



Half Year Report **2010**  
JPMorgan Income & Growth  
Investment Trust plc

Half Year Report & Accounts for the six months ended 31st July 2010

# Features

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### 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. UK equities will typically represent a minimum of 60% of the portfolio. 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 15.

### Life of the Company

The Company has a fixed life up to or before 30th November 2016.

### Management Company

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

# Half Year Performance

Total Returns (includes dividends reinvested)

**+2.5%**

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

**0.0%**

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

**+2.5%**

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

**+4.1%**

Benchmark return<sup>2</sup>

**+11.2%**

Capital share price total return<sup>3</sup>

**-0.6%**

Income share price total return<sup>3</sup>

## Financial Data

for the six months ended 31st July 2010

	31st July 2010	31st January 2010	% change
Gross assets (including gearing)	70,386	70,777	-0.6
<b>Assets at 31st July 2010</b>			
<b>Income Shares</b>			
Net assets attributable (£'000')	47,386	47,777	-0.8
Net asset value per share (p)	76.2	76.3	-0.1
Share price (p)	65.5	68.0	-3.7
Share price discount to net asset value %	14.0	10.9	

Two dividends of 1.0p per Income share were paid in the six months ended 31st July 2010.

### 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)	8.9	8.0	+11.2
Share price discount to net asset value %	—	—	

A glossary of terms and definitions is provided on page 16.

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

<sup>2</sup>Source: FTSE. The Company's benchmark is the FTSE 350 Total Return Index.

<sup>3</sup>Source: Morningstar. Share price change plus dividends received.

# Chairman's Statement



## Introduction

This is my first report to you as Chairman following the retirement of Alan Cole after the Annual General Meeting this year. We also announced the appointment of Ian Scott-Gall as a non-executive Director in May 2010. I welcome him to the Board.

## Performance

The total return of your Company over the first six months of the company's year was +2.5%. This compares to the benchmark return on the FTSE350 of +4.1%. This underperformance comes after a strongly positive period. It reflects the more hesitant market experienced so far this year.

The Board has been concerned for some time about the concentration of the UK index, and its heavy reliance on a small number of stocks to generate income. Even before BP's problems we had spent some time with JP Morgan considering ways in which to mitigate this problem, yet still generate a dividend of at least 4p per share each year, with the prospect of both income and capital growth. The Company's listing particulars already allow for considerable scope to diversify away from the UK stock market: up to 40% of the portfolio may be invested outside UK equities.

In order to take advantage of this flexibility, the Board appointed Neil Nuttall, Head of Global Multi Asset Group to lead the Company's team at JPMorgan. He will take responsibility for recommending gearing decisions to the Board. He explains the current positioning of the Company in the Investment Managers' Report. UK Equities remain the dominant portion of the portfolio. To these Neil has added a Strategic Bond Fund, direct convertible bonds, and the Multi-Asset Income Fund. The objective of these moves is to reduce the volatility of the Company's investments by reducing exposure to equity markets and diversifying across asset classes and regions. We are maintaining the Company's potential for capital growth during periods of positive market movements.

The investment managers provide a detailed commentary on markets and the portfolio in their Report.

## Revenue and Dividends

Revenue after tax and before dividends for the period was £1,352,000 and earnings per Income Share were 2.2p.

The Board declared two interim dividends of 1.0p each, paid to Income shareholders and Unit holders on 18th June and 24th September. Unless the economy experiences another recession as a result of fiscal tightening (which is not what we currently expect) then the Board would expect to maintain the dividend at last year's level; and we aim to increase the dividend from this level in future years.

**Gearing**

The borrowings have been maintained at £23 million. At the start of the period, these were offset by £7.9 million of cash or near cash. At the end of the period, the cash offset was £3.4 million. The Board is keen to ensure that the Company's borrowings are maintained when the existing five-year loan matures in November 2011. We intend to put in place new facilities in advance of the expiry date. Our initial enquiries suggest that the banking market is now sufficiently robust to allow this to be achieved.

**Outlook**

There are considerable headwinds for markets to overcome before making significant gains. But the valuation of equities versus government bonds is very attractive. We also know that the monetary authorities will use every tool available to them to maintain economic expansion. This is likely to keep liquidity flowing towards equity markets.

We welcome any shareholder questions in between annual general meetings. If any of you would like to communicate with the Board please do contact us at our registered address.

**Karl Sternberg**  
Chairman

22nd September 2010

# Investment Managers' Report



Neil Nuttall



Sarah Emly



John Baker

## Asset Allocation

In the Chairman's statement, shareholders will have noted that the overall management of the portfolio has been transferred to the Global Multi Asset Group ('GMAG'). The decision to move the management to GMAG reflects the desire to benefit from a more active approach to asset allocation and to increase the diversification in the portfolio with the aim of reducing overall levels of volatility whilst still retaining the income and growth objectives of the Company.

Our long-term expectation is that ongoing deleveraging in the developed world is likely to result in lower-than-average growth over the next few years. Although the growth in emerging economies is anticipated to be strong, it is unlikely that this will compensate for the decline in growth in the developed world. As a result, we anticipate that the rates of return in capital are likely to be lower in all developed markets in the period up until 2016 and have therefore reduced exposure to equity markets in order to increase diversification in the Company's investments. New investments have been made in both direct convertible bonds as well as the JPMorgan Strategic Bond Fund which is a fund investing across a wide range of credit assets. We have also invested in the JPMorgan Multi Asset Income Fund which aims to produce revenue and capital growth from income stocks worldwide. The UK equity market continues to represent the majority of our equity exposure.

## Market Review

Over the six month review period, UK equity investors experienced renewed volatility but ultimately ended with positive returns. Markets were buffeted by sovereign debt concerns and worries over the economic outlook. However, strong corporate profits growth and attractive valuations helped support equity markets. The Company's benchmark, the FTSE 350 index returned +4.1%.

The UK stock market began the review period in relatively good shape, with the UK economy moving out of recession in the fourth quarter of 2009 and corporate earnings growth accelerating. However, relief was temporary, as a growing fiscal crisis in Greece sparked sovereign default fears that quickly spread to other highly indebted eurozone countries including Portugal, Spain, Italy and Ireland. The UK, which is also running an unsustainably high budget deficit, managed to avoid the Eurozone's woes, helped by its ability to devalue sterling and the plans of the new coalition government to reduce significantly the deficit.

## Performance Review

The overall net asset value of the Company rose by 2.5% during the first half of this year.

### Performance attribution for the six months to 31st July 2010

	6 months	
	%	%
<b>Contributions to total returns</b>		
<b>Benchmark total return</b>		<b>+4.1</b>
Stock selection		
Direct equities	-1.5	
Fixed interest funds/bonds	+0.8	
GMAG funds/holdings	-0.1	
Gearing/cash effect	-0.5	
<b>Investment Manager contribution</b>		<b>-1.3</b>
<b>Portfolio total return</b>		<b>+2.8</b>
Effect of swap	+0.3	
Management fees/ other expenses	-0.7	
Effect of share repurchases	+0.1	
<b>Other effects</b>		<b>-0.3</b>
<b>Unit net asset value return</b>		<b>+2.5</b>
<b>Unit share price total return</b>		<b>-0.3</b>

Source: Xamin/JPAM, Morningstar and S&P.  
All figures are on a total return basis.

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

All figures are on a total return basis.

A glossary of terms and definitions is provided on page 16.

In the UK equity portfolio the most significant event of the six month period was BP's crisis in the Gulf of Mexico. The trust had a significant holding in BP at the time of the explosion due to its attractive valuation, dividend yield and growth characteristics. We reduced the position at the end of April and further reduced in May and June as incremental information became available on the potential size and cost of the leak, alongside BP management's decision to cancel its dividend for the remainder of 2010. Our active management reduced the negative impact to 0.4% relative to the benchmark.

Our positions in some of the industrial stocks such as Weir Group, IMI and Senior Group, have all contributed positively to performance. Our holding in the major pharmaceutical stock, AstraZeneca, was also a strong performer; as was Vodafone in the telecommunications sector. We did not hold either of the two non-dividend paying UK banks, (Lloyds Banking Group and Royal Bank of Scotland) which began to perform strongly during the period. We continue to monitor these stocks.

The Company's exposure to fixed interest investments in the corporate bond and strategic funds was beneficial and added to positive performance.

#### Market Outlook

Fiscal policy is being tightened across much of the developed world and especially in the UK. Here the Bank of England is likely to keep interest rates at record lows and resort to more monetary policy support if necessary. We could see a resumption of quantitative easing and perhaps a further bout of sterling weakness if economic conditions weaken. We recognise the risk to growth but believe the prospect of monetary support will provide positive returns. As a result of this we expect to continue to maintain exposure to the UK equity market at around 60% of overall assets.

**Neil Nuttall**  
**Sarah Emly**  
**John Baker**  
Investment Managers

22nd September 2010

# Ten Largest Investments

at 31st July 2010

Company	Sector	At 31st July 2010 Valuation		At 31st January 2010 Valuation	
		£'000	% <sup>1</sup>	£'000	%
JPM Multi-Asset Income Fund <sup>2</sup>	Muitl Asset	10,410	15.3	–	–
JPM Strategic Bond Fund <sup>2</sup>	Fixed Interest	6,036	8.9	–	–
Royal Dutch Shell	Oil & Gas	3,321	4.9	5,588	8.7
JPMorgan Global Corporate Bond Fund	Fixed Interest	3,013	4.4	2,872	4.5
HSBC	Financials	2,526	3.7	5,110	7.9
Vodafone	Telecommunications	2,406	3.5	3,467	5.4
GlaxoSmithKline	Healthcare	2,381	3.5	3,585	5.6
BP	Oil & Gas	2,079	3.0	6,180	9.6
AstraZeneca	Healthcare	1,820	2.7	2,605	4.0
BHP Billiton	Basic Materials	1,351	2.0	2,184	3.4
<b>Total</b>		<b>35,343</b>	<b>51.9</b>		

<sup>1</sup> Based on total investments of £68.0m.

<sup>2</sup> Not held in the portfolio at 31st January 2010.

At 31st January 2010, the value of the ten largest investments amounted to £35.1m, representing 54.6% of total investments.

# Portfolio Analysis

Asset Breakdown	At 31st July 2010		At 31st January 2009	
		%		%
UK Equities	63.9		95.5	
Multi-Asset Income Fund	15.3		–	
Convertible Bonds	7.5		–	
Fixed Interest Bond Funds	13.3		4.5	
<b>Total</b>	<b>100.0</b>		<b>100.0</b>	

# UK Equity Analysis

Sector Breakdown	At 31st July 2010		At 31st January 2010	
	Portfolio <sup>1</sup> %	FTSE 350 Index <sup>2</sup> %	Portfolio <sup>3</sup> %	FTSE 350 Index <sup>2</sup> %
Financials	26.8	23.4	24.5	22.0
Oil & Gas	12.4	16.3	20.0	18.6
Industrials	11.9	7.1	5.8	6.7
Health Care	9.7	7.7	10.0	7.9
Consumer Goods	9.5	11.7	9.9	12.5
Consumer Services	9.4	10.0	8.9	9.9
Basic Materials	8.9	12.0	10.6	11.5
Telecommunications	7.0	6.2	6.9	5.9
Utilities	4.4	3.9	3.4	3.6
Technology	–	1.7	–	1.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>Based on total investments of £68.0m.

<sup>2</sup>Source: FTSE.

<sup>3</sup>Based on total investments of £64.4m.

# Income Statement

for the six months ended 31st July 2010

	(Unaudited) Six months ended 31st July 2010			(Unaudited) Six months ended 31st July 2009			(Audited) Year ended 31st January 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>	–	202	202	–	3,574	3,574	–	10,568	10,568
Net foreign currency losses	–	(15)	(15)	–	(1)	(1)	–	(7)	(7)
Income from investments	1,578	–	1,578	1,661	–	1,661	2,990	–	2,990
Other income	104	–	104	54	–	54	87	–	87
<b>Gross return</b>	<b>1,682</b>	<b>187</b>	<b>1,869</b>	1,715	3,573	5,288	3,077	10,561	13,638
Management fee	(50)	(117)	(167)	(46)	(107)	(153)	(100)	(234)	(334)
Other administrative expenses	(157)	–	(157)	(132)	–	(132)	(269)	–	(269)
<b>Net return on ordinary activities before finance costs and taxation</b>	<b>1,475</b>	<b>70</b>	<b>1,545</b>	1,537	3,466	5,003	2,708	10,327	13,035
Finance costs	(122)	(284)	(406)	(20)	(46)	(66)	(246)	(574)	(820)
Dividends on Income shares (note 3)	(1,251)	–	(1,251)	(1,619)	–	(1,619)	(2,879)	–	(2,879)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>102</b>	<b>(214)</b>	<b>(112)</b>	(102)	3,420	3,318	(417)	9,753	9,336
Taxation	(1)	–	(1)	(15)	15	–	–	–	–
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>101</b>	<b>(214)</b>	<b>(113)</b>	(117)	3,435	3,318	(417)	9,753	9,336
<b>Return/(loss) per Income share</b> (note 4)	<b>2.2p</b>	<b>(0.4)p</b>	<b>1.8p</b>	2.4p	5.4p	7.8p	3.9p	15.4p	19.3p

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

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

# Reconciliation of Movements in Shareholders' Funds

For the six months end 31st July 2010 (unaudited)	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
<b>At 31st January 2010</b>	646	456	28,544	9	17,840	(47,495)	–
Prior year adjustment	–	–	9	(9)	–	–	–
Transfer to shortfall reserve	–	–	–	–	214	–	<b>214</b>
Net capital loss on ordinary activities	–	–	–	–	–	(214)	<b>(214)</b>
<b>At 31st July 2010</b>	646	456	28,553	–	18,054	(47,709)	–

Six months ended 31st July 2009 (unaudited)	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
<b>At 31st January 2009</b>	646	456	28,553	–	27,593	(57,248)	–
Transfer from shortfall reserve	–	–	–	–	(3,435)	–	<b>(3,435)</b>
Net capital return on ordinary activities	–	–	–	–	–	3,435	<b>3,435</b>
<b>At 31st July 2009</b>	646	456	28,553	–	24,158	(53,813)	–

Year ended 31st January 2010 (audited)	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
<b>At 31st January 2009</b>	646	456	28,553	–	27,593	(57,248)	–
Repurchase of Income shares for cancellation	–	–	(9)	9	–	–	–
Transfer from shortfall reserve	–	–	–	–	(9,753)	–	<b>(9,753)</b>
Net capital return on ordinary activities	–	–	–	–	–	9,753	<b>9,753</b>
<b>At 31st January 2010</b>	646	456	28,544	9	17,840	(47,495)	–

# Balance Sheet

at 31st July 2010

	(Unaudited) 31st July 2010 £'000	(Unaudited) 31st July 2009 Restated - see note 2 £'000	(Audited) 31st January 2010 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	68,031	57,768	64,380
<b>Current assets</b>			
Debtors	1,466	691	434
Cash and short term deposits	3,426	9,347	7,945
	4,892	10,038	8,379
<b>Creditors: amounts falling due within one year</b>	(23,990)	(23,644)	(23,162)
Derivative instruments held at fair value through profit or loss - written options	(7)	(25)	(10)
<b>Net current liabilities</b>	(19,105)	(13,631)	(14,793)
<b>Total assets less current liabilities</b>	48,926	44,137	49,587
<b>Creditors: amounts falling due after more than one year</b>			
Derivative instrument held at fair value through profit or loss	(1,540)	(1,809)	(1,810)
Net assets attributable to the Income shareholders	(47,386)	(42,328)	(47,777)
<b>Net assets</b>	Nil	Nil	Nil
<b>Capital and reserves</b>			
Called up share capital	646	646	646
Share premium	456	456	456
Other reserve	28,553	28,553	28,544
Capital redemption reserve	-	-	9
Shortfall in assets available to meet the final capital entitlement of the Income shares	18,054	24,158	17,840
Capital reserves	(47,709)	(53,813)	(47,495)
<b>Equity shareholders' funds</b>	Nil	Nil	Nil
<b>Net asset value per share</b> (note 5)			
Income share	76.2p	66.7p	76.3p
Capital share	-	-	-

# Cash Flow Statement

for the six months ended 31st July 2010

	(Unaudited) Six months ended 31st July 2010 £'000	(Unaudited) Six months ended 31st July 2009 £'000	(Audited) Year ended 31st January 2010 £'000
<b>Net cash inflow from operating activities</b> (note 6)	1,163	1,240	2,398
Net cash outflow from returns on investments and servicing of finance	(1,924)	(2,288)	(4,239)
Net cash outflow from capital expenditure and financial investment	(3,466)	(202)	(236)
<b>Net cash outflow before financing</b>	(4,227)	(1,250)	(2,077)
<b>Financing</b>			
Repurchase of Income shares for cancellation	(277)	–	(569)
<b>Net cash outflow from financing</b>	(277)	–	(569)
<b>Decrease in cash for the period</b>	(4,504)	(1,250)	(2,646)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net cash movement	(4,504)	(1,250)	(2,646)
Exchange movements	(15)	(1)	(7)
Movement in net debt in the period	(4,519)	(1,251)	(2,653)
Net debt at the beginning of the period	(15,055)	(12,402)	(12,402)
<b>Net debt at the end of the period</b>	(19,574)	(13,653)	(15,055)
<b>Represented by:</b>			
Cash and short term deposits	3,426	9,347	7,945
Debt falling due within one year	(23,000)	(23,000)	(23,000)
<b>Net debt at the end of the period</b>	(19,574)	(13,653)	(15,055)

# Notes to the Accounts

for the six months ended 31st July 2010

## 1. Financial statements

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

The figures and financial information for the year ended 31st January 2010 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009.

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

The accounting policies applied to these half year accounts are consistent with those applied in the accounts for the year ended 31st January 2010.

As previously reported, the Company changed its accounting policy in accordance with an amendment to FRS25: 'Financial instruments: presentation in the accounts for the year ended 31st January 2010, to account for the Capital shares as equity. In prior years, both classes of the Company's shares had 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 required presentational changes to the Balance Sheet and the inclusion of a Reconciliation of Movements in Shareholders' Funds. The Comparative balance sheet for the six months ended 31st July 2009 presented in these accounts has been restated in accordance with the above change and a Reconciliation of Movements in Shareholders' Funds has been included in respect of the Capital shares for that period.

## 3. Dividends on Income shares

	(Unaudited) Six months ended 31st July 2010 £'000	(Unaudited) Six months ended 31st July 2009 £'000	(Audited) Year ended 31st January 2010 £'000
Fourth quarterly dividend of 1.00p (2009: 1.55p) paid in March	626	984	984
First quarterly dividend of 1.00p (2009: 1.00p) paid in June	625	635	635
Second quarterly dividend of 1.00p paid in September	n/a	n/a	634
Third quarterly dividend of 1.00p paid in December	n/a	n/a	626
Total dividends paid in the period	<b>1,251</b>	1,619	2,879

A second quarterly dividend of 1.00p (2009: 1.00p) per Income share, amounting to £622,000 (2009: £634,000) has been declared payable in respect of the six months ended 31st July 2010.

#### 4. Return/(loss) per Income share

	(Unaudited) Six months ended 31st July 2010 £'000	(Unaudited) Six months ended 31st July 2009 £'000	(Audited) Year ended 31st January 2010 £'000
Return/(loss) per Income share is based on the following:			
Net revenue return/(loss) on ordinary activities after taxation	101	(117)	(417)
Add back dividends on Income shares	1,251	1,619	2,879
Revenue return attributable to Income shareholders	1,352	1,502	2,462
Capital (loss)/return attributable to Income shareholders	(214)	3,435	9,753
Total return attributable to Income shareholders	1,138	4,937	12,215
Weighted average Income shares in issue	62,455,880	63,467,803	63,248,572
Revenue return per Income share	2.2p	2.4p	3.9p
Capital (loss)/return per Income share	(0.4)p	5.4p	15.4p
Total return per Income share	1.8p	7.8p	19.3p

#### 5. Net asset value per share

The Company's assets are currently below the level required to repay the final capital entitlement of the Income shareholders of £64,313,000 (103.4p per share). Therefore the net asset value per Income share is based on the total assets available, divided by the 62,197,803 (31st July 2009: 63,467,803 and 31st January 2010: 62,617,803) Income shares in issue at the period end.

The net asset value per Capital share is zero (31st July 2009 and 31st January 2010: zero), as currently there are insufficient assets available to repay the final capital entitlement of the Income shares.

#### 6. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) Six months ended 31st July 2010 £'000	(Unaudited) Six months ended 31st July 2009 £'000	(Audited) Year ended 31st January 2010 £'000
Total return on ordinary activities before finance costs and taxation	1,545	5,003	13,035
Less capital return before finance costs and taxation	(70)	(3,466)	(10,327)
Scrip dividends received as income	(7)	–	(41)
(Increase)/decrease in net debtors and accrued income	(184)	(166)	2
Effective interest rate adjustment	(2)	(24)	(37)
Expenses charged to capital	(117)	(107)	(234)
Tax on unfranked investment income	(2)	–	–
Net cash inflow from operating activities	1,163	1,240	2,398

# Interim Management Report

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

## **Principal Risks and Uncertainties**

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; market; accounting, legal and regulatory; corporate governance and shareholder relations; operational; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st January 2010.

## **Related Parties' Transactions**

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

## **Directors' Responsibilities**

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

- (i) the condensed set of financial statements contained within the half year financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and gives a true and fair view of the assets, liabilities, financial position and net return of the Company as required by the UK Listing Authority Disclosure and Transparency Rules ('DTR') 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

For and on behalf of the Board

**Karl Sternberg**  
Chairman

22nd September 2010

# Capital Structure

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

# Glossary of Terms and Definitions

## **Unit net asset value ('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 period were reinvested, without transaction costs, into Units at the NAV per Unit at the time the Units were quoted ex-dividend. Note that a Unit comprises one Income share and one Capital share.

## **Benchmark 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 share 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.

## **Capital share net asset value total return**

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

## **Capital share price total return**

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

## **Income share net asset value 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, in the Income shares at the NAV per Income share at the time the shares were quoted ex-dividend.

## **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, in the Income shares at the time the shares were quoted ex-dividend.

## **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 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 to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in 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 period changes the value of total assets and thereby impacts the Company's performance.

#### **Management fees/other expenses**

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

#### **Effect of share repurchases**

Measures the effect on relative performance of repurchasing the Company's own shares at a discount to NAV, for cancellation.

# Information about the Company

## Financial Calendar

Financial year end	31st January
Final results announced	March
Half year end	31st July
Half year results announced	September
Interim Management Statements announced	May/November
Dividend on Income shares paid	Payable quarterly in March, June, September and December
Annual General Meeting	May

## History

The Company was launched on 20th December 2006.

## Directors

Karl Sternberg (Chairman)  
Nicholas Craig Harvey  
Ian Scott-Gall  
Jane E Tozer  
David Watts

## Company Numbers

Company registration number: 5973571  
London Stock Exchange Sedol numbers:  
Capital B1G3N00, Income B1G3N11, Units B1G3N22.  
ISIN numbers:  
Capital GBO0B1G3N007, Income GBO0B1G3N114,  
Units GBO0B1G3N221.  
Bloomberg codes:  
Capital JIGC LN, Income JIGI LN, Units JIGU LN.  
Reuters Codes:  
Capital JGICx.L, Income JGICix.L, Units JGIC\_u.L.

## Market Information

The Company's net asset value ('NAV') is published daily, via the London Stock Exchange. The market price is shown daily in the Financial Times, the Times, the Daily Telegraph, The Scotsman, the Independent and on the J.P. Morgan internet site at [www.jpmincomeandgrowth.co.uk](http://www.jpmincomeandgrowth.co.uk) where the share price is updated every fifteen minutes during trading hours.

## Website

[www.jpmincomeandgrowth.co.uk](http://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](http://www.jpmorganwealthmanagerplus.co.uk)

## Manager and 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 Registrar quoting reference 3081.

Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

## Independent Auditors

Ernst & Young LLP  
Chartered Accountants and Statutory Auditors  
1 More London Place  
London SE1 2AF

## Brokers

Winterflood Securities  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA

## 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.

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

Your telephone call may be recorded for your security

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