006.

Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 of the Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on page 12.

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 15 to the Notice of Meeting on page 53.

Notifiable Interests in the Company's Voting Rights

At the date of this report the Company was aware of the following interests in excess of 3% or more of its issued share capital:

Shareholders	Share Class	Number of shares held	%
JPMorgan Asset Management ^{1,2}	Income	10,933,418	8.6
	Capital	13,076,091	10.3
Rathbones Brothers plc	Income	7,602,684	6.0
Chase Nominees Limited ³	Income	3,569,829	2.8
	Capital	4,822,262	3.8
Rensburg Sheppards Investment Management Limited	Income	6,525,553	5.1
	Capital	1,140,009	0.9

¹Non-beneficial.

²JPMorgan Elect PLC holds 12.3% of the Capital shares and 9.7% of the Income shares.

³Held on behalf of J.P. Morgan ISA and Investment Account participants.

Independent Auditors

Ernst & Young LLP have expressed their willingness to continue in office as Auditors to the Company and resolutions proposing their re-appointment, and authorising 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 stock broker, bank manager, solicitor, or other financial adviser authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting:

(i) Authority to repurchase the Company's shares for cancellation (resolution 5)

At the General Meeting held on 25th June 2009, shareholders gave authority to the Board to enable repurchases of up to 14.99% of the then issued share capital. A resolution will be proposed at the Annual General Meeting that the Company be authorised to purchase in the market up to 14.99% of the Company's issued share capital as at the date of the passing of this resolution.

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 the underlying net asset value ('NAV') enhances the NAV of the remaining shares and helps to control the discount and its volatility. Resolution 5 gives the Company authority to buyback its own issued shares in the market as permitted by the Companies Act 2006 (the 'Act').

The full text of the resolution is set out in the Notice of Meeting on page 51. Repurchases will be made at the discretion of the Board and will only be made at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares as and when market conditions are appropriate.

The Company currently does not hold any shares in the capital of the Company in Treasury.

(ii) Authority to allot relevant Securities and to disapply statutory pre-emption rights (resolution 6 and 7)

The Directors will seek authority at the Annual General Meeting to issue new shares equivalent to 5% of the present issued share capital. This authority will remain in effect until the Annual General Meeting in 2011 unless renewed at an earlier general meeting. The full text of the resolution is set out in the Notice of Meeting on pages 51 and 52.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the J.P. Morgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the NAV, they increase the assets underlying each share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(iii) Adoption of New Articles of Association (resolution 8)

The Company proposes to adopt new articles of association. These incorporate amendments to the current articles of association to reflect the changes in company law brought about by the 2006 Act which came into effect on 1st October 2009 and changes made to the 2006 Act in August 2009 to implement the EU Shareholder Rights Directive in the UK, as well as some minor technical or clarifying changes. The principal changes in the new articles of association proposed to be adopted at the 2010 AGM relate to shareholder meetings and resolutions, the Company's constitution and share capital.

In August 2009, changes were made to the provisions in the 2006 Act on company meetings by The Companies (Shareholders' Rights) Regulations 2009 ('Shareholders' Rights Regulations') to implement the EU Shareholder Rights Directive in the UK. The new articles incorporate amendments in relation to meetings to ensure consistency with the 2006 Act (as amended by the Shareholders' Rights Regulations).

Under the 2006 Act all provisions of the Company's memorandum, but most significantly the objects clause, are deemed to form part of the Company's articles from 1st October 2009. It is possible for the objects clause to be removed or amended by amending the articles by special resolution. It is not necessary under the 2006 Act for a company to set out its objects. The 2006 Act provides that, unless the articles state otherwise, a company's objects will be unrestricted.

One of the other key provisions of the memorandum which is deemed to form part of the Company's articles from 1st October 2009 is the restriction created by the existing authorised share capital statement. The 2006 Act removes the requirement for a company to place limits on its authorised share capital.

By adopting the new articles which do not contain the objects clause or the authorised share capital statement, the Company will remove these provisions, which would otherwise be deemed to form part of the Company's articles under

section 28 of the 2006 Act, from its articles. For a more detailed explanation of these and other amendments please refer to the Appendix to this document on pages 54 to 57.

A copy of the current Articles of Association and the proposed new Articles of Association that reflect these amendments will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of J.P. Morgan Asset Management, 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 Armourers' Hall, 81 Coleman Street, London EC2R 5BJ being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting.

Recommendation (resolutions 5 to 8)

The Board considers that resolutions 5 to 8 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommended that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 502,432 shares representing 0.40% of the voting rights in the Company.

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 25, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code 2008¹ (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 at the Company has complied with the best practice provisions of the Combined Code, other than in respect of the provision relating to a senior independent director, and the AIC Code, in so far as they are relevant to the Company's business, 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

¹Copies of the Combined Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk.

Directors' Report continued

provision of accounting, company secretarial, brokerage, administration, and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

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.

On an annual basis each Director submits a list of potential conflicts of interest for approval. These are considered carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved for a period of one year. During the year the potential conflicts of interest were reviewed and considered by the Board. However, in future years they will be reviewed by the Nomination Committee which will then make a recommendation to the Board on whether or not the potential conflicts should be authorised.

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

Board Composition

The Board consists of five non-executive directors, all of whom are regarded by the Board as independent of the Company's Manager.

The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 13.

The Board does not feel that it would be appropriate to adopt a policy whereby Directors serve for a limited period of time. However, in order to provide a balance of skills, experience, length of service and ages, it is the Board's policy to introduce

new Directors to provide an orderly succession over time.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

The Board has considered whether a senior independent director should be appointed. As the Board comprises entirely non-executive directors, the appointment of a senior independent director is not considered necessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

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 term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that one third of the Board must retire by rotation each year.

Any Director who has served for a period of more than nine years will stand for annual re-election thereafter. 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.

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

The Board recommends the re-election of Karl Sternberg, who retires by rotation at this year's AGM.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of the membership of committees are shown with the Directors' profiles on page 13.

The table below lists the number of Board and committee meetings attended by each Director. During the period there were six Board meetings, including a private meeting of the

Directors to evaluate the Manager and a separate meeting devoted to strategy, two Audit Committee meetings and a meeting of the Nomination Committee.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Alan Cole	6	2	1
Nicholas Craig Harvey	6	2	1
Karl Sternberg	6	2	1
Jane Tozer	6	2	1
David Watts	6	2	1

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 the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board has agreed a procedure for the formal evaluation of its own performance and of 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, whilst the other Directors evaluate the performance of the Chairman himself. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Alan Cole, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates when necessary for appointment. A variety of sources, including the use of external recruitment consultants may be used to ensure that a wide range of candidates are considered.

The Nomination 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 Nomination Committee reviews and makes recommendations

to the Board concerning the re-election by shareholders of any Director under the 'retirement by rotation' provisions in the Company's Articles of Association. The Nomination Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The Audit Committee, chaired by Nicholas Craig Harvey, comprises all of the Directors and meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Audit Committee.

The Audit Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the 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, the balance of audit and non-audit services and the independence and objectivity of the external auditors; in the opinion of the Directors the auditors are considered independent. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered. The Directors' statement on the Company's system of internal control is set out overleaf.

Terms of Reference

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on request at the Company's registered office, on the Company's website and 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 quarterly each year by way of the annual report and accounts, the half year report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which

Directors' Report continued

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 reviewing the Company's performance. During the year the Company's broker, the investment managers and JPMAM hold regular discussions with larger shareholders. 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 61.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 clear working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 61.

Details of the proxy voting 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 as 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. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of JPMAM. This arrangement is reviewed on an annual basis. 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 regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's compliance department which regularly monitors compliance with FSA rules and reports to the Board.

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
- Review every six months an independent report on the internal controls and the operations of JPMAM.

By means of the procedures set out above, which accord with the Turnbull guidance on internal controls, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st January 2010, 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, nor 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 following 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."

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary

9th April 2010

Directors' Remuneration Report

The Board presents this report, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution for the approval of this report is to be put to shareholders 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 26.

Directors' Remuneration¹

Directors Name	2010 £	2009 £
Alan Cole	25,000	25,000
Nicholas Craig Harvey	20,000	20,000
Karl Sternberg	18,000	18,000
Jane Tozer	18,000	18,000
David Watts	18,000	18,000
Total	99,000	99,000

¹Audited information.

Directors' fees for the year were paid at a fixed rate of £25,000 per annum for the Chairman, £20,000 per annum for the Chairman of the Audit Committee and £18,000 per annum for each other Director. The total Directors' fees of £99,000 (2009: £99,000) were all paid to Directors and £nil (2009: £nil) paid to third parties for making available the services of 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.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by JPMAM, and relevant third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors'

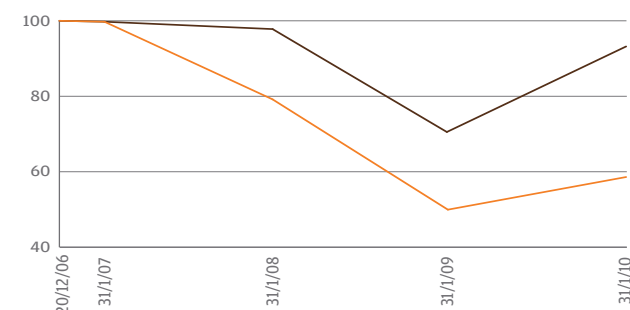
fees are not performance related. Any increase in the aggregate fee level above £200,000 per annum would require both Board and shareholder approval.

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 20.

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 to the Company's business.

A graph showing the Company's unit price total return compared with its benchmark index the FTSE 350 Total Return Index, since inception, is shown below.

Unit price and benchmark total return performance for the year ended 31st January 2010



Source: Morningstar/FTSE

— Unit Price Total Return
— Benchmark Total Return

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary

9th April 2010

Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmincomeandgrowth.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

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 it faces.

For and on behalf of the Board
Nicholas Craig Harvey
Director

9th April 2010

Independent Auditor's Report

Independent Auditors' Report to the members of JPMorgan Income & Growth Investment Trust plc

We have audited the financial statements of JPMorgan Income & Growth Investment Trust plc (the 'Company') for the year ended 31st January 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st January 2010 and of its net return for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 17, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 19 to 23 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Julian Young (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

9th April 2010

Income Statement

for the year ended 31st January 2010

	Notes	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Gains/(losses) on investments and options held at fair value through profit or loss							
	2	–	10,568	10,568	–	(30,436)	(30,436)
Net foreign currency (losses)/gains		–	(7)	(7)	–	7	7
Income from investments	3	2,990	–	2,990	4,154	–	4,154
Other interest receivable and similar income	3	87	–	87	1,120	–	1,120
Gross return/(loss)							
		3,077	10,561	13,638	5,274	(30,429)	(25,155)
Management fee	4	(100)	(234)	(334)	(163)	(381)	(544)
VAT recoverable	4	–	–	–	17	40	57
Other administrative expenses	5	(269)	–	(269)	(310)	–	(310)
Net return/(loss) on ordinary activities before finance costs and taxation							
		2,708	10,327	13,035	4,818	(30,770)	(25,952)
Finance costs	6	(421)	(982)	(1,403)	(384)	(898)	(1,282)
Change in fair value of swap contract		175	408	583	(718)	(1,675)	(2,393)
Dividends paid on Income shares	7	(2,879)	–	(2,879)	(4,328)	–	(4,328)
Net (loss)/return on ordinary activities before taxation							
		(417)	9,753	9,336	(612)	(33,343)	(33,955)
Taxation	8	–	–	–	(244)	243	(1)
Net (loss)/return on ordinary activities after taxation							
		(417)	9,753	9,336	(856)	(33,100)	(33,956)
Return/(loss) per class of share							
	9	3.9p	15.4p	19.3p	5.5p	(44.0)p	(38.5)p
Return/(loss) per Income share		3.9p	15.4p	19.3p	5.5p	(44.0)p	(38.5)p
Loss per Capital share		–	–	–	–	(8.6)p	(8.6)p

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 31 to 49 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st January 2010

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Shortfall in assets available to meet the final capital entitlement of the Income shares £'000	Capital reserves £'000	Total £'000
At 31st January 2008	637	456	28,553	–	–	(24,148)	5,498
Issue of Capital shares	9	–	–	–	–	–	9
Transfer to shortfall reserve	–	–	–	–	27,593	–	27,593
Net capital loss on ordinary activities	–	–	–	–	–	(33,100)	(33,100)
At 31st January 2009	646	456	28,553	–	27,593	(57,248)	–
Repurchase of Income shares for cancellation	–	–	(9)	9	–	–	–
Transfer from shortfall reserve	–	–	–	–	(9,753)	–	(9,753)
Net capital return on ordinary activities	–	–	–	–	–	9,753	9,753
At 31st January 2010	646	456	28,544	9	17,840	(47,495)	–

Balance Sheet

at 31st January 2010

	Notes	2010 £'000	2009 Restated - see note 1(b) £'000
Fixed assets			
Investments held at fair value through profit or loss	10	64,380	52,671
Current assets			
Debtors	11	434	1,256
Cash and short term deposits		7,945	10,598
		8,379	11,854
Creditors: amounts falling due within one year	12	(23,162)	(23,122)
Derivative instruments held at fair value through profit or loss - written options		(10)	-
Net current liabilities		(14,793)	(11,268)
Total assets less current liabilities		49,587	41,403
Creditors: amounts falling due after more than one year			
Derivative instrument held at fair value through profit or loss	13	(1,810)	(2,393)
Net assets attributable to the Income shareholders	14	(47,777)	(39,010)
Net assets		Nil	Nil
Capital and reserves			
Called up share capital	15	646	646
Share premium	16	456	456
Other reserve	16	28,544	28,553
Capital redemption reserve	16	9	-
Shortfall in assets available to meet the final capital entitlement of the Income shares	16	17,840	27,593
Capital reserves	16	(47,495)	(57,248)
Equity shareholders' funds		Nil	Nil
Net asset value per share			
Income share	17	76.3p	61.5p
Capital share		-	-

The accounts on pages 27 to 49 were approved and authorised for issue by the Directors on 9th April 2010 and signed on their behalf by:

Nicholas Craig Harvey
Director

The notes on pages 31 to 49 form an integral part of these accounts.

The Company's registration number is: 5973571

Cash Flow Statement

for the year ended 31st January 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow from operating activities	18	2,398	4,703
Returns on investments and servicing of finance			
Interest paid		(1,360)	(1,367)
Dividends paid on Income shares		(2,879)	(4,328)
Net cash outflow from returns on investments and servicing of finance		(4,239)	(5,695)
Capital expenditure and financial investment			
Purchases of investments		(26,949)	(63,150)
Net receipts/(payments) for options exercised		17	(257)
Sales of investments		26,703	63,664
Other capital charges - handling fees		(7)	(8)
Net cash (outflow)/inflow from capital expenditure and financial investment		(236)	249
Net cash outflow before financing		(2,077)	(743)
Financing			
Repurchase of Income shares		(569)	–
Issue of Income and Capital shares		–	574
Net cash (outflow)/inflow from financing		(569)	574
Net decrease in cash for the year	19	(2,646)	(169)

The notes on pages 31 to 49 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st January 2010

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, 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 January 2009.

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

(b) Change in accounting policy

The Company has early adopted an amendment to FRS 25 : 'Financial instruments: presentation'. In prior years, both classes of the Company's shares have been classified in the accounts as liabilities due to the Company's limited life and the rights and obligations attached to those share classes. The amendment requires the most subordinate class of shares to be classified as equity, where the Company is obliged to deliver a pro rata share of the net assets only on liquidation. Accordingly, the Balance Sheet at 31st January 2009 has been restated to show the Capital shares as equity. A Reconciliation of Movements in Shareholders' Funds has been included in respect of the funds attributable to the Capital shares. The note in the prior year accounts showing the movement in net assets attributable to shareholders has been replaced by note 14 showing the movement in assets attributable to the Income shareholders and note 16 showing the movement in the reserves attributable to the Capital shareholders.

These changes are purely presentational and there has been no change to the assets attributable or rights and obligations attaching to either share class.

(c) 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 as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off in the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

Gains and losses on sales of investments and options, including any related foreign exchange gains and losses of a capital nature, and other capital receipts and payments are included in the capital column of the Income statement and are dealt with in capital reserves within 'Gains and losses on sales of investments and options'. Increases and decreases in the valuation of investments and options held at the year end and unrealised foreign exchange gains and losses are included in the capital column of the Income statement and, are dealt with in capital reserves within 'Holding gains and losses on investments and options'.

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

(d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is taken to capital.

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

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.

Premiums receivable from written options are included in revenue on a time apportionment basis over the life of the instrument.

Deposit interest is taken to revenue on an accruals basis.

Notes to the Accounts continued

1. Accounting policies continued

(d) Income continued

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

(e) Expenses

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

- 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 comprise mainly stamp duty and brokerage commission. Details of transaction costs are given in note 10 on page 38.

(f) Finance costs

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

Dividends paid to Income shareholders are classified as finance costs because the Income shares are classified in the accounts as liabilities in accordance with FRS 25. Dividends paid are allocated wholly to revenue as to allocate any portion to capital would affect the rights and benefits attributable to the Capital shareholders.

In accordance with FRS 21: 'Events after the balance sheet date', the fourth interim dividend is included in the accounts in the year in which it is approved by shareholders.

(g) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Other receivables and payables are classed as loans and receivables and 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.

Bank loans and overdrafts are classified as loans and receivables and are measured at amortised cost. They 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.

In accordance with FRS 26: 'Financial instruments: measurement', written options are designated as 'held at fair value through profit or loss', which is the cost of closing out the contracts, and included in current liabilities.

The swap contract on the loan facility is designated as 'held at fair value through profit or loss' and included in debtors or creditors falling due after more than one year. Changes in the fair value of this contract 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.

In accordance with FRS 25: 'Financial instruments: presentation', the Income share class is classified in the accounts as a liability due to the rights and obligations attached to that share class. The Company has changed its policy regarding the accounting treatment of the Capital shares and details of this change are given in note 1(b) above.

(h) Foreign currency

In accordance with FRS 23: 'The effects of changes in foreign currency exchange rates', the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

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

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

(i) 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 more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief on expenses charged to capital is calculated on the 'marginal basis' in accordance with the recommendations of the SORP.

(j) 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 34.

	2010			2009		
	Investments £'000	Options £'000	Total £'000	Investments £'000	Options £'000	Total £'000
2. Gains/(losses) on investments and options held at fair value through profit or loss						
Losses on sales of investments and options based on historical cost	(7,177)	—	(7,177)	(24,520)	(65)	(24,585)
Amounts recognised in investment holding losses in the previous year in respect of investments and options sold during the year	8,266	—	8,266	10,335	238	10,573
Gains/(losses) on sales of investments and options based on the fair value at the previous balance sheet date	1,089	—	1,089	(14,185)	173	(14,012)
Net movement in investment and option holding gains and losses	9,496	(10)	9,486	(16,416)	—	(16,416)
Other capital charges - handling fees	(7)	—	(7)	(8)	—	(8)
Capital gains/(losses) on investments and options held at fair value through profit or loss	10,578	(10)	10,568	(30,609)	173	(30,436)

Notes to the Accounts continued

	2010 £'000	2009 £'000
3. Income		
Income from listed investments		
UK dividend income	2,655	3,522
UK unfranked investment income	261	497
Overseas dividends	33	58
Scrip dividends	41	53
Property income distribution from UK REITS	–	24
	2,990	4,154
Other interest receivable and similar income		
Deposit interest	40	372
Premiums receivable from written options	34	732
Underwriting commission	13	13
Interest on VAT reclaim	–	3
	87	1,120
Total income	3,077	5,274

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
4. Management fee						
Management fee ¹	100	234	334	163	381	544
VAT recoverable ²	–	–	–	(17)	(40)	(57)
	100	234	334	146	341	487

¹Details of the management fee are given in the Directors' Report on page 17.

²The Company ceased paying VAT on management fees in November 2007 following HM Revenue & Customs' acceptance that investment trust management fees are not chargeable to VAT. The Company has since recovered £57,000 in respect of VAT paid in the past plus £3,000 interest thereon. Both of these amounts were included in the previous year's accounts.

	2010 £'000	2009 £'000
5. Other administrative expenses		
Other management expenses	144	187
Directors' fees ¹	99	99
Auditors' remuneration - for audit services ²	26	24
	269	310

¹Full disclosure is given in the Directors' Remuneration Report on page 24.

²Includes £4,000 (2009: £3,000) irrecoverable VAT.

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	100	232	332	399	932	1,331
Net finance cost/(income) of swap	321	750	1,071	(15)	(34)	(49)
	421	982	1,403	384	898	1,282

	2010 £'000	2009 £'000
7. Dividends payable on Income shares		
(a) Dividends paid and declared		
2008 special dividend of 0.70p	—	438
2009 fourth quarterly dividend of 1.55p (2008: 1.55p)	984	971
First quarterly dividend of 1.00p (2009: 1.55p)	635	971
Second quarterly dividend of 1.00p (2009: 1.55p)	634	971
Third quarterly dividend of 1.00p (2009: 1.55p)	626	977
Total dividends paid in the year	2,879	4,328
Fourth quarterly dividend payable of 1.00p (2009: 1.55p)	626	984

The fourth quarterly dividend has been declared in respect of the year ended 31st January 2010. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 31st January 2011.

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

The requirements of section 842 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends declared in respect of the year as follows. The revenue available for distribution by way of dividend for the year is £2,462,000 (2009: £3,472,000). The brought forward income available for distribution after allowing for the prior year fourth quarterly dividend amounted to £307,000. The carried forward income available for distribution after allowing for the fourth quarterly dividend declared amounts to £248,000.

	2010 £'000	2009 £'000
First quarterly dividend of 1.00p (2009: 1.55p)	635	971
Second quarterly dividend of 1.00p (2009: 1.55p)	634	971
Third quarterly dividend of 1.00p (2009: 1.55p)	626	977
Fourth quarterly dividend of 1.00p (2009: 1.55p)	626	984
Total dividends declared of 4.00p (2009: 6.20p)	2,521	3,903

Notes to the Accounts continued

8. Taxation

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
(a) Analysis of tax charge for the year						
Overseas taxation	–	–	–	1	–	1
Tax attributable to expenses and finance costs charged to capital	–	–	–	243	(243)	–
Current tax charge for the year	–	–	–	244	(243)	1
(b) Factors affecting current tax charge for the year						
Net (loss)/return on ordinary activities before taxation	(417)	9,753	9,336	(612)	(33,343)	(33,955)
Net (loss)/return on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 28% (2009: 28.33%)	(117)	2,731	2,614	(173)	(9,446)	(9,619)
Effects of:						
Non taxable capital (returns)/losses on investments	–	(2,957)	(2,957)	–	8,620	8,620
Change in fair value of swap contract	(49)	(114)	(163)	203	475	678
Non taxable UK dividend income	(743)	–	(743)	(997)	–	(997)
Non taxable scrip dividends	(12)	–	(12)	(15)	–	(15)
Excess capital expenses arising in the year	–	340	340	–	351	351
Overseas withholding tax	–	–	–	1	–	1
Relief for overseas taxation	(8)	–	(8)	(1)	–	(1)
Dividends paid on income shares	806	–	806	1,226	–	1,226
Unrelieved expenses and charges	123	–	123	(243)	–	(243)
Tax attributable to expenses charged to capital	–	–	–	243	(243)	–
Current tax charge for the year	–	–	–	244	(243)	1

(c) Deferred taxation

At 31st January 2010 the Company had an unrecognised deferred tax asset of £951,000 (2009: £488,000). This has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

Given the Company's intention to meet the conditions required to obtain approval as an investment trust company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. Return/(loss) per class of share

Return/(loss) per Income share

Return/(loss) per Income share is based on the weighted average number of Income shares in issue during the year of 63,248,572 (2009: 62,736,957) and the following figures:

	2010			2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/return attributable to Income shareholders	(417)	9,753	9,336	(856)	(27,602)	(28,458)
Add back dividends on Income shares	2,879	–	2,879	4,328	–	4,328
Total return/(loss) attributable to Income shareholders	2,462	9,753	12,215	3,472	(27,602)	(24,130)
Return/(loss) per Income share (pence)	3.9	15.4	19.3	5.5	(44.0)	(38.5)

Loss per Capital share

Loss per Capital share is based on the weighted average number of Capital shares in issue during the year of 64,527,781 (2009: 63,798,935) and the following figures:

	2010			2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loss attributable to Capital shareholders	–	–	–	–	(5,498)	(5,498)
Loss per Capital share (pence)	–	–	–	–	(8.6)	(8.6)

Notes to the Accounts continued

	2010 £'000	2009 £'000
10. Fixed assets		
Investments held at fair value through profit or loss	64,380	52,671

	2010			2009			
	Listed UK £'000	Delisted £'000	Total £'000	Listed overseas £'000	Listed UK £'000	Delisted £'000	Total £'000
Opening book cost	71,858	2	71,860	1,232	94,967	2	96,201
Opening investment holding losses	(19,187)	(2)	(19,189)	(301)	(12,805)	(2)	(13,108)
Opening valuation	52,671	–	52,671	931	82,162	–	83,093
Purchases at cost	27,027	–	27,027	–	63,212	–	63,212
Sales – proceeds	(25,903)	–	(25,903)	(533)	(62,500)	–	(63,033)
Gains/(losses) on sales of investments based on the fair value at the previous balance sheet date	1,089	–	1,089	(398)	(13,787)	–	(14,185)
Net movement in investment holding gains and losses	9,496	–	9,496	–	(16,416)	–	(16,416)
	64,380	–	64,380	–	52,671	–	52,671
Closing book cost	65,807	–	65,807	–	71,858	2	71,860
Closing investment holding losses	(1,427)	–	(1,427)	–	(19,187)	(2)	(19,189)
Total fixed asset investments held at fair value through profit or loss	64,380	–	64,380	–	52,671	–	52,671

During the year, prior year investment holding losses amounting to £8,266,000 were transferred to gains and losses on sales of investments as disclosed in note 16 on page 41.

Transaction costs on purchases during the year amounted to £140,000 (2009: £334,000) and on sales during the year amounted to £23,000 (2009: £55,000). These costs comprise brokerage commission and stamp duty.

	2010 £'000	2009 £'000
11. Current assets		
Debtors		
Securities sold awaiting settlement	195	995
Dividends and interest receivable	193	249
Other debtors	40	6
Tax recoverable	6	6
	434	1,256

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

Cash and short term deposits

Cash and short term deposits comprises bank balances and short term 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.

	2010 £'000	2009 £'000
12. Creditors: amounts falling due within one year		
Bank loan	23,000	23,000
Loan interest payable	77	34
Deferred option income	17	–
Other creditors and accruals	68	88
	23,162	23,122

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

The bank loan is drawn down on the Company's £40 million revolving loan facility with Lloyds TSB Bank plc. To date, amounts drawn down on the facility have been for a one month loan period. Further details are given in note 23(a)(i) on page 45.

	2010 £'000	2009 £'000
13. Derivative instrument held at fair value through profit or loss		
Interest rate swap contract on loan facility with Lloyds TSB Bank plc	1,810	2,393

Further details of the swap contract are given in note 23(a)(i) on page 45.

	2010 £'000	2009 £'000
14. Net assets attributable to the Income shareholders		
Opening balance	39,010	66,894
Net revenue return on ordinary activities after taxation attributable to the Income shareholders	2,462	3,472
Dividends paid on Income shares	(2,879)	(4,328)
Income shares repurchased for cancellation	(569)	–
Issue of Income shares	–	565
Increase/(decrease) in assets available for Income shareholders	9,753	(27,593)
Closing balance	47,777	39,010

Notes to the Accounts continued

	2010 £'000	2009 £'000
15. Called up share capital		
Authorised		
250,000,000 (2009: 250,000,000) Income shares of 1p each	2,500	2,500
250,000,000 (2009: 250,000,000) Capital shares of 1p each	2,500	2,500
	5,000	5,000
Issued and fully paid:		
Income shares of 1p each		
Opening balance of 63,467,803 (2009: 62,617,803) shares	635	626
Repurchase of 850,000 (2009: nil) shares for cancellation	(9)	–
Issue of nil (2009: 850,000) shares	–	9
Closing balance of 62,617,803 (2009: 63,467,803) shares	626	635

During the year, the Company made market purchases of 850,000 (2009: nil) Income shares, nominal value £8,500, for cancellation, representing 1.3% of the shares outstanding at the beginning of the year. The total consideration paid for these shares amounted to £569,000 and the reason for the purchases was to seek to manage the volatility and absolute level of the share price discount to net asset value.

During the year ended 31st January 2009, 850,000 Income shares, with a nominal value of £8,500, were issued to the market at an average price of 66.5p per share for a total consideration of £565,000.

	2010 £'000	2009 £'000
Issued and fully paid		
Capital shares of 1p each:		
Opening balance of 64,527,781 (2009: 63,677,781) shares	646	637
Issue of nil (2009: 850,000) shares	–	9
Closing balance of 64,527,781 (2009: 64,527,781) shares	646	646

During the year ended 31st January 2009, 850,000 Capital shares, with a nominal value of £8,500, were issued to the market at an average price of 1.0p per share for a total consideration of £9,000.

	Called up share capital £'000	Share premium £'000	Other reserve ¹ £'000	Capital redemption reserve £'000	Shortfall in assets available to meet the final capital entitlement of the Income shares £'000	Capital reserves		Total £'000
						Gains and losses on sales of investments and options £'000	Investment and option holding gains and losses £'000	
16. Reserves								
Opening balance	646	456	28,553	–	27,593	(36,384)	(20,864)	–
Net foreign currency losses	–	–	–	–	–	(7)	–	(7)
Repurchase of Income shares for cancellation	–	–	(9)	9	–	–	–	–
Gains on sales of investments based on the fair value at the previous balance sheet date	–	–	–	–	–	1,089	–	1,089
Net movement in investment holding gains and losses	–	–	–	–	–	–	9,496	9,496
Change in fair value of swap contract	–	–	–	–	–	–	408	408
Transfer on disposal of investments	–	–	–	–	–	(8,266)	8,266	–
Unrealised losses on options	–	–	–	–	–	–	(10)	(10)
Management fees and finance costs charged to capital	–	–	–	–	–	(1,216)	–	(1,216)
Other capital charges - handling fees	–	–	–	–	–	(7)	–	(7)
Transfer from shortfall reserve	–	–	–	–	(9,753)	–	–	(9,753)
Closing balance	646	456	28,544	9	17,840	(44,791)	(2,704)	–

¹The share premium was cancelled in February 2007 and the 'Other reserve' created for the purpose of financing share buy backs.

17. Net asset value per share

The Company's total net assets are below the predetermined capital entitlement of the Income shareholders of £64,747,000 (2009: £65,626,000) (103.4p per share). Therefore, the net asset value per Income share is based on the total net assets of the Company divided by the 62,617,803 (2009: 63,467,803) Income shares in issue at the year end.

The net asset value per Capital share is £nil (2009: £nil) because if the Company had been wound up at the balance sheet date, all the assets would have been payable to the Income shareholders as their predetermined capital entitlement ranks higher than the Capital shares.

Notes to the Accounts continued

	2010 £'000	2009 £'000
18. Reconciliation of total return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total return/(loss) on ordinary activities before finance costs and taxation	13,035	(25,952)
Add capital (return)/loss before finance costs and taxation	(10,327)	30,770
Scrip dividends received as income	(41)	(53)
Decrease in accrued income	56	16
(Increase)/decrease in other debtors	(34)	265
(Decrease)/increase in accrued expenses	(20)	9
VAT recovered included in capital	–	40
Tax on unfranked investment income	–	(2)
Effective interest rate adjustment	(37)	(9)
Expenses charged to capital	(234)	(381)
Net cash inflow from operating activities	2,398	4,703
Reconciliation of net cash flow to movement in net debt		
Decrease in cash for the year	(2,646)	(169)
Opening net debt	(12,402)	(12,240)
Foreign exchange movement	(7)	7
Closing net debt	(15,055)	(12,402)

	At 31st January 2009 £'000	Cash flow £'000	Exchange movement £'000	At 31st January 2010 £'000
19. Analysis of changes in net debt				
Cash and short term deposits	10,598	(2,646)	(7)	7,945
Bank loans falling due within one year	(23,000)	–	–	(23,000)
	(12,402)	(2,646)	(7)	(15,055)

20. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date.

21. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 17. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £334,000 (2009: £544,000), of which £nil (2009: £nil) was outstanding at the year end.

Safe custody fees and other charges amounting to £2,000 (2009: £5,000) were payable to JPMorgan Chase, of which £1,000 (2009: £4,000) was outstanding at the year end.

JPMAM may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable in the year was £21,000 (2009: £8,000) of which £nil was outstanding at the year end.

Handling charges on dealing transactions amounting to £7,000 (2009: £8,000) were payable to JPMorgan Chase during the year of which £1,000 (2009: £2,000) was outstanding at the year end.

The Company holds an investment in JPMorgan European Investment Trust plc which is managed by JPMAM. At 31st January 2010 this was valued at £1 million (2009: £0.7 million) and represented 1.5% (2009: 1.4%) of the Company's investment portfolio. During the year the Company made no purchases (2009: £nil) and no sales (2009: £nil) of this investment. Income amounting to £52,000 (2009: £70,000) was receivable from this investment during the year.

The Company holds an investment in the JPMorgan Global Corporate Bond Fund which is managed by JPMAM. At 31st January 2010 this was valued at £2.9 million (2009: £nil) and represented 4.5% of the Company's investment portfolio. During the year the Company made purchases of this investment amounting to £2.5 million (2009: £nil) and no sales (2009: £nil). Income amounting to £26,000 (2009: £nil) was receivable from this investment during the year.

At the year end, a bank balance of £7,856,000 (2009: £98,000) was held with JPMorgan Chase. A net amount of interest of £40,000 (2009: £37,000) was receivable by the Company during the year from JPMorgan Chase, of which £2,000 (2009: £1,000) was outstanding at the year end.

22. Disclosures regarding financial instruments measured at fair value

The disclosures required by the amendment to FRS 29: 'Improving Disclosures about Financial Instruments' are given below. The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio and derivative financial instruments comprising written options and an interest rate swap contract.

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

Level 1 - valued using quoted prices in active markets for identical assets.

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(c) on page 31.

The following table sets out the fair value measurements using the FRS 29 hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss at 31st January 2010				
Investments	64,380	-	-	64,380
Derivatives	-	(10)	-	(10)
Swap contract	-	-	(1,810)	(1,810)
Total	64,380	(10)	(1,810)	62,560

Notes to the Accounts continued

22. Disclosures regarding financial instruments measured at fair value continued

There have been no transfers between Levels 1 and 2 during the year. A reconciliation of the fair value measurements in Level 3 is set out below.

	Interest rate swap contract £'000
Level 3 financial instruments held at fair value through profit or loss	–
Opening balance	(2,393)
Change in the fair value of the swap contract during the year included in finance costs	583
Closing balance	(1,810)

There have been no transfers into or out of level 3 during the year.

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

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

These risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy. The Company has no significant exposure to foreign currencies.

The Company's financial instruments may comprise the following:

- investments in UK equities and other securities, which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from the Company's operations;
- a sterling denominated revolving loan facility, the purpose of which is to finance the Company's operations;
- derivative transactions comprising written options and a swap contract for the purpose of fixing the interest rate payable on amounts drawn down on the loan facility; and
- the amount attributable to Income shareholders, the purpose of which is to finance the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements – interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market price risk is given in parts (i) and (ii) to this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) **Interest rate risk**

Interest rate movements may affect the level of income receivable on cash deposits, the interest payable on variable rate cash borrowings and the fair values of fixed interest investments and the swap contract.

Management of interest rate risk

The Company finances part of its activities through borrowings on a loan facility 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 borrowing on the loan facility. The Company has entered an interest rate swap contract to fix the amount of interest payable on the floating rate loan facility and, as a result, there is no cash flow interest rate risk. However, the fair value of the swap contract will fluctuate when interest rates are re-set. Further details of the swap contract are given in this note below.

Interest rate exposure

At the year end, the Company held an investment in a corporate bond fund valued at £2.9 million. The underlying investments in this fund may carry fixed coupons and their value may fluctuate when interest rates are re-set. This in turn may impact the Company's capital return but the amounts are not significant. Other than this investment and the amount drawn down on the loan facility, on which the interest rate is fixed by a swap contract, the Company has no financial assets or liabilities carrying fixed rates of interest. The exposure to floating rates of interest, giving cash flow interest rate risk when rates are re-set, is shown below.

	2010 £'000	2009 £'000
Exposure to floating interest rates		
Cash and short term deposits	7,945	10,598
Total exposure	7,945	10,598

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

The above year end amounts are not representative of the exposure to interest rates during the year due to the fluctuation in the level of cash balances held. The maximum and minimum exposures during the year were as follows:

	2010 £'000	2009 £'000
Maximum cash at bank and short term deposits	13,869	12,904
Minimum cash at bank and short term deposits	7,673	5,035

The Company has a £40 million revolving loan facility with Lloyds TSB Bank plc which expires on 20th November 2011. Interest payable on this facility is at a margin over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. To date, the loan period for any amount drawn down on this facility has been one month. At the balance sheet date, the Company had drawn down £23 million (2009: £23 million) on this facility repayable on 8th February 2010 and which was duly extended. A swap contract is in place which fixes the interest payable on £23 million of the loan facility at 5.7875%, including the margin, for the whole term of the facility. Changes in the fair value of the swap contract are allocated 30% to revenue and 70% to capital. Changes in interest rates will affect this fair value and consequently affect profit after taxation and net assets.

Notes to the Accounts continued

23. Financial instruments continued

(i) Interest rate risk continued

Interest rate sensitivity

The following table illustrates the sensitivity of the total return after taxation for the year and equity to a 1% (2009: 1%) increase or decrease in interest rates. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis includes the impact on the Company's cash balances held at the balance sheet date and changes in the fair value of the swap contract, with all other variables held constant.

	2010		2009	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Income statement - return after taxation				
Revenue return	206	(214)	300	(308)
Capital return	295	(316)	454	(472)
Total return after taxation for the year	501	(530)	754	(780)
Net assets	–	–	–	–

The increase or decrease in the total return after taxation for the year will have no effect on net assets (attributable to Capital shareholders) as they are currently £17.0 million (2009: £26.6 million) below the predetermined capital entitlement of the Income shareholders.

The above year end amounts are not representative of the exposure to interest rates during the year due to the fluctuation in the level of cash balances and changes in the fair value of the swap contract as it nears its expiry date.

(ii) Other price risk

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

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 Manager has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that the portfolio of investments meets an acceptable risk reward profile.

Other price risk exposure

The Company's total exposure to other changes in market prices at 31st January 2010 comprises its holdings in equity investments and its exposure through written options as follows:

	2010 £'000	2009 £'000
Equity investments	61,508	50,766
Exposure through written options	1,145	–
Total exposure to other changes in market prices	62,653	50,766

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 10 and 11. This shows that substantially 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 may not necessarily be wholly exposed to the economic conditions in its country of domicile.

Other price risk sensitivity

The following table illustrates the sensitivity of the total return or loss after taxation for the year and net assets to an increase or decrease of 20% (2009: 20%) in market prices. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equity investments and written options, adjusting for changes in the management fee, but with all other variables held constant.

	2010		2009	
	20% increase in fair value £'000	20% decrease in fair value £'000	20% increase in fair value £'000	20% decrease in fair value £'000
Income statement - return after taxation				
Revenue return - attributable to Income shareholders	(30)	30	(27)	27
Capital return - attributable to Capital or Income shareholders	12,461	(12,461)	10,089	(10,089)
Total return after taxation	12,431	(12,431)	10,062	(10,062)
Net assets	–	–	–	–

The increase or decrease in the total return after taxation for the year will have no effect on net assets (attributable to Capital shareholders) as they are currently £17.0 million (2009: £26.6 million) below the predetermined capital entitlement of the Income shareholders.

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

Notes to the Accounts continued

23. Financial instruments continued

(b) Liquidity risk continued

	2010			2009		
	Three months or less £'000	More than one year £'000	Total £'000	Three months or less £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year						
Bank loan	23,000	–	23,000	23,000	–	23,000
Other creditors	162	–	162	122	–	122
Derivative instruments held at fair value through profit or loss – written options	10	–	10	–	–	–
Creditors: amounts falling due after more than one year						
Derivative instrument held at fair value through profit or loss	–	1,810	1,810	–	2,393	2,393
Final capital entitlement of the Income Shareholders	–	64,747	64,747	–	65,626	65,626
	23,172	66,557	89,729	23,122	68,019	91,141

(c) Credit risk

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

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum credit rating of A1/P1 from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

The Company's assets are clearly ring-fenced in client designated accounts. Therefore, in the event that JPMorgan Chase were to cease trading, these assets would be protected.

Credit risk exposure

Compared to the balance sheet the maximum exposure to credit risk at the year end was as follows:

	2010		2009	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets - investments held at fair value through profit or loss	64,380	–	52,671	–
Current assets				
Debtors - securities sold awaiting settlement, dividends and interest receivable, other debtors and tax recoverable	434	434	1,256	1,256
Cash and short term deposits	7,945	89	10,598	10,500
	72,759	523	64,525	11,756

Cash and short term deposits comprises balances held with JPMorgan Chase and other banks that have a minimum credit rating of A1/P1 from Standard & Poor's and Moody's respectively (2009: 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 balance sheet amount is a reasonable approximation of fair value.

24. 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 the income and capital return to the Income and Capital shareholders respectively through an appropriate balance of capital and debt.

The Company has the power under its Articles to borrow up to an amount equal to 60% of its net asset value at the time of the drawdown. The Board intends that the aggregate borrowings will be approximately 35% of net asset value calculated at the time of drawing.

	2010 £'000	2009 £'000
Composition of the Company's capital		
Debt:		
Bank loan	23,000	23,000
Total debt	23,000	23,000
Net assets attributable to the Income shareholders	47,777	39,010
Net assets attributable to the Capital shareholders	–	–
Total net assets	47,777	39,010
Total capital	70,777	62,010
Debt as a percentage of net asset value	48.1%	59.0%

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

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back shares for cancellation, which takes into account the share price discount or premium;
- the need for issues of new shares; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

Shareholder Analyses

at 31st January 2010

Capital	Number of Shares	% Holding
Unit Trusts	8,787,833	13.6
Investment Trusts ¹	7,939,701	12.3
Other institutions	3,116,072	4.8
Charities	297,450	0.5
Insurance	214,196	0.3
Pensions	157,632	0.2
Total Institutions	20,512,884	31.8
Private Client Brokers	18,775,987	29.1
Retail investors holding directly or through nominee accounts ²	7,859,312	27.7
Individuals in the J.P. Morgan ISA ³	5,717,885	8.9
Individuals in the J.P. Morgan Investment Account ²	1,637,037	2.5
Individuals in the J.P. Morgan SIPP ²	24,676	0.0
Total Retail Holdings	44,014,897	68.2
Total Shares in Issue	64,527,781	100.0

¹Includes 7,921,487 shares held by JPMorgan Elect plc.

²Includes shares below the threshold of 10,000.

³Savings product managed by J.P. Morgan.

Income	Number of Shares	% Holding
Unit Trusts	11,227,330	17.9
Investment Trusts ¹	7,113,311	11.4
Other institutions	1,747,438	2.8
Insurance	1,024,385	1.6
Pensions	266,060	0.4
Charities	89,561	0.1
Total Institutions	21,468,085	34.3
Private Client Brokers	23,831,966	38.1
Retail investors holding directly or through nominee accounts ²	11,630,518	18.6
Individuals in the J.P. Morgan Investment Account	3,943,623	6.3
Individuals in the J.P. Morgan ISA	1,693,727	2.7
Individuals in the J.P. Morgan SIPP	49,884	0.1
Total Retail Holdings	41,149,718	65.7
Total Shares in Issue	62,617,803	100.0

¹Includes 6,026,214 shares held by JPMorgan Elect plc.

²Includes shares below the threshold of 10,000.

³Savings product managed by J.P. Morgan.

Notice of Meeting

Notice is hereby given that the third Annual General Meeting of JPMorgan Income & Growth Investment Trust plc will be held at the Armourers' Hall, 81 Coleman Street, London EC2R 5BJ on 17th May 2010 at 12 noon for the following purposes:

1. To receive the Directors' Report & Accounts and the Auditors' Report for the year ended 31st January 2010.
2. To approve the Directors' Remuneration Report for the year ended 31st January 2010.
3. To re-elect Karl Sternberg a Director of the Company.
4. 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 for cancellation – Special Resolution

5. THAT the Company be generally and, subject as herein after appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued Capital and Income Shares.

PROVIDED ALWAYS THAT

- (i) the maximum number of Capital shares hereby authorised to be purchased shall be 9,672,714 or if less, that number of Capital shares which is equal to 14.99% of the Capital issued share capital as at the date of the passing of this Resolution;
- (ii) the maximum number of Income Shares hereby authorised to be purchased shall be 9,366,921 or if less, that the number of Income Shares which is equal to 14.99% of the Income issued Share Capital as at the date of passing of this Resolution;
- (iii) the minimum price which may be paid for any Capital or Income share is 0.01p in each case;
- (iv) the maximum price which may be paid for a Capital or Income share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a Capital or Income 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;

- (v) any purchase of Capital or Income shares will be made in the market for cash at prices below the prevailing net asset value per Capital or Income share (as determined by the Directors) at the date following not more than seven days before the date of purchase;
- (vi) the authority hereby conferred shall expire at the Company's Annual General Meeting to be held in 2011 unless the authority is renewed at a general meeting prior to such time; and
- (vii) 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 allot relevant securities – Ordinary Resolution

6. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot relevant securities in the Company and to grant rights to subscribe for, or to convert any security into shares in the Company ('Rights') up to an aggregate nominal amount of £32,263, representing approximately 5% of the Capital issued share capital and £31,243, representing approximately 5% of the Income issued share capital at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Company's Annual General Meeting in 2011, unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted or rights to be granted after such expiry and so that the Directors of the Company may allot relevant securities and grant rights in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

7. THAT subject to the passing of Resolution 6 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) pursuant to the authority conferred by Resolution 6 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited

Notice of Meeting continued

to the allotment of equity securities for cash up to an aggregate nominal amount of £32,263, representing approximately 5% of the Capital issued share capital and £31,243, representing approximately 5% of the Income issued share capital as at the date of the passing of this resolution at a price of not less than the Net Asset Value per Capital or Income share and shall expire on the expiry of the general authority conferred by resolution 6 above, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Adoption of new Articles of Association – Special Resolution

8. THAT

- (i) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- (ii) the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Company Secretary

9th April 2010

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. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 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. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the meeting or adjourned meeting.
6. Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representatives(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative(s) may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditor of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmincomeandgrowth.co.uk
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As at 8th April 2010 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 64,527,781 Capital shares and 62,487,803 Income shares, carrying one vote each. Therefore the total voting rights in the Company are 127,015,584.

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 FOR RESOLUTION 8

The Companies Act 2006 (the '2006 Act'), which is replacing the Companies Act 1985 (the '1985 Act') has been implemented in stages but is fully in force from 1st October 2009. In addition, the Shareholders' Rights Regulations which amend certain provisions of the 2006 Act relating to meetings of the Company came into force in August 2009. Under Resolution 8, the Company is adopting new Articles of Association ('the Articles') which will reflect the changes in company law brought about by the Shareholders' Rights Regulations and by the provisions of the 2006 Act which came into effect on or before 1st October 2009. The Articles also include some other modernising and clarificatory amendments, including, where appropriate, tracking the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the 'model form articles'), which are replacing the Table A articles under the 1985 Act on which many of the Company's current articles are based. Set out below is a summary of the principal changes.

1. The Company's objects

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. Under section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum are treated as part of the articles with effect from 1st October 2009 but the Company can remove these provisions by special resolution. Unless the articles provide otherwise, the Company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1st October 2009. Resolution 8 confirms the removal of these provisions and adopts the new Articles.

2. Limited liability (Article 3)

Under the 2006 Act, the memorandum of association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the

articles on 1st October 2009. As noted in paragraph 1 above, Resolution 8 confirms the removal, from the Company's articles of association, of the provisions of the Company's memorandum of association which are treated as forming part of the Company's articles of association by virtue of section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the new Articles.

3. Authorised share capital and unissued shares

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the memorandum of association no longer contains a statement of the Company's authorised share capital. For existing companies, this statement is deemed to be a provision of the Company's articles of association setting out the maximum amount of shares that may be allotted by the Company. The adoption of the new Articles by the Company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares.

References to authorised share capital and to unissued shares have therefore been removed from the new Articles.

4. Redeemable shares (Article 5)

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The new Articles contain such authorisation.

5. Share certificates (Article 13)

The new Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles.

6. Transfer of shares (Articles 32 and 33)

The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the new Articles as there is no ability under the 2006 Act to close the register.

7. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 43)

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share

capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions; but shareholder authority is still required. Amendments have been made to the new Articles to reflect these changes.

8. Participation in meetings at different places and by electronic means (Article 54)

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The new Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is being held. The amendments allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.

9. Adjournments (Article 56)

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least ten days' notice must be given to reconvene the meeting. The new Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement.

10. Removal of chairman's casting vote

Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the new Articles.

11. Voting rights (Article 65)

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands unless he has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by more than one member to vote for the resolution and by more than one member to vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The new Articles contain provisions which clarify these rights and also clarify

how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

12. Voting record date (Article 66)

The new Articles include a new provision which was not previously in the Company's articles of association, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

13. Validity of votes (Article 70)

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The new Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

14. Termination of proxy authority (Article 76)

Article 76 provides that the termination of a proxy's authority should be in writing as this is required by the Shareholders' Rights Regulations.

15. Corporate representatives (Article 78)

The new Articles provide that the Company can require a corporate representative to produce a certified copy of the resolution appointing him before permitting him to exercise his powers.

16. Retirement of directors by rotation (Articles 84 and 85)

The new Articles have been redrafted in order to make this provision clearer and to ensure (as far as possible) a regular number of retiring directors each year, with the number to retire being the number nearest to one-third of the board, excluding those directors who are retiring and seeking re-election for other reasons. Article 84 continues to comply with Combined Code provision A.7.1 which recommends that all directors should be subject to re-election at intervals of no

Appendix continued

more than three years. Article 85 requires any non-executive director (other than the chairman) who has held office for nine years or more to put himself up for re-election at each annual general meeting. This is in line with Combined Code provision A.7.2.

17. Alternate directors (Articles 91, 93 and 95)

Article 91 now clarifies that an alternative director is entitled to be paid expenses (but not directors' fees). Article 93 is a new provision which effectively applies the provisions of Article 89, regarding removal of directors, to alternate directors. Article 95(c) makes it clear that an alternate is subject to the same restrictions as the director who appointed him.

18. Borrowing powers (Article 94)

A number of presentational and descriptive amendments have been made to the borrowing powers provision. Additional wording has been included in Article 97(3)(e) to clarify how any preference shares that might be issued should be treated for the purposes of the borrowing powers. Under IFRS and UK GAAP preference shares are now treated as a debt on a company's balance sheet, rather than equity. The additional wording included in Article 97(3)(e) reflects this accounting treatment. The effect of this wording is to exclude the amount of any preference share capital from the calculation of the Company's share capital and reserves and to include such amount in the calculation of the Company's borrowings.

19. Delegation to persons or committees (Article 98)

Article 98 follows the new, simplified approach to delegation adopted in the model form articles, allowing the directors to delegate as they decide appropriate.

20. Directors' appointments, interests and conflicts of interest (Article 103)

Article 103, which is the provision for dealing with conflicts in our current articles, 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 provided that he has disclosed his interest in accordance with the articles and the provisions of the Acts, has been amended so that it 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 falls within the situations covered by Article 103.

21. Procedures regarding board meetings & resolution in writing (Articles 105 & 108)

The provisions of Article 105 have been amended to make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of directors, Article 108 has been amended so that, rather than referring to a resolution in writing by all directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the directors entitled to receive notice of the meeting and who would have been entitled to vote (and whose vote would have been counted) on a resolution at a meeting.

22. Quorum (Article 109)

The proposed amendment to Article 109, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

23. Permitted interests and voting (Article 110)

Article 110 has been amended to allow a director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include.

24. Notice when post not available (Article 129)

Article 129 is the article covering service of notice in the event of a postal strike. It has been amended to allow the Company in such circumstances to serve notices only on those members who receive notices via electronic means, provided that the Company also puts an advert in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again within seven days of the meeting.

25. The seal (Articles 138 and 139)

Article 138 provides an alternative option (in the absence of specific instructions from the directors) for documents (other than share certificates) to which the seal is affixed to be signed by one authorised person in the presence of a witness, in addition to either two directors or a director the secretary.

26. Change of name (Article 141)

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company is able to change its name by other means provided for by its articles. To take advantage of this provision, the new Articles enable the directors to pass a resolution to change the Company's name.

Glossary of Terms

Capital Share Price Total Return

Return to the investor based on the change in the Capital share mid-market price.

Income Share Price Total Return

Return to the investor based on the change in the Income share mid-market price and assuming all dividends quoted ex-dividend during the year were reinvested, without transaction costs, into Income shares at the time the shares were quoted ex-dividend.

Unit Share Price Total Return

Return to the investor based on the change in the Unit mid-market price and assuming all dividends quoted ex-dividend in respect of a Unit during the year were reinvested, without transaction costs, into Units at the time the Units were quoted ex-dividend.

Capital Net Asset Value ('NAV') Total Return

Return to the investor based on the change in the NAV per Capital share.

Income Share NAV Total Return

Return to the investor based on the change in the NAV per Income share and assuming all dividends quoted ex-dividend during the year were reinvested, without transaction costs, into Income shares at the NAV per Income share at the time the shares were quoted ex-dividend.

Unit NAV Total Return

Return to the investor based on the change in the Unit NAV and assuming all dividends quoted ex-dividend in respect of a Unit during the year were reinvested, without transaction costs, into Units at the NAV per Unit at the time the Units were quoted ex-dividend.

Benchmark Total Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested, without transaction costs, 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 benchmark.

Actual Gearing Factor

Investments expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value if the market value of the portfolio were to increase by 100%.

Total Expense Ratio

Management fees and all other operating expenses, excluding finance costs, expressed as a percentage of the average of the opening and closing net assets.

Share Price Discount/Premium to Net Asset Value

If the share price of an investment company is lower than the NAV per share, the shares are 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's shares to trade at a discount than at a premium.

Performance Attribution

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

Performance Attribution Definitions:

Stock Selection

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 excluded from the benchmark.

Gearing/Cash Effect

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

Effect of Swap

The change in the fair value of the swap contract during the year changes the value of total assets and thereby impacts the Company's performance.

Effect of Share Repurchases

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

Management Fees/Other Expenses

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

Notes

Notes

Information about the Company

Financial Calendar

Financial year end	31st January
Final results announced	April
Half year end	31st July
Half year results announced	September
Interim Management statements announced	May/December
Dividends on ordinary shares paid	Payable quarterly in March, June, September and December
Annual General Meeting	May

History

The Company was incorporated on 20th October 2006 and began investing on 20th December 2006.

Company Numbers

Company registration number: 5973571
London Stock Exchange codes:
Capital B1G3N00, Income B1G3N11, Units BIG3N22.
ISIN numbers: Capital GBOOB1G3N007, Income GBOOB1G3N114,
Units GBOOB1G3N221.
Bloomberg Codes:
Capital JIGC LN, Income JIGI LN, Units JIGU LN.
Reuters Codes:
Capital GJICX.L, Income JGICix.L, Units JGIC.U.L.

Market Information

The net asset value ('NAV') of each share class is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan website at www.jpmincomeandgrowth.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmincomeandgrowth.co.uk.

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at www.jpmorganwealthmanagerplus.co.uk

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone: 020 7742 6000

For company secretarial and administrative matters, please contact Divya Amin.

Registrars

Equiniti
Reference 3081
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2342

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrars quoting reference 3081. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Auditors

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

Brokers

JPMorgan Cazenove
20 Moorgate
London EC2R 6DA
Telephone: 020 7155 8000

Savings Product Administrators

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



The Association of
Investment Companies

A member of the AIC

JPMorgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www.jpmincomeandgrowth.co.uk