Annual Report 09

JPMorgan Income & Growth Investment Trust plc

Annual Report & Accounts for the year ended 31st January 2009

JPMorgan
Asset Management

Features

Contents

Objective

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

Investment Policy

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

Benchmark

The FTSE 350 Total Return Index.

Capital Structure

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

Life of the Company

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

Management Company

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

Financial Results

Total Returns (capital plus income)

–43.0%
Unit net asset value total return[1] (2008: –21.9%)

–100.0%
Capital net asset value total return[1] (2008: –81.5%)

–38.1%
Income net asset value total return[1] (2008: +5.8%)

–27.4%
FTSE 350 Total Return Index[2] (2008: –3.3%)

–53.7%
Capital share price total return[3] (2008: –59.0%)

–31.9%
Income share price total return[3] (2008: –9.3%)

Financial Data

for the year ended 31st January 2009

	31st January 2009	31st January 2008	Change %
Assets at 31st January 2009			
Income shares:			
Net assets attributable (£'000)	39,010	66,894	–41.7
Net asset value per share (p)	61.5	106.8	–42.4
Share price (p)	57.5	92.0	–37.5
Share price discount to net asset value (%)	(11.8)	(13.9)	
Capital shares:			
Net assets attributable (£'000)	0	5,498	–100.0
Net asset value per share (p)	0.0	8.6	–100.0
Share price (p)	9.5	20.5	–53.7
Share price premium to net asset value (%)	—	138.4	
Revenue for the year[4]			
Gross revenue (£'000)	5,274	6,362	–17.1
Net revenue attributable to income shareholders (£'000)	3,472	5,059	–31.4
Return per income share (p)	5.5	8.1	–32.1
Dividend per income share (p)	6.2	6.9	–10.1
Actual gearing factor (%)	135.0	114.8	
Total expense ratio (%)	1.5	1.5	

A glossary of terms and definitions is provided on page 52.

[1]Source: JPMorgan.
[2]Source: FTSE.
[3]Source: Morningstar – www.morningstar.co.uk
[4]The comparative results are for the period from 20th December 2006 to 31st January 2008.

Chairman's Statement

Introduction and Performance

This has not been a good year. The total return on the Company's assets has been –43.0% which compares with an ungeared UK stock market total return, as measured by the FTSE 350 index, of –27.4%. The portfolio itself delivered a total return of –30.2% to which gearing, in a falling market contributed a further –7.9%. This is set out in the table on page 6.

There are several reasons for this underperformance. In the early part of the year, our Investment Managers had too little invested in the better performing sectors of the market, such as oil and mining. This was corrected and, at the same time, a number of defensive stocks were added which subsequently performed satisfactorily. In the second half of the year, when the market slumped so dramatically, it was the structured portfolio of smaller financial stocks, purchased originally for their high yield and to provide diversification, which slumped in value due to dividend cuts, capital reorganisations and a general lack of marketability. A significant number of these have now been sold.

The Investment Managers' report gives more detailed commentary about the unprecedented market conditions experienced during the year and the steps taken to deal both with them and our underperformance.

Revenue and Dividends

Revenue after taxation for the financial year was £3,472,000 and earnings per Income Share were 5.50p.

The Board declared four quarterly interim dividends, each of 1.55p, bringing the total dividend paid in respect of the financial year to 6.20p per Income Share.

In order to maintain the dividend at this level, it was necessary to use some of the revenue reserves that had been built up in the previous period. The reserves now stand at £0.31 million.

We have carried out a careful projection of the revenue that the Company is likely to receive in the current financial year. It is clear that this will fall considerably from last year's level as company dividends are cut or suspended. This will inevitably make it impossible to maintain our own level of dividend and it is unlikely that Income Shareholders will receive a dividend of more than 4.00p per Income Share in respect of the current financial year.

This would represent about a 35% reduction in the dividend which, whilst realistic in the current climate, is not good news. It is however, a level of dividend that we believe to be sustainable and it is of course our wish to build the dividend back up just as soon as our own revenue permits.

Gearing

The Board is responsible for the overall gearing policy. At the start of the financial year, we had a loan of £23 million which provides the necessary structured gearing for an investment trust. It carries an interest rate, fixed by virtue of a swap, at 5.4% but was offset by a cash deposit of £10.8 million. At the end of the financial year, the loan was unchanged but our cash deposit was slightly lower at £10.6 million.

Under FRS 26, the 'fair value' of the swap contract must be reflected in our accounts. This is the difference between the Net Present Value (NPV) of the £23 million loan at the contracted interest rate and the NPV of the loan at forecast interest rates. Since these are currently expected to be lower than 5.4%, the fair value of the swap at the end of the financial year was a negative £2.4 million. This one off charge is included in our finance costs and is split between revenue and capital in accordance with the usual 30%/70% policy. It contributed -3.3% to the Company's total return.

This is an accounting adjustment and is not a real loss to the Company. The £2.4 million write down will be written back over the life of the swap contract which expires in November 2011.

Investment Manager

In December 2008, JPMAM changed the investment management arrangements in place for the Company when John Baker and Sarah Emly took over responsibility from Jamie Streeter for the management of the portfolio.

This change, and the underperformance of the portfolio, has caused us, since the year-end and with the help of our brokers, to carry out a wide ranging review of JPMAM's capabilities. We remain of the view that JPMAM is currently an appropriate manager of our assets and that its processes are capable of delivering the returns that shareholders are entitled to expect. We have therefore concluded that their continuing appointment is in the best interest of shareholders.

With effect from 1st February 2009, we have agreed that JPMAM's investment management fee will be reduced from 0.90% to 0.80% of net assets and will further reduce to 0.70% on net assets over £65 million.

Discount and Premium Management

At last year's Annual General Meeting on 15 April 2008, the Directors were granted authority to repurchase up to 14.99% of the Capital shares and the Income shares for cancellation, such authority to expire at the conclusion of the annual general meeting of the Company in June 2009. During the year to 31st January, 2009 no shares of the Company were repurchased for cancellation. We continue to believe that this mechanism may be of benefit to shareholders and are therefore proposing that the authority be renewed for a further period at the forthcoming Annual General Meeting.

The Directors were also authorised at the time of the Company's launch to issue up to 10% of the Capital and Income shares for cash at prices greater than the underlying net asset value. During the year 850,000 each, of Income and Capital shares were issued for cash. We continue to believe that this mechanism may be of benefit to shareholders and are therefore proposing that the authority be renewed for a further period at the forthcoming Annual General Meeting.

The Board

Your Board has put in place procedures to ensure that the Company complies fully with the revised Combined Code and the AIC Code on Corporate Governance. Full details are given in the Corporate Governance section of this report on pages 20 to 23.

In accordance with the Company's Articles of Association, I am required to retire at this year's Annual General Meeting of the Company and wish to offer myself for re-election by shareholders. Details of my background and that of the other Directors can be found on page 14.

VAT on Management Fees

I am pleased to report that the agreement with JPMAM on the recovery of past VAT was executed in January 2009. A total payment of the VAT recovery and interest of £60,000 was received by the Company in January 2009.

Chairman's Statement continued

Annual General Meeting

Your Directors and I look forward to welcoming shareholders to the second Annual General Meeting, which will be held at The Salters' Hall, 4 Fore Street, London EC2Y 5DE on 25 June 2009 at 3.30 p.m. Sarah Emly and John Baker, our new Investment Managers, will make a presentation to shareholders, reviewing the year and commenting on the outlook for the current year. It would be helpful if shareholders could submit, in advance, in writing any detailed or technical questions that they wish to raise at the Annual General Meeting to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ.

Outlook

We remain cautious about the future and expect 2009 to be a difficult year with high unemployment and little consumer confidence. The portfolio is however in better shape than previously and we have £10.6 million of cash to deploy at the right time. The Board, and the Investment Managers, are determined to achieve better performance for shareholders in the remaining eight years of the Company's life than in the first two.

Alan Cole
Chairman

7th May 2009

Investment Managers' Report

Sarah Emly

John Baker

Market Review

We are sure that Shareholders will not need to be reminded of how dreadful 2008 was for investment into almost any type of risk asset. The first six months of the period to the end of July 2008 seems fairly muted now with the equity market as measured by our benchmark index, the FTSE 350 Index, falling by just over 6%. In the second part of our year equities slumped by more than 23% as investor confidence was battered by a relentless barrage of dreadful economic and financial news.

Economic news in the UK deteriorated rapidly through the year, with falling house prices hitting consumer confidence and corporate profits suffering from a slump in world trade. The autumn saw the near-collapse of the UK banking system, with an evaporation of confidence and the freezing of credit markets, 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 economy weakened further and the banking system came under severe pressure, the UK authorities responded to the crisis with a series of unprecedented measures. The Bank of England's Monetary Policy Committee slashed interest rates seven times, taking them down from 5.5% to 1.5% at the end of January. Meanwhile, the Government launched a bailout package for the UK banking industry, allowing it to inject capital into the biggest banks to absorb prospective bad debts. Lloyds/HBOS and the Royal Bank of Scotland are now majority-owned by the State.

Portfolio Review and Gearing

When the Company launched in 2006 it put in place a long-term gearing facility of £23 million to enable the Company's twin objectives of providing income and capital growth to its Shareholders. At the start of the financial year in February 2008 we had already adopted a cautious stance and had kept on cash deposit almost £11 million to offset the £23 million loan. The cash balance was gradually reduced over the first six months of the year as it was considered at that time that the fall in UK equities had been overdone.

However in the second quarter we became increasingly concerned about the impact of the financial crisis on corporate balance sheet strength and dividend-paying ability. We decided to increase the number of holdings in the portfolio to increase diversification and thereby reduce stock-specific risk. Purchases included more defensive companies such as the oil majors BG and BP, alongside attractively-valued mining stocks such as BHP Billiton. We also reduced the portfolio's exposure to some of the more cyclical medium-sized companies, whose prospects, both in terms of earnings and dividends, weakened significantly. As the economic environment deteriorated further, it became much more difficult to find many attractively-valued stocks with good newsflow and sound balance sheets.

The Company reduced its holdings in the UK banking sector, in anticipation of the deteriorating prospects for dividends, particularly from the domestic banks This decision proved correct since dividends have now been suspended by all the UK banks, except HSBC (who have cut) and Standard Chartered. We added further to some of the more defensive majors with dividend yield attractions, such as the pharmaceutical stocks AstraZeneca and GlaxoSmithKline, as their stocks declined with the market. We also added to British American Tobacco, another company with a resilient earnings stream and a truly international

Investment Managers' Report continued

Performance attribution for the period to 31st January 2009

	%	1 year %
Contributions to Total Returns		
Benchmark total return		**–27.4**
Stock selection		
– Direct equities	–0.4	
– Structured portfolio	–2.4	
Investment Manager contribution		**–2.8**
Portfolio total return		**–30.2**
Gearing/cash effect	–7.9	
Effect of swap	–3.3	
Management fees/ other expenses	–1.5	
Residual*	–0.1	
Other effects		**–12.8**
Net asset value total return		**–43.0**
Impact of decrease in discount		12.9
Unit share price total return		**–30.1**

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

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

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

The Xamin attribution system accounts for income on the xd date of the underlying stock. However, Fundamental Data calculates the Company's total return using the Company's ex dividend date for dividends payable.

All figures are on a total return basis.

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

A glossary of terms and definitions is provided on page 52.

business mix, because of its 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.

We also made some modest purchases of UK corporate bonds such as Marks & Spencer and Rentokil in November, which performed well subsequently. We continue to monitor the corporate bond market for opportunities but have preferred to hold the remainder of our surplus liquidity in cash for the time being.

Performance Review

The overall net asset value of the company fell sharply over the period with the NAV of the Units (including net income reinvested) falling 43.0%. This return compared poorly with the benchmark's return of –27.4%. The table on the left of this page details the performance attribution data. Shareholders will see that the adverse impact of the structural gearing was a substantial contributor to the Company's underperformance relative to its benchmark.

The underlying direct equity portfolio performed broadly in line with its benchmark.

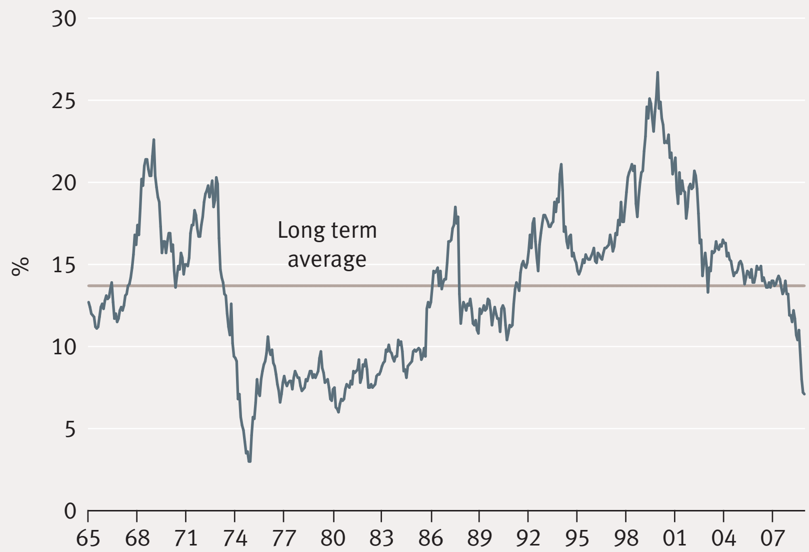
Our analysis of the performance returns has shown us that the Company's investments into a diverse range of UK listed funds (the 'Structured Portfolio') prevented us from producing a much better return versus the market. These funds were exposed to a number of different strategies such as Pan European property, high yield and hedge funds. Rather than provide a degree of diversification away from traditional equities, the sharp falls in markets resulted in these holdings suffering a high level of illiquidity and many of them experienced heavy dividend reductions and capital reorganisations. This has been extremely disappointing and we have been actively reducing our exposure to this area.

Market Outlook

2009 has begun much as 2008 ended, with widespread economic gloom and ongoing concern about the fate of the UK banking system. The UK economy is now officially in recession, unemployment is rising and widespread restrictions on credit has led to many businesses struggling to secure refinancing of their bank loans. The Bank of England has cut rates further taking them to an unprecedented 0.5%. Moreover, it has also introduced a policy of 'quantitative easing' in an attempt to stimulate domestic credit markets and lower the cost of borrowing.

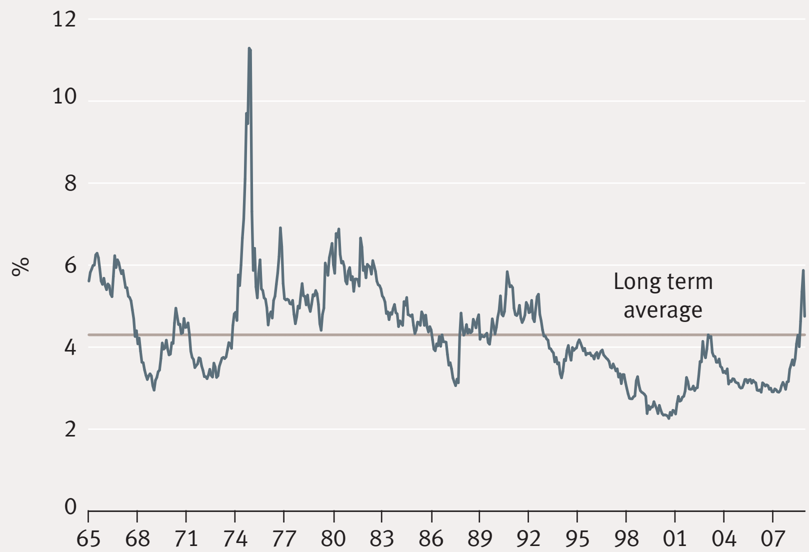
Although it is difficult to step back from the current serious difficulties facing the world economy, it is worth remembering that equities offer investors a share in long term economic growth. Over the long term equities have provided higher long-term real returns to investors than cash or bonds and through the return of dividends have enabled investors to participate in growth of corporate profitability. In times of falling profitabilty equity investors suffer, but following the very 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



Source: Datastream. As at 31st March 2009

Long term dividend yield of UK market



Source: Datastream. As at 31st March 2009

Investment Managers' Report continued

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 has now discounted a significant deterioration in both earnings and dividends and investor sentiment is at very depressed levels. On anything other than an outright depression, many segments of the UK equity market offer value to the medium term investor and moreover offer a better hedge than bonds or cash against any inflation that may result from the recent significant loosening of monetary policy.

Having suffered significant pain over the past eighteen months we believe that long-term investors who hold their nerve at this difficult time will, from these levels, be rewarded for their patience.

Sarah Emly
John Baker
Investment Managers 7th May 2009

Ten Largest Holdings

at 31st January 2009

Company	Sub sector	2009 Valuation £'000	2009 %[1]	2008 Valuation £'000	2008 %
Royal Dutch Shell Royal Dutch Shell PLC explores for, produces and refines petroleum. The Company produces fuels, chemicals, and lubricants. Royal Dutch Shell owns and operates gasoline filling stations worldwide.	Oil & Gas Producers	4,998	9.5	3,223	3.9
BP BP plc is an oil and petrochemicals company. The company explores for and produces oil and natural gas, refines, markets and supplies petroleum products, generates solar energy and manufactures and markets chemicals.	Oil & Gas Producers	4,525	8.6	2,500	3.0
Vodafone Vodafone Group Plc 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	4,175	7.9	2,629	3.2
GlaxoSmithKline[2] GlaxoSmithKline plc 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, gastrointestinal and genetic disorders.	Pharmaceuticals & Biotechnology	3,059	5.8	—	—
AstraZeneca[2] AstraZeneca PLC researches, manufactures and sells pharmaceutical products in seven therapeutic areas: Gastrointestinal, Oncology, Cardiovascular, Respiratory, Central Nervous System, Pain Control, Anaesthesia and Infection.	Pharmaceuticals & Biotechnology	2,478	4.7	—	—
HSBC[3] HSBC Holdings plc provides a variety of international banking and financial services, including retail and corporate banking, trade, trusteeship, securities, custody, capital markets, treasury, private and investment banking and insurances. The group operates worldwide.	Banks	2,192	4.1	1,503	1.8
British American Tobacco[3] British American Tobacco p.l.c. manufactures, markets and sells cigarettes and other tobacco products, including cigars and roll-your-own tobacco.	Tobacco	2,005	3.8	1,615	1.9
BG Group[2] BG Group plc specialises in the exploration, production, transmission and distribution of gas, oil and liquified natural gas. It also develops, owns and operates gas-fired power generation plants.	Oil & Gas Producers	1,567	3.0	—	—
National Grid[3] National Grid PLC owns, operates and develops electricity and gas networks. Its electricity transmission and gas distribution networks are located throughout the United Kingdom and in the north-eastern section of the United States. They also own liquified natural gas storage facilities in Britain and provide infrastructure services to the mobile telecommunications industry.	Gas, Water & Multiutilities	1,457	2.8	1,471	1.8
Imperial Tobacco[3] Imperial Tobacco Group plc is an international tobacco company that manufactures, markets, and sells a range of cigarettes, tobaccos, rolling papers and cigars.	Tobacco	1,249	2.4	1,469	1.8
Total		27,705	52.6		

[1] Based on total investments of £52.7m.

[2] Not held in the portfolio at 31st January 2008.

[3] Not included in the ten largest investments at 31st January 2008.

As at 31st January 2008, the value of the ten largest investments amounted to £24.2m representing 29.1% of total investments.

Portfolio Analysis

	At 31st January 2009		At 31st January 2008	
	Portfolio %[1]	FTSE 350 Index %[2]	Portfolio %[3]	FTSE 350 Index %[2]
Oil & Gas				
Oil & Gas Producers	21.3	21.6	6.9	16.1
Oil Equipment Service and Distribution	0.9	0.4	—	1.0
Total Oil & Gas	22.2	22.0	6.9	17.1
Financials				
Banks	4.9	9.2	8.3	14.7
Non-life Insurance	2.8	0.9	3.2	0.8
Life Insurance	2.8	2.9	6.5	3.7
General Financial	0.8	4.5	4.6	5.7
Total Financials	11.3	17.5	22.6	24.9
Consumer Goods				
Tobacco	6.2	5.1	3.7	2.7
Food Producers	2.2	2.9	3.7	2.6
Beverages	0.5	3.3	1.1	3.0
Personal Goods	0.4	0.2	—	0.2
Household Goods	—	2.0	3.6	1.8
Total Consumer Goods	9.3	13.5	12.1	10.3
Utilities				
Gas, Water & Multiutilities	5.8	3.3	5.7	3.0
Electricity	2.8	1.5	2.9	1.6
Total Utilities	8.6	4.8	8.6	4.6
Telecommunications				
Mobile Telecommunications	7.9	6.2	3.2	5.9
Fixed Line Telecommunications	0.7	1.1	5.5	1.6
Total Telecommunications	8.6	7.3	8.7	7.5
Consumer Services				
Travel & Leisure	2.2	2.3	4.6	2.8
Food & Drug Retailers	1.8	3.7	—	3.0
General Retailers	0.9	1.5	4.8	1.8
Media	0.4	2.7	1.2	3.2
Total Consumer Services	5.3	10.2	10.6	10.8
Healthcare	10.5	10.1	—	6.8
Industrials	6.7	6.9	13.6	6.6
Basic Materials	3.7	6.7	2.2	10.7
Technology	—	1.0	—	0.7
	86.2	100.0	85.3	100.0
Structured Portfolio	10.8	—	14.7	—
Fixed Interest	3.0	—	—	—
Total	100.0	100.0	100.0	100.0

[1]Based on total investments of £52.7m.
[2]Source: FTSE.
[3]Based on total investments of £83.1m.

List of Investments

at 31st January 2009

Company	Value £'000
Oil & Gas	
Oil & Gas Producers	
Royal Dutch Shell	4,998
BP	4,525
BG Group	1,567
Premier Oil	141
Oil Equipment, Services & Distribution	
AMEC	452
Total Oil & Gas	**11,683**
Financials	
Banks	
HSBC	2,192
Barclays	375
Non-life Insurance	
Amlin	514
Royal & Sun Alliance Insurance	362
Jardine Lloyd Thompson	344
Beazley	275
Life Insurance	
Aviva	686
Legal & General	277
Prudential	271
Standard Life	219
General Financial	
Provident Financial	334
Man Group	102
Total Financials	**5,951**
Consumer Goods	
Tobacco	
British American Tobacco	2,005
Imperial Tobacco	1,249
Food Producers	
Unilever	1,186
Beverages	
Britvic	253
Personal Goods	
PZ Cussons	231
Total Consumer Goods	**4,924**

Company	Value £'000
Utilities	
Gas, Water & Multiutilities	
National Grid	1,457
Centrica	655
United Utilities	349
Northumbrian Water	315
Severn Trent	305
Electricity	
Scottish & Southern Energy	1,192
International Power	272
Total Utilities	**4,545**
Telecommunications	
Mobile Telecommunications	
Vodafone	4,175
Fixed Line Telecommunications	
Cable & Wireless	354
Total Telecommunications	**4,529**
Consumer Services	
Travel & Leisure	
Compass	704
TUI Travel	432
Food & Drug Retailers	
Morrison (Wm)	463
Tesco	463
General Retailers	
Halfords	298
Brown (N)	142
Media	
Pearson	233
Total Consumer Services	**2,735**

List of Investments continued

Company	Value £'000
Healthcare	
Pharmaceuticals & Biotechnology	
GlaxoSmithKline	3,059
AstraZeneca	2,478
Total Healthcare	**5,537**
Industrials	
Support Services	
Premier Farnell	379
Babcock International	352
G4S	255
Interserve	153
WSP	80
Aerospace & Defence	
BAE Systems	1,046
Industrial Engineering	
IMI	268
Weir	133
Melrose	96
Construction & Materials	
Balfour Beatty	333
General Industrials	
Rexam	249
Industrial Transportation	
Wincanton	161
Total Industrials	**3,505**
Basic Materials	
Mining	
BHP Billiton	885
Anglo American	436
Rio Tinto	301
Xstrata	182
Kazakhmys	144
Total Basic Materials	**1,948**

Company	Value £'000
Structured Portfolio	
JPMorgan European Investment Trust	746
Babcock & Brown	690
Ecofin Water & Power Opportunities	634
ACP Mezzanine	604
PSource Structured Debt	560
Acorn Income Fund	547
Signet Global Fixed Income Strategies	495
Invesco Leveraged High Yield Fund	465
BNP Paribas UK High Income[1]	332
Henderson Diversified Income	320
JZ Capital Partners	306
Speymill Deutsche Immobilien	33
Invesco Property Income Trust	9
Total Structured Portfolio	**5,741**
Fixed Interest	
Daily Mail & General Trust 7.5% 2013	443
Marks & Spencer 5.625% 2014	440
Segro 6.25% FRN 2015	369
Rentokil Initial 5.75% 2016	321
Total Fixed Interest	**1,573**
Total Investments	**52,671**

[1]Preference shares.

Total investments comprises £50,766,000 in equity shares, £1,573,000 in fixed interest securities and £332,000 in preference shares.

Capital Structure of the Company

Income shares

Investment Characteristics

The Income shareholders receive dividends and have a right to a predetermined capital entitlement.

Entitlements

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

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

Reserves

As at 31st January 2009, undistributed revenue reserves amounted to £1,291,000 (before payment of the fourth interim dividend) and have been allocated in the accounts to the Income shares.

Voting Rights

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

Capital shares

Investment Characteristics

The Capital shares offer a geared exposure to market movements and are therefore classed as high risk securities.

Entitlements

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

Voting Rights

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

Units

Investment Characteristics

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

Entitlement and Voting Rights

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

Board of Directors

Alan Cole (Chairman of the Board and Nomination Committee)*†‡

A Director since October 2006.

He was formerly Chief Executive of Transport Development Group plc. He is currently Chairman of Notting Hill Housing Association plc and of the NAAFI Pension Fund.

Nicholas Craig Harvey (Chairman of the Audit Committee)*†‡

A Director since October 2006.

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

Karl Sternberg*†‡

A Director since October 2006.

He is currently Chief Executive of Oxford Investment Partnership Limited and was previously Chief Investment Officer of Deutsche Asset Management Limited. He is also a Fellow of St Catherine's College, Oxford.

Jane Tozer MBE*†‡

A Director since October 2006.

Jane worked for IBM in technical and marketing roles, before becoming CEO of a software company. She is currently a Non-Executive Director of The John Lewis Partnership, F&C Global Smaller Companies plc, Elexon Ltd, Citizens Advice in Three Rivers Ltd and The Pension, Disability and Carers Service. She also serves on the audit Committee of the Ministry of Justice, and is co-founder of the Information and TMT Non-Executives Association.

David Watts*†‡

A Director since October 2006.

He was formerly the joint Chief Executive and Chief Investment Officer of Gartmore Investment Management Limited. He is a Director of Martin Currie Investment Management Limited and Key Asset Management Limited. He is also Chairman of the Investment Committee of Merchant Navy Ratings Pension Fund Trustees Limited.

* *Member of the Audit Committee*

† *Considered independent by the Board*

‡ *Member of the Nomination Committee*

Directors' Report

The Directors present their report for the year ended 31st January 2009.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the period ended 31st January 2008. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the period ended 31st January 2008 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

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

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 to 4 and in the Investment Manager's Report on pages 5 to 8.

Objective

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

Investment Policies and Risk Management

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

Investment Limits and Restraints

- The Company will invest a minimum of 60% of its portfolio in UK equities (31st January 2009: 77.4%).
- The Company will not invest more than 15% of its portfolio in any individual investment (31st January 2009: 8%).
- The Company will use gearing when appropriate to increase potential returns to Shareholders. The Company has the power under its Articles to borrow up to an amount equal to 60% of its Net Asset Value at the time of the drawdown. The Directors have set a maximum level of 35% of Net Asset Value at the time of the drawdown (31st January 2009: 35%).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies (31st January 2009: 5.8%).

Performance

In the year ended 31st January 2009, the Company produced a negative unit net asset value total return of 43.0%. This compares with a negative return on the Company's benchmark of 27.4%. As at 31st January 2009, the value of the Company's investment portfolio was £52.7 million. The Investment Manager's Report on pages 5 to 8 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Loss, Revenue and Dividends

Gross total loss for the year amounted to £25.2 million (2008: £16.0 million) and net total loss after deducting interest, management expenses, and taxation amounted to £29.6 million (2008: £19.1 million). Distributable income for the year amounted to £3.5 million (2008: £5.1 million). The directors have declared a fourth interim dividend of 1.55p (2008: 1.55p plus a special of 0.70p) per Income share. This dividend will cost £1.0 million (2008: £1.4 million including the special) and the revenue reserve after allowing for the dividends will amount to £0.3 million (2008: £0.7 million).

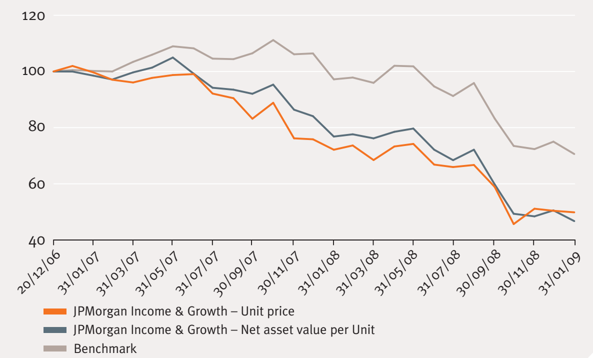
Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark index:**

Performance Since Inception

Figures have been rebased to 100 as at 20th December 2006



Source: Morningstar – www.morningstar.co.uk/FTSE

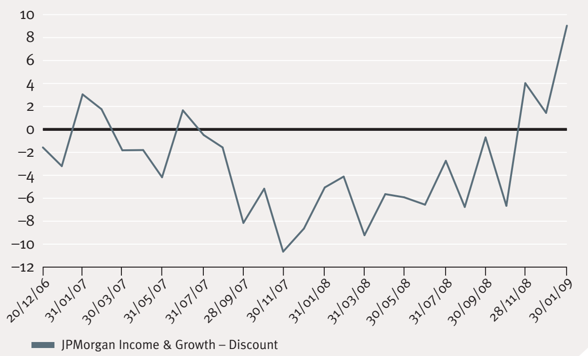
Directors' Report continued

- **Performance against the Company's peers**
  The Board monitors the performance relative to a broad range of competitor funds.

- **Performance Attribution**
  The purpose of performance attribution analysis is to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st January 2009 are given in the Investment Managers' Report on page 6.

- **Discount to net asset value ('NAV')**
  The Board has a share repurchase policy which seeks to address imbalances in supply of and demand for the Company's shares within the market. This minimises the volatility and absolute level of the discount to NAV at which the Company's shares trade.

Unit Premium (+)/Discount (–)



Source: Datastream

- **Total expense ratio ('TER')**
  The TER represents 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 year ended 31st January 2009 was 1.5% (2008: 1.5% calculated on an annualised basis). The Board reviews the TER of the Company regularly and on an annual basis compares its TER against other companies with similar investment objectives and policies.

Share Capital

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

Further to a resolution passed on 15th April 2008, the Company issued 850,000 Income shares during the year for a total consideration of £565,000.

Further to a resolution passed on 15th April 2008, the Company issued 850,000 Capital shares during the year for a total consideration of £9,000.

Since the end of the year and up to the date of this report, the Company has not issued or repurchased any further shares. A resolution to renew the Company's issuance powers will be put to shareholders for approval at the Annual General Meeting. The full text of this resolution is set out in the Notice of Meeting on pages 50 and 51.

A resolution to renew the Company's authority to repurchase shares at a discount to NAV will be put to shareholders at the forthcoming Annual General Meeting. The full text of this resolution is set out in the Notice of Meeting on page 50.

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 under the following categories:

- Investment and Strategy: An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attends all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- Market: Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Investment Managers.

- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Should the Company breach Section 842, it may lose investment trust status and as a consequence gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 1985 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules may result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act 1985 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 may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 22.

- Financial: The financial risks faced by the Company are disclosed in note 24 on pages 42 to 46.

Future Developments

The future development of the Company depends on the success of the Company's investment strategy. The Investment Managers discuss the outlook in their report on pages 5 to 8.

Management of the Company

The Manager and Company Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). JPMAM is employed under a contract terminable on six months notice. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

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

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is currently in the interests of the Shareholders. In arriving at this view, the Board considered the investment strategy and process of the Investment Managers. Such a review is carried out on an annual basis.

Management Fee

The annual management fee was paid monthly at the annualised rate of 0.9% of the Company's net assets up to 31st January 2009. With effect from 1st February 2009, the rate will be reduced to 0.8% of net assets and will further reduce to 0.7% on net assets over £65 million. Funds managed or advised by JPMAM or any of its associated companies that are held in the Company's portfolio of assets are excluded from the calculation and therefore attract no fee.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 15), risk management policies (see page 42), capital management policies and procedures (see page 46), nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 31st January 2009, the Company had no outstanding trade creditors.

Directors' Report continued

Directors

The Directors of the Company at the end of the period together with their beneficial interests in the Company's share capital are given below.

Capital	31st January 2009	1st February 2008
Alan Cole	13,434	13,434
Nicholas Craig Harvey	13,310	13,310
Karl Sternberg	6,825	6,825
Jane Tozer	44,592	44,592
David Watts	—	—

Income	31st January 2009	1st February 2008
Alan Cole	78,440	78,440
Nicholas Craig Harvey	—	—
Karl Sternberg	—	—
Jane Tozer	26,127	—
David Watts	296,507	21,507

Units	31st January 2009	1st February 2008
Alan Cole	4,804	4,804
Nicholas Craig Harvey	4,760	4,760
Karl Sternberg	2,730	2,529
Jane Tozer	17,841	16,530
David Watts	—	—

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

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

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

Disclosure of information to Auditors

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

(a) so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditors are unaware, and

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined in the Companies Act) 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 51.

Notifiable Share Interests

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

Shareholders	Share class	Number of shares held	%
JPMorgan Chase & Co[1,2]	Income	11,212,249	8.76
	Capital	13,576,091	10.61
Rathbones Brothers plc	Income	7,602,684	5.94
Chase Nominees Limited[3]	Income	5,154,541	4.03
	Capital	6,403,017	5.00
Citigroup	Capital	4,690,000	3.66
Rensburg Sheppards Investment Management Limited	Income	4,739,300	3.70
	Capital	1,496,670	1.17

[1]Non-beneficial.

[2]JPMorgan Elect PLC holds 13.05% of the Capital shares and 11.59% of the Income shares.

[3]Held on behalf of JPMAM ISA and Share Plan participants.

Independent Auditors

Ernst & Young 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 determine their remuneration for the ensuing year, will be put to shareholders at the Annual General Meeting.

Annual General Meeting

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

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

Authority to repurchase the Company's shares (resolution 5)
At the General Meeting held on 15th April 2008, shareholders gave authority to the Board to enable repurchases of up to 14.99% of the then issued share capital. A resolution will be proposed at the Annual General Meeting that the Company be authorised to purchase in the market up to 14.99% of the Company's issued share capital as at the date of the passing of this resolution 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 6)
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 pages 50 and 51.

It is advantageous for the Company to be able to issue new shares to participants purchasing shares through the JPMAM 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 7)
Resolution 7 seeks authority to disapply statutory pre-emption rights on any issues of new shares and on any sales of shares out of Treasury. This avoids the legal requirement to offer them pro rata to all shareholders.

Recommendation (resolutions 5 to 7)
The Board considers that resolutions 5 to 7 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
7th May 2009

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities in respect of the Accounts on page 25, indicates how the Company has applied the principles of good governance of the 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, other than in respect of the provision relating to a senior independent director, and the AIC Code, in so far as they are relevant to the Company's business, throughout the year under review.

Role of the Board

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

The Board has procedures in place to deal with potential conflicts of interest and confirms that the procedures have operated efficiently during the year under review.

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

There is an agreed procedure for Directors to take independent professional advice 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.

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

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

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.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that one third of the Board must retire by rotation each year.

Any Director who has served for a period of more than nine years will submit himself for annual re-election thereafter. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its committees.

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

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

Meetings and Committees

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

The table below lists the number of Board and committee meetings attended by each Director. During the period there were six Board meetings, including a private meeting of the Directors to evaluate the Manager and a separate meeting devoted to strategy, two Audit Committee meetings and a meeting of the Nomination Committee.

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

Training and Appraisal

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

The Board has agreed a procedure for the formal evaluation of its own performance and of that of its committees and individual Directors. Questionnaires, drawn up by the Board, are completed by each Director. The responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, whilst the other Directors evaluate the performance of the Chairman himself. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination Committee

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

The Nomination Committee undertakes an annual performance evaluation, as described above, to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Nomination Committee reviews and makes recommendations to the Board concerning the re-election by shareholders of any Director under the 'retirement by rotation' provisions in the Company's Articles of Association. The Nomination Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

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

The Audit Committee reviews the actions and judgements of the Manager in relation to the interim and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external auditors; in the opinion of the Directors the auditors are considered independent. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft Annual Report and accounts are considered. The Directors' statement on the Company's system of internal control is set out overleaf.

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 the Company's website and on request at the Company's registered office and at the Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance

Corporate Governance continued

and reports formally to shareholders four times a year by way of the Annual Report and Accounts, the Half Year Report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the NAV of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. In addition, a presentation is given by the Investment Managers reviewing the Company's performance. During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 48.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 clear working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 48.

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

Internal Control

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM. The key elements designed to provide effective internal control are as follows:

Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

Management Agreement – Appointment of a manager and custodian 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 receives regular reports from JPMAM's compliance department;
- the Board reviews the report on the internal controls and the 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 the means of the procedures set out above, which accord with the Turnbull guidance on internal controls, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st January 2009, and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows:
go to www.jpmorganassetmanagement.co.uk/institutional and within the "Commentary & Analysis" tab you will find a section on Corporate Governance.

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

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable we will vote at all of the meetings called by companies in which we are invested.

In order to do this we have formulated detailed guidelines which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues (see below). 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."

All votes cast against resolutions are reported to the Board.

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 presents this report, which has been prepared in accordance with the requirements of schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report is to be put to shareholders at the forthcoming Annual General Meeting.

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

Directors' fees for the year were paid at a fixed rate of £25,000 per annum for the Chairman, £20,000 per annum for the Chairman of the Audit Committee and £18,000 per annum for each other Director.

Directors' Remuneration for the year ended 31st January 2009

(Audited Information)

Director's Name	2009 £	2008[1] £
Alan Cole	25,000	27,853
Nicholas Craig Harvey	20,000	22,282
Karl Sternberg	18,000	20,054
Jane Tozer	18,000	20,054
David Watts	18,000	20,054
Total	99,000	110,297

[1] The comparatives represent Directors' fees for the period from 20th December 2006 to 31st January 2008.

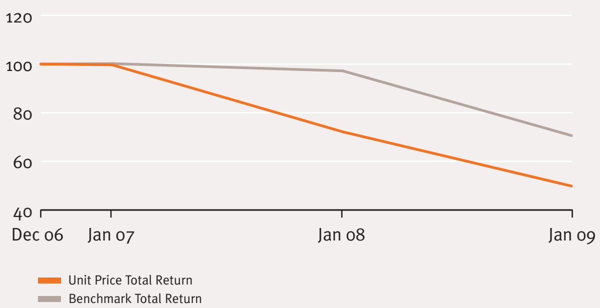
The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfiling these roles.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by JPMAM, and relevant third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance-related. Any increase in the aggregate fee level above £200,000 per annum would require both Board and shareholder approval.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending to the Company's business.

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

Unit price and benchmark total return performance for the period ended 31st January 2009



Source: Morningstar – www.morningstar.co.uk/FTSE

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
7th May 2009

Directors' Responsibilities in Respect of the Accounts

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

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement under the Disclosure & Transparency Rules 4.1.12

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

a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
Alan Cole
Chairman
7th May 2009

Independent Auditors' Report

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

We have audited the financial statements of JPMorgan Income & Growth Investment Trust plc for the year ended 31st January 2009 which comprise the Income Statement, Balance Sheet, Cash Flow Statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective Responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st January 2009 and of its net loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

ERNST & YOUNG LLP

Registered Auditor London, 7th May 2009

Income Statement

for the year ended 31st January 2009

	Notes	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008[1] Revenue £'000	2008[1] Capital £'000	2008[1] Total £'000
Losses on investments and options held at fair value through profit or loss	3	—	(30,436)	(30,436)	—	(22,358)	(22,358)
Net foreign currency gain		—	7	7	—	7	7
Income from investments	4	4,154	—	4,154	5,293	—	5,293
Other interest receivable and similar income	4	1,120	—	1,120	1,069	—	1,069
Gross return/(loss)		5,274	(30,429)	(25,155)	6,362	(22,351)	(15,989)
Management fee	5	(163)	(381)	(544)	(304)	(668)	(972)
VAT recoverable	6	17	40	57	—	—	—
Other administrative expenses	7	(310)	—	(310)	(450)	—	(450)
Net return/(loss) on ordinary activities before finance costs and taxation		4,818	(30,770)	(25,952)	5,608	(23,019)	(17,411)
Finance costs	2(f),8	(1,102)	(2,573)	(3,675)	(503)	(1,173)	(1,676)
Dividends paid on Income shares	9	(4,328)	—	(4,328)	(2,912)	—	(2,912)
Net (loss)/return on ordinary activities before taxation		(612)	(33,343)	(33,955)	2,193	(24,192)	(21,999)
Taxation	10	(244)	243	(1)	(46)	44	(2)
Net (loss)/return on ordinary activities after taxation		(856)	(33,100)	(33,956)	2,147	(24,148)	(22,001)
Return/(loss) per class of share	11						
Return/(loss) per Income share		5.5p	(44.0)p	(38.5)p	8.1p	—	8.1p
Loss per Capital share		—	(8.6)p	(8.6)p	—	(38.1)p	(38.1)p

[1]The comparative results cover the period from incorporation on 20th October 2006 to 31st January 2008. The Company began investing on 20th December 2006.

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a 'Statement of Total Recognised Gains and Losses' ('STRGL'). For this reason a STRGL has not been presented.

The notes on pages 30 to 47 form an integral part of these accounts.

Balance Sheet

at 31st January 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments at fair value through profit or loss	12	52,671	83,093
Current assets			
Debtors	13	1,256	2,162
Cash and short term deposits		10,598	10,760
		11,854	12,922
Creditors: amounts falling due within one year	14	(23,122)	(23,385)
Derivative instruments at fair value through profit or loss	15	—	(238)
Net current liabilities		(11,268)	(10,701)
Total assets less current liabilities		41,403	72,392
Creditors: amounts falling due after more than one year			
Derivative instrument at fair value through profit or loss	16	(2,393)	—
Total net assets attributable to shareholders		39,010	72,392
Income shareholders		39,010	66,894
Capital shareholders		—	5,498
		39,010	72,392
Net asset value per share			
Income share	19	61.5p	106.8p
Capital share	19	—	8.6p

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 amounts attributable to shareholders are given in note 18 on page 40.

The accounts on pages 27 to 47 were approved by the Directors and authorised for issue on 7th May 2009 and are signed on their behalf by:

Alan Cole
Chairman

The notes on pages 30 to 47 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31st January 2009

	Notes	2009 £'000	2008[1] £'000
Net cash inflow from operating activities	20	4,703	4,475
Returns on investments and servicing of finance			
Interest paid		(1,367)	(1,557)
Dividends paid on Income shares		(4,328)	(2,912)
Net cash outflow from returns on investments and servicing of finance		(5,695)	(4,469)
Capital expenditure and financial investment			
Purchases of investments		(63,150)	(112,526)
Payments for options exercised		(257)	(310)
Sales of investments		63,664	83,413
Other capital charges – handling fees		(8)	(9)
Net cash inflow/(outflow) from capital expenditure and financial investment		249	(29,432)
Net cash outflow before financing		(743)	(29,426)
Financing			
Repayment of short term loans		—	(7,500)
Drawdown of short term loans		—	30,500
Issue of Income and Capital shares as part of the scheme of reconstruction		—	16,712
Issue of Income and Capital shares		574	467
Net cash inflow from financing		574	40,179
(Decrease)/increase in cash for the year	21	(169)	10,753

[1]The comparative results cover the period from incorporation on 20th October 2006 to 31st January 2008. The Company began investing on 20th December 2006.

The notes on pages 30 to 47 form an integral part of these accounts.

Notes to the Accounts
for the year ended 31st January 2009

1. Comparative accounting period
The comparative results cover the period from incorporation on 20th October 2006 to 31st January 2008. The Company began investing on 20th December 2006.

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 AIC in January 2009.

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

(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 as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off in the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments. Unlisted and restricted investments are valued at fair value by the Board. In making its valuations, the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the Income Statement within 'Losses on investments held at fair value through profit or loss'. Gains and losses on sales of investments and derivatives, exchange differences of a capital nature, management fees and finance 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 derivatives'. Increases and decreases in the valuation of investments and derivatives held at the year end are accounted for in capital reserves within 'Holding gains and losses on investments and derivatives'.

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

UK dividends are accounted for net of 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.

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

Deposit interest is taken to revenue on an accruals basis.

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

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

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

– expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly stamp duty and broker commission. Details of transaction costs can be found in note 12.

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

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

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

(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 an insignificant risk of changes in value.

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

Bank loans and overdrafts are classified as loans and receivables and are measured at amortised cost. They are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method.

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

The swap contract on the loan facility is designated as 'held at fair value through profit or loss' and included in debtors or creditors falling due after more than one year. Changes in the fair value of this contract are included in finance costs and allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

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

(g) Foreign currency

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

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

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

(h) Taxation

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

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

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. Further information regarding VAT on management fees is given in note 6 on page 33.

Notes to the Accounts continued

	2009 Investments £'000	2009 Options £'000	2009 Total £'000	2008 Investments £'000	2008 Options £'000	2008 Total £'000
3. Losses on investments and options held at fair value through profit or loss						
Losses on sales of investments and options based on historical cost	(24,520)	(65)	(24,585)	(8,500)	(502)	(9,002)
Amounts recognised in investment holding losses in the previous period in respect of investments and options sold during the year	10,335	238	10,573	—	—	—
(Losses)/gains on sales of investments and options based on fair value at the previous balance sheet date	(14,185)	173	(14,012)	(8,500)	(502)	(9,002)
Net movement in investment holding losses	(16,416)	—	(16,416)	(13,108)	(238)	(13,346)
Other capital charges – handling fees	(8)	—	(8)	(10)	—	(10)
Total capital (losses)/gains from investments held at fair value through profit or loss	(30,609)	173	(30,436)	(21,618)	(740)	(22,358)

	2009 £'000	2008 £'000
4. Income		
Income from listed investments		
UK dividend income	3,522	4,959
UK unfranked investment income	497	232
Overseas dividends	58	102
Scrip dividends	53	—
Property income distribution from UK REITS	24	—
	4,154	5,293
Other interest receivable and similar income		
Deposit interest	372	272
Premiums receivable from written options	732	797
Underwriting commission	13	—
Interest on VAT reclaim	3	—
	1,120	1,069
Total income	5,274	6,362

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
5. Management fee						
Management fee	163	381	544	270	629	899
VAT thereon	—	—	—	34	39	73
	163	381	544	304	668	972

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

6. VAT recoverable

No VAT has been charged on management fees since November 2007 when HM Revenue & Customs announced acceptance that VAT was not chargeable on investment trust management fees. The Company has since recovered VAT amounting to £57,000 and interest of £3,000 in respect of VAT paid in the past. The VAT recovered has been allocated between income and capital on the same basis as it was originally expensed. The interest recovered has been allocated wholly to income and is included in 'other interest receivable and similar income' in note 4 on page 32.

	2009 £'000	2008 £'000
7. Other administrative expenses		
Other management expenses	187	304
Directors' fees[1]	99	110
Auditors' remuneration – for audit services[2]	24	36
	310	450

[1]Full disclosure is given in the Directors' Remuneration Report on page 24.
[2]Includes £5,000 VAT (2008: £5,000).

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
8. Finance costs						
Interest on bank loans and overdrafts	399	932	1,331	503	1,173	1,676
Finance costs of swap	(15)	(34)	(49)	—	—	—
Change in fair value of swap contract[1]	718	1,675	2,393	—	—	—
	1,102	2,573	3,675	503	1,173	1,676

[1]Details of the Company's accounting policy for the swap contract are given in note 2(f) on page 31.

Notes to the Accounts continued

9. Dividends payable on Income shares

	2009 £'000	2008 £'000
(a) Dividends paid and declared		
2008 special dividend of 0.70p	438	—
2008 fourth quarterly dividend of 1.55p	971	—
First quarterly dividend of 1.55p (2008: 1.55p)	971	971
Second quarterly dividend of 1.55p (2008: 1.55p)	971	971
Third quarterly dividend of 1.55p (2008: 1.55p)	977	970
Total dividends paid in the year	4,328	2,912
Special dividend payable of nil (2008: 0.70p)	—	438
Fourth quarterly dividend declared of 1.55p (2008: 1.55p)	984	971

The fourth quarterly dividend has been declared in respect of the year ended 31st January 2009. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 31st January 2010.

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

The requirements of section 842 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends declared in respect of the year as follows. The revenue available for distribution by way of dividend for the year is £3,472,000 (2008: £5,059,000).

	2009 £'000	2008 £'000
First quarterly dividend of 1.55p (2008: 1.55p)	971	971
Second quarterly dividend of 1.55p (2008: 1.55p)	971	971
Third quarterly dividend of 1.55p (2008: 1.55p)	977	970
Special dividend of nil (2008: 0.70p)	—	438
Fourth quarterly dividend of 1.55p (2008: 1.55p)	984	971
Total dividend for section 842 purposes of 6.20p (2008: 6.90p)	3,903	4,321

10. Taxation

(a) Analysis of tax charge in the year

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Overseas taxation	1	—	1	2	—	2
Tax attributable to expenses and finance costs charged to capital	243	(243)	—	44	(44)	—
Current tax charge for the year	244	(243)	1	46	(44)	2

(b) Factors affecting current tax charge for the year

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Net (loss)/return on ordinary activities before taxation	(612)	(33,343)	(33,955)	2,193	(24,192)	(21,999)
Net (loss)/return on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 28.33% (2008: 30%)	(173)	(9,446)	(9,619)	658	(7,258)	(6,600)
Effects of:						
Non taxable capital losses	—	8,620	8,620	—	6,705	6,705
Change in fair value of swap contract	203	475	678	—	—	—
Non taxable UK dividend income	(997)	—	(997)	(1,488)	—	(1,488)
Non taxable scrip dividends	(15)	—	(15)	—	—	—
Excess capital expenses arising in the year	—	351	351	—	553	553
Overseas withholding tax	1	—	1	2	—	2
Relief for overseas taxation	(1)	—	(1)	(2)	—	(2)
Dividends paid on income shares	1,226	—	1,226	874	—	874
Unrelieved expenses and charges	(243)	—	(243)	(42)	—	(42)
Tax attributable to expenses charged to capital	243	(243)	—	44	(44)	—
Current tax charge for the year	244	(243)	1	46	(44)	2

(c) Deferred taxation

At 31st January 2009 the Company had an unrecognised deferred tax asset of £488,000 based on a prospective corporation tax rate of 28% (2008: £381,000 based on a corporation tax rate of 30%). This has arisen from deductible expenses exceeding taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

Given the Company's 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.

Notes to the Accounts continued

11. Return/(loss) per class of share

Return/(loss) per Income share

Return/(loss) per Income share is based on the weighted average number of Income shares in issue during the year of 62,736,957 (2008: 62,617,703) and the following figures:

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
(Loss)/return attributable to Income shareholders	(856)	(27,602)	(28,458)	2,147	—	2,147
Add back dividends on Income shares	4,328	—	4,328	2,912	—	2,912
Total return/(loss) attributable to Income shareholders	3,472	(27,602)	(24,130)	5,059	—	5,059
Return/(loss) per Income share (pence)	5.5	(44.0)	(38.5)	8.1	—	8.1

Loss per Capital share

Loss per Capital share is based on the weighted average number of Capital shares in issue during the year of 63,798,935 (2008: 63,458,475) and the following figures:

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Loss attributable to Capital shareholders	—	(5,498)	(5,498)	—	(24,148)	(24,148)
Loss per Capital share (pence)	—	(8.6)	(8.6)	—	(38.1)	(38.1)

	2009 £'000	2008 £'000

12. Fixed assets

	2009 £'000	2008 £'000
Investments at fair value through profit or loss	52,671	83,093

	2009 Listed overseas £'000	2009 Listed UK £'000	2009 Delisted £'000	2009 Total £'000	2008 Listed overseas £'000	2008 Listed UK £'000	2008 Delisted £'000	2008 Total £'000
Opening book cost	1,232	94,967	2	96,201	—	—	—	—
Opening investment holding losses	(301)	(12,805)	(2)	(13,108)	—	—	—	—
Opening valuation	931	82,162	—	83,093	—	—	—	—
Movements in the year:								
Transferred in as part of the JPMF Income & Growth scheme of reconstruction	—	—	—	—	1,232	75,980	2	77,214
Purchases at cost	—	63,212	—	63,212	—	112,526	—	112,526
Sales – proceeds	(533)	(62,500)	—	(63,033)	—	(85,039)	—	(85,039)
Losses on sales based on fair value at the previous balance sheet date	(398)	(13,787)	—	(14,185)	—	(8,500)	—	(8,500)
Net movement in investment holding losses	—	(16,416)	—	(16,416)	(301)	(12,805)	(2)	(13,108)
	—	52,671	—	52,671	931	82,162	—	83,093
Closing book cost	—	71,858	2	71,860	1,232	94,967	2	96,201
Closing investment holding losses	—	(19,187)	(2)	(19,189)	(301)	(12,805)	(2)	(13,108)
Total fixed asset investments at fair value through profit or loss	—	52,671	—	52,671	931	82,162	—	83,093

During the year, prior year investment holding losses amounting to £10,335,000 were transferred to gains and losses on sales of investments as disclosed in note 3 on page 32.

Transaction costs on purchases during the year amounted to £334,000 (2008: £645,000) and on sales during the year amounted to £55,000 (2008: £106,000). These costs comprise brokerage commission and stamp duty.

Notes to the Accounts continued

	2009 £'000	2008 £'000
13. Current assets		
Debtors		
Securities sold awaiting settlement	995	1,626
Dividends and interest receivable	249	265
Other debtors	6	271
Tax recoverable	6	—
	1,256	2,162

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

Cash and short term deposits

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

	2009 £'000	2008 £'000
14. Creditors: amounts falling due within one year		
Bank loan	23,000	23,000
Loan interest payable	34	119
Deferred option income	—	192
Other creditors and accruals	88	74
	23,122	23,385

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

The bank loan is drawn down on the Company's £40m revolving loan facility with Lloyds TSB Bank plc. Further details are given in note 24 on pages 42 to 46.

	2009 £'000	2008 £'000
15. Derivative instruments at fair value through profit or loss		
Written options	—	238

	2009 £'000	2008 £'000
16. Derivative instrument at fair value through profit or loss		
Swap contract on loan facility with Lloyds TSB Bank plc	2,393	—

Further details of the swap contract are given in note 24 on pages 43 to 46.

17. Called up share capital

	2009 £'000	2008 £'000
Authorised:		
250,000,000 (2008: 250,000,000) Income shares of 1p each	2,500	2,500
250,000,000 (2008: 250,000,000) Capital shares of 1p each	2,500	2,500
	5,000	5,000
Issued and fully paid:		
Income shares of 1p each		
Opening balance of 62,617,803 (2008: nil) shares	626	—
Issue of 62,617,803 shares as part of the JPMF Income & Growth scheme of reconstruction	—	626
Issue of 850,000 (2008: nil) shares	9	—
Closing balance of 63,467,803 (2008: 62,617,803) shares	635	626

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

	2009 £'000	2008 £'000
Capital shares of 1p each:		
Opening balance of 63,677,781 (2008: nil) shares	637	—
Issue of 62,617,803 shares as part of the JPMF Income & Growth scheme of reconstruction	—	626
Issue of 850,000 (2008: 1,059,978) shares	9	11
Closing balance of 64,527,781 (2008: 63,677,781) shares	646	637

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

Notes to the Accounts continued

18. Net assets attributable to shareholders

	Called up share capital £'000	Share premium £'000	Other reserve[1] £'000	Gains and losses on sales of investments and derivatives £'000	Holding gains and losses on investments and derivatives £'000	Revenue attributable to Income shares £'000	Total £'000
Opening balance	1,263	456	92,674	(10,802)	(13,346)	2,147	72,392
Losses on sales of investments based on fair value at previous balance sheet date	—	—	—	(14,185)	—	—	(14,185)
Net movement in investment holding losses	—	—	—	—	(16,416)	—	(16,416)
Change in fair value of swap contract	—	—	—	—	(1,675)	—	—
Gains on sales of options based on fair value at previous balance sheet date	—	—	—	173	—	—	173
Transfer on disposal of investments	—	—	—	(10,335)	10,335	—	—
Transfer on disposal of options	—	—	—	(238)	238	—	—
Net foreign currency gains	—	—	—	7	—	—	7
Issue of shares	18	556	—	—	—	—	574
Management fees and finance costs charged to capital	—	—	—	(1,279)	—	—	(1,279)
Tax relief on capitalised expenses	—	—	—	243	—	—	243
VAT recoverable	—	—	—	40	—	—	40
Other capital charges – handling fees	—	—	—	(8)	—	—	(8)
Net revenue loss for the year	—	—	—	—	—	(856)	(856)
Closing balance	1,281	1,012	92,674	(36,384)	(20,864)	1,291	39,010

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

19. Net asset value per share

The Company's total net assets have fallen below the pre-determined capital entitlement of the Income shareholders of £65,626,000 (103.4p per share). Therefore, the net asset value per Income share is based on the total net assets of the Company divided by the 63,467,803 Income shares in issue at the year end. The net asset value per Income share at 31st January 2008 is based on the £64,747,000 (103.4p per share) capital entitlement of the Income shareholders in the event of any winding up of the Company plus the £2,147,000 balance on the revenue reserve, divided by the 62,617,803 Income shares in issue at that date.

The net asset value per Capital share is £nil because if the Company had been wound up at the balance sheet date, all the assets would have been payable to the Income shareholders as their pre-determined capital entitlement ranks higher than the Capital shares. The net asset value per Capital share at 31st January 2008 is based on the Company's net assets of £72,392,000, less the prior entitlement of the Income shares of £66,894,000 divided by the 63,677,781 Capital shares in issue at that date.

	2009 £'000	2008 £'000
20. Reconciliation of total loss on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total loss on ordinary activities before finance costs and taxation	(25,952)	(17,411)
Add capital loss before finance costs and taxation	30,770	23,019
Scrip dividends received as income	(53)	—
Decrease/(increase) in accrued income	16	(265)
Decrease/(increase) in other debtors	265	(271)
Increase in accrued expenses	9	73
VAT recovered included in capital	40	—
Tax on unfranked investment income	(2)	(2)
Effective interest rate adjustment	(9)	—
Expenses charged to capital	(381)	(668)
Net cash inflow from operating activities	4,703	4,475
Reconciliation of net cash flow to movement in net debt		
Decrease in cash for the year	(169)	10,753
Cash inflow from changes in debt	—	(23,000)
Changes in debt arising from cash flows	(169)	(12,247)
Opening net debt	(12,240)	—
Foreign exchange movement	7	7
Closing net debt	(12,402)	(12,240)

	At 31st January 2008 £'000	Cash flow £'000	Exchange movement £'000	At 31st January 2009 £'000
21. Analysis of changes in net debt				
Cash and short term deposits	10,760	(169)	7	10,598
Bank loans falling due within one year	(23,000)	—	—	(23,000)
	(12,240)	(169)	7	(12,402)

22. Contingent liabilities and capital commitments

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

Notes to the Accounts continued

23. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 17. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £544,000 (2008: £899,000 excluding VAT), of which £nil (2008: £nil) was outstanding at the year end.

Safe custody fees and other charges amounting to £5,000 (2008: £6,000) were payable to third party custodians on behalf of JPMAM, of which £4,000 (2008: £1,000) was outstanding at the year end.

JPMAM may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable in the year was £8,000 (2008: £41,000) of which £nil was outstanding at the year end.

Handling charges on dealing transactions amounting to £8,000 (2008: £10,000) were payable to JPMorgan Chase during the year of which £2,000 (2008: £1,000) was outstanding at the year end.

The Company holds an investment in JPMorgan European Investment Trust plc which is managed by JPMAM. At 31st January 2009 this was valued at £0.7 million (2008: £1.1 million) and represented 1.4% of the Company's investment portfolio. During the year the Company made no purchases (2008: £1.3 million) and no sales (2008: £nil) of this investment. Income amounting to £70,000 (2008: £44,000) was received from this investment during the year.

At the year end, a bank balance of £98,000 (2008: £286,000) was held with JPMorgan Chase. A net amount of interest of £37,000 (2008: £46,000) was receivable by the Company during the year from JPMorgan Chase, of which £nil (2008: £6,000) was outstanding at the year end.

24. Financial instruments

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

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

The Company's classes of financial instruments are as follows:

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

(a) Market risk

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

(i) Interest rate risk

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

Management of interest rate risk

The Company finances part of its activities through borrowings on a loan facility at levels approved and monitored by the Board. The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when borrowing on the loan facility. The Company has entered a swap contract on the loan facility and, as a result, there is no cash flow interest rate risk. However, the fair value of the swap contract will fluctuate when interest rates are re-set. Further details of the swap contract are given in this note below.

Interest rate exposure

The Company holds £1.9 million of investments carrying a fixed coupon and the market value of these securities will fluctuate when interest rates are re-set. This will impact the Company's capital return but the amounts are not significant. Other than these securities and the amount drawn down on the loan facility that is fixed by an interest rate swap, the Company has no financial assets or liabilities carrying fixed rates of interest. The exposure to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below.

	2009 £'000	2008 £'000
Exposure to floating interest rates		
Cash and short term deposits	10,598	10,760
Total exposure	10,598	10,760

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

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

	2009 £'000	2008 £'000
Maximum cash at bank and short term deposits	12,904	14,368
Minimum cash at bank and short term deposits	5,035	(6,082)

The Company has £40 million revolving loan facility with Lloyds TSB Bank plc which expires on 20th November 2011. Interest payable on this facility is at a margin over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the cost of complying with certain regulatory requirements. At the balance sheet date, the Company had drawn down £23 million (2008: £23 million) on this facility repayable on 8th February 2009. A swap contract is in place which fixes the interest payable on £23 million of the loan facility at 5.3875% for the whole term of the facility. Changes in the fair value of the swap contract are included in finance costs and allocated 30% to revenue and 70% to capital. Changes in interest rates will affect this fair value and consequently affect profit after taxation and net assets.

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to a 1% (2008: 1%) increase or decrease in interest rates. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis includes the impact on the Company's cash balances held at the balance sheet date and changes in the fair value of the swap contract, with all other variables held constant.

Notes to the Accounts continued

24. Financial instruments continued

(i) Interest rate risk continued

	2009 1% Increase in rate £'000	2009 1% Decrease in rate £'000	2008 1% Increase in rate £'000	2008 1% Decrease in rate £'000
Income statement – profit after taxation				
Revenue return	300	(308)	108	(108)
Capital return	454	(472)	—	—
Total profit after taxation for the year	754	(780)	108	(108)
Net assets	754	(780)	108	(108)

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

(ii) Other price risk

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

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The Manager has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that the portfolio of investments meets an acceptable risk reward profile.

Other price risk exposure

The Company's total exposure to other changes in market prices at 31st January 2009 comprises its holdings in equity investments and its exposure through written options as follows:

	2009 £'000	2008 £'000
Equity investments	50,766	83,093
Exposure through written options	—	3,551
Total exposure to other changes in market prices	50,766	86,644

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 9 to 12. This shows that substantially all of the investments' value is in the UK. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit or loss after taxation for the year and net assets to an increase or decrease of 20% (2008: 5%) in market prices. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments and written options with all other variables held constant.

	2009		2008	
	20% Increase in market prices £'000	20% Decrease in market prices £'000	5% Increase in market prices £'000	5% Decrease in market prices £'000
Income statement – profit or loss after taxation				
Revenue return – attributable to Income shareholders	(27)	27	(12)	12
Capital return – attributable to Capital or Income shareholders	10,089	(10,089)	4,305	(4,305)
Total profit after taxation	10,062	(10,062)	4,293	(4,293)
Net assets	10,062	(10,062)	4,293	(4,293)
Net asset value – Income shares	15.9p	(15.9)p	(0.2)p	0.2p
Net asset value – Capital shares	—	—	6.8p	(6.8)p

(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 readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities and working capital and to gear the Company as appropriate.

Liquidity risk exposure

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

	2009 £'000	2008 £'000
Creditors: amounts falling due within one year		
Bank loan	23,000	23,000
Other creditors	122	385
Creditors: amounts falling due after more than one year		
Derivative instrument at fair value through profit or loss	2,393	—
Income shares capital entitlement	41,403	64,747
	66,918	88,132

The Company has the right to roll over the bank loan under the terms of the loan facility which expires on 20th November 2011.

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Notes to the Accounts continued

24. Financial instruments continued

Cash

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

Exposure to JPMorgan Chase

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

Credit risk exposure

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

	2009		2008	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets – investments at fair value through profit or loss	52,671	—	83,093	–
Current assets				
Debtors – amounts due from brokers, dividends and interest receivable	1,256	1,256	2,162	2,162
Cash at bank	10,598	10,598	10,760	10,760
	64,525	11,854	96,015	12,922

Cash at bank comprises balances held at banks that have a minimum credit rating of A1/P1 from Standard & Poor's and Moody's respectively (2008: same).

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

25. Capital management policies and procedures

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to the Income and Capital shareholders respectively through an appropriate balance of capital and debt.

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

	2009 £'000	2008 £'000
Composition of the Company's capital		
Debt:		
Bank loan	23,000	23,000
Total debt	23,000	23,000
Net assets attributable to Income shares	39,010	66,894
Net assets attributable to Capital shares	—	5,498
Total net assets	39,010	72,392
Debt as a percentage of net asset value	59.0%	31.8%

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

– the planned level of gearing, which takes into account the Manager's views on the market;
– the need to buy back shares, 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, which may include 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	31st January
Final results announced	May
Half year end	31st July
Half year results announced	September
Interim Management statements announced	May/December
Dividends on ordinary shares paid	Payable quarterly in March, June, September and December
Annual General Meeting	June

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

Company Numbers
Company registration number: 5973571
London Stock Exchange Sedol codes:
Capital B1G3N00, Income B1G3N11, Units B1G3N22.
Bloomberg Codes:
Capital JIGC LN, Income JIGI LN, Units JIGU LN.
Reuters Codes:
Capital JGICx.L, Income JGICix.L, Units JGIC_u.L.
ISIN Codes:
Capital GB00B1G3N007, Income GB00B1G3N114,
Units GB00B1G3N221.

Market Information
The Company's net asset value ('NAV') is published daily via the London Stock Exchange.

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.jpmincomeandgrowth.co.uk, where the share price is updated every 15 minutes during trading hours.

Website
www.jpmincomeandgrowth.co.uk

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

aic The Association of Investment Companies A member of the AIC

Manager and Company Secretary
JPMorgan Asset Management (UK) Limited

Company's Registered Office
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone: 020 7742 6000

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

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

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

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

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

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

Shareholder Analysis

at 31st January 2009

Capital	Number of shares	% holding
Unit Trusts	10,694,601	16.9
Investment Trusts	8,442,211	13.3
Other institutions	2,266,089	3.6
Insurance	1,026,757	1.6
Pensions	484,998	0.8
Charities	89,561	0.1
UK Government	5,459	0.0
Total Institutions	23,009,676	36.3
Market Trading Accounts	1,722,955	2.7
Private Client Brokers	22,184,001	35.0
Retail investors holding directly or through nominee accounts[1]	11,389,906	17.9
Individuals in the Investment Trust ISA	2,698,180	4.2
Individuals in the Investment Trust Share Plan	2,168,480	3.4
Individuals in the Investment Trust Pensions	294,605	0.5
Total Retail Holdings	38,735,172	61.0
Total Shares in Issue	63,467,803	100.0

[1]Includes shares below threshold of 10,000.

Income	Number of shares	% holding
Unit Trusts	9,446,564	14.6
Investment Trusts	8,439,701	13.1
Other institutions	2,826,517	4.5
Pensions	1,105,704	1.7
Insurance	325,945	0.5
Charities	297,450	0.5
UK Government	20,726	0.0
Total Institutions	22,512,607	34.9
Market Trading Accounts	1,826,913	2.8
Private Client Brokers	17,989,777	27.9
Retail investors holding directly or through nominee accounts[1]	15,822,397	24.5
Individuals in the Investment Trust Share Plan	3,218,781	5.0
Individuals in the Investment Trust ISA	2,588,296	4.0
Individuals in the Investment Trust Pensions	569,010	0.9
Total Retail Holdings	40,188,261	62.3
Total Shares in Issue	64,527,781	100.0

[1]Includes shares below threshold of 10,000.

Notice of Meeting

Notice is hereby given that the second Annual General Meeting of JPMorgan Income & Growth Investment Trust plc will be held at The Salters' Hall, 4 Fore Street, London EC2Y 5DE on 25th June 2009 at 3.30 p.m. for the following purposes:

1 To receive the Directors' Report & Accounts and the Auditors' Report for the year ended 31st January 2009.

2 To approve the Directors' Remuneration Report for the year ended 31st January 2009.

3 To re-elect Alan Cole as a Director of the Company.

4 To re-appoint Ernst & Young LLP as auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to repurchase the Company's shares – Special Resolution

5 THAT the Company be generally and, subject as herein after 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 Capital and Income Shares.

PROVIDED ALWAYS THAT

(i) the maximum number of Capital shares hereby authorised to be purchased shall be 9,672,714 or if less, that number of Capital shares which is equal to 14.99% of the Capital issued share capital as at the date of the passing of this Resolution;

(ii) the maximum number of Income Shares hereby authorised to be purchased shall be 9,513,824 or if less, that the number of Income Shares which is equal to 14.99% of the Income issued Share Capital as at the date of passing of this Resolution;

(iii) the minimum price which may be paid for any Capital or Income share is 0.01p in each case;

(iv) the maximum price which may be paid for a Capital or Income share shall be an amount equal to the highest of (a) 105 per cent of the average of the middle market quotations for a Capital or Income share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(v) the authority hereby conferred shall expire on 24th June 2010 unless the authority is renewed at the Company's Annual General Meeting in 2010, or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Authority to allot new ordinary shares – Ordinary Resolution

6 THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to 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 £32,263, representing approximately 5% of the Capital issued share capital and £31,733, representing approximately 5% of the Income issued share capital at the date of the passing of this resolution provided that this authority shall expire at the 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

7 THAT subject to the passing of Resolution 6 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 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 cash up to an aggregate nominal amount of £32,263, representing approximately 5% of the Capital issued share capital and £31,733, representing approximately 5% of the Income issued share capital as

at the date of the passing of this resolution at a price of not less than the Net Asset Value per Capital or Income share and shall expire 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 to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired. For the purposes of this Resolution, references to an allotment of equity securities will include a sale of shares out of treasury.

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Company Secretary
7th May 2009

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 6th May 2009 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 64,527,781 Capital shares and 63,467,803 Income shares, carrying one vote each. Therefore the total voting rights in the Company are 127,995,584.

Electronic appointment – CREST members

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

Glossary of Terms

Capital Share Price Total Return
Return to the investor based on the change in the Capital share mid-market price. The comparative figure is the change in the first mid-market price quoted on 20th December 2006 and the mid-market price quoted at the period end on 31st January 2008.

Income Share Price Total Return
Return to the investor based on the change in the Income share mid-market price and assuming all dividends quoted ex-dividend during the year were reinvested into Income shares at the time the shares were quoted ex-dividend, without transaction costs. The comparative figure is the change in the first mid-market price quoted on 20th December 2006 and the mid-market price quoted at the period end on 31st January 2008 with dividends reinvested as above.

Unit Share Price Total Return
Return to the investor based on the change in the Unit mid-market price and assuming all dividends quoted ex-dividend in respect of a Unit during the year were reinvested into Units at the time the Units were quoted ex-dividend, without transaction costs. The comparative figure is the change in the first Unit price quoted on 20th December 2006 and the Unit price quoted at the period end on 31st January 2008 with dividends reinvested as above. Note that a Unit comprises one Income share and one Capital share.

Capital Net Asset Value (‘NAV”) Total Return
Return to the investor based on the change in the NAV per Capital share. The comparative figure is based on the change in the first NAV per Capital share calculated on 20th December 2006 and the NAV at the period end on 31st January 2008.

Income Share NAV Total Return
Return to the investor based on the change in the NAV per Income share and assuming all dividends quoted ex-dividend during the year were reinvested into Income shares at the NAV per Income share at the time the shares were quoted ex-dividend, without transaction costs. The comparative figure is the change in the first NAV per Unit calculated on 20th December 2006 and the NAV at the period end on 31st January 2008 with dividends reinvested as above.

Unit NAV Total Return
Return to the investor based on the change in the Unit NAV and assuming all dividends quoted ex-dividend in respect of a Unit during the year were reinvested into Units at the NAV per Unit at the time the Units were quoted ex-dividend, without transaction costs. The comparative figure is the change in the first NAV per Unit calculated on 20th December 2006 and the NAV at the period end on 31st January 2008 with dividends reinvested as above. Note that a Unit comprises one Income share and one Capital share.

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

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company’s investment universe. The Company’s investment strategy does not follow or “track” this index and consequently, there may be some divergence between the Company’s performance and that of the stated index.

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

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

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

Performance Attribution Definitions:

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

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

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

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

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

JPMorgan Helpline
Freephone 0800 40 30 30 or 020 7742 9999
9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline
Freephone 0800 41 31 76 or 0172 241 4888
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