

Annual Report **09**

JPMorgan Income & Capital Trust plc

Annual Report & Accounts for the period ended 28th February 2009

Features

Contents

About the Company

- 1 Financial Results
- 2 Chairman's Statement

Investment Review

- 5 Investment Managers' Report
- 8 Summary of Results
- 9 Ten Largest Equity Investments
- 10 Portfolio Analyses
- 11 List of Investments
- 13 Capital Structure of the Company

Directors' Report

- 14 Board of Directors
- 15 Directors' Report
- 20 Corporate Governance

Accounts

- 24 Directors' Remuneration Report
- 25 Directors' Responsibilities in Respect of the Accounts
- 26 Independent Auditors' Report
- 27 Income Statement
- 28 Balance Sheet
- 29 Cash Flow Statement
- 30 Notes to the Accounts

Shareholder Information

- 43 Information about the Company
- 44 Shareholder Analysis
- 45 Notice of Meeting
- 47 Glossary of Terms

Objective

To meet the final capital entitlement of the zero dividend preference shares and to provide ordinary shareholders with a regular quarterly income and capital growth.

Policies

- The Company seeks to achieve its objective by investing principally in UK equities and investment grade fixed interest securities.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).
- To use gearing when appropriate to increase potential returns to shareholders.

Benchmark

A composite benchmark comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Merrill Lynch 5-10 year UK Sterling Corporate Index for bonds.

Capital Structure

For details of the capital structure of the Company please refer to page 13.

Life of the Company

The Company has a fixed life of ten years, which expires at the end of February 2018.

Management Company

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

Financial Results

For the period from 3rd March 2008 to 28th February 2009¹

-30.7%

Portfolio return²

-36.3%

Unit net asset value total return²

+6.7%

Zero Dividend Preference share net asset value total return²

-58.8%

Ordinary share net asset value total return²

-31.1%

Composite benchmark return⁴

-40.4%

Unit share price total return³

-12.7%

Zero Dividend Preference share price total return³

-48.9%

Ordinary share price total return³

Financial Data

	28th February 2009	3rd March 2008	% change
Assets			
Shareholders' funds (£'000)	75,309	107,664	-30.1
Zero Dividend Preference shares			
Net assets (£'000)	49,197	46,037	+6.9
Net asset value per share	106.7p	100.0p	+6.7
Market price	89.5p	102.5p	-12.7
(Discount)/premium	(16.1%)	2.5%	
Ordinary shares			
Net assets (£'000)	26,112	61,627	-57.6
Net asset value per share	38.7p	99.0p	-60.9
Revenue return per share	7.3p	n/a	
Market price	48.3p	100.0p	-51.7
Premium	24.8%	1.0%	
Units			
Net asset value per unit	184.1p	298.0p	-38.2
Market price	174.5p	300.0p	-41.8
(Discount)/premium	(5.2%)	0.7%	

A glossary of terms and definitions is provided on page 47.

¹The Company was incorporated on 13th December 2007. Dealing in the Company's shares on The London Stock Exchange began on 3rd March 2008 and the Company began investing on that date.

²Source: J.P. Morgan

³Source: Morningstar – www.morningstar.co.uk

⁴Source: MSCI. The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Merrill Lynch 5-10 year UK Sterling Corporate Index for bonds.

Chairman's Statement



Introduction and Performance

This is the first Annual Report to shareholders since the Company was launched on 3rd March 2008. The money that was then invested in the Company came from shareholders who chose to 'roll-over' their investment from the JPMorgan Income & Capital Investment Trust plc. The total initial net asset value of the Company amounted to £107.7 million, comprising £46.1 million in Zero Dividend Preference ("ZDP") shares and £61.6 million in Ordinary shares.

It is deeply depressing to report a poor result for our first financial year, with shareholder returns being sharply negative. In October 2008, I reported that the period since launch in March 2008 had been extremely difficult for investment managers generally, with the outlook for the UK economy looking grim. The latter half of the financial year proved to be significantly worse in terms of market performance, with extraordinary conditions seen in UK equity markets. For the reporting period to 28th February 2009, the Company recorded a negative total return (return on investments including income received) on its assets of 30.7%. This compares with a total negative return of 31.1% recorded by the composite benchmark (comprising 90% FTSE 350 Index and 10% Merrill Lynch 5-10 year UK Sterling Corporate Index for bonds) for the same period.

The Board draws some comfort from the Company's performance having been broadly in line with the composite benchmark and from its decision not to use its borrowing powers when investing at the start of the Company's life. Nevertheless, it does not consider that the returns achieved are particularly creditable, despite the extraordinary turmoil seen in markets over the last year. Investment fund managers are generally employed to beat benchmarks in a convincing way, using their experience and extensive research capability to support their endeavours. The Board is disappointed that these results are so deeply negative and fail to show a more convincing outperformance of the composite benchmark.

The Investment Managers' report gives a more detailed commentary about the unprecedented market conditions experienced during the period.

Share Price Performance

The prices of the Company's two classes of share and of its units, comprising two Ordinary shares and one ZDP share, moved from a premium over net asset value at launch date to a discount or premium to net asset value at 28th February 2009 as follows:

	3rd March 2008 (at launch) Premium	28th February 2009 Premium/(Discount)
ZDP	2.5%	(16.1)%
Ordinary	1.0%	24.8%
Units	0.7%	(5.2)%

Since the period end, share prices have been very volatile. As at 15th May 2009, the price of the Ordinary shares was at a premium of 17.32%, and the prices of the Units and ZDP shares were at a discount of 6.34% and 9.89% respectively.

Hurdle Rate

The Hurdle Rate measures the amount by which the total assets of the Company have to grow each year in order to return the current share price to Ordinary shareholders when the Company winds up in February 2018. At 28th February 2009, the Hurdle Rate required to return the Ordinary share price of 48.3p at 28th February 2009 was 5.4% per annum and, the Hurdle Rate to return the Final Capital Entitlement of the ZDP shares of 192.13p was 1.6%.

At 15th May 2009, the Hurdle Rate required to return the current Ordinary share price of 53.5p was 5.9% per annum and to return the Final Capital Entitlement of the ZDP shares was 1.7%.

Total Loss, Revenue and Dividends

The gross total loss amounted to £31,488,000 and net total loss after interest, administrative expenses and taxation, but before dividends and attributions, amounted to £32,860,000. Distributable income for the period amounted to £4,670,000 (7.3p per Ordinary share).

A fourth interim dividend of 1.25p per Ordinary share was paid on 30th April 2009 to Ordinary shareholders and Unitholders on the register at the close of business on 14th April 2009. That dividend, together with the three interim dividends previously paid, each of 1.25p per Ordinary share, brings the total payment for the period to 5.00p per Ordinary share.

The Directors also paid a special dividend of 1.25p per Ordinary share on 30th April 2009 to Ordinary shareholders and Unitholders on the register at the close of business on 14th April 2009. This reflects the additional earnings from funds held in cash whilst waiting to invest in the initial portfolio in this first period of the Company's life.

The undistributed revenue reserves, after allowing for the payment of the above dividends, are approximately £594,000. The Board anticipates that, in the absence of unforeseen circumstances, the Company will be in a position to maintain the current level of quarterly dividends (i.e. of 1.25p per Ordinary share to Ordinary shareholders and Unitholders) for the current financial year ending 28th February 2010.

Share Issues and Repurchases

At launch, shareholders gave the Directors authority, via the prospectus, to disapply shareholders' pre-emption rights and to issue authorised but unissued share capital of the Company up to a maximum of 10% of each class of share for cash to investors. During the reporting period, Directors have issued and allotted 6,100,000 new Ordinary shares with a nominal value of £61,000, at an average price of 60.7 pence per Ordinary share, for a total consideration of £3,701,000 and 50,000 ZDP shares with a nominal value of £500, at an average price of 105.3 pence per share, for a total consideration of £53,000.

Shareholders also gave the Directors authority, via the prospectus, to repurchase up to 14.99% of the Company's issued share capital. During the period, the Company repurchased 843,000 Ordinary shares at an average discount of 11.4% and a cost of £712,000, thus modestly improving the net asset value per Ordinary Share for continuing Ordinary shareholders.

Chairman's Statement continued

Investment Manager

In December 2008, JPMorgan Asset Management reviewed the investment management arrangements in place for your Company and John Baker and Sarah Emly took over responsibility from Jamie Streeter for the day-to-day management of the portfolio of investments. The Board would like to thank Jamie for his valuable service over the years, particularly in respect of the Company's predecessor vehicle, JPMorgan Income & Capital Investment Trust plc.

The Board

In accordance with the Company's Articles of Association, as this will be the first Annual General Meeting of the Company, all Directors will retire at this year's Annual General Meeting. They have all indicated that they wish to seek re-election and details of their background and experience can be found on page 14.

Annual General Meeting

The Annual General Meeting will be held at Salters' Hall, 4 Fore Street, London EC2Y 5DE London at 3.00 p.m. on Monday, 6th July 2009. The meeting will include a presentation from the Investment Managers on investment policy and performance. There will also be an opportunity for shareholders to meet the Board and representatives of JPMorgan after the meeting.

If you wish to raise any detailed or technical questions at the Meeting, it would be helpful if you could mention them in advance to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the Meeting in person are encouraged to use their proxy votes.

Future Policy and Outlook

Although governments worldwide are taking radical actions to try to counter the global recession, the Board remains cautious in its outlook and expects 2009 to be another difficult year for investors. Many economists now expect that the recession could be prolonged, leading to higher unemployment in the UK and further falls in consumer confidence. The Manager will monitor the position closely, with the Board expecting them to deliver a markedly improved performance for your Company in the years ahead. The Board remains confident that, over time, overall sentiment will improve.

Sir Laurence Magnus Bt
Chairman

26th May 2009

Investment Managers' Report



John Baker



Sarah Emly

Market Review

The UK stock market, as measured by the FTSE 350 Index, delivered a negative total return including net income reinvested of -31.8% during the Company's financial period from 3rd March 2008 to 28th February 2009. During this period the Merrill Lynch 5-10 Year UK Sterling Corporate Index for bonds delivered a return of -17.1%, resulting in the Company's combined benchmark delivering a return of -31.1% for the financial period. This was an extraordinary period for equity investors, particularly during the second half as financial and economic newsflow deteriorated, both in the UK and on a more global basis, as extreme events became more numerous and stock market volatility increased. Having declined by 3.3% in the first six months of the Company's financial period, to 31st August 2008, the FTSE 350 Index then fell by a further 29.5% by the period end, as investor confidence was dented further as fears about the health of the global economy and financial system dominated newsflow and sentiment.

In terms of the UK economy, domestic economic data deteriorated throughout the period, with the falling housing market being a particular feature, alongside weakening consumer confidence. During the course of the Company's financial period equity market sentiment weakened sharply, particularly in September when the savage bursting of the credit bubble saw some previously august institutions go to the wall or be nationalised. The two giants of the US mortgage sector, Fannie Mae and Freddie Mac, were taken under US Government control, whilst Lehman Brothers Holdings Inc., the US investment bank, filed for bankruptcy and Bank of America rescued Merrill Lynch. The autumn of 2008 saw the near collapse of the UK banking system, with an evaporation of confidence and the freezing up of credit, particularly as overseas banks withdrew from UK lending. In mid-September, Lloyds TSB made a rescue bid for HBOS which would otherwise have collapsed. As the UK economy weakened further and the banking system came under severe pressure, the UK authorities responded to the crisis extensively. The Bank of England's Monetary Policy Committee cut interest rates five times during 2008, taking them down from 5.5% to 2.0% by the calendar year end. Base rates were lowered still further, by 0.5% in both January and February 2009, finishing the Company's period end at just 1.0%. In late 2008 the Government launched a bailout package for the UK banking industry, allowing the Government to inject capital into the biggest banks to strengthen their capital ratios; incremental capital injections into Royal Bank of Scotland and Lloyds Banking Group have been necessary in early 2009. The Government has also announced fiscal measures, including a temporary reduction in VAT, to attempt to stimulate economic growth.

Performance Review

The overall portfolio return of -30.7% for the Company's financial period was disappointing yet unsurprising, given the significantly negative returns from the UK equity market over this period. This return compared with the benchmark's return of -31.1% and the return of the equity element of the benchmark of -31.8% (the FTSE 350 index, excluding Investment Trusts) over the financial period. Calendar year 2008 was an extraordinary year for equity investors, in fact the most difficult year for the UK stock market since 1974, and this continued into early 2009.

In terms of contributors to performance over the period, the Company benefited from its underweight position in the banking sector, particularly its underweight

Investment Managers' Report continued

positions in Royal Bank of Scotland and Barclays, as the weakening capital position of the more domestically oriented banks led to substantial underperformance of the wider equity index. Although the Company benefited from its positions in some of the more defensive stocks during the strongly negative equity markets, notably British American Tobacco and AstraZeneca, it was negatively impacted by being underweight in GlaxoSmithKline and Reckitt Benckiser, two other defensive stocks that outperformed the declining market.

Portfolio Review

As a result of the 'roll over', the Company began this financial period with around 40% in UK equities and the balance in Gilts and cash. The weakness in equity markets of early March 2008 offered a timely opportunity for constructing the planned portfolio for the new Company. Hence during this period we largely completed the purchases of UK equities to bring the portfolio's allocation to equities up towards 90%, in line with the Company's benchmark. The balance of the portfolio was invested in a few quality corporate bonds and some retained cash holdings. As the year progressed, the equity position was increased, taking advantage of market weakness when appropriate, ending the first half with a modestly overweight position in equities.

As the economic environment became progressively more difficult during the second half of the period, a major challenge was to identify stocks that offered positive earnings newsflow and sound balance sheets, whilst also seeking lowly valued, out of fashion companies, in line with our investment philosophy.

On average, fast growing, cheap companies with good newsflow will outperform slow growing, expensive stocks with bad newsflow.

The Company reduced its holdings in the UK banking sector, as the dividend paying ability of the more domestic banks deteriorated sharply; dividends have now been suspended by all the UK banks, except HSBC, which is cutting its dividend, and Standard Chartered. Equity purchases included taking advantage of market weakness to add further to some of the more defensive majors with dividend yield attractions, such as the pharmaceutical stocks AstraZeneca and GlaxoSmithKline. We also added to the portfolio's position in British American Tobacco, another company with a resilient earnings stream and a truly international business mix, whilst offering investors a premium dividend yield. More recently we have introduced Pearson to the portfolio as it has reported solid progress in corporate earnings delivery, whilst being lowly-valued with an attractive dividend yield.

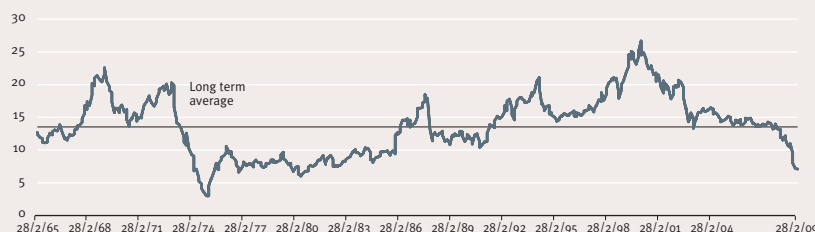
In early 2009, we became more concerned that the impact of the continued global economic deterioration would hamper the progress of global equity markets. We therefore raised cash levels by reducing positions in stocks that looked most likely to disappoint, especially some financial stocks that were geared into the performance of equity markets, such as Intermediate Capital Group and IG Group. Similarly, the Company sold its holding in the UK real estate company Land Securities, as its earlier valuation and dividend yield attractions became more uncertain, given the deteriorating direct real estate market.

Market Outlook

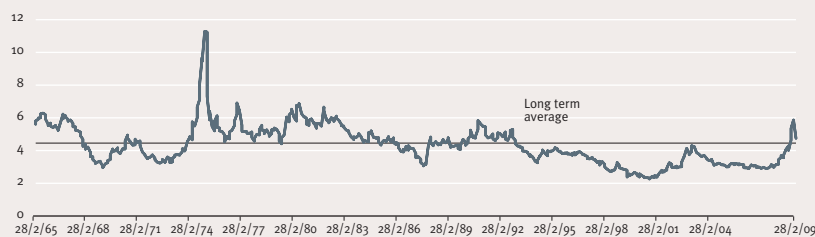
The current year began much as 2008 ended, with widespread economic gloom and ongoing concern about the fate of the UK banking system. The UK economy was confirmed to be in recession, unemployment is rising and many businesses are struggling to secure refinancing of their bank loans. The Bank of England has now cut rates by a further 0.5% since the Company’s financial period end, taking them to an unprecedented 0.5% on the 5th March 2009, whilst also introducing a policy of “quantitative easing” to attempt to stimulate domestic credit markets and lower the cost of borrowing. Again, this is wholly new ground for UK monetary policy. The economic and corporate outlook remains highly uncertain, with consumer confidence weakening, base rates at generational lows, two major UK banks now majority owned by the Government, and widespread corporate profit disappointments.

Although it is difficult to step back from the current serious difficulties facing the world economy, it is worth reflecting that equities do offer investors a share in long term economic growth. Equities have provided higher long-term real returns to investors than cash or bonds in the past, driven by growth in corporate profitability and the dividends that are paid to investors over time. Following the poor returns from equities in 2008, the UK market is now trading below its long term trend and is currently supported by an attractive valuation against its historic norms. The charts below illustrate UK equity market valuations on a historic price relative to earnings basis (PE), and also in dividend yield terms.

Long term PE of UK market



Long term dividend yield of UK market



Source: Datastream. As at 10/03/09

Market earnings and dividends are clearly coming under intense pressure and this will continue as the impacts of the recession are reflected in company profits and outlook statements across an increasing number of industries. However, it does appear that the market overall is now discounting a significant deterioration in both earnings and dividends, whilst investor sentiment is at very depressed levels.

Once investors feel able to ‘look through’ the recession and anticipate an improvement in corporate profitability, so sentiment and share prices will recover. The timing of such a recovery is uncertain but, as has been the case in previous recessions and crises, eventually economies do recover and stock markets should increase in value once more. The Company is well placed for this event.

John Baker
Sarah Emly

Investment Managers

26th May 2009

Summary of Results

Total Returns (capital plus income) for the period from 3rd March 2008 to 28th February 2009 ¹			
Ordinary share net asset value ²			-58.8%
Unit net asset value ²			-36.3%
Zero Dividend Preference share net asset value ²			+6.7%
Ordinary share price ³			-48.9%
Unit share price ³			-40.4%
Zero Dividend Preference share price ³			-12.7%
Composite benchmark ⁴			-31.1%
Zero Dividend Preference shares	28th February 2009	3rd March 2008	%Change
Net assets (£'000)	49,197	46,037	+6.9
Net asset value per share	106.7p	100.0p	+6.7
Market price	89.5p	102.5p	-12.7
(Discount)/premium	(16.1%)	2.5%	
Ordinary shares			
Net assets (£'000)	26,112	61,627	-57.6
Net asset value per share	38.7p	99.0p	-60.9
Market price	48.3p	100.0p	-51.7
Premium	24.8%	1.0%	
Units			
Net asset value per Unit	184.1p	298.0p	-38.2
Market price	174.5p	300.0p	-41.8
(Discount)/premium	(5.2%)	0.7%	
Assets			
Shareholders' funds (£'000)	75,309	107,664	-30.1
Revenue for the period from 3rd March 2008 to 28th February 2009 ¹			
Attributable to Ordinary shareholders			
Gross revenue (£'000)	5,646		
Revenue return for shareholders (£'000)	4,670		
Revenue return per share	7.3p		
Total dividends declared (£'000)	4,076		
Total dividend declared per share	6.25p		
Actual Gearing Factor⁵			93.4%
Total Expense Ratio⁶			1.38%

A glossary of terms and definitions is provided on page 47.

¹ Dealing in the Company's shares on The London Stock Exchange began on 3rd March 2008 and the Company began investing on that date.

² Source: J.P. Morgan

³ Source: Morningstar – www.morningstar.co.uk

⁴ Source: MSCI. The Company's benchmark is a composite, comprising 90% FTSE 350 Index (excluding investment trusts) and 10% Merrill Lynch 5-10 year UK Sterling Corporate Index for bonds.

⁵ Investments excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds.

⁶ Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets.

Ten Largest Equity Investments

at 28th February 2009

Company	Sub-Sector	Valuation	
		£'000	% ¹
Royal Dutch Shell Royal Dutch Shell explores for, produces, and refines petroleum. The Company produces fuels, chemicals, and lubricants. Shell owns and operates gasoline filling stations worldwide.	Oil & Gas Producers	6,916	9.2
BP BP explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy, and manufactures and markets chemicals.	Oil & Gas Producers	6,196	8.3
Vodafone Vodafone Group 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.	Mobile Telecommunications	5,233	7.0
HSBC HSBC provides a variety of international banking and financial services, including retail and corporate banking, trade, trusteeship, securities trading, custody, capital markets, treasury, private and investment banking, and insurance. The Group operates worldwide.	Banks	4,702	6.2
GlaxoSmithKline GlaxoSmithKline is a research-based pharmaceutical group that develops, manufactures and markets vaccines, prescription and over-the-counter medicines, as well as health-related consumer products. The Group, which also provides laboratory testing and disease management services, specialises in treatments for respiratory, central nervous system, gastro-intestinal and genetic disorders.	Pharmaceuticals & Biotechnology	4,662	6.2
British American Tobacco British American Tobacco manufactures, markets and sells cigarettes and other tobacco products, including cigars and roll-your-own tobacco.	Tobacco	3,414	4.5
AstraZeneca AstraZeneca researches, manufactures and sells pharmaceutical and medical products. The Group focuses its operations on seven therapeutic areas: Gastrointestinal, Oncology, Cardiovascular, Respiratory, Central Nervous System, Pain Control, Anaesthesia and Infection.	Pharmaceuticals & Biotechnology	2,856	3.8
BG BG Group specialises in the exploration, production, transmission and distribution of gas, oil and liquified natural gas. The Group also develops, owns and operates gas-fired power generation plants.	Oil & Gas Producers	2,510	3.3
BHP Billiton 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.	Mining	2,465	3.3
Aviva Aviva is an international insurance company that provides all classes of general and life insurance, including fire, motor, marine, aviation, and transport insurance. The Company also supplies a variety of financial services, including unit trusts, stockbroking, long-term savings, and fund management.	Life Insurance	1,601	2.1
Total		40,555	53.9

¹Based on total assets less current liabilities of £75.3m.

Portfolio Analyses

Sector Analysis

Sector	At 28th February 2009	
	Portfolio %	Benchmark %
Oil & Gas	22.2	20.2
Financials	13.8	13.4
Healthcare	10.0	8.8
Industrials	9.9	6.3
Consumer Services	8.6	9.7
Consumer Goods	8.2	12.4
Telecommunications	7.9	6.9
Basic Materials	6.1	6.6
Utilities	5.8	4.6
Technology	0.9	1.1
Total equities	93.4	90.0
Fixed interest	—	10.0
Liquidity funds	7.9	—
Net current liabilities	(1.3)	—
Total	100.0	100.0

Based on total assets less current liabilities of £75.3m.

Class of security	28th February 2009 %
	Equities
Fixed interest	—
Liquidity funds	7.9
Net current liabilities	(1.3)
	100.0

Based on total assets less current liabilities of £75.3m.

List of Investments

at 28th February 2009

Company	£'000	Company	£'000
Oil & Gas		Construction & Materials	
Oil & Gas Producers		Balfour Beatty	572
Royal Dutch Shell	6,916	Keller	542
BP	6,196	General Industrials	
BG	2,510	Smiths	498
Premier Oil	284	Rexam	472
Oil Equipment, Services & Distribution		Industrial Engineering	
Amec	461	Weir	416
Petrofac	317	IMI	343
Total Oil & Gas	16,684	Support Services	
Financials		G4S	706
Banks		Aggreko	268
HSBC	4,702	Interserve	251
Barclays	279	WSP	201
Nonlife Insurance		Shanks	125
Amlin	758	Total Industrials	7,481
Royal & Sun Alliance Insurance	686	Consumer Services	
Life Insurance		Food & Drug Retailers	
Aviva	1,601	Tesco	1,249
Prudential	729	Morrison (Wm.) Supermarkets	981
Legal & General	415	General Retailers	
Standard Life	239	PZ Cussons	417
General Financial		Mothercare	360
Provident Financial	449	Media	
Investec	383	Reed Elsevier	597
Man Group	164	United Business Media	545
Total Financials	10,405	Pearson	453
Healthcare		Thomson Reuters	414
Pharmaceuticals & Biotechnology		Travel & Leisure	
GlaxoSmithKline	4,662	Compass	838
AstraZeneca	2,856	TUI Travel	610
Total Healthcare	7,518	Total Consumer Services	6,464
Industrials		Consumer Goods	
Aerospace & Defence		Beverages	
BAE Systems	1,282	Britvic	460
Cobham	638	Food Producers	
Chemring	590	Unilever	756
VT	418	Tobacco	
Senior	159	British American Tobacco	3,414
		Imperial Tobacco	1,522
		Total Consumer Goods	6,152

List of Investments continued

Company	£'000
Telecommunications	
Fixed Line Telecommunications	
Cable & Wireless	688
Mobile Telecommunications	
Vodafone	5,233
Total Telecommunications	5,921
Basic Materials	
Mining	
BHP Billiton	2,465
Rio Tinto	1,215
Antofagasta	485
Xstrata	417
Total Basic Materials	4,582
Utilities	
Electricity	
Scottish & Southern Energy	1,068
International Power	569
Gas, Water & Multiutilities	
National Grid	1,459
Centrica	1,301
Total Utilities	4,397
Technology	
Software & Computer Services	
Logica	474
AVEVA	239
Total Technology	713
Liquidity Funds	
JPMorgan Sterling Liquidity Fund	5,980
Total Liquidity Funds	5,980
Total Portfolio	76,297

Capital Structure of the Company

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

Ordinary Shares

Investment Characteristics

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

Entitlements

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

Voting Rights

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

Zero Dividend Preference shares

Investment Characteristics

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

Entitlements

The ZDPs are not entitled to any dividends and are designed to provide a predetermined Final Capital Entitlement payable on the ZDP Repayment Date which ranks behind the Company's creditors, but in priority to the Ordinary shares (except for any revenue profits). The Final Capital Entitlement per ZDP due on the ZDP Repayment Date equates to an annual return of 6.75 per cent per annum compound on their issue price of 100p.

Voting Rights

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

Units

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

Investment Characteristics

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

Entitlements and Voting Rights

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

Board of Directors



Sir Laurence Magnus Bt *†‡

Born 1955

Chairman since January 2008

He is vice chairman of Lexicon Partners, a corporate finance advisory business specialising in the financial services and utilities industries. He is non-executive chairman of Xchanging ins-sure Holdings Limited, and non-executive director of Climate Exchange plc and The Cayenne Trust plc. He is deputy chairman of The National Trust and chairman of the Eating Disorders Association. He was formerly an executive managing director of investment banking at Donaldson, Lufkin & Jenrette and its successor company Credit Suisse First Boston.



Roderick Collins *†‡

Born 1947

A Director since January 2008

He has had extensive business and investment management experience, notably as chief executive of the private banking activities of Matheson & Co. Limited between 1985 and 2000. He is a founder and partner of Hasley Investment Management LLP. He also acts as the investment adviser to charitable and pension funds.



Antony Hichens (Chairman of the Audit Committee) *†‡

Born 1936

A Director since January 2008

He is a director of Candover Investments plc. He is also a member of the Panel on Take-overs and Mergers. He was previously chairman of DS Smith plc, and Lasmo plc, a managing director of Consolidated Gold Fields and chairman of Caradon plc. Mr Hichens received his Law degree from Magdalen College, Oxford and MBA from the Wharton School of the University of Pennsylvania. He is a member of the Oxford Court of Benefactors and a Waynflete Fellow of Magdalen College.



Richard Hills *†‡

Born 1955

A Director since January 2008

Mr Hills was the founder and managing director of Argyll Investment Management Limited which managed a number of portfolios of hedge funds and other segregated client accounts. He was formerly a director of Henderson Administration Limited and Ultrasis plc. He is also currently a non-executive director of Aberdeen New Dawn Investment Trust plc, European Masters Fund Ltd and Gartmore Global Trust plc.



James West *†‡

Born 1947

A Director since January 2008

Mr West FCA is a former chief executive of Lazard Asset Management and a managing director of Lazard Brothers, prior to which he was managing director of Globe Investment Trust plc. He is currently Chairman of Gartmore Fledging Trust plc, Jupiter Second Enhanced Income Trust plc, New City High Yield Fund Ltd, Canaccord Adams Ltd and Rurelec plc. He is a non-executive Director of British Assets Trust plc, Shires Smaller Companies Trust plc, and a director of other companies.

* Member of the Audit Committee.

† Member of the Nomination Committee.

‡ Considered independent by the Board.

Directors' Report

The Directors present their report for the period from incorporation to 28th February 2009.

Business Review

Business of the Company

JPMorgan Income & Capital Trust plc was incorporated on 13th December 2007 and launched as an investment trust on 3rd March 2008.

The Company carries on business as an investment trust and will seek approval by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the period ended 28th February 2009. The Company will seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

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

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

Investment Objective and Policies

The Company's objective is to meet the final capital entitlement of the Zero Dividend Preference shares and to provide Ordinary shareholders with a regular quarterly income and capital growth.

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

- The Company will not invest more than 10% of its Gross Assets in any one individual investment (excluding Government bonds and liquidity funds) at the time of acquisition, unless invested in a diversified fund where the limit is 15%.
- The Company will not invest more than 15% of its assets in other UK listed investment companies.
- The Company will not invest more than 10% of assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.
- The Company may invest, with the approval of the Board, in derivative instruments for the purposes of efficient portfolio management and for generating income.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

In the period to 28th February 2009, the Company produced a negative portfolio return of 30.7%, compared with the negative return on the Company's benchmark index of 31.1%. As at 28th February 2009, the value of the Company's investment portfolio was £76.3m. The Investment Managers' Report on pages 5 to 7 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Loss, Revenue and Dividends

Gross total loss amounted to £31,488,000 and net total loss after deducting interest, administrative expenses and taxation, but before dividends and attributions, amounted to £32,860,000. Distributable income for the year amounted to £4,670,000.

The Directors declared a fourth quarterly interim dividend of 1.25p per Ordinary share and a special dividend of 1.25p per share which were paid to shareholders on the register at close of business on 14th April 2009. This, when added to the other three quarterly interim dividends paid during the period, made a total dividend for the period of 6.25p per Ordinary share which cost £4,076,000. The year end revenue reserve after allowing for these dividends amounts to £594,000. In accordance with the accounting policy of the Company, the fourth quarterly dividend will be reflected in the accounts for the year ending 28th February 2010.

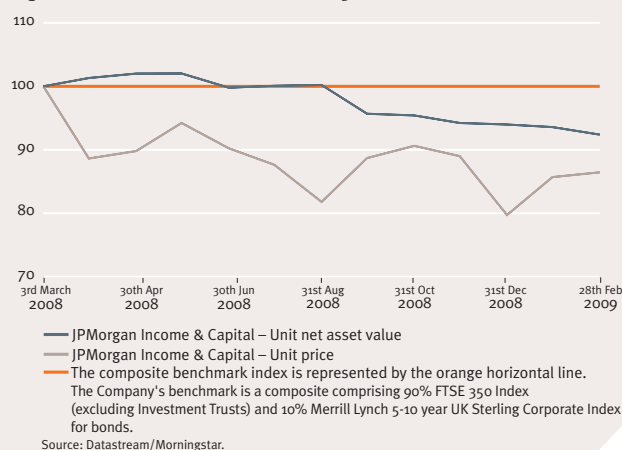
Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:-

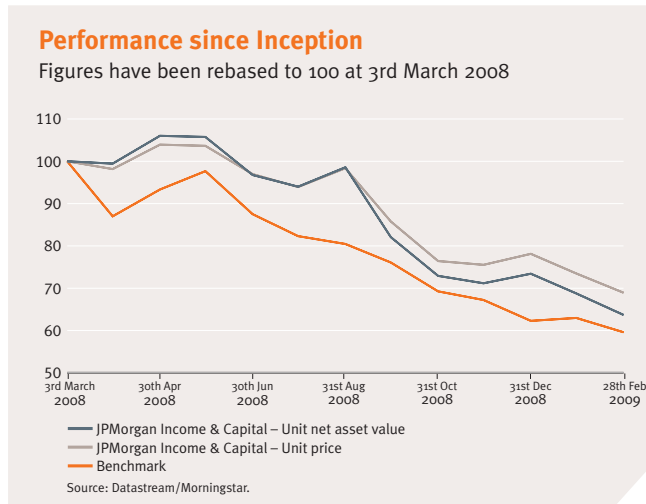
- **Performance against the benchmark index:**
This is the most important KPI by which performance is judged.

Performance relative to Benchmark Index

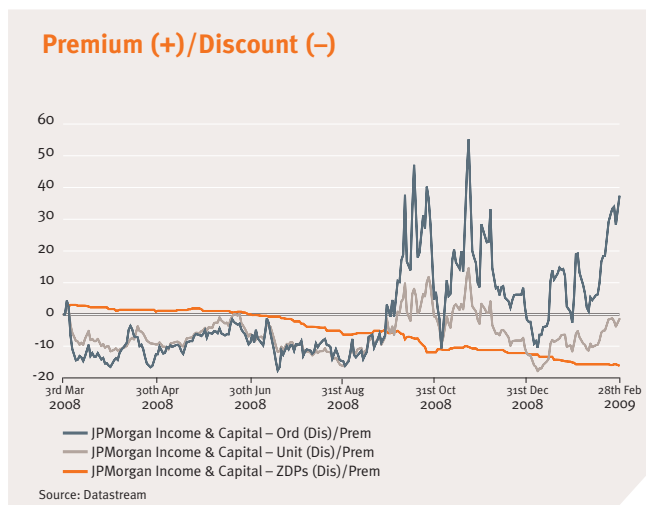
Figures have been rebased to 100 at 3rd March 2008



Directors' Report continued



- Performance against the Company's peers**
 The principal objective is to achieve capital growth relative to the benchmark. The Board also monitors performance compared with a broad range of competitor funds.
- Discount to net asset value ('NAV')**
 The Board recognises that the possibility of a widening discount can be a key disadvantage of investment trusts that can discourage investors. The Board therefore operates a share repurchase programme that seeks to address imbalances in supply and demand of the Company's shares within the market and thereby minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade.



- Total expense ratio ('TER')**
 The TER is an expression of the Company's management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the opening and closing net assets. The TER for the period ended 28th February 2009 was 1.38%. The Board will review each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Share Capital

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

In February 2008, subscriptions were received for 62,249,782 Ordinary shares and 46,037,200 Zero Dividend Preference shares, both at a price of 100p per share.

During the period a further 6,100,000 Ordinary shares, with a nominal value of £61,000 were issued to the market at an average price of 60.7p per share, for a total consideration of £3,701,000.

During the period, the Company repurchased for cancellation 843,000 Ordinary shares, with a nominal value of £8,430, representing 1.4% of the issued Ordinary share capital outstanding at the beginning of the period. The consideration paid for these shares amounted to £712,000. The reason for the share repurchases was to seek to manage the volatility of the discount of the share price to net asset value.

During the period a further 50,000 Zero Dividend Preference shares, with a nominal value of £500 were issued to the market at a price of 105.3p per share, for a total consideration of £53,000.

A resolution to renew the authority to repurchase shares will be put to shareholders at the forthcoming Annual General Meeting. More details are given on page 19 and the full text of the resolution is set out in the Notice of Meeting on page 45.

Details of the share capital structure of the Company can be found on page 13.

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 into the following categories:

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines, which are monitored and reported by the Manager. JPMorgan Asset Management (UK) Limited ('JPMAM') provides the Directors with timely and accurate management information, including performance data and attribution analysis, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Manager, who attends all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Manager is free to 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.
- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 842, it might lose investment trust status and, as a consequence, gains within the Company's portfolio could be subject to Capital Gains Tax. The Section 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 Acts 1985 and 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Acts could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules could result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM to ensure compliance with the Companies Acts and the UKLA Listing Rules.
- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 20 to 23.
- **Operational:** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could 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.
- **Financial:** The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Bank counterparties are subject to daily credit analysis by the Manager and regular consideration at meetings of the Board. In addition the Board receives regular reports on the Manager's monitoring and mitigation of credit risks on share transactions carried out by the Company. Further details are disclosed in note 21 on pages 39 to 42.

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 page 7.

Management of the Company

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

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the best interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Investment Manager, noting the support that the Company receives from JPMAM. Such a review will be carried out on an annual basis.

Management Fee

JPMAM is employed under a contract which is subject to six months' notice of termination. If the Company wishes to terminate the contract on less than six months' notice, the balance of the year's remuneration is payable by way of compensation.

The annual management fee is charged at 0.85% per annum of the value of the Company's net assets, excluding investments in funds on which JPMAM charges a management fee, calculated and paid monthly.

Directors' Report continued

Going Concern

The Directors believe that having considered the Company's investment objective (see page 15), risk management policies (see page 39), capital management policies and procedures (see page 42), 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 that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 28th February 2009, the Company had no outstanding trade creditors.

Directors

All of the Directors were appointed on 7th January 2008, and they were all Directors of the Company at the end of the period. Their interests in the Company's share capital, are given below.

Zero Dividend Preference shares	28th February 2009	At date of launch*
Roderick Collins	11,818	11,818
Anthony Hichens	—	—
Richard Hills	—	—
Sir Laurence Magnus	—	—
James West	—	—

Ordinary shares	28th February 2009	At date of launch*
Roderick Collins	—	—
Anthony Hichens	220,000	159,452
Richard Hills	50,000	—
Sir Laurence Magnus	—	—
James West	10,663	10,663

Units	28th February 2009	At date of launch*
Roderick Collins	—	—
Anthony Hichens	—	—
Richard Hills	—	—
Sir Laurence Magnus	37,268	12,268
James West	—	—

*3rd March 2008

Since the period end date of 28 February 2009, Sir Laurence Magnus acquired a further 10,000 Units and Anthony Hichens acquired 100,000 Zero Dividend Preference shares. 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, and the combined code all the Directors will stand for 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.

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:

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

The above confirmation is given and should be interpreted in accordance with the provision of S234 ZA of the Companies Act 1985.

Section 992 Companies Act 2006

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

Capital Structure

The Company's capital structure is summarised on page 13.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in Note 11 to the Notice of AGM on page 46.

Notifiable Share Interests

At the date of this report the Company was aware of the following holdings of 3% or more of the relevant class of share capital:

Ordinary shares Shareholders	Number of shares held	%
Chase Nominees Limited ^{1,2}	30,679,844	45.45
JPMorgan Chase & Co ^{1,2}	6,855,942	10.16
Rathbone Brothers Plc	6,192,974	9.17
Rensburg Sheppards Investment Management Limited	2,866,534	4.25

¹Held on behalf of participants in the JPMAM ISA and Share Plan.

²Non-beneficial.

Zero Dividend Preference shares

Shareholders	Number of shares held	%
Chase Nominees Limited ^{1,2}	9,903,777	21.49
Rensburg Sheppards Investment Management Limited	6,646,085	14.42

¹Held on behalf of participants in the JPMAM ISA and Share Plan.

²Non-beneficial.

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 1985 and 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its directors concerning compensation for loss of office.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors to the Company and a resolution proposing their re-appointment and to authorise the Directors to agree their remuneration for the ensuing year will be put to shareholders at the forthcoming Annual General Meeting.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial advisor authorised under the Financial Services and Markets Act 2000.

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

Authority to repurchase the Company's shares (resolution 9)

A resolution will be proposed at the Annual General Meeting that the Company be authorised to purchase in the market up to 14.99% of the Company's issued share capital as at the date of the passing of this resolution using its realised capital reserves.

The decision as to whether the Company repurchases any shares will be at the discretion of the Board and purchases will be made in the market and at prices below the prevailing net asset value per share. Under the rules of the London Stock Exchange, the maximum price that may be paid on a purchase by a company of its shares under a

general authority is 105% of the average of the middle market quotations of the shares for the five business days immediately before the day on which the purchase is made. The minimum price that the Company will pay for a share will be one pence (the nominal value of each share). The Company will utilise the authority to purchase shares on an ad hoc basis by either a single purchase or a series of purchases as and when market conditions are appropriate.

The authority to purchase shares will last until the Annual General Meeting in 2010 or until the whole of the 14.99% has been acquired, whichever is the earlier. The authority may be renewed by shareholders at any time at a general meeting.

Authority to allot relevant Securities (resolution 10)

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 2010 unless renewed at an earlier general meeting. The full text of the resolution is set out in the Notice of Meeting on page 45.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMorgan 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.

Disapplication of pre-emption rights (resolution 11)

Resolution 11 seeks authority to disapply statutory pre-emption rights on any issues of new shares. This avoids the legal requirement to offer them pro rata to all shareholders. The full text of the resolution is set out in the Notice of Meeting on page 45.

Recommendation (resolutions 9 to 11)

The Board considers that resolutions 9 to 11 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommended that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited
Secretary
26th May 2009

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 25, indicates how the Company has applied the principles of good governance of the 2006 Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

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

Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration, and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. 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 has procedures in place to deal with potential conflicts of interest and confirms that the procedures have operated effectively during the period under review.

The Board meets on at least five occasions during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, 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 and Secretary. The Directors have a breadth of investment, business and financial skills and

experience relevant to the Company's business and brief biographical details of each Director are set out on page 14.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has appointed Antony Hichens as Senior Independent Director. He 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 runs for a term of three years. In the light of the performance evaluation carried out each year, the Board will decide, when the term expires, whether it is appropriate for the Director, if he so wishes, 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.

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 Company's Articles of Association require that Directors stand for re-election at least every three years.

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.

All Directors continue to be effective and demonstrate their commitment to their roles and the Board therefore recommends their elections.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on page 14.

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

Corporate Governance continued

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended
Roderick Collins	4	1	1
Antony Hichens	5	1	1
Richard Hills	5	1	1
Sir Laurence Magnus	5	1	1
James West	5	1	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 Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board has agreed procedures for the formal evaluation of the Manager, its own performance and that of its Committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting of the Nomination Committee. The evaluation of individual Directors is led by the Chairman, on the basis of the Questionnaires and conversations with each Director, and the Senior Independent Director leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its Committees.

Board Committees

Nomination Committee

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

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

Audit Committee

The Audit Committee, chaired by Antony Hichens, and comprising all the independent Directors, will meet at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the 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 order to safeguard the Auditors' objectivity and independence, any significant non-audit services are carried out through a partner other than the audit engagement partner. Representatives of the Company's auditors attend the 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 on page 22.

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 and at the Company's AGM.

Terms of Reference

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their responsibilities. Copies are available for inspection on request at the Company's registered office and at the Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the Annual Report and Accounts and the Half Year Report. This is supplemented by daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting, at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions, and a presentation is given by the Investment Manager, who reviews the Company's performance. During the year the Company's brokers, the Investment Manager, and JPMAM hold regular discussions with larger

shareholders and make the Board fully aware of their views. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 43.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders who cannot attend the meeting but wish to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 43.

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 controls.

The Directors are responsible for the Company's system of internal control, which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material mis-statement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM, and the Board reviews this arrangement annually. 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.

Investment Strategy – Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:-

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the period ended 28th February 2009, and to the date of approval of this Annual Report and Accounts.

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."

Corporate Governance continued

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, director independence and remuneration, as well as social and environmental issues. These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote.”

Corporate Social Responsibility

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

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

Directors' Remuneration Report

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

The law requires the Company's auditors to audit certain of the disclosures provided in this report. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 26.

Directors' Remuneration (audited information)

Director's Name	2009 £
Roderick Collins	18,500
Antony Hichens	21,000
Richard Hills	18,500
Sir Laurence Magnus	27,500
James West	18,500
Total	104,000

Directors' fees were paid at a fixed rate of £27,500 per annum for the Chairman, £21,000 per annum for the Chairman of the Audit Committee and £18,500 per annum for each other Director from the beginning of the financial period.

The Board's policy for this period 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.

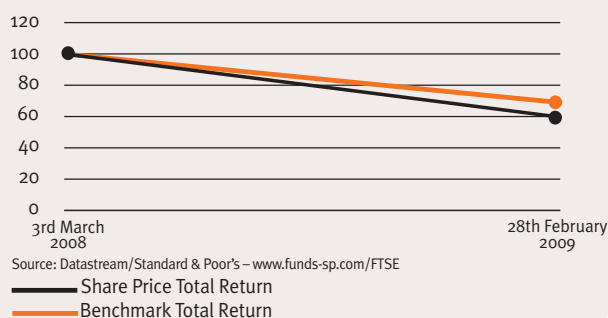
As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, 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 present permitted aggregate fee level of £175,000 requires both Board and shareholder approval.

The Directors do not have service contracts with the Company. Details of the Board's policy on tenure is 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 attending to the Company's business.

A graph showing the Company's unit price total return compared with its composite benchmark index since inception is shown below.

Unit price and benchmark total return performance for the period ended 28th February 2009



By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
26th May 2009

Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the annual report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial period. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The accounts are required by law to give a true and fair view of the state of affairs of the Company as at the end of the period and of the total return for the period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with these requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to

ensure that the accounts comply with the Companies Acts 1985 and 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmincomeandcapital.co.uk website, which is maintained by the Company's Manager, 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.

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 return or loss of the Company; and
- b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board
Sir Laurence Magnus
Chairman

Independent Auditors' Report¹

To the members of JPMorgan Income & Capital Trust plc

We have audited the accounts of JPMorgan Income & Capital Trust plc for the period ended 28th February 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Investment Managers' Report that is cross referenced from the Business Review section of the Directors' Report.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Chairman's Statement, the Investment Managers' Report, the Directors' Report, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 28th February 2009 and of its net loss and cash flows for the period then ended;
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London.
26th May 2009

¹The accounts are published on the www.jpmincomeandcapital.com website, which is a website maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM or any of its subsidiaries 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 or any other website upon which the accounts may be published and accordingly, the auditors accept no responsibility for any changes that may occur to the accounts following presentation on a website. Visitors to any website containing the accounts need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Income Statement

for the period ended 28th February 2009

	Notes	Revenue £'000	2009 Capital £'000	Total £'000
Losses from investments held at fair value through profit or loss	3	—	(37,134)	(37,134)
Income from investments	4	4,782	—	4,782
Other interest receivable and similar income	4	864	—	864
Gross return/(loss)		5,646	(37,134)	(31,488)
Management fee	5	(328)	(493)	(821)
Other administrative expenses	6	(440)	—	(440)
Net return/(loss) on ordinary activities before finance costs and taxation		4,878	(37,627)	(32,749)
Finance costs – appropriations	7	—	(3,107)	(3,107)
Finance costs – other	7	(29)	(43)	(72)
Finance costs – dividends on Ordinary shares	8	(2,388)	—	(2,388)
Net return/(loss) on ordinary activities before taxation		2,461	(40,777)	(38,316)
Taxation	9	(179)	140	(39)
Net return/(loss) on ordinary activities after taxation		2,282	(40,637)	(38,355)
Return/(loss) per class of share				
Return/(loss) per Ordinary share	10	7.3p	(63.4)p	(56.1)p
Return per Zero Dividend Preference share	10	—	6.7p	6.7p

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.

The notes on pages 30 to 42 form part an integral part of these accounts.

Balance Sheet

at 28th February 2009

	Notes	2009 £'000
Fixed assets		
Investments at fair value through profit or loss		70,317
Investment in liquidity funds at fair value through profit or loss		5,980
	11	76,297
Current assets		
Debtors	12	665
Cash at bank and in hand		205
		870
Creditors: amounts falling due within one year	13	(1,858)
Net current liabilities		(988)
Total assets less current liabilities		75,309
Total net assets attributable to shareholders		75,309
Attributable to:		
Zero Dividend Preference shareholders		49,197
Ordinary shareholders		26,112
		75,309
Net asset value per share		
Zero Dividend Preference share	16	106.7p
Ordinary share	16	38.7p

Called up share capital and reserves are classified as liabilities and therefore a Reconciliation of Movements in Shareholders' Funds has not been presented. The movements in called up share capital and reserves are given in note 15 on page 37.

The accounts on pages 27 to 42 were approved by the Directors and authorised for issue on 26th May 2009 and are signed on their behalf by:

Sir Laurence Magnus
Chairman

The notes on pages 30 to 42 form an integral part of these accounts.

Cash Flow Statement

for the period ended 28th February 2009

	Notes	2009 £'000
Net cash inflow from operating activities	17	3,803
Returns on investments and servicing of finance		
Interest paid		(10)
Dividends paid on Ordinary shares		(2,388)
Net cash outflow from returns on investments and servicing of finance		(2,398)
Taxation		
Corporation tax paid		—
Capital expenditure and financial investment¹		
Purchases of investments		(160,643)
Sales of investments		152,958
Other capital charges		(6)
Share placing and offer expenses paid		(626)
Income from options included in capital		12
Net cash outflow from capital expenditure and financial investment		(8,305)
Net cash outflow before financing		(6,900)
Financing		
Net cash received from the issue of Ordinary shares and Zero Dividend Preference shares as part of the scheme of reconstruction ²		4,063
Proceeds of the issue of new Ordinary shares		3,701
Proceeds of the issue of Zero Preference shares		53
Consideration paid for the repurchase of Ordinary shares		(712)
Net cash inflow from financing		7,105
Increase in cash for the period	18	205

¹Includes investment in equities, fixed interest securities, liquidity funds and options.

²The Company also received an in specie transfer of investments amounting to £104,013,000 as part of the consideration from the issue of Ordinary shares and Zero Dividend Preference shares.

The notes on pages 30 to 42 form an integral part of these accounts.

Notes to the Accounts

for the period ended 28th February 2009

1. Accounting period

The accounts cover the period from the date of incorporation on 13th December 2007 to 28th February 2009. The Company began investing on 3rd March 2008.

2. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the Association of Investment Companies in January 2009.

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

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

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition, the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in capital within gains or losses from investments held at fair value through profit or loss. Gains and losses on sales of investments and options, management fees and financial costs charged to capital and other capital receipts and payments, are dealt with in capital reserves within 'Gains and losses on sales of investments and options'. Increases and decreases in the valuation of investments held at the year end are accounted for in capital reserves within 'Investment holding gains and losses'.

(c) Income

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

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

Interest receivable from debt securities, together with any premiums or discounts on purchase, are allocated to the revenue column on a time apportionment basis so as to reflect the effective interest rate of those securities.

Income from written options is included in the revenue column on a time apportionment basis over the life of the instrument.

Deposit interest is taken to revenue on an accruals basis.

(d) Expenses

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

- management fees are allocated 40% to revenue and 60% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- 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 broker commission. Details of transaction costs can be found in note 11 on page 35.

(e) 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 40% to revenue and 60% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

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

(f) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

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

Bank loans and overdrafts are classified as loans and receivables and 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 included in current assets or current liabilities at fair value, which is the cost of closing out the contracts.

In accordance with FRS 25: 'Financial instruments: presentation', because of the Company's limited life and the rights and obligations attached to the classes of shares in issue, both classes of the Company's shares are appropriately classified in the accounts as liabilities.

(g) Foreign currency

In accordance with FRS23: '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.

(h) Taxation

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

Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred taxation liabilities are recognised for all taxable timing differences but deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

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

(i) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method, using the proportion of taxable supplies to non taxable supplies.

(j) Compound growth entitlement of the Zero Dividend Preference shareholders

The provision for the compound growth entitlement of the Zero Dividend Preference shares is included as a finance cost in the income statement and is shown in note 15 as a debit to the other reserve and a credit to the capital redemption reserve.

	2009 £'000
3. Losses from investments held at fair value through profit or loss	
Losses from sales of investments	(16,485)
Net premium on debt securities allocated to income	8
Net movement in investment holding gains	(20,663)
Gain from options included in capital	12
Other capital charges	(6)
Total capital losses from investments held at fair value through profit or loss	(37,134)

Notes to the Accounts continued

	2009 £'000
4. Income	
Income from investments	
UK dividend income	4,173
UK bond interest	300
Income from liquidity fund	184
Scrip dividends	64
Overseas dividends	39
Unfranked dividends from REITS	22
	4,782
Other interest receivable and similar income	
Option income	792
Deposit interest	69
Underwriting commission	3
	864
Total income	5,646

	Revenue £'000	2009 Capital £'000	Total £'000
5. Management fee			
Management fee	328	493	821

Details of the management fee are given in the Directors' Report on pages 17 and 18.

	2009 £'000
6. Other administrative expenses	
Other administration expenses	193
Directors' fees ¹	104
Savings product ²	100
Auditors' remuneration – for statutory audit services ³	29
Auditors' remuneration – for all other services ⁴	14
	440

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

² These fees were paid to JPMAM for the marketing of 'wrapper' products.

³ Includes £4,000 VAT.

⁴ Includes £2,000 VAT. The auditors were also paid £6,000, including £1,000 VAT, for services in connection with the launch of the Company. This amount is included in the expenses of the placing and offer for subscription in note 15.

	Revenue £'000	2009 Capital £'000	Total £'000
7. Finance costs			
Finance costs – appropriations			
Provision for compound growth entitlement of the Zero Dividend Preference shares	—	(3,107)	(3,107)

	Revenue £'000	2009 Capital £'000	Total £'000
7. Finance costs			
Finance costs – other			
Interest on overdrafts	4	6	10
Amortisation of expenses of the placing and offer for subscription	25	37	62
	29	43	72

	2009 £'000
8. Dividends	
(a) Dividends paid and declared	
First quarterly dividend paid of 1.25p	775
Second quarterly dividend paid of 1.25p	769
Third quarterly dividend paid of 1.25p	844
Total dividends paid in the period	2,388
Fourth quarterly dividend declared of 1.25p	844
Special dividend of 1.25p	844

The fourth quarterly and special dividends have been declared in respect of the period ended 28th February 2009. In accordance with the accounting policy of the Company, these dividends will be reflected in the accounts for the year ending 28th February 2010.

(b) Dividend 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 period as follows. The revenue available for distribution by way of dividend for the period is £4,670,000.

	2009 £'000
First quarterly dividend of 1.25p	775
Second quarterly dividend of 1.25p	769
Third quarterly dividend of 1.25p	844
Fourth quarterly dividend of 1.25p	844
Special dividend of 1.25p	844
Total dividend for section 842 purposes	4,076

	Revenue £'000	2009 Capital £'000	Total £'000
9. Taxation			
(a) Analysis of tax charge in the period			
UK corporation tax at 28.17%	39	—	39
Tax relief on expenses charged to capital	140	(140)	—
Overseas tax	1	—	1
Double taxation relief	(1)	—	(1)
Current tax charge for the period	179	(140)	39

Notes to the Accounts continued

	Revenue £'000	2009 Capital £'000	Total £'000
(b) Factors affecting current tax charge for the period			
Net return/(loss) on ordinary activities before taxation	2,461	(40,777)	(38,316)
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 28.17%	693	(11,487)	(10,794)
Non taxable UK dividend income	(1,176)	–	(1,176)
Non taxable scrip dividends	(18)	–	(18)
Non taxable capital losses	–	10,461	10,461
Appropriation to Zero Dividend Preference shares	–	875	875
Amortisation of issue expenses	7	11	18
Dividends paid on ordinary shares	672	–	672
Overseas tax	1	–	1
Current tax charge for the period	179	(140)	39

(c) Deferred taxation

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.

10. Return/(loss) per class of share

Return per Ordinary share

Return per Ordinary share is based on the weighted average number of Ordinary shares in issue during the period of 64,084,669 and the following figures:

	2009 £'000
Revenue return per Ordinary share	
Transfer to reserves	2,282
Add back dividends paid on Ordinary shares	2,388
Attributable to Ordinary shareholders	4,670
Revenue return per Ordinary share (pence)	7.3p

	2009 £'000
Capital loss per Ordinary share	
Capital loss attributable to Ordinary shareholders	(40,637)
Capital loss per Ordinary share (pence)	(63.4)p

	2009	
	Per share pence	£'000
Return per Zero Dividend Preference share		
Initial capital entitlement	100.0p	46,037
Issue of 50,000 Zero Dividend Preference shares	-	53
Compound growth entitlement	6.7p	3,107
Attributable to Zero Dividend Preference shares	106.7p	49,197

	2009 £'000
11. Investments	
Investments listed on a recognised stock exchange ¹	76,297
	Total £'000
Opening book cost	—
Opening revaluation gains	—
Opening valuation	—
Movements in the period:	
In specie transfer	104,013
Purchases at cost	162,390
Sales – proceeds	(152,958)
Losses on sales of investments	(16,485)
Net change in revaluation losses	(20,663)
	76,297
Closing book cost	96,960
Closing revaluation losses	(20,663)
Total investments at fair value through profit or loss	76,297

Transaction costs on purchases during the period amounted to £614,000 and on sales during the period amounted to £54,000. These costs comprise brokerage commission and stamp duty.

¹ The Company's investment in the JPMorgan Sterling Liquidity Fund is included in investments listed on a recognised stock exchange.

	2009 £'000
12. Current assets:	
Debtors	
Dividends and interest receivable	641
Tax recoverable	9
Other debtors	12
Share placing and offer expenses recoverable	3
	665

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

Cash at bank and in hand

Cash at bank and in hand comprises bank balances and cash held by the Company. The carrying amount of these represents their fair value.

Notes to the Accounts continued

	2009 £'000
13. Creditors: amounts falling due within one year	
Securities purchased for future settlement	1,683
Corporation tax payable	38
Other creditors and accruals	137
	1,858

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

	2009 £'000
14. Called up share capital	
AUTHORISED:	
500,000,000 Ordinary shares of 1p each	5,000
500,000,000 Zero Dividend Preference shares of 1p each	5,000
50,000 Redeemable Preference shares of £1 each	50
	10,050
ISSUED AND FULLY PAID:	
Ordinary shares of 1p each	
Issue of 62,249,782 shares on launch	622
Issue of 6,100,000 shares	61
Repurchase of 843,000 shares for cancellation	(8)
Total represented by 67,506,782 shares of 1p each	675
Zero Dividend Preference shares of 1p each	
Issue of 46,037,200 Zero Dividend Preference shares on launch	460
Issue of 50,000 Zero Dividend Preference shares	1
Total represented by 46,087,200 shares of 1p each	461

The Company was incorporated on 13th December 2007.

The Company was launched as a successor vehicle to JPMorgan Income & Capital Investment Trust plc (JPMICIT). Under a scheme of reconstruction JPMICIT was wound up voluntarily and one of the options to its shareholders and Unitholders was to elect for their entitlements following the liquidation to be satisfied by the issue to them of Ordinary shares, Zero Dividend Preference shares and/or Units in the Company at their respective issue prices.

In February 2008, subscriptions were received for 62,249,782 Ordinary shares and 46,037,200 Zero Dividend Preference shares, both at a price of 100p per share.

During the period a further 6,100,000 Ordinary shares, with a nominal value of £61,000 were issued to the market at an average price of 60.7p per share, for a total consideration of £3,701,000. During the period, the Company repurchased for cancellation 843,000 Ordinary shares with a nominal value of £8,430, representing 1.4% of the issued Ordinary share capital outstanding at the beginning of the period. The consideration paid for these shares amounted to £712,000. The reason for the share repurchases was to seek to manage the volatility of the discount of the share price to net asset value.

During the period a further 50,000 Zero Dividend Preference shares, with a nominal value of £500 were issued to the market at a price of 105.3p per share, for a total consideration of £53,000.

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital Redemption ¹ reserve £'000	Gains and losses on sales of investments and options £'000	Investment holding gains and losses £'000	Revenue reserve £'000	Total £'000
15. Net assets attributable to shareholders								
Proceeds of placing and offer for subscription	1,082	107,205	—	—	—	—	—	108,287
Expenses of placing and offer for subscription	—	(623)	—	—	—	—	—	(623)
Stamp duty on in specie transfer	—	—	—	—	(211)	—	—	(211)
Cancellation of share premium account ¹	—	(106,582)	106,582	—	—	—	—	—
Amortisation of expenses of placing and offer for subscription	—	—	62	—	—	—	—	62
Net premium on debt securities allocated to income	—	—	—	—	8	—	—	8
Losses on sales investments	—	—	—	—	(16,485)	—	—	(16,485)
Investment holding losses	—	—	—	—	—	(20,663)	—	(20,663)
Gain from options included in capital	—	—	—	—	12	—	—	12
Other capital charges	—	—	—	—	(6)	—	—	(6)
Issue of Ordinary shares	61	3,640	—	—	—	—	—	3,701
Issue of Zero Dividend Preference shares	1	52	—	—	—	—	—	53
Repurchase of Ordinary shares for cancellation	(8)	—	(712)	8	—	—	—	(712)
Management fees and finance costs charged to capital	—	—	—	—	(536)	—	—	(536)
Tax relief on expenses charged to capital	—	—	—	—	140	—	—	140
Provision for the compound growth entitlement of the Zero Dividend Preference shares	—	—	(3,107)	3,107	—	—	—	—
Net revenue for the period	—	—	—	—	—	—	2,282	2,282
Closing balance	1,136	3,692	102,825	3,115	(17,078)	(20,663)	2,282	75,309

¹ Court approval was given on 23rd April 2008 for the share premium account to be cancelled and redesignated as a distributable reserve.

Notes to the Accounts continued

16. Net asset value per share

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

	Net asset value per share in pence	Net assets attributable £'000
Zero Dividend Preference shares	106.7p	49,197
Ordinary shares	38.7p	26,112

17. Reconciliation of total loss on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2009 £'000
Total loss on ordinary activities before finance costs and taxation	(32,749)
Add back capital loss before finance costs and taxation	37,627
Scrip dividends included in income	(64)
Increase in accrued income	(641)
Net premium on debt securities allocated to income	8
Increase in other debtors	(12)
Increase in accrued expenses	137
Management fee charged to capital	(493)
Overseas withholding tax and UK income tax	(10)

Net cash inflow from operating activities

3,803

Reconciliation of net cash flow to movement in net funds

Increase in cash for the period	205
Opening net funds	—

Closing net funds

205

	At 3rd March 2008 £'000	Cash flow £'000	At 28th February 2009 £'000
18. Analysis of changes in net funds			
Cash at bank and in hand	—	205	205

19. Contingent liabilities and capital commitments

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

20. 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 period was £821,000 of which £nil was outstanding at the period end.

During the period £86,000 was payable to JPMAM for the marketing of 'wrapper' products, of which £nil was outstanding at the period end.

Safe custody fees and other charges amounting to £3,000 were payable to third party custodians on behalf of JPMAM, of which £nil was outstanding at the period 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 period was £17,000 of which £nil was outstanding at the period end. The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

During the period, brokers' commission on share repurchases amounting to £1,000 was paid to JPMorgan Cazenove of which £nil was outstanding at the period end.

Handling charges on dealing transactions amounting to £6,000 were payable to JPMorgan Chase during the period of which £nil was outstanding at the period end.

During the period, the Company has made purchases and sales of units in the JPM Sterling Liquidity Fund, which is managed by JPMAM. JPMAM charges no fee for managing this fund. At the period end, the Company's investment in this fund amounted to £6.0m or 7.8% of the Company's investments. Income amounting to £184,000 was receivable from this investment during the period of which £6,000 was outstanding at the period end.

At the period end, a bank balance of £205,000 was held with JPMorgan Chase. A net amount of interest of £59,000 was receivable by the Company during the period from JPMorgan Chase of which £nil was outstanding at the period end.

21. 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 secure its investment objective stated on page 15. 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. The Company has no significant exposure to foreign currencies.

The Company's financial instruments may comprise following:

- investments in UK equity shares and other securities, which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- derivative transactions comprising written options and purchased option.

(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 the liquidity funds and cash deposits and the interest payable on variable rate cash borrowings.

Management of interest rate risk

It is not intended that bank debt will be used to provide long term structural gearing. The Company does not normally hold significant cash balances. An overdraft facility is available if required.

Interest rate exposure

The Company has no financial assets or liabilities carrying fixed rates of interest. The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below.

	2009 Within one year £'000
Exposure to floating interest rates:	
JPMorgan Sterling Liquidity Fund	5,980
Cash at bank and in hand	205
Total exposure	6,185

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

Interest receivable on bank balances and payable on overdrafts is at a margin below or above LIBOR respectively.

The above period end amounts are broadly representative of the exposure to interest rates during the period.

Notes to the Accounts continued

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

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the period and net assets to a 1% increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	1% Increase in rate £'000	2009	1% Decrease in rate £'000
Income statement – profit after taxation			
Revenue return	62		(62)
Capital return	—		—
Total profit after taxation for the period	62		(62)
Net assets	62		(62)

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole period.

(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.

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. An investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk reward profile.

Other price risk exposure

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

	2009 £'000
Equity investments at fair value through profit or loss	70,317

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

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

The following table illustrates the sensitivity of the profit after taxation for the period and the net assets to an increase or decrease of 10% in the fair values of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and includes the impact on the management fee but assumes all other variables are held constant.

	10% Increase fair value £'000	2009 10% Decrease fair value £'000
Income statement – profit after taxation		
Revenue return	(24)	24
Capital return	6,996	(6,996)
Total profit after taxation and net assets for the period	6,972	(6,972)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

Liquidity risk exposure

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

	2009 Three months or less £'000
Creditors: amounts falling due within one year	
Securities purchased for future settlement	1,683
Corporation tax payable	38
Other creditors and accruals	137
	1,858

(c) Credit risk

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

Management of credit risk**Portfolio dealing**

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

Cash

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

Notes to the Accounts continued

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

Credit risk exposure

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

	Balance sheet £'000	2009	Maximum exposure £'000
Fixed assets – investments at fair value through profit or loss	76,297		–
Current assets			
Debtors – amount due from brokers, dividends and interest receivable	665		665
Cash at bank and in hand	205		205
	77,167		870

(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, except for the Zero Dividend Preference shares whose fair value as determined by reference to their market value at the balance sheet date was £41,248,000.

22. Capital management policies and procedures

The Board's capital management policy is to enable the Company to secure the investment objective stated on page 15. It is not the Board's intention to use bank debt to provide long term structural gearing.

	2009 £'000
Composition of the Company's capital	
Net assets attributable to Zero Dividend Preference shareholders	49,197
Ordinary shareholders	26,112
Total capital	75,309

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

- the need to buy back shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium;
- the need for issues of new shares, including issues from Treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

Information about the Company

Financial Calendar

Financial year end	28th February
Final results announced	May
Half year end	31st August
Half year results announced	November
Interim Management Statements issued	June/December
Dividend on Ordinary shares	Payable quarterly in October, January, April and July
Annual General Meeting	July

History

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

Company Numbers

Company registration number: 6453183

London Stock Exchange numbers:

Ordinary Shares: B2NBJ06

Units: B2NBJ40

ZDPs: B2NBJ28

ISIN:

Ordinary shares: GB00B2NBJ068

Units: GB00B2NBJ407

ZDPs: GB00B2NBJ282

Bloomberg codes:

Ordinary shares: JPI LN

Units: JPIU LN

ZDPs: JPIZ LN

Market Information

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

Web Site

www.jpmincomeandcapital.co.uk

Share Transactions

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

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

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

For company secretarial and administrative matters please contact Divya Amin.

Registrars

Equiniti
Reference 2422,
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone number: 0871 384 2633

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 2422.

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

Independent Auditors

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane, London SE1 2RD

Brokers

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

Savings Products Administrators

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

Shareholder Analysis

at 28th February 2009

Ordinary shares	Number of shares	% holding
Individuals in the Investment Trust ISA ¹	28,169,212	41.7
Private client brokers	15,900,870	23.6
Retail investors ²	11,501,136	17.0
Individuals in the Investment Trust Shareplan ¹	2,410,200	3.6
Individuals in the Investment Trust Pensions	187,386	0.3
Total retail holdings	58,168,804	86.2
Investment Trusts ³	4,336,105	6.4
Unit trusts	1,936,201	2.9
Other	1,236,000	1.8
Insurance	276,425	0.4
Pensions	129,288	0.2
Charities	13,899	0.0
Total institutions	7,927,918	11.7
Total market trading accounts	1,410,060	2.1
Total shares in issue	67,506,782	100.0

Nominee accounts have been allocated to their appropriate category.

¹Savings products managed by JPMorgan.

²Includes shareholders below 10,000 threshold.

³Includes shares held by JPMorgan Elect plc.

Source: Thomson Financial.

Zero Dividend Preference shares	Number of shares	% holding
Private client brokers	20,077,336	43.6
Retail investors ²	12,301,904	26.7
Individuals in the Investment Trust Shareplan ¹	3,828,980	8.3
Individuals in the Investment Trust ISA ¹	6,135,094	13.3
Individuals in the Investment Trust Pensions	192,492	0.4
Total retail holdings	42,535,806	92.3
Other	1,009,732	2.2
Unit trusts	752,240	1.6
Insurance	76,969	0.2
Pensions	51,923	0.1
Total institutions	1,890,864	4.1
Total market trading accounts	1,660,530	3.6
Total shares in issue	46,087,200	100.0

Nominee accounts have been allocated to their appropriate category.

¹Savings products managed by JPMorgan.

²Includes shareholders below 10,000 threshold.

³Includes shares held by JPMorgan Elect plc.

Source: Thomson Financial.

Notice of Meeting

Notice is hereby given that the first Annual General Meeting of JPMorgan Income & Capital Trust plc will be held at The Salters' Hall, 4 Fore Street, London EC2Y 5DE on Monday, 6th July 2009 at 3.00p.m. for the following purposes:

- 1 To receive the Directors' Report & Accounts and the Auditors' Report for the period ended 28th February 2009.
- 2 To approve the Directors' Remuneration Report for the period ended 28th February 2009.
- 3 To elect Sir Laurence Magnus as a Director of the Company.
- 4 To elect Roderick Collins as a Director of the Company.
- 5 To elect Antony Hichens as a Director of the Company.
- 6 To elect Richard Hills as a Director of the Company.
- 7 To elect James West as a Director of the Company.
- 8 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to repurchase the Company's shares – Special Resolution

- 9 THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued Ordinary Shares, Zero Dividend Preference Shares ('ZDP') and Units.

PROVIDED ALWAYS THAT

- (i) Ordinary Shares may only be purchased at prices below their prevailing net asset value (as determined by the Directors as at a date falling not more than ten days before the date of repurchase) and where the Cover on the ZDPs is 1.15 times or above and where such purchases will not reduce the Cover on the ZDPs (in each case as determined by the Directors as at a date falling not more than ten days before the date of repurchase) below 1.15 times;
- (ii) ZDPs may only be purchased as prices below their prevailing net asset value (as determined by the Directors as at a date falling not more than ten days before the date of repurchase);
- (iii) the maximum number of Ordinary Shares authorised to be purchased is 10,119,266 or such number as is equal to 14.99 per cent of the issued Ordinary Shares (including in the form of Units) as at the date of the passing of its Resolution;
- (iv) the maximum number of ZDPs authorised to be purchased is 6,908,471 or such number as is equal to 14.99 per cent of the issued ZDPs (including in the form of Units) as at the date of the passing of this Resolution;
- (v) the minimum price which may be paid for any Ordinary Share or ZDP is 1p in each case, the minimum price which may be paid for a Unit is 3p and the maximum price which may be paid for any Ordinary Share, ZDP or Unit is an amount equal to 105 per cent of the average of the market values for an Ordinary

Share, a ZDP or a Unit, as the case may be taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the relevant security is purchased;

- (vi) the authority hereby conferred shall expire on 5th January 2011 unless the authority is renewed at any other general meeting prior to such time; and
- (vii) the Company may make a contract to purchase Ordinary shares under the authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

Authority to allot new ordinary shares – Ordinary Resolution

- 10 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 Section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £33,753, representing approximately 5% of the Ordinary issued share capital and £23,043, representing approximately 5% of the ZDP issued share capital at the date of the passing of this resolution provided that this authority shall expire at the Company's Annual General Meeting in 2010, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

- 11 THAT subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 11 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for each up to an aggregate nominal amount of £33,753, representing approximately 5% of the Ordinary issued share capital and £23,043, representing approximately 5% of the ZDP issued share capital as at the date of the passing of this resolution at a price of note less than the Net Asset Value per Ordinary or ZDP share and shall expire at the Company's Annual General Meeting in 2010, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

By order of the Board

Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
26th May 2009

Notice of Meeting continued

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

- 1 A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
- 2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
- 3 A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
- 4 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
- 5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
- 6 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
- 7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.
- 8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above. Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
- 9 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.
- 10 No Director has any contract of service with the Company.
- 11 As at 26th May 2009 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 67,506,782 Ordinary shares and 46,087,200 Zero Dividend Preference shares carrying one vote each. Therefore the total voting rights in the Company are 113,593,982.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Glossary of Terms

Portfolio return

Change in net assets, excluding the effect of share issues, share repurchases and dividend payments.

Composite benchmark return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends quoted ex-dividend during the period were reinvested in the shares of the underlying companies, without transaction costs, at the time the shares were quoted ex-dividend.

The benchmark comprises two recognised indices of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' these indices and, consequently, there may be some divergence between the Company's performance and the benchmark performance.

Ordinary share price total return

Total return to the investor based on the change in the Ordinary share mid-market price and assuming that all dividends quoted ex-dividend during the period were reinvested into Ordinary shares without transaction costs.

Unit share price total return

Total return to the investor based on the change in the Unit mid-market price and assuming that all dividends quoted ex-dividend during the period were reinvested into Units without transaction costs. Note that a Unit comprises two Ordinary shares and one Zero Dividend Preference share.

Zero Dividend Preference share price total return

Total return to the investor based on the change in the Zero Dividend Preference share mid-market price.

Ordinary share net asset value total return

Return to the investor based on the change in the net asset value ('NAV') per Ordinary share and assuming all dividends quoted ex-dividend during the period were reinvested into Ordinary shares at the NAV per Ordinary share at the time the shares were quoted ex-dividend, without transaction costs.

Unit net asset value total return

return to the investor based on the change in the Unit net asset value ('NAV') and assuming all dividends quoted ex-dividend in respect of a Unit during the period were reinvested into Units at the NAV per Unit at the time the Units were quoted ex-dividend, without transaction costs. Note that a Unit comprises two Ordinary shares and one Zero Dividend Preference share.

Discount/premium

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

Actual gearing factor

Investments excluding holdings in liquidity funds, 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 was to increase by 100%.

Total Expense Ratio (TER)

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

JPMorgan Helpline

Freephone 0800 20 40 20 or 0207 742 9999

8.30 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline

Freephone 0800 41 31 76 or 0172 241 4888

9.00 am to 5.00 pm Monday to Friday

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

Your telephone call may be recorded for your security

www.jpmincomeandcapital.co.uk