1047690

JPMorgan Fleming

Asset Management

JPMorgan Fleming Mid Cap Investment Trust plc

its

ANNUAL REPORT & ACCOUNTS • YEAR ENDED 30TH JUNE 2002

Results.

+35.7% (9.5p)	Dividend (2001: 7.0p)
-19.4%	Return to shareholders[1] (2001: +11.1%)
-15.7%	Return on net assets[2] (2001: -7.3%)
-9.4%	Benchmark Index Total Return[3,4] (2001: -0.6%)

[1]Change in share price with net dividends (if any) reinvested. Source: Micropal.

[2]Change in net asset value per share with net dividends (if any) reinvested. Source: AITC/Fundamental Data.

[3]*Change in index adjusted to include net dividends (if any) reinvested. Source: Micropal.*

[4]Comparison of the Company's performance is made with the FTSE 250 Index (ex investment trusts). This benchmark is a recognised index of stocks but 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 therefore there may be a degree of diversity of performance from it.

CONTENTS

Chairman's Statement

Alan Schroeder CHAIRMAN

The Year Under Review

Capital Performance

In the year to 30th June 2002, the Company produced a total return on net assets of –15.7%. This compares with a total return over the same period of –9.4% for the Company's benchmark, the FTSE 250 Index (excluding investment trusts). This underperformance reflects the portfolio's exposure during the first half of the year to the Media, Transport and Electronic sectors and includes the adverse impact of our gearing in a falling market. Although our gearing has clearly been unhelpful over the last two years, we firmly believe that it will, over the long-term, enhance investment returns and it remains one of the key advantages that an investment trust has over other collective investment vehicles.

A full review of the Company's performance is provided in the Investment Managers' report on pages 5 and 6.

Share Price Performance

The total return to shareholders for the year was –19.4%. The Company's share price was 326.50p on 30th June 2002, a decrease of 21.2% during the year. This was reflected in an increase in the discount to net asset value (NAV) to 8.9% at 30th June 2002, compared with 4.4% at the previous year end, close to its historical low.

Revenue and Dividends

Revenue after taxation for the year was £3,828,000 (2001: £2,921,000) and earnings per share advanced to 9.92p (2001: 7.57p). This increase of 31% reflects the higher yield achieved on the portfolio, which was largely as a result of the switch of emphasis during the year from growth to value stocks.

The Board is recommending a final dividend of 7.00p to be paid on 5th November 2002 to shareholders on the register at the close of business on 4th October 2002. Together with the interim dividend of 2.50p already paid, this will produce a total annual dividend of 9.50p, an increase of 35.7% on the previous year. This total dividend, fully covered by earnings, reflects the 'residual' dividend policy adopted by the Board.

Outlook

The Investment Managers comment on the outlook for the portfolio in their report on pages 5 and 6.

Your Board remains committed to the portfolio's emphasis on the FTSE 250 Index, which it believes will continue to outperform the large and small cap indices, despite the likely continuation of nervousness and volatility in the immediately foreseeable future. We believe that with the Investment Managers' portfolio strategy, which is research based and focused on risk-controlled stock selection, the Company is well positioned to take advantage of market opportunities as they arise.

Investment Manager

In July of this year, James Inglis Jones was appointed as manager of the Company's portfolio in place of Ross Hollyman. He was joined in the management by Jeremy Wells, who has over fourteen years' experience within the fund management industry, the last four within JPMorgan Fleming.

Your Board believes that the management team's blend of continuity, knowledge and experience will serve the Company well in the future.

Board Change

I succeeded Sir Richard Storey as Chairman in April 2002 upon his retirement. Richard Storey made a significant contribution to the Company since he joined the Board in June 1989 and, on behalf of the Board, I wish him well in his retirement. We are in the process of appointing a further Director as a result.

Annual General Meeting

This year's Annual General Meeting will be held on 29th October 2002 at 12.00 noon at 10 Aldermanbury, London EC2V 7RF. 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 JPMorgan Fleming. I look forward to seeing as many of you as possible at this meeting.

If you have any detailed or technical questions, it would be helpful if you could raise these in advance 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.

Alan Schroeder
Chairman

13th September 2002

“The Board is recommending a final dividend of 7.00p. Together with the interim dividend of 2.50p already paid, this would produce a total annual dividend of 9.50p, an increase of 35.7% on the previous year.”

"It is pleasing to report that, on balance, this change of emphasis in the portfolio was well rewarded with underlying performance during the second half of your Company's financial year; this somewhat mitigated the disappointing underlying performance during the first half of the year."

Investment Managers' Report

James Inglis Jones
became lead investment manager in July 2002, having assisted since July 1998.

Jeremy Wells
joined the management team in July 2002. He has over fourteen years' experience within the fund management industry.

INVESTMENT MANAGERS

Market Background

Despite an improving economic environment, equity investors have had a disappointing year with markets falling worldwide. The mid cap sector, although not immune from equity market weakness, fared relatively well against its UK peer group with an annual fall in the Mid Cap index of 9.4% – less substantial than the 15.2% decline in the FTSE100 and the 20.2% decline in the Small Cap index. Whilst equity markets have fallen, the economic recovery we highlighted in our interim report has continued. Prompt action of central banks in reducing interest rates in the aftermath of the terrorist atrocities, the consequences of sharp inventory liquidation, and resilient consumer spending all contributed. In the first six months of the year, indicators of economic activity in the US and the UK have been broadly encouraging although survey data have been more mixed. Capital spending trends remain muted after the contraction in the last calendar year that proved to be the driving force of the shallow recession in the US. In the UK inflation has remained low, employment stable and overall economic output has shown some signs of growth which has started to manifest itself in improvements to capacity utilisation.

Although improving economic conditions were reflected by a sharp rally in markets during the final quarter of last year, the performance of the economy and stockmarkets have diverged in the first half of the current calendar year. In the absence of any worrying decline in economic activity, the collapse of indices since the end of May appears to relate to legitimate concerns about earnings quality, geo-political uncertainty and valuation levels allied to some mixed survey data pointing to more subdued economic activity. Against this backdrop, fears that declines in equity markets will undermine consumer confidence and lead to a slide back into recession appear to have been overstated and have underlined the importance of the strength of the housing market in the US and the UK as a barometer of consumer confidence. Conditions in the housing market in the UK and the US share similar features: in both markets demand and supply characteristics, as well as interest rates, have underpinned market strength.

Portfolio

The performance of your Company relative to its benchmark index – the FTSE 250 Index (excluding investment trusts) – has been disappointing. The Company's gearing in falling markets had a negative impact and this was compounded by the performance of the underlying portfolio, which suffered in the first half of the financial year as a consequence of its exposure to the Media, Transport and Electronic sectors. We highlighted at the interim stage our decision to increase exposure to economically sensitive stocks in anticipation of an upturn in economic activity. Exposure to economically sensitive stocks on attractive valuations was increased in the second half of the financial year, with particular attention being paid to those companies demonstrating improvements in underlying cash flow. Predominantly, this involved purchases in sectors such as general industrials, food retailing, leisure and transport, with new holdings being added to the portfolio such as Wolverhampton & Dudley, Stanley Leisure, Spirax Sarco and Thistle Hotels. These new holdings were funded by sales of predominantly growth stocks whose cash flow trends were of concern such as Innovation Group, Fitness First and Hit Entertainment. It is pleasing to report that, on balance, this change of emphasis in the portfolio was well rewarded with underlying performance during the second half of your Company's financial year; this somewhat mitigated the disappointing underlying performance during the first half of the year.

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

Performance attribution for the year to 30 June 2002

	1 Year %
Net asset value total return in sterling terms	−15.7
Benchmark total return in sterling terms	−9.4
Relative return	−6.3
Analysis of relative return	
Allocation Effect	0.1
Selection Effect	−2.2
Gearing/cash	−2.2
Fees/Expenses	−1.0
Residual	−1.0
Total	−6.3

Source: Frank Russell/*JPMFAM/Fundamental Data.*

Definition: *Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.*

Allocation effect: *Measures the impact of allocating assets differently to those in the benchmark, via the portfolio's weighting in different sectors or asset types.*

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

Gearing/cash effect: *Measures the impact of returns on borrowings or cash balances on the Company's relative performance.*

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

Buybacks/issuances: *Measures the net effect on relative performance of increasing or decreasing the number of shares in issue.*

Other residual item: *Arises when there is a divergence between total return as calculated by the AITC/Fundamental Data, and total return as calculated by the attribution generating system. This is a result of methodology differences with respect to the treatment of income and cashflows, and timing differences.*

Outlook

Uncertainty regarding the timing and speed of the recovery in capital spending remains of concern. Although corporate cash flows have shown signs of recovery, the recent declines in equity markets may encourage companies to focus upon free cash flow generation and delay large capital outlays – thereby moderating somewhat the recovery currently underway. However, central banks are alert to this possibility. Where rises in interest rates, particularly in the UK, were looking increasingly likely – as a consequence of increasing government expenditure, robust consumer expenditure and some signs of recovery in industrial production – concern about the possible economic repercussions of the recent collapse in equity markets may delay the decision to raise base rates. Also the decline in the headline rate of inflation that we have recently seen has had the effect of increasing real interest rates, which will also be a factor that the Monetary Policy Committee will take into account.

In comparison to bonds, overall equity valuation levels in the UK have rarely been lower, whilst on absolute valuation measures such as earnings yield and dividend yield, valuations have reverted to long-term averages. Market nervousness seems likely to continue in the short term however, and share price volatility at both the company and sector level will probably also remain high in the near term. Such continuing stock market volatility should continue to present the Company with interesting opportunities to pick up good quality companies at attractive prices.

It is likely that clear signs of a sustained economic recovery, and confidence about corporate profit prospects, will be required before stock market sentiment improves. In the meantime, better value is starting to emerge.

James Inglis Jones
Jeremy Wells
Investment Managers — 13th September 2002

Report & Accounts.

Facts.

OBJECTIVE Capital growth from medium-sized UK companies.

POLICIES To specialise in FTSE 250 companies. To use long and short-term borrowings to increase returns.

BENCHMARK The FTSE 250 Index (ex investment trusts).

CAPITAL STRUCTURE The Company has an authorised share capital of 48,000,000 ordinary shares of 25p each, of which 38,575,000 were in issue at the year end.

MANAGEMENT COMPANY The Company employs JPMorgan Fleming to manage its assets. JPMF has established a global presence as a leader in the asset management industry. They manage nearly US$550 billion for their clients worldwide and employ over 750 investment professionals based in 44 different locations.

Figures.

Summary of Results

	2002	2001	% CHANGE
TOTAL RETURNS (capital plus income) for the year to 30th June			
Actual total return (see page 28)	**–65.86p**	–36.13p	
Return on net assets[1]	**–15.7%**	–7.3%	
Return to shareholders[2]	**–19.4%**	+11.1%	
FTSE 250 Index (ex investment trusts)[3,4]	**–9.4%**	–0.6%	
FTSE 100 Index[3]	**–15.2%**	–8.5%	
FTSE All-Share Index[3]	**–14.8%**	–7.8%	
ASSETS at 30th June			
Total assets (£'000)	**138,196**	167,267	–17.4
Net asset value per share	**358.3p**	433.6p	–17.4
Share price	**326.5p**	414.5p	–21.2
Discount to net asset value	**8.9%**	4.4%	
REVENUE for the year to 30th June			
Gross revenue return (£'000)	**5,358**	4,521	+18.5
Net revenue return to shareholders (£'000)	**3,828**	2,921	+31.1
Earnings per share	**9.92p**	7.57p	+31.0
Dividend per share	**9.50p**	7.00p	+35.7
ACTUAL GEARING FACTOR[5] at 30th June	**119%**	122%	
TOTAL EXPENSE RATIO[6]	**1.1%**	1.0%	

[1]*Change in net asset value per share with net dividends (if any) reinvested. Source: AITC/Fundamental Data.*

[2]*Change in share price with net dividends (if any) reinvested. Source: Micropal.*

[3]*Change in index adjusted to include net dividends (if any) reinvested. Source: Micropal.*

[4]*Comparison of the Company's performance is made with the FTSE 250 Index (ex investment trusts). This benchmark is a recognised index of stocks but 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 therefore there may be a degree of diversity of performance from it.*

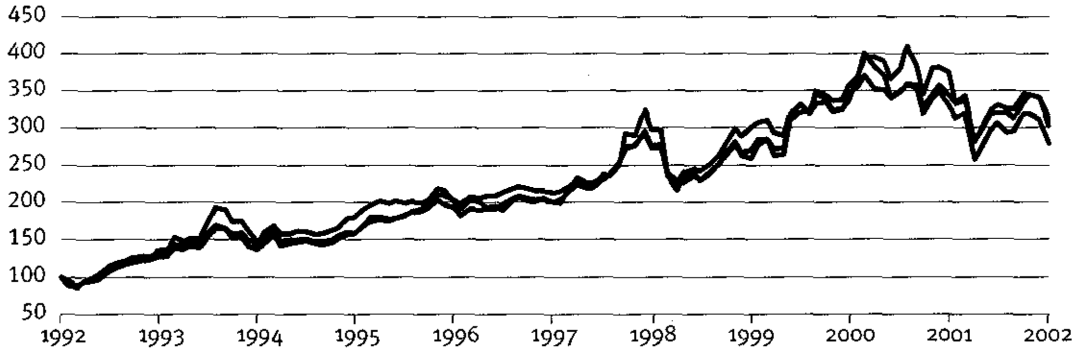
[5]*Actual gearing means investments expressed as a percentage of shareholders' funds.*

[6]*Management fees and all other operating expenses (including tax relief where allowable, but excluding interest payments) expressed as a percentage of average net assets over the year.*

Performance and Discount

Ten Year Performance

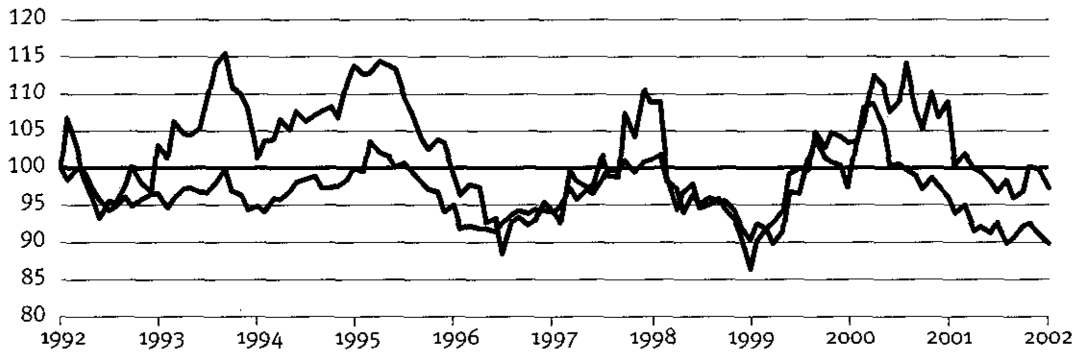
Figures have been rebased to 100 at 30th June 1992



— JPMorgan Fleming Mid Cap – Net asset value per share
— JPMorgan Fleming Mid Cap – Share price
— FTSE 250 Index (ex Investment Trusts)

Source: Datastream
Total Return

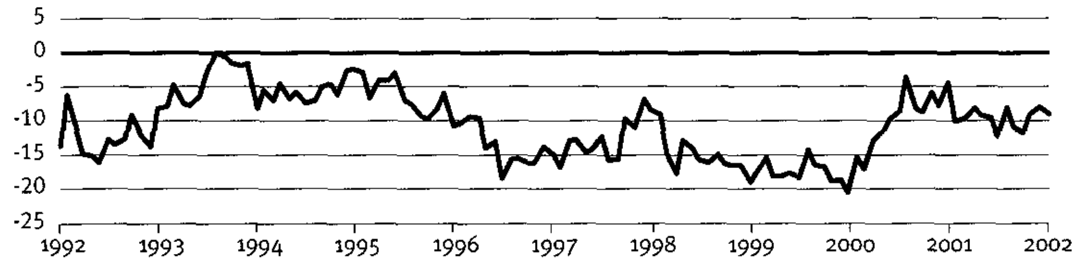
Performance Relative to Benchmark Index



— JPMorgan Fleming Mid Cap – Net asset value per share
— JPMorgan Fleming Mid Cap – Share price
The benchmark index is represented by the bold horizontal line.

Source: Datastream
Total Return

Discount



— JPMorgan Fleming Mid Cap – Discount

Source: Datastream

Ten Year Financial Record

As at 30th June	1992	1993[1]	1994	1995[2]	1996[3]	1997	1998	1999	2000[4]	2001	**2002**
Total net assets (£m)	65.3	80.6	83.2	94.4	111.7	113.0	152.7	147.2	184.5	167.3	**138.2**
Net asset value per share (p)	163.2	201.6	208.1	236.0	279.2	282.4	381.8	367.9	476.4	433.6	**358.3**
Share price (p)	140.5	183.5	191.0	228.5	249.0	240.5	349.5	298.0	378.5	414.5	**326.5**
Discount/(premium) (%)	13.9	9.0	8.2	3.2	10.8	14.8	8.4	19.0	20.5	4.4	**8.9**
Actual gearing (%)	95.0	97.0	104.0	110.0	116.0	111.0	114.0	119.0	119.0	122.0	**119.0**
Total Expense Ratio (%)	0.63	0.47	0.56	0.61	0.53	0.63	0.67	0.87	1.10	1.00	**1.08**

Year to 30th June											
Revenue available for shareholders (£'000)	1,782	2,222	2,140	2,188	3,921	2,687	1,878	1,517	2,730	2,921	**3,828**
Earnings per share (p)	4.46	5.56	5.35	5.47	9.80	6.71	4.69	3.79	6.91	7.57	**9.92**
Dividend per share (net) (p)	4.50	4.70	4.80	5.10	6.40*	5.30	5.30	5.30	6.00	7.00	**9.50**

Year to 30th June (rebased to 100)											
Net asset value per share	100.0	123.5	127.5	144.6	171.1	173.0	233.9	225.4	291.9	265.7	**219.5**
Net asset value per share – total return[5]	100.0	127.5	136.3	157.7	192.5	200.3	276.5	271.7	357.0	329.5	**279.2**
Share price	100.0	130.6	135.9	162.6	177.2	171.2	248.8	212.1	269.4	295.0	**232.4**
Share price – total return[5]	100.0	136.0	145.6	179.7	200.8	200.2	298.0	260.0	336.1	374.1	**302.4**
Dividend per share	100.0	104.4	106.7	113.3	142.2	117.8	117.8	117.8	153.3	155.6	**211.1**
Benchmark index – total return[5,6]	100.0	132.0	143.7	157.9	202.7	212.9	273.6	300.8	345.3	343.2	**310.8**
UK Retail Price Index	100.0	101.2	103.9	107.5	109.8	113.1	117.3	118.9	122.8	125.2	**126.5**

*included a special dividend of 1.1 pence.

[1]*As restated to reflect the change of accounting policy to account for dividends on an ex-dividend basis. Earlier figures have not been adjusted.*

[2]*As restated to reflect the change of accounting policy to account for bond interest on an accruals basis. Earlier figures have not been adjusted.*

[3]*As restated to reflect the change of accounting policy to account for half of the management fee (inclusive of irrecoverable VAT) and half of the finance costs to capital. Earlier figures have not been adjusted.*

[4]*With effect from 1st July 1999, 70% of the management fee (including irrecoverable VAT) and finance costs have been charged to capital.*

[5]*Source: Datastream.*

[6]*FTSE 250 Index (ex investment trusts).*

Ten Largest Investments

at 30th June 2002

Company	**Sector**	**Valuation £'000**	**% of total assets[1]**
Emap International media group with a focus on magazine publishing in the UK.	Cyclical Services	**3,111**	**1.9**
Bradford & Bingley Financial group specialising in the provision of residential mortgages.	Financials	**2,836**	**1.7**
Rank International leisure and entertainment company.	Cyclical Services	**2,783**	**1.6**
Persimmon Residential house developer.	Basic Industries	**2,754**	**1.6**
Provident Financial Financial group specialising in home credit and motor insurance services.	Financials	**2,717**	**1.6**
Tomkins Manufacturing company focused on automotive, engineered and construction products.	General Industrials	**2,644**	**1.6**
De La Rue Specialises in the printing of bank notes.	Cyclical Services	**2,560**	**1.5**
Debenhams Operator of retail chains in the UK focused on clothing and cosmetics.	Cyclical Services	**2,540**	**1.5**
Balfour Beatty Engineering and construction group dedicated to the transport and energy sectors.	Basic Industries	**2,461**	**1.5**
British Vita Manufacturer of speciality polymers, fibre and fabric components.	Basic Industries	**2,451**	**1.4**
Total		**26,857**	**15.9**

[1]Based on total assets less current liabilities of £169.1m.

Features of the Portfolio

Somerfield
Value (£'000): 1,852
1.1% of portfolio
Food retailing company.

Mersey Docks Harbour
Value (£'000): 1,127
0.7% of portfolio
An operator of port facilities in the UK.

Taylor Woodrow
Value (£'000): 1,841
1.1% of portfolio
Housing and development group.

Wolverhampton & Dudley
Value (£'000): 1,707
1.0% of portfolio
Pub operator and brewer of beer.

Portfolio Analysis and Investment Activity

at 30th June

Portfolio Analysis

Capitalisation	**2002** **% of total assets**	2001 % of total assets
FTSE 250 Index companies	**92.8**	96.6
Small companies	**2.8**	6.2
FTSE 100 Index companies	**1.3**	0.4
Net current assets/(liabilities)	**3.1**	(3.2)

	2002		2001	
Sector	**Portfolio %**	Benchmark %	Portfolio %	Benchmark %
Cyclical Services	**39.4**	40.1	35.8	37.8
Basic Industries	**17.0**	14.5	10.0	14.2
Financials	**13.0**	14.9	15.9	16.6
General Industrials	**8.5**	7.8	9.6	7.8
Non-Cyclical Consumer Goods	**5.6**	6.9	9.6	2.6
Utilities	**3.9**	3.7	11.5	6.6
Information Technology	**3.4**	5.1	2.2	3.2
Cash	**3.1**	—	(3.2)	—
Non-Cyclical Services	**2.9**	1.3	4.4	1.0
Resources	**1.8**	2.3	3.4	3.2
Cyclical Consumer Goods	**1.4**	3.4	0.8	7.0

Based on total assets less current liabilities of £169.1m

Investment Activity

	Value at 30th June 2002		Value at 30th June 2001	
	£'000	%	£'000	%
FTSE 250 Index companies	**156,822**	**95.7**	191,282	93.6
Small companies	**4,734**	**2.9**	12,362	6.0
FTSE 100 Index companies	**2,238**	**1.4**	844	0.4
Total portfolio	**163,794**	**100.0**	204,488	100.0

Shareholder Analysis

at 30th June 2002

	Number of shares	% holding
Pension funds	3,054,406	7.92
Insurance companies	4,275,817	11.08
Unit trusts	2,325,506	6.03
Other institutions	3,899,740	10.11
Total institutions	**13,555,469**	**35.14**
Individuals in the Investment Trust Share Plan[1]	4,246,433	11.01
Individuals in the Investment Trust Pension Accounts[1]	336,449	0.87
Individuals in the Investment Trust Personal Equity Plan[1]	3,179,969	8.24
Individuals in the Investment Trust Individual Savings Account[1]	358,351	0.93
Fleming Managed Growth plc	1,302,560	3.38
Fleming Managed Income plc	53,819	0.14
Retail investors holding shares directly or through nominee accounts	15,541,950	40.29
Total individuals	**25,019,531**	**64.86**
Total shares in issue	**38,575,000**	**100.00**

Nominee accounts have been allocated to their appropriate category.

[1] *'Wrapper' products managed by JPMorgan Fleming as detailed on page 42.*

List of Investments

at 30th June 2002

Company	Value £'000
Cyclical Services	
EMAP	3,111
Rank	2,783
De La Rue	2,560
Debenhams	2,540
Whitbread	2,389
Arriva	2,279
P&O	2,156
Firstgroup	2,146
Trinity Mirror	2,101
United Business Media	2,088
Greene King	2,064
BBA	2,058
Lex Service	1,928
Carlton Communications	1,907
Interserve	1,845
Wolverhampton & Dudley	1,707
National Express	1,637
Woolworths	1,561
St. Ives	1,518
Jarvis	1,506
Smith WH	1,493
Game	1,474
Railtrack	1,467
Mytravel	1,460
First Choice Holidays	1,426
De Vere	1,395
Selfridges	1,322
WS Atkins	1,158
Mersey Docks Harbour	1,127
Stanley Leisure	1,104
Luminar	1,027
Salvesen (Christian)	1,017
Electrocomponents	954
Informa	900
Go-Ahead	883
Taylor Nelson Sofres	856
Bunzl	797
Chrysalis	709
Euromoney	693
Ashtead	692
Rexham	667
Thistle Hotels	591
Signet	570
Johnston Press	448
Cordiant Communications	445
Clinton Cards	113
Sportsworld	19
Total Cyclical Services	**66,691**
Basic Industries	
Persimmon	2,754
Balfour Beatty	2,461
British Vita	2,451
RMC	2,342
Barratt Developments	2,213
Bellway	2,024
Pilkington	1,917
Travis Perkins	1,861
Taylor Woodrow	1,841
Aggregate Industries	1,722
DS Smith	1,566
Wilson Connolly	1,533
Redrow	1,214
John Laing	1,102
Johnson Matthey	897
Amec	790
Total Basic Industries	**28,688**
Financials	
Bradford & Bingley	2,836
Provident Financial	2,717
Shaftesbury	2,301
Slough Estates	1,754
Intermed	1,692
Derwent Valley	1,472
Britannic	1,397
Minerva	1,310
ICAP	1,258
Singer & Friedlander	1,075
Hammerson	1,007
Jardine Lloyd Thomas	771
Aberdeen Asset Management	748
Close Brothers	737
Brixton	730
Friends Ivory & Sime	225
Total Financials	**22,030**

List of Investments continued

at 30th June 2002

Company	Value £'000
General Industrials	
Tomkins	2,644
Kidde	2,399
Meggitt	1,416
First Technology	1,264
Cobham	1,242
FKI	1,107
Weir	1,006
Morgan Crucible	989
Cookson	819
Spirax Sarco	727
Bodycote International	594
Renishaw	273
Total General Industrials	**14,480**
Non-Cyclical Consumer Goods	
Northern Foods	2,348
Dairy Crest	1,444
SSL	1,319
Nestor Healthcare	1,115
Celltech	1,062
Galen	865
Devro	563
Cranswick	391
Cambridge Antibody	282
Total Non-Cyclical Consumer Goods	**9,389**
Utilities	
AWG	2,026
Veridian	1,891
Kelda	1,829
South Staffordshire	854
Total Utilities	**6,600**

Company	Value £'000
Information Technology	
Misys	1,101
ISOFT	932
Computacenter	907
Spirent	744
Marlborough Sterling	588
CMG	482
Morse	430
Arm	411
ITNET	166
Anite	43
Total Information Technology	**5,804**
Non-Cyclical Services	
Somerfield	1,852
Big Food	1,227
Kingston	761
Greggs	758
Colt Telecom	214
Total Non-Cyclical Services	**4,812**
Resources	
Lonmin	1,805
Expro	850
Premier Oil	431
Total Resources	**3,086**
Cyclical Consumer Goods	
Inchcape	1,670
GKN	544
Total Cyclical Consumer Goods	**2,214**
Total Portfolio	**163,794**

The portfolio consists entirely of equity shares.

Faces

Board of Directors

Alan Schroeder (Chairman)*

Age 64. Joined the Board in April 1996, and became chairman in April 2002. He is a director of Lincat Group plc.

John Emly

Age 60. Joined the Board in June 1996.
Retired from Flemings in 2000 after 25 years' service. Appointed investment director of The Civil Aviation Authority's Pension Fund in September 2000.

Andrew Gifford*

Age 49. Joined the Board in August 1994.
He is a director of BSMG Worldwide (UK) and the Second London American Growth Trust plc.

Alexander Scott*
(Chairman of the Audit Committee)

Age 42. Joined the Board in April 1996.
He is chairman of Sand Aire Investments Management Limited, a London based investment company, and a director of JPMorgan Fleming Asian Investment Trust plc.

** Member of the Audit Committee*

Directors' Report

Business of the Company

The Company carries on business as an investment trust and was approved by the Inland Revenue as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th June 2001. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year. Approval for the year ended 30th June 2001 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 Part VIII of the Companies Act 1985. The Company is not a close company for taxation purposes.

Revenue and Dividends

Gross revenue return for the year totalled £5,358,000 and net income available for distribution to ordinary shareholders was £3,828,000. The Directors recommend a final dividend of 7.00p per share payable on 5th November 2002 to shareholders on the register at the close of business on 4th October 2002. Together with the interim dividend of 2.50p paid on 4th April 2002, the total dividend for the year is 9.50p. These dividends total £3,664,000 resulting in a transfer of £164,000 to the revenue reserve.

Going Concern

After making enquiries, the Directors consider that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place for it to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's payment 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 its policy to abide by those terms. As at 30th June 2002, the Company had no outstanding trade creditors.

Directors

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

	30th June 2002	1st July 2001
JRK Emly	4,258	4,157
AG Gifford	13,100	13,100
AG Schroeder	5,674	5,674
FA Scott	3,700	3,700

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

The Directors retiring by rotation are Alan Schroeder and Andrew Gifford. Being eligible, both Directors offer themselves for re-election at the forthcoming Annual General Meeting.

Acquisition of the Company's Own Shares

The Company did not repurchase any shares for cancellation during the year (2001: 150,000).

A special resolution to renew the authority to repurchase shares will be put to shareholders for approval at the forthcoming Annual General Meeting as detailed on page 25.

Management Fee

The Manager and Secretary, J.P. Morgan Fleming Asset Management (UK) Limited ('JPMFAM'), is employed under a contract terminable on one

Directors' Report continued

year's notice for a fee of 0.675% per annum of the Company's total assets less current liabilities. The management fee includes a contribution towards JPMFAM's general marketing and client administration costs.

If the Company invests in funds managed or advised by JPMorgan Fleming or any of its associated companies, such investments are excluded from the calculation and therefore attract no fee.

Notifiable Share Interests

At the date of this report the Company had been notified of the following interests in excess of 3% of its issued share capital:

Shareholders	Number of shares held	%
Henderson Nominees[1]	7,784,753	20.18
Barclays plc	3,690,055	9.57
JPMorgan Chase & Co.	3,390,376	8.79
Included within this are the following:		
JPMF Investment Trust Fund	1,415,000	3.67
Fleming Managed Growth plc	1,302,560	3.38
Legal & General	2,298,477	5.96
AMP Asset Management Limited	1,955,273	5.07

[1]*Held on behalf of JPMFAM Share Plan, PEP and ISA participants.*

Corporate Governance

To ensure the appropriate level of corporate governance, the Board has put in place arrangements which it believes are suitable for an investment trust and enable the Company to comply with the Principles of Good Governance and Code of Best Practice (the 'Combined Code'), published by the Committee on Corporate Governance in June 1998. The Board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the year ended 30th June 2002 (except as detailed below) and the following describes how the relevant principles of governance are applied to the Company.

The Board

The Board consists solely of non-executive Directors, the majority of whom are independent of the Company's Manager. The Board does not believe it is necessary to appoint a senior independent director.

A Management Agreement between the Company and JPMFAM sets out matters over which the Manager has authority. All other matters are reserved for the approval of the Board.

The Board meets on at least five occasions each year and between these meetings there is regular contact with the Manager who provides the Board with appropriate and timely management information. JPMFAM also provides company secretarial advice and services.The Directors also have access, where necessary, in the furtherance of their duties, to independent professional advice at the expense of the Company.

Board Committees

The Board as a whole fulfils the function of the Nomination Committee which meets when necessary to select and propose suitable candidates for appointment to the Board. The Board as a whole also fulfils the function of the Remuneration Committee.

An Audit Committee, which consists entirely of independent non-executive Directors, meets at least twice each year. To ensure its independence from the Manager, the Audit Committee excludes from its membership all Directors who are employed by, or who are former employees of, JPMFAM, or any of its subsidiaries or associated companies.

Directors' Report continued

The Audit Committee reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance Department and also reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditors. The Directors' statement on the Company's system of internal control is set out below.

Directors' Remuneration
Throughout the year to 30th June 2002, Directors' fees were set at a fixed rate of £13,000 per annum for the Chairman and £9,000 per annum for each other Director. With effect from 1st July 2002, Directors' fees have been set at a fixed rate of £16,000 per annum for the Chairman and £11,000 per annum for each other Director. In aggregate, fees must not exceed £60,000. The Directors' fees are reviewed regularly and any increase in the aggregate amount requires both Board and shareholder approval.

A resolution will be proposed at the forthcoming Annual General Meeting to increase the aggregate level of fees to £100,000.

Relations with Shareholders
The Board has regular discussions with the Company's brokers. The Investment Manager holds regular discussions with shareholders, the feedback from which is valued by the Board. In addition, a presentation by the Investment Managers which reviews the Company's activities, is a feature of the Company's Annual General Meeting, where both the Directors and the Investment Managers are available to answer shareholders' questions.

Internal Control
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 information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable but not absolute assurance against fraud, material mis-statement or loss.

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

Since investment management, custody of assets and all administrative services are provided to the Company by subsidiaries of JPMorgan Chase, the Company's system of internal control mainly comprises monitoring the services provided by JPMFAM, the Manager, and its associates, including the operating controls established by them to ensure that they meet the Company's business objectives.

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, transaction analysis and performance comparisons.

Directors' Report continued

Management Agreement – Appointment of a Manager and Custodian regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMFAM'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 keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- the Board, through the Audit Committee, reviews the terms of the management agreement and receives regular reports from JPMFAM's Compliance Department;
- the Board reviews the report on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is independently reviewed; and
- the Board reviews every six months a report on the internal controls and operations of JPMFAM which is independently reported on.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th June 2002, and to the date of approval of the annual report and accounts.

Socially Responsible Investment
The following, which has been reviewed and approved by the Board, is a summary of JPMFAM's policy statement on Socially Responsible Investment ('SRI'):

> *JPMFAM has adopted a positive engagement approach to SRI issues. Specific assets or types of assets are not excluded on purely social, environmental or ethical criteria (unless specifically requested by clients). Rather, analysts take such issues into account as part of the mainstream analytical process. JPMFAM then engages with company management on specific environmental and sustainability issues either at company meetings or by co-ordinated use of its proxy votes.*

Corporate Governance and Voting Policy
The following, which has been reviewed and approved by the Board, is an abbreviated version of JPMFAM's statement on corporate governance and voting policy:

> *JPMFAM views seriously its obligation to exercise voting authority over shares for which it has responsibility worldwide. Proxies increasingly contain controversial issues involving shareholder rights, corporate governance and social concerns, among others, which deserve careful review and consideration. Exercising proxy votes has economic value for our clients and, therefore, we consider it to be our fiduciary duty to preserve and protect the assets of our clients, including proxy votes, for their exclusive benefit. It is the policy of JPMFAM to vote in a prudent and diligent manner after careful review of each company's proxy statement on an individual basis. Our voting decision is*

Directors' Report continued

based exclusively on our reasonable judgement of what will best serve the financial interests of the beneficial owners of the security. In determining our vote, we do not and will not subordinate the economic interests of our clients to any other entity or interested party.

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

(i) Authority to Repurchase the Company's Shares
The authority to repurchase up to 14.99 per cent of the Company's issued share capital, granted by shareholders at last year's AGM, will expire on 24th April 2003 unless renewed at the forthcoming AGM.

The Board will seek shareholder approval at the AGM to renew this authority, which will last until 28th April 2004 or until the whole of the 14.99 per cent has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on page 25. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing net asset value per share as and when market conditions are appropriate.

(ii) Aggregate Directors' Fees
The Articles of the Company currently restrict the aggregate remuneration of the Directors to £60,000 per annum.

With effect from 1st July 2002, Directors' fees have been paid at the rates of £16,000 for the Chairman and £11,000 for each of the other Directors. The Board is currently in the process of recruiting a new Director. Once a new Director is appointed the maximum limit will be reached. In order to allow for the possibility of a temporary increase in the number of Directors to accommodate succession planning and to give the Board some headroom for future increases in fees, it is proposed that the maximum aggregate limit be increased to £100,000 per annum. In this respect a resolution is set out in the notice of Annual General Meeting on page 25.

R Lewis

By order of the Board
RS Lewis, for and on behalf of
J.P. Morgan Fleming Asset Management (UK) Limited
Secretary
13th September 2002

Directors' Report continued

Directors' Responsibilities in Respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the revenue for the year. In preparing those accounts, the Directors are required to:

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

The Directors confirm that they have complied with the above requirements.

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

Notice of Annual General Meeting

Notice is hereby given that the thirty-first Annual General Meeting of JPMorgan Fleming Mid Cap Investment Trust plc will be held at 10 Aldermanbury, London EC2V 7RF on Tuesday 29th October 2002 at 12.00 noon for the following purposes:

1 To receive the Directors' Report & Accounts and the Auditors' Report for the year ended 30th June 2002.

2 To declare a final dividend.

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

4 To re-elect Andrew Gifford a Director of the Company.

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

Special Business

To consider the following resolution which will be proposed as a Special Resolution:

Authority to Repurchase the Company's Shares

6 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued ordinary shares of 25p each in the capital of the Company

PROVIDED ALWAYS THAT

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 5,782,392 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 an ordinary share shall be 25p;

(iii) the maximum price which may be paid for an ordinary share shall be an amount equal to 105 per cent of the average of the middle market quotations for an ordinary 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;

(iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 28th April 2004 unless the authority is renewed at the Company's Annual General Meeting in 2003 or at any other general meeting prior to such time; and

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

To consider the following resolution which will be proposed as an Ordinary Resolution:

7 THAT, in accordance with Article 76 of the Articles of Association, the maximum aggregate Directors' fees payable should be increased from £60,000 to £100,000 per annum with effect from 1st July 2002.

By order of the Board
J.P. Morgan Fleming Asset Management (UK) Limited,
Secretary
13th September 2002

Notice of Annual General Meeting continued

Notes

1 A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote on their behalf. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if they so wish.

2 Any instrument appointing a proxy, to be valid, must be lodged at the office of the Company's Registrar not less than 48 hours before the time of the meeting.

3 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 48 hours before 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 at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

4 Entry to the above meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

Independent Auditors' Report

Independent Auditors' Report to the members of JPMorgan Fleming Mid Cap Investment Trust plc
We have audited the Company's financial accounts for the year ended 30th June 2002 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement, notes i to vii and the related notes 1 to 19. These financial accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial accounts. This other information comprises the Chairman's Statement, Investment Managers' Report, Facts, Figures, Performance and Discount, Ten Year Financial Record, Ten Largest Investments, Features of the Portfolio, Portfolio Analysis and Investment Activity, Shareholder Analysis, List of Investments, Board of Directors, Directors' Report, Directors Responsibilities in Respect of the Accounts, Notice of Annual General Meeting, Information about the Company and Investing through JPMorgan Fleming. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial accounts give a true and fair view of the state of affairs of the Company as at 30th June 2002 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

ERNST & YOUNG LLP
Registered Auditor London, 13th September 2002

Statement of Total Return

for the year ended 30th June 2002

	Notes	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
Realised losses on investments	8	–	**(14,620)**	**(14,620)**	–	(3,659)	(3,659)
Net change in unrealised appreciation	8	–	**(11,682)**	**(11,682)**	–	(10,028)	(10,028)
Currency gains on cash and short-term deposits		–	–	–	–	14	14
Other capital charges	13	–	**(1)**	**(1)**	–	–	–
Income from investments	1	**5,096**	–	**5,096**	4,334	–	4,334
Other income	1	**262**	–	**262**	187	–	187
Gross return		**5,358**	**(26,303)**	**(20,945)**	4,521	(13,673)	(9,152)
Management fee	2	**(440)**	**(1,026)**	**(1,466)**	(511)	(1,193)	(1,704)
Other administrative expenses	3	**(197)**	–	**(197)**	(180)	–	(180)
Interest payable	4	**(840)**	**(1,959)**	**(2,799)**	(871)	(2,033)	(2,904)
Return before taxation		**3,881**	**(29,288)**	**(25,407)**	2,959	(16,899)	(13,940)
Taxation	5	**(53)**	**53**	–	(38)	38	–
Return attributable to ordinary shareholders		**3,828**	**(29,235)**	**(25,407)**	2,921	(16,861)	(13,940)
Dividends on ordinary shares							
Dividend paid	6	**(964)**	–	**(964)**	(765)	–	(765)
Dividend payable	6	**(2,700)**	–	**(2,700)**	(1,929)	–	(1,929)
		(3,664)	–	**(3,664)**	(2,694)	–	(2,694)
Transfer to/(from) reserves		**164**	**(29,235)**	**(29,071)**	227	(16,861)	(16,634)
Return per ordinary share	7	**9.92p**	**(75.78)p**	**(65.86)p**	7.57p	(43.70)p	(36.13)p

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

The revenue column of this statement is the profit and loss account of the Company.

The notes on pages 31 to 40 form part of these accounts.

Balance Sheet

at 30th June 2002

	Notes	2002 £'000	2001 £'000
ASSETS EMPLOYED			
Fixed assets			
Investments at valuation	8	**163,794**	204,488
Current assets			
Debtors	9	**5,541**	1,037
Cash and short-term deposits		**6,759**	—
		12,300	1,037
Current liabilities			
Creditors: Amounts falling due within one year	10	**(6,981)**	(7,346)
Net current assets/(liabilities)		**5,319**	(6,309)
Total assets less current liabilities		**169,113**	198,179
Creditors			
Amounts falling due after more than one year	11	**(30,917)**	(30,912)
Total net assets		**138,196**	167,267
FINANCED BY			
Capital and reserves			
Share capital	12	**9,644**	9,644
Capital reserve – realised	13	**132,897**	151,100
Capital reserve – unrealised	13	**(8,439)**	2,593
Capital redemption reserve	13	**356**	356
Revenue reserve	13	**3,738**	3,574
Total equity shareholders' funds		**138,196**	167,267
Net asset value per ordinary share	14	**358.3p**	433.6p

The accounts on pages 28 to 40 were approved by the Directors on 13th September 2002 and are signed on their behalf by:

John Emly
Director

The notes on pages 31 to 40 form part of these accounts.

Cash Flow Statement

for the year ended 30th June 2002

	Notes	2002 £'000	2001 £'000
Operating activities	16		
Cash received from investments		**5,162**	4,285
Deposit interest received		**247**	165
Underwriting commission received		**15**	22
Management fee paid		**(1,466)**	(1,704)
Directors' fees paid		**(47)**	(49)
Other cash payments		**(149)**	(223)
Net cash inflow from operating activities		**3,762**	2,496
Servicing of finance			
Interest paid		**(2,806)**	(2,913)
Net cash outflow from servicing of finance		**(2,806)**	(2,913)
Taxation			
Taxation paid		**(50)**	–
Total taxation paid		**(50)**	–
Capital expenditure and financial investment			
Purchases of investments		**(133,951)**	(207,018)
Sales of investments		**145,809**	205,085
Other capital charges		**(1)**	–
Net cash inflow/(outflow) from capital expenditure and financial investment		**11,857**	(1,933)
Equity dividends paid			
Dividends paid on ordinary shares		**(2,893)**	(2,488)
Total equity dividends paid		**(2,893)**	(2,488)
Net cash inflow/(outflow) before financing		**9,870**	(4,838)
Financing			
Debt due within one year:			
Short term loan		**(3,111)**	2,719
Repurchase of ordinary shares		**–**	(596)
Net cash (outflow)/inflow from financing		**(3,111)**	2,123
Increase/(decrease) in cash and cash equivalents		**6,759**	(2,715)

The notes on pages 31 to 40 form part of these accounts.

Notes to the Accounts

for the year ended 30th June 2002

A SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES IS SET OUT BELOW.

i. Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice 'Financial statements of investment trust companies' ('SORP').

ii. Valuation of investments

Listed investments are valued at middle market prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Unlisted investments are included at Directors' valuation.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve – realised, and unrealised surpluses and deficits on the revaluation of investments are taken to the capital reserve – unrealised.

iii. Income

Income from investments is included in the revenue account on an ex-dividend basis.

Interest receivable is dealt with on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital reserve – realised.

Unfranked income is included in the revenue account gross before deduction of income tax. In the case of franked income, related tax credits are included in the figures presented and also form part of the tax charge.

Franked dividends are accounted for net of any tax credits.

iv. Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

– expenses which are incidental to the acquisition of an investment are included in the cost of the investment.

– expenses which are incidental to the disposal of an investment are deducted from the proceeds of the investment.

– expenses are charged to capital reserve – realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. The management fee has been allocated 70% to capital reserve – realised and 30% to the revenue account, in line with the Board's expected long term split of returns in the form of capital gains and income respectively, from the investment portfolio of the Company.

v. Finance costs

Finance costs are accounted for on an accruals basis and in accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments'. Finance costs of debt insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments are allocated 70% to capital reserve – realised and 30% to the revenue account, in line with the Board's revised expected long-term split of returns in the form of capital gains and income respectively from the investment portfolio of the Company.

vi. Taxation

Deferred tax is recorded in accordance with FRS19 'Deferred Tax'. The adoption of this standard has had no impact on current or prior year results.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. A deferred tax asset is only recognised to the extent that it is regarded as recoverable.

vii. Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

Notes to the Accounts continued

	2002 £'000	2001 £'000
1. Income		
Income from investments		
Franked investment income	**5,079**	4,206
Scrip dividends	**17**	128
	5,096	4,334
Other income		
Deposit interest	**247**	165
Underwriting commission	**15**	22
	262	187
Total income	**5,358**	4,521
Total income comprises:		
Dividends	**5,096**	4,334
Other income	**262**	187
	5,358	4,521
Analysis of income from investments:		
Listed UK	**5,096**	4,334
	5,096	4,334

	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
2. Management fee						
Management fee	**374**	**873**	**1,247**	435	1,015	1,450
Irrecoverable VAT thereon	**66**	**153**	**219**	76	178	254
	440	**1,026**	**1,466**	511	1,193	1,704

	2002 £'000	2001 £'000
3. Other administrative expenses		
Other management expenses	**124**	97
Directors' fees[1]	**47**	49
Auditors' remuneration	**10**	10
Irrecoverable VAT	**14**	24
Safe custody fees	**2**	—
	197	180

[1]The total Directors' fees of £46,750 (2001: £49,000) consists of £46,750 (2001: £48,250) in respect of aggregate emoluments paid to Directors and nil paid to third parties for making available the services of Directors (2001: £750, one Director).

Notes to the Accounts continued

	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
4. Interest payable						
On short-term loans	**3**	**8**	**11**	32	75	107
On loans falling due after more than one year	**476**	**1,110**	**1,586**	475	1,108	1,583
On debenture stock	**361**	**841**	**1,202**	364	850	1,214
	840	**1,959**	**2,799**	871	2,033	2,904
5. Taxation						
Tax relief on expenses and finance costs charged to capital	**53**	**(53)**	**–**	38	(38)	–

The actual tax charge reconciles to the tax charge on Revenue before taxation based on the standard rate of corporation tax of 30% as follows:

	2002 %	2001 %
Standard rate of UK corporation tax	**30.00**	30.00
Non-taxable UK dividends	**(39.25)**	(42.49)
Non taxable scrip dividends	**(0.13)**	(1.29)
Expenses in revenue not deducted	**4.80**	6.65
Interest payable in revenue not deducted	**4.58**	7.13
Tax relief on expenses taken to capital	**1.36**	1.27
Effective rate of tax based on tax charge against revenue before tax	**1.36**	1.27

The Company has an unrecognised deferred tax asset of £5,824,042 (2001: £4,486,623). This has arisen from deductible expenses exceeding taxable income. As this situation exists year-on-year, there are no foreseeable circumstances in which this asset will be utilised.

		2002 £'000	2001 £'000
6. Dividends			
Dividends on ordinary shares			
Interim paid	2.50p (2001: 2.00p) per share	**964**	765
Final payable	7.00p (2001: 5.00p) per share	**2,700**	1,929
Total	9.50p (2001: 7.00p) per share	**3,664**	2,694

Notes to the Accounts continued

	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
7. Return per ordinary share						
Total return attributable to ordinary shareholders	**3,828**	**(29,235)**	**(25,407)**	2,921	(16,861)	(13,940)
Return per ordinary share	**9.92p**	**(75.78)p**	**(65.86)p**	7.57p	(43.70)p	(36.13)p

The revenue return per ordinary share is based on the revenue on ordinary activities after taxation and on 38,575,000 (2001: 38,580,660) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The capital return per ordinary share is based on net capital returns and on 38,575,000 (2001: 38,580,660) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

	2002 £'000	2001 £'000
8. Investments		
Investments listed on a recognised investment exchange	**163,794**	204,488
	163,794	204,488

	2002 Listed £'000	2002 Total £'000
Opening book cost	**201,895**	**201,895**
Opening unrealised appreciation	**2,593**	**2,593**
Opening valuation	**204,488**	**204,488**
Movements in the year:		
Purchases at cost	**136,004**	**136,004**
Sales – proceeds	**(150,396)**	**(150,396)**
Sales – realised losses	**(14,620)**	**(14,620)**
Decrease in unrealised appreciation	**(11,682)**	**(11,682)**
	163,794	**163,794**
Closing book cost	**172,233**	**172,233**
Closing unrealised depreciation[1]	**(8,439)**	**(8,439)**
	163,794	**163,794**

[1]During the year, prior year unrealised depreciation has been transferred to realised as disclosed in note 13. This was derived from the following sources:

	Listed £'000	Total £'000
	(650)	**(650)**

Notes to the Accounts continued

	2002 £'000	2001 £'000
9. Debtors		
Sales for future settlement	**4,957**	370
Dividends receivable	**584**	667
	5,541	1,037

	2002 £'000	2001 £'000
10. Creditors: Amounts falling due within one year:		
Purchases for future settlement	**3,582**	1,546
Short-term loans and overdraft	–	3,111
Debenture interest payable	**83**	96
Fixed loan interest payable	**493**	492
Taxation payable	**71**	121
Other creditors	**52**	51
Dividends payable on ordinary shares	**2,700**	1,929
	6,981	7,346

11. Creditors: Amounts falling due after more than one year:

	Rate	Repayment Date	2002 £'000	2001 £'000
£11,000,000 Debenture stock (secured by a floating charge on the assets of the Company)	11% pa	1st December 2011/16	**10,917**	10,912
£10,000,000 loan from The Royal Bank of Scotland	8.90% pa	24th April 2006	**10,000**	10,000
£10,000,000 loan from The Royal Bank of Scotland[1]	6.925% pa	8th July 2004	**10,000**	10,000
			30,917	30,912

[1]The effective rate payable by the Company has been fixed at 6.925% by entering into an interest rate swap with The Royal Bank of Scotland.

Notes to the Accounts continued

	2002 £'000	2001 £'000
12. Share capital		
AUTHORISED:		
48,000,000 ordinary shares of 25p each	**12,000**	12,000
ALLOTTED:		
Ordinary shares of 25p each		
Opening balance	**9,644**	9,681
Repurchase of nil shares (2001: 150,000 shares)	**—**	(37)
Closing balance[1]	**9,644**	9,644

[1]Represented by 38,575,000 ordinary shares of 25p each (2001: same).

		2002		
	Capital reserve – realised £'000	**Capital reserve – unrealised £'000**	**Capital redemption reserve £'000**	**Revenue reserve £'000**
13. Reserves				
Beginning of year	**151,100**	**2,593**	**356**	**3,574**
Realised losses on investments	**(14,620)**	**—**	**—**	**—**
Net change in unrealised appreciation	**—**	**(11,682)**	**—**	**—**
Transfer on disposal of investments	**(650)**	**650**	**—**	**—**
Management fee and finance costs charged to capital	**(2,985)**	**—**	**—**	**—**
Tax relief on management fee and *finance costs to capital*	**53**	**—**	**—**	**—**
Other capital charges	**(1)**	**—**	**—**	**—**
Retained net revenue for the year	**—**	**—**	**—**	**164**
Closing balance	**132,897**	**(8,439)**	**356**	**3,738**

Notes to the Accounts continued

14. Net asset value per ordinary share

Net asset value per ordinary share is based on total shareholders' funds attributable to ordinary shareholders and on 38,575,000 ordinary shares in issue at the year end (2001: 38,575,000).

	2002	2001
	£'000	£'000
15. Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	**167,267**	184,497
Total recognised losses	**(25,407)**	(13,940)
Dividends appropriated in the year	**(3,664)**	(2,694)
Repurchase of ordinary shares	**–**	(596)
Closing shareholders' funds	**138,196**	167,267

	2002	2001
	£'000	£'000
16. Cash flow statement		
Reconciliation of revenue before interest and taxation to net cash flow from operating activities		
Income before interest payable and taxation	**4,721**	3,830
Scrip dividends received as income	**(17)**	(128)
Decrease in accrued income	**83**	79
Increase/(decrease) in other creditors	**1**	(92)
Expenses charged to capital	**(1,026)**	(1,193)
	3,762	2,496
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash for the year	**6,759**	(2,715)
Cash inflow/(outflow) from change in debt for the year	**3,111**	(2,719)
Changes in net funds/(debt) arising from cash flows	**9,870**	(5,434)
Effects of change in foreign exchange rates	**–**	14
Net debt at beginning of the year	**(34,023)**	(28,598)
Amortisation of issue expenses	**(5)**	(5)
Closing net debt	**(24,158)**	(34,023)

Analysis of net debt	At 1st July 2001 £'000	Cash Flow £'000	Exchange movement £'000	Other movements £'000	**At 30th June 2002 £'000**
Cash and short-term deposits	–	6,759	–	–	**6,759**
Debt due within one year	(3,111)	3,111	–	–	**–**
Debt due beyond one year	(30,912)	–	–	(5)	**(30,917)**
Closing balance	(34,023)	9,870	–	(5)	**(24,158)**

Notes to the Accounts continued

17. Capital commitments and contingent liabilities

At the balance sheet date there were no contingent liabilities for underwriting (2001: £nil). Commitments in respect of uncalled capital amounted to £nil (2001: £nil).

18. Transactions with JPMorgan Fleming

Details of the management contract are set out on pages 19 and 20. The terms make allowance for the exclusion of management charges on investments held in funds managed by JPMorgan Fleming. No such investments were held during the year. The management fee paid for the year can be found in note 2 on page 32.

JPMFAM carries out some of its dealing transactions through other group subsidiaries. These transactions are carried out at arm's length. The commission paid in the year was £3,000 (2001: £14,000). The Company has been informed that certain of its dealing transactions may be subject to soft commission arrangements.

19. Financial instruments

The Company's financial instruments comprise:

- Investments in equity shares with UK exposure. These are held in accordance with the Company's investment objectives and policies which are set out at the front of the Annual Report and Accounts;
- Short-term debtors, creditors and cash amounts arising directly from its operations.
- Bank loans and debenture stock in sterling, for which the main purpose is to raise finance for the Company's operations.

As an investment trust, the Company invests in securities for the long term. Accordingly it is, and has been throughout the year under review, the Company's policy that no short term trading in investments or other financial instruments shall be undertaken. A review of the Company's investment strategy during the year is included in the section entitled 'Portfolio' in the Investment Managers' Report on pages 5 and 6.

The main risk arising from the Company's financial instruments is market price risk which incorporates interest rate risk. The Board's policies for managing these risks are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate.

Notes to the Accounts continued

19. Financial instruments continued

Market price risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Board meets at least five times a year to consider the asset allocation of the portfolio and as part of their review the risk associated with particular industry sectors. An individual investment manager 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.

Liquidity risk

The Company's assets comprise mainly realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of overdraft facilities.

The material accounting policies adopted in accounting for financial instruments are disclosed on page 31.

Interest rate risk profile of financial assets and financial liabilities

Assets

The Company's financial assets consist entirely of equity shares.

The Company has excluded short-term debtors and creditors from the following analysis.

Liabilities

The Company has a £10 million loan with The Royal Bank of Scotland ('RBS') at a fixed rate of interest. The Company has a further loan of £10 million from RBS on which the effective interest rate payable by the Company has been fixed at 6.925% by entering into an interest rate swap agreement with RBS for five years. The Company also has an £11 million debenture stock which is secured by a floating charge on the assets of the Company. The interest rate profile of the Company's financial liabilities at 30th June 2002 is:

	2002	2001
Fixed rate liabilities (£m)	30.9	30.9

The interest rate, on a weighted average basis is 9% (2001: same) and the average period for which the interest rate is fixed is 7 years (2001: 8 years).

Further details regarding maturity can be found in note 11 on page 35.

Notes to the Accounts continued

19. Financial instruments continued

Fair value of financial instruments

Financial assets and liabilities are included in the balance sheet at values which represent fair values except in respect of the item disclosed below. The fair value of the loans has been calculated by estimating the cost of breaking the loans.

Market values have been used to determine the fair value of the debenture stock.

	Accounts value		Fair value	
	2002	2001	2002	2001
	£m	£m	£m	£m
The Royal Bank of Scotland £10 million loan	10.0	10.0	11.4	10.4
The Royal Bank of Scotland £10 million loan	10.0	10.0	10.5	10.0
£11 million debenture stock	10.9	10.9	15.8	14.6
	30.9	30.9	37.7	35.0

Information about the Company

FINANCIAL CALENDAR

Financial year end	30th June
Interim results announced	February
Final results announced	September
Half yearly dividends on ordinary shares paid	October/November, April
11% Debenture Stock 2011/16 interest paid	1st December, 1st June
Annual General Meeting	October

History

The Fleming 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 on October 1998 and adopted its present name in October 2001.

Company Numbers

Company registration number: 1047690
London Stock Exchange Sedol number: 0235761

Market Information

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

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in The Daily Telegraph, Financial Times, The Guardian, The Herald, The Independent, The Scotsman, The Times, BBC Ceefax and on the JPMorgan Fleming Internet site at www.jpmorganfleming.com/its where the share price is updated every fifteen minutes during trading hours.

Share Transactions

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

Taxation

For capital gains tax purposes, the base cost of the Company's shares at 31st March 1982 was 115p, which equates to 28.75p after adjusting for the capitalisation issue on 27th September 1987.

Manager, Secretary and Registered Office

J.P. Morgan Fleming Asset Management (UK) Limited,
Finsbury Dials, 20 Finsbury Street,
London EC2Y 9AQ
Telephone number: 020 7742 6000,
Please contact Richard Lewis for company secretarial and administrative matters.

Registrars

Lloyds TSB Registrars, Reference 1082,
The Causeway, Worthing, West Sussex BN99 6DA
Telephone number: 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 1082.

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

Auditors

Ernst & Young LLP, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH

AITC The Company is a member of The Association of Investment Trust Companies

Investing through JPMorgan Fleming

JPMorgan Fleming have a range of 'wrapper' products available which enable investors to purchase shares in our range of investment trusts as follows:

Share Plan

The Investment Trust Share Plan is a low-cost savings plan allowing investments in any of the JPMorgan Fleming investment trusts, as shown below. The minimum investment is £50 per month or a lump sum of £500. There is a 1% transaction charge (plus 0.5% Government stamp duty) on all purchases, with a minimum charge of £1 and a maximum charge of £50 for each transaction in each trust.

Individual Savings Account ('ISA')

All of the JPMorgan Fleming investment trusts are available through either a mini or maxi stocks and shares component ISA. Under current legislation, investments grow free of income and capital gains tax. The minimum investment is £100 per month per trust or a lump sum of £1,000 per trust, subject to the overall annual allowances.

Personal Equity Plan ('PEP')

Although no new subscriptions can be made to a PEP, existing plans from other managers can be transferred into the Investment Trust PEP. The annual management charge is a flat fee of £25 plus VAT per trust.

Pension Account

The Investment Trust Pension Account is simple, flexible and low cost. There is no annual account charge and only a 0.3% dealing charge on purchases (0.5% Government stamp duty is also payable, excluding the Cash Fund). There are no complicated investment decisions to make – just choose from our menu of four investment choices, Fleming Managed Growth, Fleming Claverhouse, Fleming Overseas and the Cash Fund. It also allows you to stop, start, increase or decrease contributions at any time.

Under current regulations, tax relief is available on all contributions and investments grow free of capital gains tax. The minimum investment is £100 gross per month or £1,000 gross lump sum.

You can visit our web site at
www.jpmorganfleming.com/its

The investment trust range from JPMorgan Fleming

JPMorgan Fleming American	Capital growth from North American investment
JPMorgan Fleming Asian	Capital growth from Asian investments, excluding Japan
JPMorgan Fleming Chinese	Capital growth from Greater China investments
Fleming Claverhouse	Capital and income growth from UK investments
Fleming Continental European	Capital growth from Continental European investments
Fleming Emerging Markets	*Capital growth from emerging markets worldwide*
JPMorgan Fleming European Fledgeling	Capital growth from smaller Continental European companies
JPMorgan Fleming Income & Capital	Income and capital growth from UK investments through a split-capital structure
JPMorgan Fleming Income & Growth	Income and capital growth from higher-yielding investments through a split-capital structure
JPMorgan Fleming Indian	Capital growth from investment in India
Fleming Japanese	Capital growth from Japanese investments
JPMorgan Fleming Japanese Smaller Companies	Capital growth through investment in small and medium-sized Japanese companies
Fleming Managed Growth	Long-term capital growth from investing in the range of investment trusts managed by JPMorgan Fleming
Fleming Managed Income	Growth of income with potential of long-term capital growth from investing in JPMorgan Fleming managed funds and fixed income securities
Fleming Mercantile	Capital growth from a portfolio of medium and smaller UK companies
JPMorgan Fleming Mid Cap	Capital growth from medium-sized UK companies
Fleming Overseas	Capital growth from overseas markets
Fleming Smaller Companies	*Capital and income growth from UK smaller companies*
Fleming Technology	Capital growth from investment in the global technology sector
JPMorgan Fleming US Discovery	Capital growth from US micro cap companies
JPMorgan Fleming Worldwide Income	High income with capital growth through a split-capital structure from a portfolio of equities and bonds with international exposure

Designed by Kino Design Partnership. Printed in England by Henry Good & Son Limited, London SE14 6QP

JPMorgan Fleming Brochureline

Freephone 0800 40 30 30

8.30 am to 6.00 pm Monday to Friday and 9.00 am to 2.00 pm Saturday

Please use this service to order Individual Savings Account ISA, Pension Account, PEP transfer or Share Plan literature and/or annual reports.

JPMorgan Fleming Helpline

Freephone 0500 500 324 or 01708 776 851

8.30 am to 6.00 pm Monday to Friday

Please use this service if you have any general queries about the range of JPMorgan Fleming investment trusts and products, including investment performance.

JPMorgan Fleming Pension Helpline

Freephone 0800 413 176 or 01722 414 888

Please use this service if you have any queries relating to the Pension Account or require a personal illustration.

You can visit our website at **www.jpmorganfleming.com/its**