



Interim Report 07

JPMorgan Income & Growth Investment Trust plc

Interim Report for the period 20th December 2006 to 31st July 2007

Features

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Objective

The Company's investment objective is to meet the final capital entitlement of the Income shareholders and to provide them with a regular quarterly income as well as to provide capital growth for Capital shareholders, by investing predominantly in UK equities.

Investment Policy

- To invest principally in UK equities and also in a range of other assets.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Benchmark

The FTSE 350 (in sterling terms).

Capital Structure

For details of the Company's capital structure, please refer to page 11.

Life of the Company

The Company has a fixed life, which expires at the end of October 2016.

Management Company

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

Interim Performance

Total Returns for the period 20th December 2006 to 31st July 2007

-4.6%

Unit net asset value total return¹

-1.3%

Income share price total return²

-20.5%

Capital share price³

+4.6%

FTSE 350 Index total return⁴

Financial Data

	31st July 2007	20th December 2006	% change
Assets			
Shareholders' funds (£m)	90.0	93.9	-4.2
Income Shares			
Net asset value per share	106.6p	103.4p	+3.1
Share price	101.5p	104.5p	-2.9
(Discount)/premium of share price to net asset value	(4.8)%	1.1%	
Capital Shares			
Net asset value per share	36.5p	46.5p	-21.5
Share price	39.8p	50.0p	-20.5
Premium of share price to net asset value ⁵	8.9%	7.5%	

¹Total return on net asset value ("NAV") per Unit, comprising one Capital share and one Income share, calculated with investments valued at bid market prices, assuming that all dividends paid out by the Company during the period were reinvested into the Company's shares without transaction costs. Source: Fundamental Data - www.funddata.com.

²Total return to the investor based on the change in the Income share mid market price and assuming that all dividends paid out during the period were reinvested into Income shares without transaction costs. Source: Bloomberg.

³Capital share price only.

⁴Total return on the FTSE 350 Index, on a mid-market value to mid-market value basis, assuming that all dividends received (net of tax) were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend. The FTSE 350 Index is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or track this index and consequently, there may be some divergence between the Company's performance and that of the stated index. Source: FTSE.

⁵If the share price of an investment company is higher than the NAV per share, the trust is said to be trading at a premium. The premium is shown as a percentage of the NAV. The opposite of a premium is a discount.

Chairman's Statement



"We believe that the Investment Manager's style and track record will continue to serve us well in these volatile times."

Introduction

This is the first report to shareholders since the Company was launched in December 2006. The money that was then invested in the Company came mainly (87%) from shareholders who chose to 'roll-over' their investment from JPMorgan Fleming Income & Growth Investment Trust plc and partly (13%) from new investors. I would like to welcome all shareholders with the wish that, over the ten year life of the Company, the Managers and the Board can provide both Capital and Income shareholders with an investment performance that meets their aspirations.

Performance

It has to be said that we have got off to a poor start. Although our income account has done well, capital performance has not been good. Our large exposure to financial stocks and our limited exposure to oil and mining stocks were the main reasons for this. In addition, we did not own some stocks whose prices were bolstered by rumoured, or actual, bid fever prompted by cheap money. Gearing also worked against us although we took timely steps to reduce this, correctly anticipating the July fall in the market. The Investment Manager comments on investment performance in more detail in his report.

In this report, I have thus far avoided the use of the word 'benchmark'. This is intentional. Although, in our prospectus, we made it clear that the Manager would choose stocks from the FTSE 350 Index, we do not wish him to be a slave to that benchmark. We are happy for performance to be measured against it but do not wish him to be bound by its weightings. This may well result in a more volatile comparative performance but we believe that the Manager will, over time, perform better if he is less constrained.

Revenue and Dividends

The undistributed revenue reserves, after allowing for the payment of the second interim dividend are approximately £1m.

Since the launch of the Company the Board has declared two quarterly interim dividends, each of 1.55p, paid to Income shareholders and Unitholders on 22nd June 2007 and 21st September 2007. It is the Board's intention, in the absence of unforeseen circumstances, to pay Income shareholders and Unitholders at least 6.2p per Income share in respect of the period from 1st February 2007 to 31st January 2008, being the Company's first full financial year.

Outlook

Despite recent shocks in the financial markets, we remain reasonably confident about the state of the economy. Corporate earnings remain strong and there may well be attractive buying opportunities in the months ahead. We believe that the Investment Manager's style and track record will continue to serve us well in these volatile times.

Alan Cole
Chairman

2nd October 2007

Investment Manager's Report



Market Background

The first interim period for the Company in its new form proved to be a volatile one. After a strong start early in the New Year, there was a short sharp correction in late February and early March on the back of a sell-off in Chinese markets. The market then rallied until the middle of July when it was up by just over 8%. Much of this gain was speculative in nature as there were many rumoured and actual bids for companies from both corporate and financial buyers who were encouraged by the availability of cheap financing.

Towards the end of the period under review another correction developed as bond markets sold off as a result of the crisis in sub-prime lending in the US. Despite this, it was a positive period for UK equities which saw total returns of 4.6% including net income reinvested as measured by the FTSE 350 Index.

Portfolio Construction, Asset Allocation and Gearing

At the end of 2006, with the stocks that we had transferred from the previous company, we were fairly fully invested, but without having drawn down any borrowings. Since market conditions continued to be favourable, we drew down the intended borrowings in the first quarter of 2007 as we set about constructing the remainder of the portfolio. By way of reminder this meant a focused portfolio of around 50 high yielding UK equities making up around 90% of the portfolio. As financials, utilities and consumer goods companies offered good value with high yields, the portfolio was tilted towards these sectors.

The remaining 10% of the portfolio was invested in a structured portfolio of alternative investments that should yield us around 5% with some prospect of income and capital growth. This included investments in funds that brought us exposure to pan European property, high yield and mezzanine bonds, and US small cap venture capital / mezzanine finance.

“...in early July, as we became concerned about the possibility of a correction on the back of the rise in bond yields, we raised cash as a precautionary measure and repaid £7.5m of our floating rate borrowings. This proved to be a timely decision as UK equities have subsequently sold off aggressively since then.”

This was largely completed by the end of March which meant we had drawn down £30.5m of borrowings to leave us around 35% geared. We fixed £23m of this, at what subsequently turned out to be a favourable rate, as UK interest rates continued to rise over the period. Intentionally, the Company in its new form has retained more flexibility than the previous company in relation to its financing. Therefore, in early July, as we became concerned about the possibility of a correction on the back of the rise in bond yields, we raised cash as a precautionary measure and repaid £7.5m of our floating rate borrowings. This proved to be a timely decision as UK equities have subsequently sold off aggressively since then.

Performance

Despite the positive background for the market we are disappointed to have to report over the short term that the returns declined on the total portfolio. This decline and under-performance against the broader market was driven by high yielding shares underperforming and our portfolio being tilted towards insurance and other financial sectors, which suffered in a rising interest rate environment and more lately in the fall out from the US sub-prime crisis. In addition, our limited exposure to oil and mining stocks also cost us some performance relative to the market. In the medium term we would expect high yielding shares offering good value to outperform the broader market.

As mentioned earlier in this report, the other feature of the market in this period was the high level of merger and acquisition activity. Unfortunately, we did not hold many of those companies that received bids and rose strongly in price. Some of the stocks we were exposed to suffered price falls after disappointing trading updates.

Investment Manager's Report continued

Finally, the gearing that we chose to deploy in this period also detracted from performance as our returns were negative.

Outlook

We believe that the current correction is a largely financial market event which will not have too much effect on the UK economy. Given the recent set back and our relatively sanguine outlook on the economy and more attractive valuations now available in the UK stock market, your Company therefore remains geared to the tune of around 27% versus net assets.

Looking ahead, while we believe that US growth may slow against a background of tighter monetary conditions, stronger growth in the Far East and Europe should help to offset this and achieve some rebalancing of global growth. This positive economic outlook should be helpful for equities, which are further supported by attractive valuations in absolute terms and relative to bonds, and by strong balance sheets. Indeed, with the US Federal Reserve having cut interest rates by 0.5% in September, if the liquidity crunch now eases, then markets should be well placed to make a recovery.

Jamieson Streeter
Investment Manager

2nd October 2007

Ten Largest Investments

at 31st July 2007

Company	Description	Valuation £'000	Total Equity Investments %
Royal Bank of Scotland	Retail Banks	4,322	3.9
Barclays	Retail Banks	4,188	3.8
BT Group	Fixed Line Telecommunications	4,104	3.7
Aviva	Insurance	3,798	3.4
Legal & General	Insurance	3,640	3.3
Royal Dutch Shell	Oil and Gas	3,619	3.2
HBOS	Retail Banks	3,488	3.1
Amlin	Insurance	2,898	2.6
FirstGroup	Travel & Leisure Services	2,833	2.5
National Grid	Gas & Water & Multiutilities	2,668	2.4
Total		35,558	31.9

Based on total equity investments of £111.6m.

Portfolio Analysis

Sector Breakdown

	At 31st July 2007	
	Portfolio %	FTSE 350 Index ¹ %
Financials		
Insurance	14.5	4.6
Retail Banks	13.4	17.4
Financial Services	8.3	6.0
Total Financials	36.2	28.0
Consumer Goods		
Household Goods	4.7	2.0
Food Producers	4.4	2.4
Tobacco	3.9	2.2
Other	1.3	3.0
Total Consumer Goods	14.3	9.6
Utilities		
Gas & Water & Multiutilities	8.3	2.6
Electricity	3.3	1.5
Total Utilities	11.6	4.1
Consumer Services		
General Retailers	4.6	2.2
Travel & Leisure	4.2	3.2
Food & Drugs Retailers	1.5	2.9
Other	–	3.6
Total Consumer Services	10.3	11.9
Telecommunications		
Fixed Line Telecommunications	3.7	1.7
Mobile Telecommunications	2.0	4.5
Total Telecommunications	5.7	6.2
Oil & Gas	4.8	15.7
Basic Materials	3.7	9.2
Industrials	1.1	7.5
Healthcare	–	7.0
Technology	–	0.8
	87.7	100.0
Structured Portfolio	12.3	–
Total	100.0	100.0

Based on total equity investments of £111.6m.

¹ Source: Datastream/Citigroup Investment Research.

Income Statement

for the period ended 31st July 2007

(Unaudited)			
Period ended 31st July 2007			
Notes	Revenue £'000	Capital £'000	Total £'000
Losses from investments held at fair value through profit or loss			
	—	(5,219)	(5,219)
Net foreign currency gains	—	2	2
Income from investments	3,312	—	3,312
Other income	429	—	429
Gross return/(loss)			
	3,741	(5,217)	(1,476)
Management fees	(182)	(426)	(608)
Other administrative expenses	(308)	—	(308)
Net return/(loss) on ordinary activities before finance costs and taxation			
	3,251	(5,643)	(2,392)
Finance costs	(299)	(697)	(996)
Dividends on Income shares	(971)	—	(971)
Net return/(loss) on ordinary activities before taxation			
	1,981	(6,340)	(4,359)
Taxation	—	—	—
Net return/(loss) on ordinary activities after taxation			
	1,981	(6,340)	(4,359)
Return per Income share			
4	4.71p	—	4.71p
Loss per Capital share			
5	—	(10.02)p	(10.02)p

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

The "Total" column of this statement is the profit and loss account of the Company and the "Revenue" and "Capital" columns represent supplementary information. 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.

Balance Sheet

as at 31st July 2007

	Notes	(Unaudited) 31st July 2007 £'000
Fixed assets		
Investments at fair value through profit or loss		111,585
Current assets		
Debtors		568
Cash at bank and in hand		1,137
		1,705
Creditors: amounts falling due within one year		(23,292)
Derivative financial instruments		(22)
Net current liabilities		(21,609)
Total assets less current liabilities		89,976
Total net assets		89,976
Income shareholders		66,728
Capital shareholders		23,248
		89,976
Net asset values per share		
Income share	6	106.6p
Capital share	6	36.5p

Cash Flow Statement

for the period ended 31st July 2007

	(Unaudited) period ended 31st July 2007 £'000
Net cash inflow from operating activities	2,663
Net cash outflow from returns on investments and servicing of finance	(867)
Net cash outflow from capital expenditure and financial investment	(117,083)
Dividend paid	(971)
Net cash outflow before financing	(116,258)
Financing	
Drawdown of short term loans	23,000
Net proceeds of placing	93,927
Issue of Capital shares	466
Net cash inflow from financing	117,393
Increase in cash for the period	1,135

Notes to the Accounts

for the period ended 31st July 2007

1. Accounting period

The accounts cover the period from incorporation on 20th October 2006 to 31st July 2007. The Company began investing on 20th December 2006.

2. Accounting policies

The accounts are prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" Issued by the AIC in December 2005. All of the Company's operations are of a continuing nature.

3. Dividends on Income shares

First quarterly dividend of 1.55p paid 20th June 2007

(Unaudited)
Period ended
31st July 2007
£'000

971

A second quarterly dividend of 1.55p per Income share, amounting to £971,000 has been declared payable in respect of the period ending 31st January 2008.

4. Return per Income share

Return per Income share is based on the following:

Revenue return attributable to Income shareholders

Add back dividends on Income shares

Total attributable to Income shareholders

Number of Income shares in issue

Revenue return per Income share

Capital return per Income share

Total return per Income share

(Unaudited)
Period ended
31st July 2007
£'000

1,981

971

2,952

62,617,803

4.71p

—

4.71p

5. Loss per Capital share

Loss per Capital share is based on the following:

Revenue return attributable to Capital shareholders

Capital loss attributable to Capital shareholders

Total loss attributable to Capital shareholders

Weighted average number of Capital shares in issue

Revenue return per Capital share

Capital loss per Capital share

Total loss per Capital share

(Unaudited)
Period ended
31st July 2007
£'000

—

(6,340)

(6,340)

63,280,289

—

(10.02)p

(10.02)p

Notes to the Accounts continued

6. Net asset value

The net asset value per Income share is based on the £64,747,000 (103.4p per share) capital entitlement of the Income shareholders in the event of any winding up of the Company plus the £1,981,000 balance on the revenue reserve, divided by the 62,617,803 Income shares in issue at the period end.

The net asset value per Capital share is based on the Company's net assets less the prior entitlement of the Income shares, divided by the 63,677,781 Capital shares in issue at the period end.

Capital Structure

Income Shares

Investment Characteristics

The Income shares offer a dividend yield and the right to a predetermined capital entitlement.

Entitlements

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

Income shares will have a capital entitlement of 103.4 pence per share on any winding-up of the Company.

Reserves

As at 31st July 2007, undistributed revenue reserves amounted to £1,981,000 and have been allocated in the accounts to the Income shares.

Voting Rights

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

Capital Shares

Investment Characteristics

Generally by virtue of their effective gearing and their lack of yield, Capital shares have limited protection against adverse market movements and are therefore classed as high risk securities. Conversely, they are highly attractive securities to investors seeking a geared exposure to the capital performance of equity markets.

Entitlements

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

Voting Rights

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

Information about the Company

Financial Calendar

Financial year end	31st January
Interim results announced	October
Final results announced	March
Dividend on Income shares	Payable quarterly in March, June, September and December
Annual General Meeting	April
Interim Management Statements	May and November (2008)

History

The Company was launched on 20th December 2006.

Directors

Alan Cole (Chairman)
 Nicholas Craig Harvey
 Karl Sternberg
 Jane E Tozer
 David Watts

Company Numbers

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

Market Information

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

Website

www.jpmincomeandgrowth.co.uk

Share Transactions

The 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 Investment Trust Share Plan, Individual Savings Account ('ISA'), Personal Equity Plan ('PEP') and Pension Account.

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
 20 Finsbury Street
 London EC2Y 9AQ
 Telephone: 0207 742 6000

For company secretarial and administrative matters, please contact Lucy Dina.

Registrars

Equiniti
 Reference 3081
 Aspect House
 Spencer Road
 Lancing
 West Sussex BN99 6DA
 Telephone: 0870 600 3984

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

Auditors

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

Brokers

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

Savings Product Administrators

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

aic

The Association of
 Investment Companies A member of the AIC

Notes

JPMorgan Helpline

Freephone 0800 40 30 30 or 0207 742 9999

9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline

Freephone 0800 41 31 76 or 0172 241 4888

9.00 am to 5.00 pm Monday to Friday

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

Your telephone call may be recorded for your security

www.jpmincomeandgrowth.co.uk