

Annual Report **2011**  
JPMorgan Mid Cap  
Investment Trust plc

Annual Report & Accounts for the year ended 30th June 2011

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### Objective

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

### Investment Policies

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

### Benchmark

The FTSE 250 Index (excluding investment trusts).

### Capital Structure

UK domiciled.

Full Listing on the London Stock Exchange.

As at 30th June 2011, the Company's issued share capital comprised 26,132,180 ordinary shares of 25p each including 1,175,500 shares held in Treasury.

### Management Company

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

# Financial Results

Total returns (includes dividends reinvested)

**+30.0%**

Return to  
shareholders<sup>1</sup>  
(2010: +18.5%)

**+29.3%**

Portfolio return net of  
fees and expenses<sup>2,3</sup>  
(2010: +25.1%)

**+28.0%**

Return on net assets<sup>2</sup>  
(2010: +23.7%)

**+32.1%**

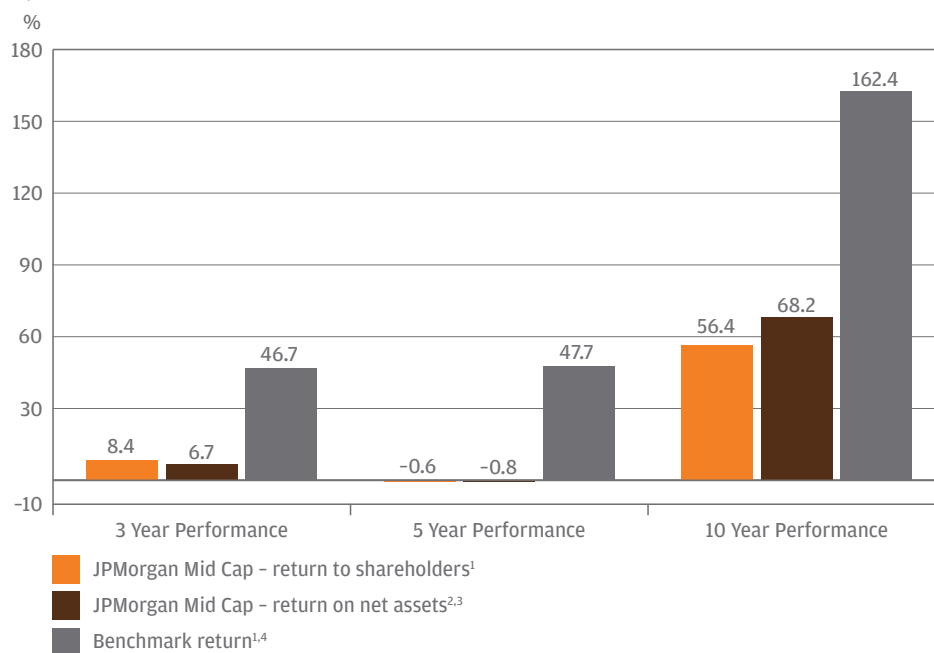
Benchmark return<sup>4</sup>  
(2010: +30.4%)

**17.0p**

Ordinary dividend  
(2010: 17.0p)

## Long Term Performance

for periods ended 30th June 2011



A glossary of terms and definitions is provided on page 55.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Total return on net assets, net of management fees and administration expenses, but prior to the use of revenue reserves to finance the dividend.

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

# Chairman's Statement

## Investment Performance

Following a strong performance in 2010, UK equities faced significant headwinds in the first half of 2011 from persistent Eurozone sovereign debt problems, weak domestic economic data and rising inflation. Geopolitical concerns further added to the pressure on equities as turmoil in the Middle East and North Africa pushed up the oil price and a devastating earthquake in Japan further complicated the global economic outlook. Despite this turbulent backdrop, the FTSE 250 Index rose by 6.3% in the second half of the Company's financial year, resulting in an impressive benchmark total return of 32.1% for the full year to 30th June 2011.

As was the case for 2010, I am pleased to be able to report to you a significant positive return for shareholders. After taking account of the rise in share price, the dividend for the year and a narrowing of the discount to NAV, the total return to shareholders was 30.0%. The total return on net assets was 28.0%. The net asset return was reduced by the decision to maintain the final dividend, which will necessitate a £1.3 million drawdown on the revenue reserve, thus reducing the total return by 1.3%. Therefore a meaningful measure of investment performance is the figure of 29.3% which was the total return on net assets prior to the drawdown on revenue reserves to meet this year's proposed final dividend.

Performance against the benchmark continues to be somewhat disappointing with stock selection representing the biggest detraction from performance. When completing its annual review of the Manager, investment performance is clearly the Board's main area of focus. The Board is continuing to review the appropriate structure of the portfolio particularly in a period of greater macro volatility. The Board regularly discusses the portfolio's investment strategy with the Manager and believes that the individuals managing the portfolio are well placed to produce an improvement in relative performance and I have confidence that over time this will be achieved. The Board therefore believes that JPMAM should remain as the Company's Investment Manager and that its ongoing appointment remains in the interests of shareholders.

## Revenue and Dividends

Earnings per share for the year to 30th June 2011 were 11.81 pence per share, marginally below the 11.94 pence earned in 2010. At the beginning of the review period the Managers anticipated that earnings for 2011 would be higher than those generated in 2010. However, correctly anticipating falling markets, our Managers reduced the level of the Company's gearing in 2011 and so preserved capital. However, since the Company's revenue derives almost entirely from dividends paid by companies in which we have holdings, the reduction in gearing led to a consequent reduction in income. Moreover, the Company also suffered from the reduction of the Cable & Wireless Worldwide dividend. Despite the small reduction in earnings this year and after careful consideration, the Board has decided to utilise again some of the Company's revenue reserves and proposes to pay a maintained final dividend of 11.50p per share (2010: 11.50p) making a total of 17.00p (2010: 17.00p). The payment of this dividend will require a transfer of £1,289,000 from revenue reserves. After the transfer, the revenue reserve will amount to £2.4 million. The dividend is payable on 7th November 2011 to shareholders on the register at the close of business on 30th September 2011.

The Board is acutely aware of the importance of income to shareholders and it remains our aspiration to maintain the total dividend. While the Company does have significant revenue reserves, these are clearly finite. It is pleasing that the Company's expenses continue to be relatively low in comparison to the rest of the investment trust industry. The Company's total expense ratio is only 0.72%, down from 0.74% in 2010. 30% of the Company's management fees and finance costs are allocated to revenue in the Income Statement and will continue to be monitored closely by the Board.

Our Investment Managers believe that the Company's earnings in 2012 will be higher as many companies listed in the UK are now in a better position to increase dividend distributions, having taken steps since 2008/9 to strengthen their balance sheets. Clearly, if the Company's earnings fail to grow significantly to cover a maintained dividend in future years, the Board's aspiration is unsustainable. The Board will closely monitor the revenue estimate over the coming months and a further update on the revenue position for 2012 will be given in the Company's half year report for the six months to 31st December 2011.

#### **Gearing**

The use of gearing over the last year has added 0.4% to the overall return and the Board continues to believe in the benefits of gearing over the long term. The Board of Directors sets the overall gearing guidelines and reviews these at each meeting; changes in these guidelines between meetings may be undertaken after consultation with the Board. To give the Manager greater flexibility in managing the gearing, the Board has resolved to increase the Company's maximum gearing range from 95%-120% to 95%-125%. At the year end gearing was 106% and at the time of writing it is 103%. However, the portfolio's position in Northumbrian Water is effectively cash given that this company is the subject of an agreed bid, hence a more meaningful gearing figure at the time of writing is 99%.

#### **Borrowing Facilities and Debenture**

The Company has recently replaced its expiring £10 million loan facility with two £5 million loan facilities with ING Bank, one expiring in 2012 and one expiring in 2014. The Company also has a £9.5 million debenture, redeemable at par in 2016 or at the option of the Company after 1st December 2011. Once it has clarity on the availability of future finance options, the Board will decide in October 2011 whether it is in the Company's best interests to redeem the debenture at the first opportunity on 2nd December 2011. If the Board decides to redeem at the earliest opportunity, formal notice to this effect will be despatched to stockholders.

#### **Discount Management and Treasury Shares**

It is the present intention of the Board to continue its policy of buying back shares, whether for cancellation or into Treasury, to assist in reducing the volatility of the discount and enhance the net asset value per share. This policy will be reviewed regularly in the light of market conditions including the levels of discounts in the wider investment trust sector. The Company will only re-issue shares from Treasury at a premium to NAV.

During the year under review, the Company repurchased into Treasury 130,000 shares, representing 0.5% of the issued share capital at the start of the year. Since 30th June 2011, the Company has bought back a further 85,000 shares. The Company

# Chairman's Statement continued

will continue to buy shares into Treasury up to a maximum of 5.0% of issued share capital. Shares bought back in excess of this level will be cancelled.

Whilst the Company has not repurchased any shares for cancellation over the course of the year, the Directors continue to believe that this mechanism is of benefit to shareholders and therefore propose and recommend that powers to repurchase up to 14.99% of the Company's shares for cancellation be renewed for a further period.

## **Board of Directors**

The Board has procedures in place to ensure that the Company complies fully with the AIC Code on Corporate Governance and the new UK Code on Corporate Governance, which applies for the first time to companies with financial years commencing on or after 29th June 2010.

In accordance with the Company's Articles of Association, the Directors retiring by rotation and seeking re-election at this year's Annual General Meeting are Michael Hughes and Margaret Littlejohns. John Emly also retires on grounds of tenure (having served as a Director for more than nine years) and seeks re-election. The Nomination and Remuneration Committee has met to consider the attributes and contributions of the individuals concerned and, following this review, the Board strongly recommends their re-election at the forthcoming Annual General Meeting.

## **Annual General Meeting**

This year's Annual General Meeting will be held on Thursday 3rd November 2011 at 2.30 p.m. at 20 Moorgate, London, EC2R 6DA. As in previous years, in addition to the formal part of the meeting, there will be a presentation from the Investment Managers who will answer questions on the portfolio and performance. There will also be an opportunity to meet the Board, the Investment Managers and representatives of JPMAM after the meeting. I look forward to welcoming as many of you as possible to this meeting.

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

## **Prospects**

In August we were reminded that the UK stock market is not immune to the fallout from economic events in other parts of the world. It is clear that the problems which emerged from the financial crisis of 2008/9 are far from being resolved and the economic recovery is likely to be slow. Our benchmark index has fallen sharply since our year end as investors reacted to the continuing Eurozone sovereign debt crisis and downgrade to growth expectations globally. While markets worldwide are likely to continue to be volatile, UK equity valuations remain conservative. Earnings growth expectations, while moderating, remain positive. Against this background our investment managers sound a somewhat cautious note, whilst continuing to pick individual companies that they believe have solid fundamentals and growth prospects.

**Andrew Barker**  
Chairman

19th September 2011

# Investment Managers' Report

## Performance and Market Background

The Company enjoyed strong performance over the 12 months with a portfolio return, net of fees and expenses, of 29.3%. It was however disappointing that this was less than the return of the Company's benchmark, the FTSE 250 excluding investment trusts, which rose by 32.1% over the year under review. The utilisation of some of the Company's revenue reserves in order to pay the proposed final dividend detracted a further 1.3% from net asset value and resulted in a return on net assets of 28.0% for the financial year. The discount of the Company's shares to the net asset value narrowed over the year providing shareholders with a total return of 30.0%.

The mid cap market enjoyed another strong year posting a return of 32.1% over the 12 months to the end of June. The majority of the gain came in the first half of the financial year (the benchmark returned 25.8% over the 6 months) echoing the trend witnessed last year when over 90% of the benchmark's performance for the 12 months to June 2010 occurred in the first half.

The Company's year started well as European debt fears eased and companies reported positive first half trading updates. However, markets around the world fell in August as investor's concerns regarding the sustainability of the recovery resurfaced. Equity indices recovered strongly from September onwards as the market priced in the increased likelihood of the US Federal Reserve embarking on a further round of Quantitative Easing. The Fed subsequently announced in November its intention to purchase \$600 billion of US Government debt in an attempt to stimulate the US economy.

This increase in liquidity had a positive effect on risk assets and mid cap stocks staged a rally into the calendar year end with the benchmark rising by 10% in December. Throughout the second half of the financial year mid cap stocks consolidated their first half gains and by May had nearly reached their 2007 peak.

As the Company's financial year drew to a close bond markets were, once again, becoming increasingly concerned about the high level of debt many developed nations had taken on. Investors began to question the willingness and ability of Governments (especially in the Eurozone and the US) to reduce their deficits and bring their outstanding debt to a more manageable level.

Dana Petroleum, Kenmare Resources and ITV were the three largest positive contributors to relative performance over the year under review.

Dana Petroleum received a takeover approach from the Korean National Oil Corporation (KNOC) at the beginning of the Company's financial year. KNOC saw value in Dana's oil reserves and its growing production profile. The acquisition completed in October 2010 at £18 per share. Kenmare Resources mines and exports titanium minerals from the Moma mine in Mozambique. The minerals are used to produce titanium dioxide pigment which is used in paints, paper and plastic production. The stock rose over 200% as demand for global commodities rebounded. ITV was held in the portfolio until it was promoted into the FTSE 100 in March 2011. The stock

# Investment Managers' Report continued

## Performance attribution for the year ended 30th June 2011

	%	%
<b>Contributions to total returns</b>		
<b>Benchmark</b>		<b>32.1</b>
Stock/sector selection	-2.5	
Gearing/cash	0.4	
<b>Investment manager contribution</b>		<b>-2.1</b>
<b>Portfolio total return</b>		<b>30.0</b>
Fees/other expenses	-0.7	
Use of prior years' revenue reserve	-1.3	
<b>Other effects</b>		<b>-2.0</b>
<b>Return on net assets</b>		<b>28.0</b>
<b>Return to shareholders</b>		<b>30.0</b>

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

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

performed well as advertising revenue increased and market fears about its balance sheet subsided.

The worst performing stocks over the year relative to the benchmark were Cable & Wireless Communications and Cable & Wireless Worldwide. Together these stocks represented more than half of the underperformance for the year under review.

Since Cable & Wireless demerged into two separate businesses trading has deteriorated for both companies. Cable & Wireless Communications (a provider of telecommunication services to consumers, businesses and governments in the Caribbean, Panama, Macau and Monaco) has experienced weaker demand in its Caribbean business, especially in Jamaica where reduced tourist numbers have impacted revenues and profitability. Cable & Wireless Worldwide (a provider of telecommunication services and infrastructure to businesses and the Government in the UK) has suffered a series of profit warnings relating to Government spending cuts, higher costs and a slowdown in sales to business customers.

At the sector level the underweight positions in the chemicals and industrials sectors negatively impacted relative performance. Many of the stocks in those sectors have seen their end markets recover strongly since 2009; however, it is our belief that analysts' expectations for future growth and margins are too high. We think there is little value to be found in these sectors at the moment and remain underweight.

### Portfolio

Three stocks in this year's top ten investments were also in last year's top ten. Those stocks are Pennon (the South West water provider and waste treatment operator), FirstGroup (the bus and rail company) and Babcock (the support service provider to the defence, rail and marine sectors).

The largest holding in the portfolio is Go-Ahead, a company which provides bus and rail transportation to over 900 million passengers in the UK. It trades on a price-to-earnings multiple of 10.5x, has a strong balance sheet and offers a degree of protection from rising inflation as a large proportion of the fares that the company charges are linked to the retail price index.

Other additions to the top ten include two stocks in the non-life insurance sector. Hiscox, the Lloyds of London insurer, and Jardine Lloyd Thompson, the insurance broker, should both benefit if insurance rates go up as anticipated. Natural disasters such as the Japanese earthquake, tsunami and the earthquakes in New Zealand have meant that capital within the sector has been reduced as insurers pay out on losses incurred. The industry is therefore likely to see increases to premiums over the next year. The top ten is drawn from a range of sectors reflecting the diversified nature of the portfolio.

## **Outlook**

The credit crisis that began in 2007 is entering a new phase. The action that governments and central banks took in 2008 averted a collapse of the banking sector and protected the financial system. However, the underlying problem of too much total debt was not solved. Debt was merely transferred from private sector balance sheets to those of the public sector. The theoretical benefit of this was that governments had the luxury of reducing leverage in the system over a longer time frame.

For many developed economies, the market is now demanding that there is a restoration of fiscal responsibility through credible debt reduction plans. However, austerity plans must balance the need for such debt reductions against supporting the fragile economic recovery. Fiscal adjustment must be neither too fast nor too slow. What is needed is a dual focus on medium-term consolidation and short-term support for growth and jobs.

Uncertainty regarding politicians' ability to resolve this important conundrum has led to markets falling sharply since the company's year end. The likelihood of a double dip recession is undoubtedly increasing but we take comfort from the fact that there are now plenty of strong, good quality companies in the Mid 250 that are attractively valued. Equities also provide one of the best protections against inflation, which remains stubbornly high.

The macro economic outlook remains uncertain and consequently volatility is likely to remain a feature of markets for the foreseeable future. In this challenging environment we believe our shareholders will be best served by our continuing to focus on fundamentals and maintaining a medium-term investment horizon.

**Jane Lennard**  
**William Meadon**

Investment Managers

19th September 2011

# Summary of Results

	2011	2010	
<b>Total returns</b> for the year ended 30th June			
Return to shareholders <sup>1</sup>	<b>+30.0%</b>	+18.5%	
Return on net assets <sup>2</sup>	<b>+28.0%</b>	+23.7%	
Benchmark <sup>1,3</sup>	<b>+32.1%</b>	+30.4%	
<b>Net asset value, share price and discount</b> at 30th June			% change
Shareholders' funds (£'000)	<b>135,572</b>	110,643	+22.5
Net asset value per share with debt at par value	<b>543.2p</b>	441.0p	+23.2
Net asset value per share with debt at fair value <sup>4</sup>	<b>541.5p</b>	436.4p	+24.1
Share price	<b>455.0p</b>	364.5p	+24.8
Share price discount to net asset value with debt at par value	<b>16.2%</b>	17.3%	
Share price discount to net asset value with debt at fair value <sup>4</sup>	<b>16.0%</b>	16.5%	
Shares in issue (excluding shares held in Treasury)	<b>24,956,680</b>	25,086,680	
<b>Revenue</b> for the year ended 30th June			
Net revenue attributable to shareholders (£'000)	<b>2,961</b>	3,018	-1.9
Return per share	<b>11.81p</b>	11.94p	-1.1
Dividend per share	<b>17.0p</b>	17.0p	0.0
<b>Actual gearing factor</b> at 30th June <sup>5</sup>	<b>106.0%</b>	104.5%	
<b>Total expense ratio</b> <sup>6</sup>	<b>0.72%</b>	0.74%	

A glossary of terms and definitions is provided on page 55.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

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

<sup>4</sup>The fair value of the £9.5m debenture has been calculated using discounted cash flow techniques using the yield on a similarly dated gilt plus a margin based on the 5 year average for the AA Barclays Corporate Bond.

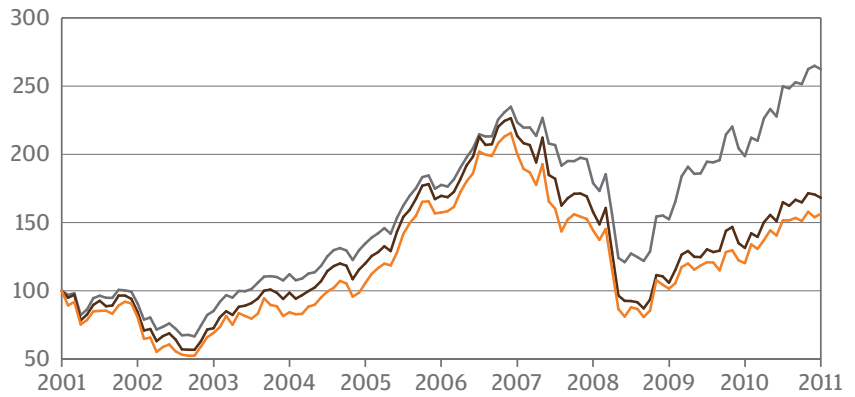
<sup>5</sup>Actual gearing represents investments excluding holdings in liquidity funds, expressed as a percentage of net assets.

<sup>6</sup>Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the month end net assets during the year. The Total Expense Ratio is calculated in accordance with guidance issued by the Association of Investment Companies.

# Performance

## Ten Year Performance

Figures have been rebased to 100 at 30th June 2001

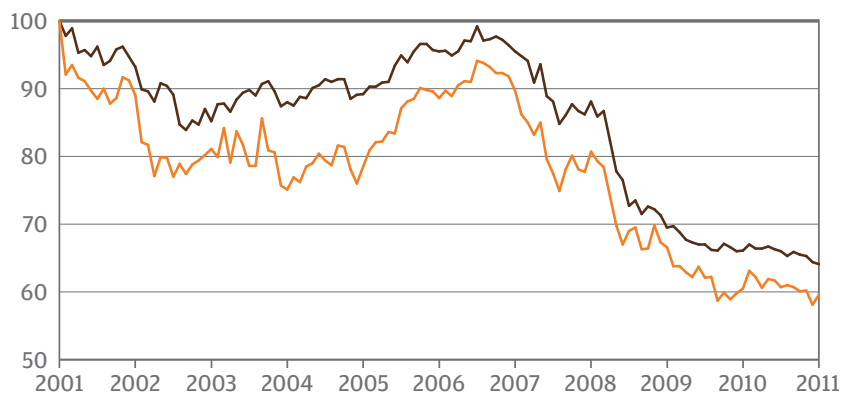


Source: Morningstar.

- JPMorgan Mid Cap - share price total return.
- JPMorgan Mid Cap - net asset value total return.
- Benchmark.

## Performance Relative to Benchmark

Figures have been rebased to 100 at 30th June 2001



Source: Morningstar.

- JPMorgan Mid Cap - share price total return.
- JPMorgan Mid Cap - net asset value total return.
- The benchmark is represented by the grey horizontal line.

# Ten Year Financial Record

<b>At 30th June</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Shareholders' funds (£'m)	167.3	138.2	114.5	153.6	165.9	201.4	233.7	150.9	94.1	110.6	<b>135.6</b>
Net asset value per share (p)	433.6	358.3	296.9	398.1	473.5	647.4	799.3	582.2	371.9	441.0	<b>543.2</b>
Share price (p)	414.5	326.5	268.0	315.0	384.5	558.0	695.5	488.0	321.5	364.5	<b>455.0</b>
Discount (%)	4.4	8.9	9.7	20.9	18.8	13.8	13.0	16.2	13.6	17.3	<b>16.2</b>
Actual gearing factor (%)	122.2	118.5	124.8	117.1	110.7	114.0	112.8	106.8	106.8	104.5	<b>106.0</b>
<b>Year ended 30th June</b>											
Revenue attributable to shareholders (£'000)	2,921	3,828	4,366	3,364	4,383	4,380	4,689	4,785	4,758	3,018	<b>2,961</b>
Revenue return per share (p)	7.57	9.92	11.32	8.72	12.07	13.15	15.53	17.64	18.74	11.94	<b>11.81</b>
Dividend per share (p) <sup>1</sup>	7.00	9.50	10.75	9.75	11.30	12.50	14.50	16.50	21.90	17.00	<b>17.00</b>
Total expense ratio (%) <sup>2</sup>	1.07	1.09	1.08	0.80	0.74	0.70	0.69	0.63	0.78	0.74	<b>0.72</b>
<b>Rebased to 100 at 30th June 2001</b>											
Return to shareholders <sup>3</sup>	100.0	80.6	69.1	84.2	105.7	157.4	200.4	144.3	101.5	120.3	<b>156.4</b>
Return on net assets <sup>3</sup>	100.0	84.4	72.6	98.6	120.1	169.6	213.5	157.7	105.9	131.4	<b>168.2</b>
Benchmark <sup>3</sup>	100.0	90.6	85.2	112.1	134.7	177.6	223.5	178.9	152.4	198.7	<b>262.4</b>

A glossary of terms and definitions is provided on page 55.

<sup>1</sup>2009 includes ordinary dividends of 17.0p and a special dividend of 4.9p.

<sup>2</sup>Management fees and all other operating expenses excluding interest, expressed as a percentage of the average of the month end net assets during the year (2008 and prior years: the average of the opening and closing net assets).

<sup>3</sup>Source: Morningstar. Total returns with dividends reinvested.

# Ten Largest Equity Investments

at 30th June 2011

Company	Sector	2011		2010	
		Valuation £'000	% <sup>1</sup>	Valuation £'000	% <sup>1</sup>
<p><b>Go-Ahead<sup>2</sup></b> Go-Ahead provides a range of public transportation services. The company operates buses, coaches and trains in the North East of England, Luton, Oxford and Brighton, in addition to providing a range of ground handling services, which encompass both airline and cargo handling. Go-Ahead also owns a taxi company.</p>	Consumer Services	4,162	2.9	1,354	1.1
<p><b>Pennon</b> Pennon operates and invests primarily in the areas of water and sewerage services and waste management. Their principal subsidiary, SouthWest Water Limited, holds the water and sewerage appointments for Devon, Cornwall and parts of Somerset and Dorset.</p>	Utilities	3,816	2.6	3,363	2.8
<p><b>Hiscox<sup>2</sup></b> Hiscox operates in the United Kingdom insurance market. The company's services include underwriting managed syndicates, underwriting a range of personal and commercial insurance and other underwriting services.</p>	Financials	3,682	2.5	1,544	1.3
<p><b>FirstGroup</b> FirstGroup is an international passenger company which has bus and rail operations in the United Kingdom and North America. The company's operations comprise bus and passenger rail franchises, in addition to transit management, school bus operations, and fleet maintenance.</p>	Consumer Services	3,571	2.5	3,365	2.8
<p><b>Logica<sup>3</sup></b> Logica provides information technology consultancy services, management systems integration, products services and support. The company offers its services to a diverse number of sectors, including telecoms, financial services, energy and utilities, industry, distribution and transport.</p>	Technology	3,495	2.4	–	–
<p><b>Jardine Lloyd Thompson<sup>2</sup></b> Jardine Lloyd Thompson is a wholesale insurance and reinsurance broking company. The company's businesses offer marine, aviation, property and casualty plans, in addition to reinsurance services. Jardine Lloyd Thompson, which operates as a Lloyd's broker, also provides a range of innovative risk solutions and transactional services.</p>	Financials	3,485	2.4	1,992	1.7
<p><b>Meggit<sup>2</sup></b> Meggit is an engineering company, which specialises in aerospace, defence and electronics products. The company manufactures aircraft instruments and valves, water injection systems, compact heat exchangers, smoke detection systems and defence systems, including aerial target systems and surveillance drones. Meggit markets its products internationally.</p>	Industrials	3,094	2.1	1,940	1.6
<p><b>Derwent London<sup>3</sup></b> Derwent London is a real estate investment trust (REIT) with a focus on the central London commercial, residential and office development market.</p>	Financials	3,022	2.1	–	–
<p><b>Babcock International</b> Babcock International offers support services to public sector institutions. The company offers facilities management, training, and support services to defence, rail transportation, marine, and other public sector organisations. Babcock serves customers in Europe, Africa, and North America.</p>	Industrials	2,828	2.0	2,420	2.0
<p><b>Travis Perkins<sup>3</sup></b> Travis Perkins markets and distributes products to the UK construction and building trade industries, including timber, building and plumbing, and heating materials.</p>	Industrials	2,821	1.9	–	–
<b>Total</b>		<b>33,976</b>	<b>23.4</b>		

<sup>1</sup>Based on total assets less current liabilities of £145.1m (2010: £120.1m).

<sup>2</sup>Not included in the ten largest investments at 30th June 2010.

<sup>3</sup>Not held in the portfolio at 30th June 2010.

At 30th June 2010, the value of the ten largest equity investments amounted to £28,728,000 representing 23.9% of total assets less current liabilities.

# Portfolio Analyses and Investment Activity

Portfolio Analysis	2011 %	2010 %
FTSE 250 Index companies	99.1	96.1
Smaller companies	–	0.1
Liquidity fund	1.8	1.0
Net current (liabilities)/assets	(0.9)	2.8

Based on total assets less current liabilities of £145.1m (2010: £120.1m).

Sector Analysis	Portfolio	Benchmark	Active	Portfolio	Benchmark	Active
	2011 %	2011 %	position %	2010 %	2010 %	position %
Financials	23.3	19.2	4.1	14.8	16.8	(2.0)
Industrials	22.5	27.8	(5.3)	21.5	28.4	(6.9)
Consumer Services	19.5	20.6	(1.1)	22.4	21.5	0.9
Technology	9.0	7.1	1.9	8.3	6.5	1.8
Consumer Goods	7.7	5.6	2.1	9.1	9.0	0.1
Basic Materials	6.4	8.9	(2.5)	4.4	6.5	(2.1)
Utilities	3.9	2.9	1.0	6.6	2.7	3.9
Telecommunications	3.2	2.0	1.2	2.5	1.5	1.0
Health Care	1.9	1.5	0.4	1.0	1.4	(0.4)
Oil & Gas	1.7	4.4	(2.7)	5.6	5.7	(0.1)
Liquidity fund	1.8	–	1.8	1.0	–	1.0
Net current (liabilities)/assets	(0.9)	–	(0.9)	2.8	–	2.8

Based on total assets less current liabilities of £145.1m (2010: £120.1m).

Investment Activity	Value at 30th June 2010		Purchases £'000	Sales £'000	Change in valuation £'000	Value at 30th June 2011	
	£'000	%				£'000	£'000
FTSE 250 Index companies	115,525	98.9	99,167	99,007	28,018	143,703	98.2
Smaller companies	80	0.1	–	82	2	–	–
Liquidity fund	1,200	1.0	48,995	47,555	–	2,640	1.8
<b>Total portfolio</b>	116,805	100.0	148,162	146,644	28,020	146,343	100.0

# List of Investments

at 30th June 2011

Company	Valuation £'000	Company	Valuation £'000
<b>Financials</b>		<b>Consumer Services</b>	
Hiscox	3,682	Go-Ahead	4,162
Jardine Lloyd Thompson	3,485	FirstGroup	3,571
Derwent London	3,022	Mitchells & Butlers	2,494
International Personal Finance	2,806	William Hill	2,378
Catlin	2,721	Aegis	2,221
Great Portland Estates	2,179	Dunelm	2,153
Shaftesbury	2,097	Marston's	2,125
Phoenix	2,040	Sports Direct International	1,614
London Stock Exchange	1,902	National Express	1,553
Tullet Prebon	1,795	Daily Mail & General Trust	1,495
Unite	1,428	Supergroup	1,460
Brewin Dolphin	1,219	Greene King	1,366
Beazley	1,171	United Business Media	1,018
Aberdeen Asset Management	1,158	Punch Taverns	735
Rathbone Brothers	1,056		
Close Brothers	1,019	<b>Total Consumer Services</b>	<b>28,345</b>
Amlin	628		
Hansteen	389	<b>Technology</b>	
<b>Total Financials</b>	<b>33,797</b>	Logica	3,495
		CSR	2,048
<b>Industrials</b>		Misys	1,973
Meggitt	3,094	Imagination Technologies	1,774
Babcock International	2,828	Laird	1,331
Travis Perkins	2,821	Kofax	986
Spectris	2,300	Invensys	738
Balfour Beatty	2,266	Pace	664
DS Smith	2,111	<b>Total Technology</b>	<b>13,009</b>
Fenner	2,060		
Senior	1,978	<b>Consumer Goods</b>	
Shanks	1,836	Persimmon	2,426
Morgan Crucible	1,786	Barratt Developments	1,955
SIG	1,686	Taylor Wimpey	1,866
Howden Joinery	1,664	Bellway	1,751
Hays	1,663	Cranswick	1,325
Kier	1,189	Bovis Homes	1,179
Berendsen	1,090	Premier Foods	651
Sthree	1,087	<b>Total Consumer Goods</b>	<b>11,153</b>
Charter International	690		
RPC	474		
<b>Total Industrials</b>	<b>32,623</b>		

# List of Investments continued

Company	Valuation £'000	Company	Valuation £'000
<b>Basic Materials</b>		<b>Health Care</b>	
Petropavlovsk	2,019	Genus	1,858
Centamin Egypt	1,677	BTG	859
Kenmare Resources	1,591	<b>Total Health Care</b>	<b>2,717</b>
Hochschild Mining	1,066	<b>Oil &amp; Gas</b>	
Ferrexpo	861	Soco International	1,549
Aquarius Platinum	851	Heritage Oil	858
African Barrick Gold	736	Exillon Energy	57
Mondi	471	<b>Total Oil &amp; Gas</b>	<b>2,464</b>
<b>Total Basic Materials</b>	<b>9,272</b>	<b>Liquidity Fund</b>	
<b>Utilities</b>		JPMorgan Sterling Liquidity Fund	2,640
Pennon	3,816	<b>Total Liquidity Funds</b>	<b>2,640</b>
Northumbrian Water	1,904	<b>Total Portfolio</b>	
<b>Total Utilities</b>	<b>5,720</b>	<b>146,343</b>	
<b>Telecommunications</b>		The portfolio comprises investments in equity shares and a liquidity fund.	
Cable & Wireless Communications	2,717		
Cable & Wireless Worldwide	1,886		
<b>Total Telecommunications</b>	<b>4,603</b>		

# Board of Directors



**Andrew Barker**  
**(Chairman of the Board, Nomination and Remuneration Committee and Management Engagement Committee)**

A Director since October 2004. Appointed Chairman in 2005.

Last re-elected to the Board: 2009.

Other directorships/relevant experience: He has spent his career in investment management after joining Foreign and Colonial Management Ltd in 1970 from which he retired in 2000. His former directorships include The Bankers Investment Trust PLC where he was Chairman and Foreign & Colonial Investment Trust PLC. He is also a former Chairman of the Association of Investment Companies. Currently Chairman of International Biotechnology Trust plc and a Director of Renaissance US Growth Investment Trust plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 20,000.



**John Emly**

A Director since June 1996.

Last re-elected to the Board: 2010.

Other directorships/relevant experience: Director of F&C Capital & Income Investment Trust plc and Shaftesbury plc. Investment Director of The Civil Aviation Authority's Pension Scheme and Member of the P&O Pension Scheme Investment Committee.

Connections with Manager: An employee of Robert Fleming & Co. (the predecessor to the Company's Manager) until 2000.

Shared directorships with other Directors: Shaftesbury plc (with Gordon McQueen).

Shareholding in Company: 5,907.



**Michael Hughes CBE (Senior Independent Director)**

A Director since May 2008.

Last re-elected to the Board: 2008.

Other directorships/relevant experience: Director of T. Bailey Asset Management Limited and acting investment consultant to various family offices and charities. Formerly a Director of Baring Asset Management Limited from 1998 and Chief Investment Officer from 2000 until his retirement in 2007. Prior to this, he was Managing Director of Barclays Capital (previously BZW) and Chairman of the Board of pension trustees. Before 'Big Bang' he was a Partner at stockbrokers de Zoete and Bevan.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 4,000.

# Board of Directors continued



## **Margaret Littlejohns**

A Director since July 2008.

Last re-elected to the Board: 2008.

Other directorships/relevant experience: Director of Henderson High Income Trust plc and trustee of the Lymphoma Research Trust. Founder and Finance Director of The Space Place, a self storage company in the Midlands. Prior to this, she was an employee of Citigroup from 1982 to 2000 and Managing Director of Citifutures Ltd from 1990 to 1992.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 2,000.



## **Gordon McQueen (Chairman of the Audit Committee)**

A Director since December 2004.

Last re-elected to the Board: 2010.

Other directorships/relevant experience: Director of The Edinburgh Investment Trust plc, Scottish Mortgage Investment Trust plc and Shaftesbury plc. Served as the Finance Director of Bank of Scotland and, until the end of 2003, on the Board of HBOS plc and Halifax plc.

Connections with Manager: None.

Shared directorships with other Directors: Shaftesbury plc (with John Emly).

Shareholding in Company: 1,500.

# Directors' Report

The Directors present their report and audited financial statements for the year ended 30th June 2011.

## 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 1158 of the Corporation Tax Act 2010 ('Section 1158') for the year ended 30th June 2010. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify as an investment trust company. The Company will continue to seek approval under Section 1158 each year.

Approval for the year ended 30th June 2010 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

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

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

### Objective

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

### Investment Policies and Risk Management

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

### Investment Limits and Restrictions

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

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

- The Company will not invest more than 15% of its assets in any one individual stock at the time of acquisition.
- The Company's gearing policy is to operate within a range of 95% to 125% invested in normal market conditions.

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

### Performance

In the year to 30th June 2011, the Company produced a total return to shareholders of 30.0%, a total return on net assets of 28.0% and a portfolio return of 29.3% net of fees and expenses. This compares with the return on the Company's benchmark index of 32.1%. As at 30th June 2011, the value of the Company's investment portfolio was £146.3 million. The Investment Managers' Report on pages 5 to 7 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

### Total Return, Revenue and Dividends

Gross total return for the year amounted to £31.8 million (2010: £23.7 million) and net total return after deducting finance costs, management fees, administrative expenses and taxation amounted to £29.8 million (2010: £21.7 million). Distributable income for the year amounted to £3.0 million (2010: £3.0 million).

The Directors recommend a final dividend of 11.5p (2010: 11.5p) per share payable on 7th November 2011 to shareholders on the register at the close of business on 30th September 2011. This distribution, will amount to £2,870,000 (2010: £2,885,000). An interim dividend of 5.5p per share (2010: 5.5p per share) was paid on 8th April 2011. Following the payment of the final dividend, the revenue reserve will amount to £2,423,000 (2010: £3,712,000).

### Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark index**  
This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report. (Also please refer to the graph on page 9).
- **Performance against the Company's peers**  
The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

# Directors' Report continued

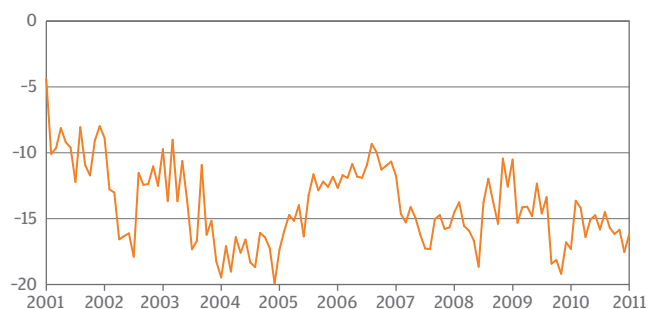
- **Performance attribution**

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock and sector allocation. Details of the attribution analysis for the year ended 30th June 2011 are given in the Investment Managers' Report on page 6.

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

The Board has a share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market and thereby reduce the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers in the sector. In the year to 30th June 2011, the shares traded between a discount of 13.6% and 17.5% to the net asset value with debt at par value. More information on the Board's share buy back policy is given in the Chairman's Statement.

## Discount Performance



Source: Datastream

— JPMorgan Mid Cap - discount with debt at par value.

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

The TER represents management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the month end net assets during the year. The TER for the year ended 30th June 2011 was 0.72% (2010: 0.74%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

### Share Capital

The Directors have authority on behalf of the Company to repurchase shares in the market either for cancellation or into Treasury and to issue new shares for cash. During the year the

Company did not repurchase any ordinary shares for cancellation. No further shares have been bought back for cancellation since the year end.

During the year 130,000 shares with a nominal value of £32,500 were repurchased into Treasury, for a total consideration of £588,000, bringing the cumulative total of shares bought into Treasury to 1,175,500 (4.5% of issued share capital). A further 85,000 shares have been repurchased into Treasury since the year end.

Special Resolutions to renew the Company's authorities to issue and repurchase shares will be put to shareholders at the forthcoming Annual General Meeting.

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

### 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 stock selection or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks through its investment restrictions and guidelines which are monitored and reported monthly. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.
- **Financial:** The Company is exposed to market risk, liquidity risk and credit risk. The principal financial risk facing the Company is market risk arising from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments that could fall in value either due to general market movements or stock specific events. The latter is mitigated through diversification of investments in

the portfolio. The Board reviews the portfolio and its gearing on a regular basis and has set investment restrictions and guidelines for the Manager. JPMAM reports its adherence to these limits once a month to the Board. The other financial risks faced by the Company are disclosed in note 22 on pages 45 to 49.

- **Accounting, Legal and Regulatory:** In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under "Business of the Company" above. Should the Company breach Section 1158, it may lose investment trust status and as a consequence capital gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. A breach of the UKLA Listing Rules may result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with the Companies Act 2006 and the UKLA Listing Rules.
- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 21 to 26.
- **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 Statement on page 25.

#### **Future Developments**

The future development of the Company is much dependent upon the success of the Company's investment strategy in the

light of economic and equity market developments. The Investment Managers discuss the outlook in their report on pages 5 to 7.

#### **Management of the Company**

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

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

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board also considered the investment strategy and process of the Investment Managers and the support that the Company receives from JPMAM.

#### **Management and Performance Fee**

The fixed basic annual management fee is 0.4% per annum of the Company's total assets less current liabilities.

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

In addition to the basic annual management fee, a performance related fee is calculated at 17.5% of the outperformance of the Company's net asset value total return (excluding gearing and management fee) over the benchmark. The maximum total fee payable in any one year in respect of the fixed management fee and any performance fee is capped at 1.65% of the Company's total assets less current liabilities at the year end date. The performance fee will be calculated annually and paid within three months of the year end. An estimate is accrued monthly and reflected in the Company's published net asset value per share. The performance fee calculation restarts when outperformance of the benchmark has been achieved and a performance fee earned. This means that the performance fee is only payable when there has been

# Directors' Report continued

positive relative performance since the last performance fee was paid. No performance fee was payable in the year to 30th June 2011 (2010: £nil).

## Going Concern

The Directors believe that having considered the Company's investment objective (see page 17), risk management policies (see pages 45 to 49), liquidity risk (see note 22(b) on pages 47 and 48), capital management policies and procedures (see pages 49 and 50), the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 30th June 2011, the Company had no outstanding trade creditors (2010: none).

## Directors

The Directors of the Company who held office during the year, together with their beneficial interests in the Company's shares, are shown below.

Directors	30th June 2011	1st July 2010
Andrew Barker	20,000	20,000
John Emly	5,907	5,686
Michael Hughes	4,000	4,000
Margaret Littlejohns	2,000	1,000
Gordon McQueen	1,500	1,500

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

In accordance with the Articles of Association and the UK Corporate Governance Code 2010, the Directors retiring at the

forthcoming Annual General Meeting are John Emly, Michael Hughes and Margaret Littlejohns. Michael Hughes and Margaret Littlejohns retire by rotation and are standing for re-election. John Emly retires on grounds of tenure and is standing for re-election.

## Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnity was in place during the year and as at the date of this report.

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

## Disclosure of information to Auditors

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

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

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

## Annual General Meeting

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

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

**(i) Authority to issue relevant securities and disapply pre-emption rights (resolutions 8 & 9)**

The Directors will seek renewal of the authority to issue up to 1,243,584 new shares or shares held in Treasury other than by a pro rata issue to existing shareholders up to an aggregate nominal amount of £310,896, such amount being equivalent to approximately 5% of the current issued share capital (excluding treasury shares). The full text of the resolutions is set out in the Notice of Meeting on pages 52 to 54.

It is advantageous for the Company to be able to issue new shares to investors purchasing shares through the JPMAM savings products and also to other investors when the Directors consider that it is in the best interest of shareholders to do so. Any such issues would only be made at prices greater than the NAV, thereby, increasing the assets underlying each share.

**(ii) Authority to repurchase the Company's shares (resolution 10)**

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2010 AGM, will expire on 28th April 2012 unless renewed at the forthcoming AGM. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to NAV enhances the NAV of the remaining shares. The Board will therefore seek shareholder approval at the AGM to renew this authority, which will last until 2nd May 2013 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on pages 52 to 54. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share as and when market conditions are appropriate, thereby enhancing the NAV of the remaining shares.

**Recommendation**

The Board considers that resolutions 8 to 10 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 33,407 shares representing approximately 0.1% of the voting rights of the Company.

## Corporate Governance Statement

### 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 28, indicates how the Company has applied the principles of good governance of the Financial Reporting Council UK Corporate Governance Code 2010 and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the UK Corporate Governance Code 2010 and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code 2010 and the AIC Code throughout the year under review.

### Role of the Board

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

The Board has procedures in place to deal with potential conflicts of interest and confirms that the procedures have operated effectively during the 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 in the furtherance of their duties and at the

# Directors' Report continued

Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

## Board Composition

The Board, chaired by Andrew Barker, consists of five non-executive Directors, four of whom are considered to be independent of the Company's Manager. Given his employment until the year 2000 with the predecessor management company and his length of service, John Emly is not deemed to be independent. Notwithstanding this fact, the Board believes he is independent in character and judgement and in view of his substantial investment experience and other attributes he makes a particularly valuable contribution to the Board. The Board believes that it is appropriate to have a Senior Independent Director and Michael Hughes fulfils this role. He is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman. 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 pages 15 and 16.

The Company has complied with the provisions of the UK Corporate Governance Code 2010 and the AIC Code in regard to the re-election of Directors every three years. The Board does not consider that Directors should serve for a fixed period of time. However, in order to achieve a balance of skills, experience, ages and length of service, it is the Board's policy to refresh itself in an orderly manner over time.

## Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a maximum term of three years. A Director may thereafter be invited to serve for one or more further terms of three years, in every case subject to the normal requirements for re-election by shareholders at Annual General Meetings. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing

requirements of the UK Corporate Governance Code 2010, including the need to refresh the Board and its Committees. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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

The Board recommends the re-election of John Emly, who requires annual re-election as he has served as a Director for a period in excess of nine years. The Board further recommends the re-election of Michael Hughes and Margaret Littlejohns who retire by rotation at this year's Annual General Meeting. Before recommending John Emly, Michael Hughes and Margaret Littlejohns for re-election, the Nomination and Remuneration Committee conducted a thorough review of their performance and contribution and was satisfied that they continued to fulfill their roles in an effective manner.

## Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Directors who are not members of Committees may attend at the invitation of the Chairman.

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

Director	Board Meetings Attended	Audit Committee Meetings Attended
Andrew Barker	5	2
John Emly	5	2 <sup>1</sup>
Michael Hughes	5	2
Margaret Littlejohns	5	2
Gordon McQueen	5	2

<sup>1</sup>Attended by invitation of the Committee.

Director	Nomination & Remuneration Committee Meetings Attended	Management Engagement Committee Meetings Attended
Andrew Barker	1	1
John Emly	1 <sup>1</sup>	1 <sup>1</sup>
Michael Hughes	1	1
Margaret Littlejohns	1	1
Gordon McQueen	1	1

<sup>1</sup>Attended by invitation of the Committee.

### Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter regular briefings are provided on changes in regulatory requirements that affect the Company and Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts. As part of the Board's annual evaluation process the Chairman reviews with each Director their training and development needs.

The Board conducts a formal evaluation of the Manager, its own performance and that of its committees and individual Directors. The responses to questionnaires drawn up by the Board are discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, and the Senior Independent Director leads the evaluation of the Chairman's performance.

### Board Committees

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of all of the independent Directors and is chaired by Andrew Barker. The Board believes that this is appropriate as it is a combined committee. The Committee meets at least annually to ensure that the Board has an appropriate balance of skills to carry out its fiduciary duties and to select and propose suitable candidates when necessary for appointment. A variety of sources, including the employment of external search consultants, are used to ensure that a wide range of candidates is considered.

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

#### Audit Committee

The Audit Committee consists of all the independent Directors and is chaired by Gordon McQueen. The Committee meets at least twice each year. The members of the Committee consider that they have the requisite skills and financial experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the interim and annual financial statements and the Company's compliance with the UK Corporate Governance Code 2010. It examines the effectiveness of the Company's internal control systems, receives information from the Manager's compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. The Audit Committee has reviewed the independence and objectivity of the auditors of the Company and is satisfied that the auditors are independent. The Audit Committee also has the primary responsibility for making recommendations to the Board on the reappointment and the removal of external auditors. The Company's current auditor, PricewaterhouseCoopers LLP, was appointed last year. Representatives of the Company's Auditors attend the Audit Committee meeting at which the draft Annual Report & Accounts are considered. Having reviewed the performance of the external Auditors, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves any non-audit services provided by the independent auditors and assesses the impact of any non-audit work on the ability of the auditor to remain independent. The only non-audit work carried out by the auditors this year was in relation to their review of compliance certificates pursuant to the Debenture Deeds. The Audit Committee has resolved that such non-audit work does not impact upon the independence of the auditors. Details of the auditors' fees charged for both audit and other services are disclosed in note 5 on page 37. The Directors'

# Directors' Report continued

statement on the Company's system of internal control is set out below.

## Management Engagement Committee

The membership of the Management Engagement Committee consists of all the independent Directors and is chaired by Andrew Barker. The Committee meets at least once a year to review the terms of the management agreement between the Company and the Manager, to review the performance of the Manager, to review the notice period that the Board has with the Manager and to make recommendations to the Board. The Committee also reviews the Company's agreements with other major service providers.

All the Company's Committees have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on the Company's website, on request at the Company's registered office and at the Annual General Meeting.

## Relations with Shareholders

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

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 57.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise

questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 57.

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

## Section 992 Companies Act 2006

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

### Capital Structure

The Company's capital structure is summarised on the inside cover of this report.

### Voting Rights in the Company's shares

As at 16th September 2011 (being the latest business day prior to the publication of this Report), the Company's issued share capital consists of 24,871,680 Ordinary shares (excluding Treasury shares) carrying one vote each. Therefore the total voting rights in the Company are 24,871,680.

### Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
Chase Nominees <sup>1,2</sup>	6,474,682	26.0
Barclays PLC	2,170,318	8.7
Lloyds Banking Group plc	1,445,654	5.8
1607 Capital Partners LLC	1,308,384	5.3
Legal & General	1,019,562	4.1

<sup>1</sup>Held on behalf of JPMAM Investment Account, ISA and SIPP participants.

<sup>2</sup>Non-beneficial.

## Social and Environmental Policies

As an investment trust with no employees, property or activities outside investment management, environmental policy has limited application.

The Company's policy is that, subject to an overriding requirement to pursue the best financial interests of the Company, the Manager should take account of social, environmental and ethical factors in making investments and

in the use of voting powers conferred by such investments. Please refer to page 26 for details of JPMAM's social and environmental policy.

### Independent Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors will be put to shareholders at the Annual General Meeting.

### Internal Control

The UK Corporate Governance Code 2010 requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified including business, financial, operational, compliance and risk management.

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 18 and 19). This process has been in place for the year under review and up to the date of the approval of the Annual Report & Accounts and it accords with the Turnbull guidance. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM. The key elements designed to provide effective internal control are as follows:

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

**Management Agreement** – Appointment of a manager and custodian, with responsibilities clearly defined in a written agreement and regulated by the Financial Services Authority (FSA).

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

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

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

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

By the means of the procedures set out above, which accord with the Turnbull guidance on internal controls, the Board confirms that it has reviewed and is satisfied with the effectiveness of the Company's system of internal control for the year ended 30th June 2011, and to the date of approval of this Annual Report and Accounts.

During the course of its review of the system of internal control, the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant.

# Directors' Report continued

## Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board.

### Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

### Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it 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.

### Stewardship/Engagement

JPMAM recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;
- disclose their policy on managing conflicts of interest;
- monitor their investee companies;
- establish clear guidelines on how they escalate engagement;
- be willing to act collectively with other investors where appropriate;
- have a clear policy on proxy voting and disclose their voting record; and
- report to clients.

JPMAM endorses and complies with the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

### Social & Environmental

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request. JPMAM is also a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website:

<http://www.jpmorganinvestmenttrusts.co.uk/Governance>. This also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board  
Alison Vincent, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Secretary  
19th September 2011

# Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 29.

## Directors' Remuneration

(Audited Information)

Director's Name	2011 £	2010 £
Andrew Barker (Chairman)	<b>28,000</b>	28,000
John Emly	<b>19,000</b>	19,000
Michael Hughes	<b>19,000</b>	19,000
Margaret Littlejohns	<b>19,000</b>	19,000
Gordon McQueen	<b>22,500</b>	22,500
<b>Total</b>	<b>107,500</b>	107,500

For the year under review Directors' fees were paid at the fixed rate of £28,000 for the Chairman, £22,500 for the Chairman of the Audit Committee and £19,000 for the other Directors.

No amounts were paid to third parties in connection with Directors' remuneration (2010: nil).

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

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

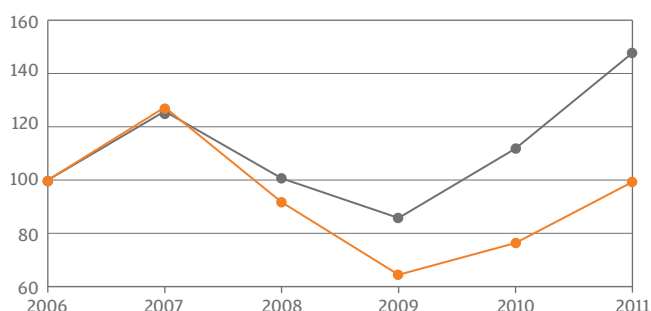
the investment trust industry generally. The Directors' fees are not performance-related. The Articles stipulate that aggregate fees must not exceed £150,000. Any increase in this amount requires both Board and Shareholder approval. Directors have not increased fees since 1st July 2008.

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

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

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

## Five Year Share Price and Index Total Return to 30th June 2011



Source: Morningstar.

— Share price total return.  
— Benchmark.

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

19th September 2011

# Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable

them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed in the Directors' Report confirms that, to the best of his/her knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Directors' 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  
Andrew Barker  
Chairman

19th September 2011

# Independent Auditors' Report

## To the members of JPMorgan Mid Cap Investment Trust plc

We have audited the financial statements of JPMorgan Mid Cap Investment Trust plc for the year ended 30th June 2011 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report & Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th June 2011 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 21 to 26 with respect to internal control and risk management systems and about capital structure is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 28, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

**Jeremy Jensen** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

19th September 2011

## Notes:

- (a) The maintenance and integrity of the JPMorgan Mid Cap Investment Trust plc website ([www.jpmmidcap.co.uk](http://www.jpmmidcap.co.uk)) is the responsibility of JPMAM: the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Income Statement

for the year ended 30th June 2011

	Notes	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>							
	2	–	28,009	28,009	–	19,812	19,812
Income from investments	3	3,768	–	3,768	3,795	–	3,795
Other interest receivable and similar income	3	67	–	67	51	–	51
<b>Gross return</b>		<b>3,835</b>	<b>28,009</b>	<b>31,844</b>	3,846	19,812	23,658
Management fee	4	(166)	(388)	(554)	(147)	(343)	(490)
Other administrative expenses	5	(364)	–	(364)	(325)	–	(325)
<b>Net return on ordinary activities before finance costs and taxation</b>		<b>3,305</b>	<b>27,621</b>	<b>30,926</b>	3,374	19,469	22,843
Finance costs	6	(343)	(800)	(1,143)	(354)	(825)	(1,179)
<b>Net return on ordinary activities before taxation</b>		<b>2,962</b>	<b>26,821</b>	<b>29,783</b>	3,020	18,644	21,664
Taxation	7	(1)	–	(1)	(2)	–	(2)
<b>Net return on ordinary activities after taxation</b>		<b>2,961</b>	<b>26,821</b>	<b>29,782</b>	3,018	18,644	21,662
<b>Return per share</b>	9	<b>11.81p</b>	<b>106.95p</b>	<b>118.76p</b>	11.94p	73.73p	85.67p

Details of dividends are given in note 8 on page 39.

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 34 to 50 form an integral part of these accounts.

# Reconciliation of Movements in Shareholders' Funds

for the year ended 30th June 2011

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 30th June 2009</b>	6,533	3,467	76,258	7,882	<b>94,140</b>
Repurchase of shares into Treasury	–	–	(856)	–	<b>(856)</b>
Net return on ordinary activities	–	–	18,644	3,018	<b>21,662</b>
Dividends appropriated in the year	–	–	–	(4,303)	<b>(4,303)</b>
<b>At 30th June 2010</b>	6,533	3,467	94,046	6,597	<b>110,643</b>
Repurchase of shares into Treasury	–	–	(588)	–	<b>(588)</b>
Net return on ordinary activities	–	–	26,821	2,961	<b>29,782</b>
Dividends appropriated in the year	–	–	–	(4,265)	<b>(4,265)</b>
<b>At 30th June 2011</b>	6,533	3,467	120,279	5,293	<b>135,572</b>

The notes on pages 34 to 50 form an integral part of these accounts.

# Balance Sheet

at 30th June 2011

	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Equity investments held at fair value through profit or loss		143,703	115,605
Investment in liquidity fund held at fair value through profit or loss		2,640	1,200
<b>Total investments</b>	10	<b>146,343</b>	116,805
<b>Current assets</b>			
Debtors	11	3,270	3,917
Cash and short term deposits		35	73
		<b>3,305</b>	3,990
<b>Current liabilities</b>			
<b>Creditors:</b> amounts falling due within one year	12	<b>(4,580)</b>	(662)
<b>Net current (liabilities)/assets</b>		<b>(1,275)</b>	3,328
<b>Total assets less current liabilities</b>			
<b>Creditors:</b> amounts falling due after more than one year	13	<b>(9,496)</b>	(9,490)
<b>Net assets</b>		<b>135,572</b>	110,643
<b>Capital and reserves</b>			
Called up share capital	14	6,533	6,533
Capital redemption reserve	15	3,467	3,467
Capital reserves	15	120,279	94,046
Revenue reserve	15	5,293	6,597
<b>Total equity shareholders' funds</b>		<b>135,572</b>	110,643
<b>Net asset value per share</b>	16	<b>543.2p</b>	441.0p

The accounts on pages 30 to 50 were approved and authorised for issue by the Directors on 19th September 2011 and were signed on their behalf by:

**Andrew Barker**

Director

The accompanying notes on pages 34 to 50 form an integral part of these accounts.

Company registration number: 1047690.

# Cash Flow Statement

for the year ended 30th June 2011

	Notes	2011 £'000	2010 £'000
<b>Net cash inflow from operating activities</b>	17	<b>2,743</b>	2,573
<b>Returns on investments and servicing of finance</b>			
Interest paid		<b>(1,136)</b>	(1,171)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(1,136)</b>	(1,171)
<b>Taxation</b>			
Overseas tax recovered		<b>6</b>	–
<b>Capital expenditure and financial investment</b>			
Purchases of investments		<b>(144,455)</b>	(153,572)
Sales of investments		<b>147,448</b>	157,281
Other capital charges		<b>(13)</b>	(16)
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>2,980</b>	3,693
<b>Dividends paid</b>		<b>(4,265)</b>	(4,303)
<b>Net cash inflow before financing</b>		<b>328</b>	792
<b>Financing</b>			
Repurchase of shares into Treasury		<b>(366)</b>	(852)
<b>Net cash outflow from financing</b>		<b>(366)</b>	(852)
<b>Decrease in cash and cash equivalents</b>	18	<b>(38)</b>	(60)

The accompanying notes on pages 34 to 50 form an integral part of these accounts.

# Notes to the Accounts

for the year ended 30th June 2011

## 1. Accounting policies

### (a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the AIC in January 2009.

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

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

The policies applied in these accounts are consistent with those applied in the preceding year.

### (b) Valuation of investments

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

Gains and losses on sales of investments are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end are accounted for in capital reserves within 'Holding gains and losses on investments'.

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

### (c) Income

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

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

Deposit interest receivable is taken to revenue on an accruals basis.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Underwriting commission is recognised in revenue 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 revenue.

### (d) Expenses

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

- performance fee is allocated 100% to capital.
- management fee is allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and include items such as stamp duty and brokerage commission.

**(e) Finance costs**

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

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

**(f) Financial instruments**

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

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

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

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

**(g) Taxation**

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

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

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

**(h) Dividends**

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

**(i) VAT**

Irrecoverable VAT is included in the expense on which it has been suffered. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

**(j) Repurchase of shares to hold in Treasury**

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in The Reconciliation of Movements in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

**(k) Functional currency**

The Board, having regard to the currency of the economic environment in which the Company operates, has determined that sterling is the functional currency and the currency in which the accounts are presented.

# Notes to the Accounts continued

	2011 £'000	2010 Restated - see note 10 £'000
<b>2. Gains on investments held at fair value through profit or loss</b>		
Gains on investments held at fair value through profit or loss based on historical cost	16,352	1,237
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(2,636)	12,749
Gains on sales of investments based on the carrying value at the previous balance sheet date	13,716	13,986
Net movement in investment holding gains and losses	14,304	5,844
Other capital charges	(11)	(18)
<b>Total gains on investments held at fair value through profit or loss</b>	<b>28,009</b>	<b>19,812</b>

An adjustment has been made to the comparative figures relating to the treatment of transaction costs. The total gains on investments remains unchanged.

	2011 £'000	2010 £'000
<b>3. Income</b>		
<b>Income from investments</b>		
UK dividend income	3,082	3,043
Scrip dividends	—	110
Overseas dividend income	560	613
Property income distribution	107	16
Dividends from liquidity fund	19	13
	<b>3,768</b>	<b>3,795</b>
<b>Other interest receivable and similar income</b>		
Underwriting commission	66	50
Deposit interest	1	1
	<b>67</b>	<b>51</b>
<b>Total income</b>	<b>3,835</b>	<b>3,846</b>

	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
<b>4. Management fee</b>						
Management fee	166	388	554	147	343	490

Details of the management fee and performance fee are given in the Directors' Report on pages 19 and 20.

	2011 £'000	2010 £'000
<b>5. Other administrative expenses</b>		
Other administration expenses	166	190
Directors' fees <sup>1</sup>	108	108
Savings scheme costs <sup>2</sup>	63	–
Auditors' remuneration - for audit services <sup>3</sup>	27	27
	<b>364</b>	<b>325</b>

<sup>1</sup>Full disclosure is given in the Directors' Remuneration Report on page 27.

<sup>2</sup>Paid to JPMAM for the marketing and administration of savings scheme products.

<sup>3</sup>Includes £4,000 (2010: £4,000) irrecoverable VAT.

	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
<b>6. Finance costs</b>						
Interest on bank loans and overdrafts	27	63	90	38	88	126
Interest on debenture	316	737	1,053	316	737	1,053
	<b>343</b>	<b>800</b>	<b>1,143</b>	<b>354</b>	<b>825</b>	<b>1,179</b>

# Notes to the Accounts continued

## 7. Taxation

### (a) Analysis of tax charge in the year

	2011 £'000	2010 £'000
UK corporation tax at 27.5% (2010: 28%)	–	–
Overseas withholding tax	1	2
Current tax charge for the year	1	2

### (b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2010: lower) than the UK corporation tax rate chargeable for the year of 27.5% (2010: 28%). The factors affecting the current tax charge for the year are as follows:

	Revenue £'000	2011 Capital £'000	Total £'000	Revenue £'000	2010 Capital £'000	Total £'000
Net return on ordinary activities before taxation	2,962	26,821	29,783	3,020	18,644	21,664
Corporation tax at 27.5% (2010: 28%)	814	7,376	8,190	846	5,220	6,066
Effects of:						
Non taxable capital gains	–	(7,703)	(7,703)	–	(5,547)	(5,547)
Non taxable UK dividends	(847)	–	(847)	(852)	–	(852)
Non taxable overseas dividends	(154)	–	(154)	(172)	–	(172)
Non taxable scrip dividends	–	–	–	(31)	–	(31)
Unrelieved expenses and charges	187	327	514	209	327	536
Overseas withholding tax	1	–	1	2	–	2
Current tax charge for the year	1	–	1	2	–	2

### (c) Deferred taxation

The Company has an unrecognised deferred tax asset of £11,369,000 (2010: £11,720,000) based on a prospective corporation tax rate of 26% (2010: 28%). The reduction in the standard rate of corporation tax was substantively enacted on 29th March 2011 and is effective from 1st April 2011. The Government has also indicated that it intends to enact future reductions in the main rate of tax of 1% each year down to 23% by 1st April 2014. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

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

## 8. Dividends

### (a) Dividends paid and proposed

	2011 £'000	2010 £'000
2010 Final dividend of 11.5p (2009: 11.5p)	2,885	2,911
Interim dividend of 5.5p (2010: 5.5p)	1,380	1,392
Total dividends paid in the year	4,265	4,303
2011 Final dividend proposed of 11.5p (2010: 11.5p)	2,870	2,885

The final dividend has been proposed in respect of the year ended 30th June 2011 and is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 30th June 2012.

### (b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as follows:

	2011 £'000	2010 £'000
Interim dividend of 5.5p (2010: 5.5p)	1,380	1,392
Final dividend of 11.5p (2010: 11.5p)	2,870	2,885
Total dividends for Section 1158 purposes	4,250	4,277

The revenue available for distribution by way of dividend for the year is £2,961,000 (2010: £3,018,000).

## 9. Return per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £2,961,000 (2010: £3,018,000) and on the weighted average number of shares in issue during the year of 25,078,189 (2010: 25,286,774).

The capital return per share is based on the capital return attributable to the ordinary shares of £26,821,000 (2010: £18,644,000) and on the weighted average number of shares in issue during the year of 25,078,189 (2010: 25,286,774).

Total return per share is based on the total return attributable to the ordinary shares of £29,782,000 (2010: £21,662,000) and on the weighted average number of shares in issue during the year of 25,078,189 (2010: 25,286,774).

# Notes to the Accounts continued

	2011 £'000	2010 Restated £'000
<b>10. Investments</b>		
Investments listed on a recognised stock exchange <sup>1</sup>	146,343	116,805
Opening book cost	114,413	121,220
Opening investment holding gains/(losses)	2,392	(16,201)
Opening valuation	116,805	105,019
Movements in the year:		
Purchases at cost	148,162	146,455
Sales - proceeds	(146,644)	(154,499)
Gains on sales of investments based on the carrying value at the previous balance sheet date	13,716	13,986
Net movement in investment holding gains and losses	14,304	5,844
	146,343	116,805
Closing book cost	132,283	114,413
Closing investment holding gains	14,060	2,392
Total investments held at fair value	146,343	116,805

<sup>1</sup>Includes the investment in the JPMorgan Sterling Liquidity Fund.

The comparative figures in the table above have been adjusted to include transaction costs on purchases and sales. As a result, the comparative opening book cost has been increased by £4.1 million and opening investment holding gains reduced by the same amount. The comparative closing book cost has been increased by £4.7 million and closing investment holding gains reduced by the same amount. These adjustments have no impact on the opening or closing fair valuation of investments.

Transaction costs on purchases during the year amounted to £574,000 (2010: £598,000) and on sales during the year amounted to £126,000 (2010: £135,000). These costs include stamp duty and brokerage commission.

During the year, prior year investment holding gains of £2,636,000 have been transferred to gains and losses on sales of investments as disclosed in notes 2 and 15.

	2011 £'000	2010 £'000
<b>11. Current assets</b>		
<b>Debtors</b>		
Securities sold awaiting settlement	2,548	3,352
Taxation recoverable	12	17
Dividends and interest receivable	674	527
Other debtors	36	21
	3,270	3,917

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

### Cash and short term deposits

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

	2011 £'000	2010 £'000
<b>12. Creditors:</b> amounts falling due within one year		
Securities purchased awaiting settlement	4,140	433
Repurchase of shares into Treasury awaiting settlement	226	–
Interest payable	144	143
Other creditors and accruals	70	86
	<b>4,580</b>	662

The Directors consider that the carrying amount of creditors approximates to their fair value.

	2011 £'000	2010 £'000
<b>13. Creditors:</b> amounts falling due after more than one year:		
£9,500,000 11% debenture 2016	9,496	9,490

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

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

	2011 £'000	2010 £'000
<b>14. Called up share capital</b>		
<b>Allotted and fully paid:</b>		
Ordinary shares of 25p each		
Opening balance of 25,086,680 (2010: 25,311,680) shares excluding shares held in Treasury	6,272	6,328
Repurchase of 130,000 (2010: 225,000) shares into Treasury	(33)	(56)
Subtotal 24,956,680 (2010: 25,086,680) shares	6,239	6,272
1,175,500 (2010: 1,045,500) shares held in Treasury	294	261
Closing balance <sup>1</sup>	6,533	6,533

<sup>1</sup>Represented by 26,132,180 (2010: 26,132,180) shares including 1,175,500 (2010: 1,045,500) shares held in Treasury.

During the year 130,000 shares with a nominal value of £33,000, were repurchased into Treasury, representing 0.52% of shares outstanding at the beginning of the year, for a total consideration of £588,000.

# Notes to the Accounts continued

	2011 Capital reserves					Total £'000
	Called up share capital £'000	Capital redemption reserve £'000	Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	Revenue reserve £'000	
<b>15. Reserves</b>						
Opening balance (restated - see note 10)	6,533	3,467	91,654	2,392	6,597	110,643
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	13,716	–	–	13,716
Net movement in investment holding gains and losses	–	–	–	14,304	–	14,304
Transfer on disposal of investments	–	–	2,636	(2,636)	–	–
Repurchase of shares into Treasury	–	–	(588)	–	–	(588)
Management fee and finance costs charged to capital	–	–	(1,188)	–	–	(1,188)
Other capital charges	–	–	(11)	–	–	(11)
Dividends appropriated in the year	–	–	–	–	(4,265)	(4,265)
Retained revenue for the year	–	–	–	–	2,961	2,946
Closing balance	<b>6,533</b>	<b>3,467</b>	<b>106,219</b>	<b>14,060</b>	<b>5,293</b>	<b>135,572</b>

An adjustment has been made between the opening balance on 'Gains and losses on sales of investments' and 'Holding gains and losses on investments', relating to accumulated transaction costs. The opening total for 'Capital reserves' remains unchanged.

## 16. Net asset value per share

Net asset value per share is based on total shareholders' funds of £135,572,000 (2010: £110,643,000) and on the 24,956,680 (2010: 25,086,680) shares in issue at the year end, excluding shares held in Treasury.

	2011 £'000	2010 £'000
<b>17. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities</b>		
Net return on ordinary activities before finance costs and taxation	<b>30,926</b>	22,843
Less capital return before finance costs and taxation	<b>(27,621)</b>	(19,469)
Scrip dividends received as income	–	(110)
Increase in accrued income	<b>(147)</b>	(341)
(Increase)/decrease in other debtors	<b>(15)</b>	2
Decrease in accrued expenses	<b>(11)</b>	(4)
Tax on unfranked investment income	<b>(1)</b>	(5)
Management fee charged to capital	<b>(388)</b>	(343)
Net cash inflow from operating activities	<b>2,743</b>	2,573

	At 30th June 2010 £'000	Cash flow £'000	Other movements £'000	At 30th June 2011 £'000
<b>18. Analysis of changes in net debt</b>				
Cash and short term deposits	73	(38)	–	35
Debenture falling due after more than one year	(9,490)	–	(6)	(9,496)
Net debt	(9,417)	(38)	(6)	(9,461)

### 19. Capital commitments and contingent liabilities

At the balance sheet date there were no capital commitments or contingent liabilities (2010: none).

### 20. Transactions with JPMorgan

Details of the management contract (which includes a performance fee contract) are set out on pages 19 and 20. The terms make allowance for the exclusion of management charges on investments held in funds on which JPMorgan earns a separate management fee. Details of the management fee payable for the year can be found in note 4 on page 37. No management fee (2010: £nil) was outstanding at 30th June 2011.

Expenses amounting to £63,000 (2010: £nil) were payable to JPMAM for the marketing and administration of saving scheme products of which £nil (2010: £nil) was outstanding at the year end.

Safe custody fees and handling charges amounting to £13,000 (2010: £20,000) were payable to JPMorgan Chase of which £4,000 (2010: £6,000) was outstanding at the year end.

JPMAM carries out some of its investment activities through JPMorgan subsidiaries. These transactions are carried out at arm's length. The commission payable on transactions with JPMorgan subsidiaries was £43,000 (2010: £37,000) of which £nil (2010: £1,000) was outstanding at the year end.

The Company holds an investment in the JPMorgan Sterling Liquidity Fund. At 30th June 2011 this holding was valued at £2.6 million (2010: £1.2 million). During the year, the Company made purchases of this fund amounting to £49.0 million (2010: £43.3 million) and sales of £47.6 million (2010: £46.6 million). Income receivable from this fund amounted to £19,000 (2010: £13,000) of which £nil (2010: £1,000) was outstanding at the year end. JPMorgan earns no management fee on this fund.

At the year end a bank balance of £35,000 (2010: £73,000) was held with JPMorgan Chase. During the year ended 30th June 2011, a net amount of interest of £1,000 (2010: £1,000) was receivable from JPMorgan Chase of which £nil (2010: £nil) was outstanding at the year end.

# Notes to the Accounts continued

## 21. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio.

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

Level 1 - valued using quoted prices in active markets.

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

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

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 34.

The following table sets out the fair value measurements using the FRS 29 hierarchy at 30th June:

	2011			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Financial assets held at fair value through profit or loss</b>				
Equity investments	143,703	–	–	143,703
Liquidity fund	2,640	–	–	2,640
Total	146,343	–	–	146,343

	2010			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Financial assets held at fair value through profit or loss</b>				
Equity investments	115,605	–	–	115,605
Liquidity fund	1,200	–	–	1,200
Total	116,805	–	–	116,805

There have been no transfers between Levels 1, 2 or 3 during the year (2010: none).

## 22. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term in order 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 equity price risk and interest rate risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Manager, in close cooperation with the Board, coordinates the Company's risk management policy. The Company has no significant direct exposure to foreign currencies.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below have not changed from those applying in the comparative year.

The Company's financial instruments comprise the following:

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

### (a) Market risk

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

The Board reviews and agrees policies for managing these risks. These policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

#### (i) Equity price risk

Equity price risk arises from fluctuations in the market prices of equities which may affect the value of the Company's investments.

##### Management of equity price risk

The Board meets on at least four occasions each year to consider the stock selection of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

##### Equity price risk exposure

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

	2011 £'000	2010 £'000
Equity investments held at fair value through profit or loss	143,703	115,605

The above data is broadly representative of the exposure to equity price risk during the current and comparative year.

# Notes to the Accounts continued

## 22. Financial instruments' exposure to risk and risk management policies continued

### (a) Market risk continued

#### (i) Equity price risk continued

##### Concentration of equity price risk

An analysis of the Company's investments by industry sector is given on page 12. All of the investments' value is in the UK. Accordingly there is a concentration of exposure to the UK. However, it should be noted that an investment may not be wholly exposed to the economic conditions in its country of domicile or of listing.

##### Equity price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2010: 10%) in the fair value of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2011		2010	
	10% Increase in fair value £'000	10% Decrease in fair value £'000	10% Increase in fair value £'000	10% Decrease in fair value £'000
<b>Income statement - return after taxation</b>				
Revenue return	(17)	17	(14)	14
Capital return	14,330	(14,330)	11,528	(11,528)
Total return after taxation for the year	14,313	(14,313)	11,514	(11,514)
Net assets	14,313	(14,313)	11,514	(11,514)

#### (ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the liquidity fund, and the interest payable on the Company's variable rate cash borrowings when rates are re-set.

##### Management of interest rate risk

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

##### Interest rate exposure

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

	2011 £'000	2010 £'000
<b>Exposure to floating interest rates:</b>		
JPMorgan Sterling Liquidity Fund	2,640	1,200
Cash and short term deposits	35	73
Total exposure	2,675	1,273

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

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

In June 2010, the Company arranged a new £10 million unsecured one year floating rate revolving loan facility with ING Bank. Under the terms of this agreement, the Company may draw down up to £10 million at an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 1.60%, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. This facility was due to expire on 22nd June 2011, but was extended to 8th July 2011. The facility was utilised during the year, but was undrawn at the year end. New facilities have been arranged with ING Bank, effective from 8th July 2011 and further details of these are given in note 24 on page 50.

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

	2011 £'000	2010 £'000
Maximum debit interest rate exposure to floating rates - net loan balances	(5,006)	(3,954)
Maximum credit interest rate exposure to floating rates - net cash balances	10,323	5,310

#### Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2010: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2011		2010	
	1% Increase in rate £'000	1% Decrease in rate £'000	1% Increase in rate £'000	1% Decrease in rate £'000
<b>Income statement - return after taxation</b>				
Revenue return	27	(27)	13	(13)
Total return after taxation for the year	27	(27)	13	(13)
Net assets	27	(27)	13	(13)

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuation in the level of cash balances, investment in the JPMorgan Sterling Liquidity Fund and drawings on the loan facility.

#### (b) Liquidity risk

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

# Notes to the Accounts continued

## 22. Financial instruments' exposure to risk and risk management policies continued

### (b) Liquidity risk continued

#### Management of the risk

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

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a)(ii) to this note on page 47.

#### Liquidity risk exposure

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

	2011					2010				
	Within one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000	Within one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
<b>Creditors: amounts falling due within one year</b>										
Securities purchased awaiting settlement	4,140	–	–	–	4,140	433	–	–	–	433
Repurchase of shares into Treasury awaiting settlement	226	–	–	–	226	–	–	–	–	–
Interest payable	144	–	–	–	144	143	–	–	–	143
Other creditors and accruals	70	–	–	–	70	86	–	–	–	86
<b>Creditors: amounts falling due after more than one year</b>										
£9,500,000 11% debenture 2016	1,045	1,045	3,135	9,500	14,725	1,045	1,045	3,135	10,023	15,248
	<b>5,625</b>	<b>1,045</b>	<b>3,135</b>	<b>9,500</b>	<b>19,305</b>	<b>1,707</b>	<b>1,045</b>	<b>3,135</b>	<b>10,023</b>	<b>15,910</b>

### (c) Credit risk

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

#### Management of credit risk

##### Portfolio dealing

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

##### Cash

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

#### Exposure to JPMorgan Chase

JPMorgan Chase is the custodian of the Company's assets. The custody agreement grants a general lien over securities credited to the securities account. The Company's investment assets are segregated from JPMorgan Chase's own trading assets. Therefore, the holding structure of these assets is designed to protect them from creditors in the event that JPMorgan Chase were to cease trading. However, no absolute guarantee can be given to investors on the protection of all assets of the Company.

#### Credit risk exposure

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

The liquidity fund has a AAA (2010: AAA) credit rating.

Cash and short term deposits comprises balances held at banks that have a minimum rating of A1/P1 (2010: A1/P1) from Standard & Poor's and Moody's respectively.

#### (d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the balance sheet at fair value or the carrying amount in the balance sheet is a reasonable approximation of fair value except for the debenture disclosed below. The fair value of the £9.5 million debenture issued by the Company has been calculated using discounted cash flow techniques using the yield on a similarly dated gilt plus a margin based on the 5 year average for the AA Barclays Corporate Bond.

	Accounts value		Fair value	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
£9,500,000 11% debenture 2016	9,496	9,490	9,926	10,650

#### 23. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2011 £'000	2010 £'000
<b>Debt</b>		
£9,500,000 11% debenture 2016	9,500	9,500
	9,500	9,500
<b>Equity</b>		
Share capital	6,533	6,533
Reserves	129,039	104,110
	135,572	110,643

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

The Board's policy is to limit gearing within the range 95% to 125%. Gearing for this purpose is defined as investments excluding liquidity fund holdings, expressed as a percentage of net assets.

# Notes to the Accounts continued

## 23. Capital management policies and procedures continued

	2011 £'000	2010 £'000
Investments excluding liquidity fund	143,703	115,605
Net assets	135,572	110,643
Gearing	106.0%	104.5%

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

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the need for issues of new shares, including issues from Treasury.

## 24. Post balance sheet event

On 8th July 2011, the Company arranged two new £5 million floating rate loan facilities with ING Bank to replace the existing £10 million facility with that bank.

The terms of the new facilities are broadly as follows:

Under the terms of a one year facility, the Company may draw down up to £5 million at an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 1.20%, plus Mandatory Costs, which are the lender's cost of complying with certain regulatory requirements of the Bank of England, and in addition; under the terms of a three year facility, the Company may draw down up to £5 million at an interest rate of LIBOR as quoted in the market for the loan period, plus a margin of 1.85%, plus Mandatory Costs.

# Shareholder Analysis

at 30th June 2011

	Number of shares	% Holding
Pension Funds	1,556,721	6.0
Unit Trusts/Investment Trusts	2,182,368	8.3
Insurance Companies	1,660,142	6.3
Other Institutions	1,089,402	4.2
<b>Total Institutions</b>	<b>6,488,633</b>	<b>24.8</b>
Private Client Brokers	4,473,209	17.1
Individuals in the Investment Trust Investment Account <sup>1</sup>	3,538,595	13.5
Retail investors holding shares directly or through nominee accounts <sup>2</sup>	7,469,249	28.6
Individuals in the Investment Trust ISA <sup>1</sup>	2,676,827	10.3
Individuals in the Investment Trust SIPP <sup>1</sup>	310,167	1.2
<b>Total Retail Holdings</b>	<b>18,468,047</b>	<b>70.7</b>
Treasury shares <sup>3</sup>	1,175,500	4.5
<b>Total Shares in Issue</b>	<b>26,132,180</b>	<b>100.0</b>

Nominee accounts have been allocated to their appropriate category.

<sup>1</sup>Savings Products managed by JPMorgan.

<sup>2</sup>Includes holdings of below 10,000 shares.

<sup>3</sup>Shares held in Treasury do not carry voting rights.

Source: Thomson Financial.

# Notice of Meeting

Notice is hereby given that the thirty-ninth Annual General Meeting of JPMorgan Mid Cap Investment Trust plc will be held at 20 Moorgate, London, EC2R 6DA on Thursday, 3rd November 2011 at 2.30p.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2011.
2. To approve the Directors' Remuneration Report for the year ended 30th June 2011.
3. To approve a final dividend.
4. To re-elect John Emly as a Director of the Company.
5. To re-elect Michael Hughes as a Director of the Company.
6. To re-elect Margaret Littlejohns as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the Directors to determine their remuneration.

## Special Business

To consider the following resolutions:

### Authority to allot new shares – Ordinary Resolution

8. 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 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £310,896, representing approximately 5% of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted 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 relevant securities – Special Resolution

9. THAT subject to the passing of Resolution 8 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £310,896, representing approximately 5% of the issued ordinary share capital (excluding treasury shares) as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 8 above, save that the Company may before such expiry make offers, or agreements 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, or agreements as if the power conferred hereby had not expired.

### Authority to repurchase the Company's shares – Special Resolution

10. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued shares of 25p each in the capital of the Company

#### PROVIDED ALWAYS THAT

- (i) the maximum number of shares hereby authorised to be purchased shall be 3,728,264 or, if less, that number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for a share shall be 25 pence;
- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business

days immediately preceding the day on which the share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors) at the date following not more than seven days before the date of purchase;
- (v) the authority hereby conferred shall expire on 2nd May 2013 unless the authority is renewed at the Company's Annual General Meeting in 2012 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

By order of the Board  
Alison Vincent, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Secretary  
19th September 2011

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

# Notice of Meeting continued

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to:  
(a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.jpmmidcap.co.uk](http://www.jpmmidcap.co.uk).
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk). You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at [www.shareview.co.uk](http://www.shareview.co.uk). Full instructions are given on both websites.
16. As at 16th September 2011 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 24,871,680 Ordinary shares (excluding treasury shares) carrying one vote each. Therefore the total voting rights in the Company are 24,871,680.

## 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 and Definitions

## **Return to Shareholders**

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the Company at the time the shares were quoted ex-dividend.

## **Portfolio Return Net of Fees and Expenses**

Total return on net assets, net of management fees and administration expenses but prior to the use of revenue reserves to finance the dividend.

## **Return on Net Assets**

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

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV when calculating the total return on net assets.

## **Benchmark 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.

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

## **Actual Gearing Factor**

Investments excluding holdings in liquidity funds, expressed as a percentage of net assets. This shows the effect of gearing on the net asset value per share if the market value of the portfolio were to increase by 100%.

## **Total Expense Ratio ('TER')**

The TER represents the Company's management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the month end net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

## **Share Price Discount/Premium to Net Asset Value ('NAV') per Share**

If the share price of an investment trust 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 trust's shares to trade at a discount than at a premium.

## **Performance Attribution**

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

## **Performance Attribution Definitions:**

### **Stock/Sector 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 which are not included in the benchmark.

### **Gearing/Cash**

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

### **Fees/Other Expenses**

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

# Notes

# Information about the Company

## Financial Calendar

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

### History

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

### Company Numbers

Company registration number: 1047690  
London Stock Exchange number: 0235761  
ISIN: GBOO02357613  
Bloomberg code: JMF LN

### Market Information

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

### Website

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

### Share Transactions

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

### Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

### Company's Registered Office

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

Please contact Alison Vincent for company secretarial and administrative matters.

### Custodian

JPMorgan Chase Bank, N.A.  
125 London Wall  
London EC2Y 5AJ

### Registrars

Equiniti Limited  
Reference 1082  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone: 0871 384 2321

Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. The overseas helpline number is +44 (0)121 415 7047.

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

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

### Savings Product Administrators

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

### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London SE1 2RT

### Brokers

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



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Your telephone call may be recorded for your security

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