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JPMorgan Mid Cap Investment Trust plc

ANNUAL REPORT & ACCOUNTS – YEAR ENDED 30TH JUNE 2006

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JPMorgan
Asset Management

Features

OBJECTIVE

Capital growth from medium-sized UK companies. Specialises in FTSE 250 companies using long and short-term borrowings to increase returns to shareholders.

INVESTMENT PHILOSOPHY

The Company has a transparent investment process based on the philosophy that, on average, fast growing cheap stocks with good news flow outperform slow growing expensive stocks with bad news flow. The portfolio aims to be consistently overweight in both best of value companies and best of growth companies, whilst ensuring those companies selected demonstrate capital discipline.

INVESTMENT STYLE

- Focused on FTSE 250 stocks to deliver strong growth and income.
- Significant exposure to UK economy. Mid cap stocks derive the bulk of their earnings from the UK, thus gaining momentum from the relatively rapid growth of the UK economy.
- Strong record of dividend payment and share price growth.
- Managed by JPMorgan's highly-respected European Equity Group using its distinctive 'style' process.
- Seeks out both value stocks and growth stocks to deliver strong performance throughout the market cycle.

GEARING

To use gearing to increase potential returns to shareholders.

BENCHMARK

The FTSE 250 Index (ex investment trusts).

MANAGEMENT COMPANY

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

AITC

The Company is a member of the Association of Investment Trust Companies.

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Results

+48.9% **Return to shareholders[1] (2005: +25.6%)**

+41.3% **Return on net assets[2] (2005: +21.8%)**

+31.8% **Benchmark return[3,4] (2005: +20.2%)**

+10.6% **Dividend 12.50p (2005: 11.30p)**

Long Term Performance

	Return to shareholders[1]	Return to net assets[2]	Benchmark return[3,4]
3 Year Performance (1st July 2003 – 30th June 2006)	**127.7%**	**133.4%**	**108.5%**
5 Year Performance (1st July 2001 – 30th June 2006)	**57.5%**	**69.6%**	**77.6%**
10 Year Performance (1st July 1996 – 30th June 2006)	**186.7%**	**185.6%**	**200.7%**

[1]Change in share price with net dividends reinvested.
(Source: Standard & Poors – www.funds-sp.com).

[2]Change in net asset value per share ('NAV') (with debt valued at par) with net dividends reinvested.
(Source: Fundamental Data Ltd). NAV total returns are now calculated on a bid to bid basis. Historic NAVs have been adjusted to a bid basis by using an average factor compiled from the previous 12 month end valuations. This adjustment may differ from that shown in the accounts.

[3]Change in the value with net dividends reinvested.
(Source: Standard & Poors – www.funds-sp.com).

[4]The Company's benchmark is the FTSE 250 index (ex Investment Trusts). This is a recognised index of stocks, but the Company's investment universe is not limited solely to these stocks. The Company's investment strategy does not track this benchmark and consequently, there may be some divergence between its performance and that of the Company.

Chairman's Statement

Andrew Barker CHAIRMAN

The Year Under Review

Investment Performance

I am delighted to be able to report a third consecutive year of outperformance. Over the last twelve months the Company achieved a total return on net assets per share of 41.3%, significantly outperforming the benchmark's return of 31.8%. Even more impressive was the Company's return to shareholders (share price and net dividend), at 48.9% reflecting the strong positive return on assets and the narrowing of the discount from 16.8% to 12.4% at the year end. For more detail on the Company's results please see page 7 of this report.

The objective we set our Manager is to achieve capital growth through investing in medium-sized UK companies. The main measurement of the Manager's performance we take as the FTSE 250 index (excluding investment trusts). The Investment Manager's Report on pages 4-6 reviews the year in detail and includes a performance attribution table. It is pleasing to note that the major positive contributor to performance this year was stock selection, with gearing and the enhancement of net asset value through share buybacks also adding to returns. The Board thoroughly and regularly reviews the Manager's investment strategy and process as detailed on page 18 and 21 of these accounts.

Gearing

For much of the year, the Company's level of gearing remained steady at around the 112% to 114% level. In order to take advantage of the market setback in May 2006 gearing was increased to 117%. Gearing added 3.5% to the Company's returns for the year.

Revenue and Dividends

Net revenue after taxation for the year was £4,380,000 (2005: £4,383,000) and earnings per share were 13.15p (2005: 12.07p).

In my statement last year, I noted the increasing importance of income to shareholders, and that, with this in mind, the Board had decided to establish a policy to increase dividends annually at least in line with inflation, as long as normal market conditions prevailed. In addition, a decision was made to rebalance the split between the interim and final dividend and, to this end, an interim dividend of 4.00p per share (2005: 3.00p)was paid in April 2006. Having increased the interim dividend in this way, the Board is pleased to recommend a modestly higher final dividend of 8.50p per share making a total of 12.50p (2005: 11.30p) which is an increase in the total dividend of 10.6% on last year. This dividend is payable on 10th November 2006 to shareholders on the register at the close of business on 6th October 2006.

Accounting Standards

Shareholders may be aware that following the introduction of new financial reporting standards in 2005 there have been a number of significant amendments this year to the accounting policies of the Company. This has resulted in a revised layout for the Income Statement (previously called the Statement of Total Return) on page 30 and a new Reconciliation of Movements in Shareholders' Funds statement shown on page 31. One of the main effects of the new accounting standards is to exclude the amount of the proposed final dividend from the accounts of the Company as this item is no longer viewed as a potential liability. The year-end net asset value per share numbers for the Company are therefore 8.50p per share higher than would otherwise be the case. Comparative numbers have also been adjusted for 2005.

Share Buy-backs

It is the present intention of the board to continue its policy of buying back shares where appropriate to enhance net asset value per share. This policy will be reviewed regularly in the light of market conditions. It is

not our present intention to seek authority to issue treasury shares. The Company repurchased a total of 3,031,000 shares, representing 11.2% of the issued share capital, since the renewal of the Board's authority to repurchase up to 14.99% of the Company's shares for cancellation on 2nd November 2005. Share buy-backs added 2.1% to the Company's returns for the year.

Since 30th June 2006 the Company has repurchased a further 673,000 shares representing 2.2% of the issued share capital. This process has added 0.1% to the net asset value of the remaining shares. The Directors continue to believe that this mechanism is of benefit to shareholders and therefore propose and recommend that powers to repurchase up to 14.99% of the Company's shares for cancellation be renewed for a further period.

Board of Directors

The Directors retiring at this year's Annual General Meeting are John Emly, Alexander Scott and myself. The Nomination Committee has met to consider the attributes of the individuals concerned and, having noted their investment experience and strong contributions to the Board's deliberations, has no hesitation in recommending their re-election.

Investment Manager

The Board has reviewed the investment management, secretarial and marketing services provided to the Company by JPMorgan Asset Management (UK) Limited ('JPMAM'). This annual review has included their performance record, management processes, investment approach, resources and risk control mechanisms. The Board was satisfied with the results of the review and therefore in the opinion of the Directors, the continuing appointment of JPMAM for the provision of these services is in the best interests of shareholders.

Annual General Meeting

This year's Annual General Meeting will be held on 7th November 2006 at 12 noon at The Library, JPMorgan's Offices, 60 Victoria Embankment, London EC4Y 0JP. 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 after the meeting. I look forward to welcoming as many of you as possible to this meeting.

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

Prospects

As has been the case in each of the last three years, the FTSE 250 Index again outperformed its larger capitalised counterparts over the last year. Despite the length of this period of outperformance our Manager continues to believe that the outlook for mid-cap stocks is attractive, a view which we share. Mid-cap stocks are expected to deliver double digit profits and dividend growth in 2006 and 2007, with growth in 2007 expected to be almost double that for the large cap market, whilst forward valuation measures for mid-cap stocks in general are undemanding. As we have also commented upon in previous reports, the greater focus of mid-cap stocks on domestic earnings and healthy levels of corporate activity, also add to the attractions of this market segment.

Whilst mid-cap stocks typically are more volatile and carry a higher level of risk, we believe your Company, with its diversified portfolio, is a sound way of investing in the sector.

Andrew Barker
Chairman 28th September 2006

Investment Managers' Report

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

Christopher Llewelyn
joined the investment management team in July 2003. He has over twenty one years' experience within the JPMorgan organisation.

Market Background

In the twelve months to 30th June 2006, the UK equity market has continued to deliver handsome returns to investors. In headline price terms, the FTSE All Share Index rose from 2560 in June 2005 to 2967 by June 2006, a gain of 15.9% in capital only terms, whilst with income included the FTSE All Share delivered a total return of 19.7%. As has been the case in each of the preceding two financial years, the mid cap market in the UK again delivered higher returns to investors than the All Share. The benchmark for the Company, the FTSE 250 Index (excluding investment trusts), delivered a total return for the period of 31.8%.

Within the overall context of very substantial advances in UK equities over the last twelve months, mid cap stocks enjoyed their best gains over the first nine months, particularly outperforming large cap stocks in the UK between November 2005 and March 2006. It was during this period that the mid cap index broke through the 10,000 level for the first time ever. In the final quarter, investors' enthusiasm for stocks was tempered somewhat, as international concerns about economic growth, inflation and interest rates in the US, combined with increases in global energy costs and continuing turmoil in the Middle East, reduced appetite for risk. The UK equity market turned down in early May 2006, and over the last two months of the financial year the mid cap market declined 4.6%, falling back slightly more than the large cap FTSE 100 Index, which declined by 3.2%. In this modest bout of profit taking, investors focused on taking profits where they were largest and, in particular, from mid cap stocks. It is also interesting to note that mid cap stocks have significantly outperformed large cap stocks in the UK since the turn of the century.

Portfolio

It is our investment philosophy that cheap companies, and fast growing companies, with improving fundamentals, will outperform the overall market over the long term. We therefore aim consistently to build a portfolio for the Company that is overweight in both the best of value companies and the best of growth companies, whilst also ensuring that the management of the companies selected for your portfolio demonstrate capital discipline. Overall, the portfolio should therefore be more lowly valued than the FTSE 250 Index, should deliver more growth and have better fundamentals.

Over the latest financial year the Company's net assets per share (NAV) rose to 647.4p, giving a total return with net income reinvested of 41.3%, which compared to a total return on the FTSE 250 ex IT Index of 31.8%. Over the same period the Company's shares rose from a mid price of 384.5p to 558.0p and with dividends gave a total return to shareholders of 48.9%. Positive absolute returns for investors in the Company were boosted by the decision to maintain a reasonable level of gearing for both strategic and tactical purposes, a decision that has been restated and reconfirmed at each of the last two annual general meetings. Tactically, gearing was increased after the setback in the mid cap market toward the end of the financial year. Stock selection within the mid cap portfolio also added meaningfully to overall shareholder returns, adding 5.0% to the overall outperformance in the latest year.

The investment management approach of your managers is to target performance at the stock level, and to use sector exposure to mitigate risk within the portfolio. Among the stocks held in the portfolio that benefited stock selection in the last financial year, the top five were Paladin Resources, Persimmon, Corus, Michael Page International, and Vedanta. Three of these five success stories (Corus, Persimmon, and Vedanta) for the Company performed so strongly in share price terms that in the course of the twelve months they were promoted to the FTSE 100 Index. Paladin Resources, the North Sea oil production company, was taken over in the autumn of 2005 by Talisman, a larger Canadian oil company. Persimmon appreciated significantly as it took over its smaller rival housebuilder, Westbury, in an agreed deal, a transaction which materially enhanced Persimmon's earnings growth prospects and asset backed valuation. Corus benefited from the continued strong demand for steel, and disciplined global supply, allowing steel prices to continue to rise, expanding company profit margins and driving steady earnings upgrades. Michael Page, the recruitment company, enjoyed buoyant market conditions and delivered very strong year on year profits growth. Vedanta, the mining company, enjoyed very strong profits growth as the prices for its output of base metals soared in the latest financial year. Among the stocks held which cost the portfolio performance, the worst five were Photo-Me International, DS Smith, Provident Financial, RHM, and British Energy. Of these, all bar British Energy reported disappointing trading updates at some point in the last twelve months, while British Energy, the nuclear power generation company, performed strongly as wholesale

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

Performance attribution for the year to 30th June 2006

	1 Year %
Net asset value total return	41.3
Benchmark total return	31.8
Relative return	9.5
Analysis of relative return	
Stock selection effect	5.0
Cash effect	−0.2
Net management effect	4.8
Long term debt effect	3.5
Management fees	−0.7
Other admin expenses	−0.2
Share Buybacks	2.1
Relative return	9.5

Source: Xamin/HSBC/JPMAM

Definitions

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

Stock 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.*

Cash/Long term debt effect: *Measures the impact on returns of borrowings, cash balances or cash substitutes on the Company's relative performance.*

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

Share buybacks: *Measures the net effect on relative performance of buying back shares at a discount to NAV for cancellation.*

electricity prices rose sharply, but the performance of the Company's portfolio suffered from being underweight in the stock.

Future Outlook

As so often happens in the UK, the late spring and summer months have been typified by listless and directionless market conditions, as the enthusiasm of the opening months of the calendar year is replaced by uncertainty and increased risk aversion. Thus we have entered the new financial year for the Company with investor sentiment toward UK equities generally somewhat jittery, worrying that rising inflation, rising commodity and energy prices, and rising interest rates, will conspire to reduce economic growth and company profits in the near future. On the whole there is little evidence of this so far. Recent UK economic growth figures remain around trend, with inflation within the Bank of England's target range. UK companies continue to deliver profit growth in line with or ahead of expectations, with accompanying strong dividend growth. UK interest rates are edging up, but companies on average have coped well with higher commodity and energy prices. With balance sheets strong, companies are also still keen re-purchasers of their own equity, as well as buyers of competitors, all of which helps provide props to the overall UK equity market. The modest setback in mid cap stocks from May 2006 onwards has effectively blown any froth out of mid cap valuations, and presented investors with a renewed opportunity. Mid cap stocks are currently expected to deliver double digit profits and dividend growth in both 2006 and 2007, with growth next year expected to be almost double the rate of large cap growth. On a combined growth and value basis mid cap stocks in the UK continue to offer a more attractive mix than large caps.

Jeremy Wells
Christopher Llewelyn
Investment Managers 28th September 2006

Summary of Results

	2006	2005 (Restated)[1]	
TOTAL RETURNS for the year ended 30th June			
Actual total return (see page 30)	**181.87p**	76.48p	
Return on net assets[2]	**+41.3%**	+21.8%	
Return to shareholders[3]	**+48.9%**	+25.6%	
Benchmark return (FTSE 250 Index)[4,5]	**+31.8%**	+20.2%	
FTSE 100 Index[4]	**+18.0%**	+18.6%	
FTSE All-Share Index[4]	**+19.7%**	+18.8%	
ASSETS at 30th June			% CHANGE
Total net assets (£'000)	**201,396**	165,897	+21.4
Net asset value per share with debt at par value	**647.4p**	473.5p	+36.7
Net asset value per share with debt at fair value[6]	**636.9p**	462.1p	+37.8
Share price	**558.0p**	384.5p	+45.1
Discount to net asset value per share with debt at par value	**13.8%**	18.8%	
Discount to net asset value per share with debt at fair value[6]	**12.4%**	16.8%	
REVENUE for the year ended 30th June			
Gross revenue return (£'000)	**5,611**	5,635	−0.4
Net revenue return to shareholders (£'000)	**4,380**	4,383	−0.1
Earnings per share	**13.15p**	12.07p	+8.9
Dividend per share	**12.50p**	11.30p	+10.6
ACTUAL GEARING FACTOR[7] at 30th June	**114.0%**	110.7%	
TOTAL EXPENSE RATIO[8]	**0.7%**	0.7%	

[1] *The results for the year ended 30th June 2005 have been restated in accordance with Financial Reporting Standard 21. Further details can be found in note 1(i) on page 35.*

[2] *Change in net asset value ('NAV') per share (with debt at fair value) with net dividends reinvested. (Source: Fundamental Data Ltd). NAV total returns are now calculated on a bid to bid basis. Historic NAVs have been adjusted to a bid basis by using an average factor compiled from month end valuations.*

[3] *Change in share price with net dividends (if any) reinvested. (Source: Standard & Poor's – www.funds-sp.com).*

[4] *Change in the value adjusted to include net dividends (if any) reinvested. (Source: Standard&Poor's – www.funds-sp.com).*

[5] *The Company's benchmark is the FTSE 250 Index (ex Investment Trusts). This is a recognised index of stocks, but the Company's investment universe is not limited solely to these stocks. The Company's investment strategy does not track this benchmark and consequently, there may be some divergence between its performance and that of the Company.*

[6] *The fair value of the £9,500,000 debenture issued by the Company has been calculated with reference to a similar dated gilt plus a margin. All other debt at 30th June 2006 is included at fair value.*

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

[8] *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.*

Ten Year Financial Record

As at 30th June	1996[1]	1997	1998	1999	2000[2]	2001	2002	2003	2004[3]	2005[3]	**2006**
Total net assets (£'m)	111.7	113.0	152.7	147.2	184.5	167.3	138.2	114.5	153.6	165.9	**201.4**
Net asset value per share (p)[4]	279.2	282.4	381.8	367.9	476.4	433.6	358.3	296.9	398.1	473.5	**647.4**
Share price (p)	249.0	240.5	349.5	298.0	378.5	414.5	326.5	268.0	315.0	384.5	**558.0**
Discount (%)[4]	10.8	14.8	8.4	19.0	20.5	4.4	8.9	9.7	20.9	18.8	**13.8**
Actual gearing (%)[5]	116.0	111.0	114.0	119.0	119.0	122.0	119.0	124.8	115.0	110.7	**114.0**
Total expense ratio (%)[6]	0.67	0.85	0.86	1.19	1.10	1.02	1.09	1.27	0.73	0.74	**0.67**
Year ended 30th June											
Revenue available for shareholders (£'000)	3,921	2,687	1,878	1,517	2,730	2,921	3,828	4,366	3,364	4,383	**4,380**
Earnings per share (p)	9.80	6.71	4.69	3.97	6.91	7.57	9.92	11.32	8.72	12.07	**13.15**
Dividend per share (net) (p)	6.40*	5.30	5.30	5.30	6.00	7.00	9.50	10.75	9.75	11.30	**12.50**
Year to 30th June (rebased to 100 at 30th June 1996)											
Share price total return[7]	100.0	98.7	146.1	126.9	163.8	182.0	146.7	125.8	153.2	192.4	**286.5**
Net asset value total return[8]	100.0	103.5	142.2	139.3	182.7	168.4	142.2	122.4	166.0	202.2	**285.7**
Benchmark total return[7]	100.0	105.1	135.0	148.4	170.4	169.4	153.4	144.2	189.9	228.3	**300.8**

* included a special dividend of 1.1 pence.

[1] *As restated to reflect the change of accounting basis to account for half of the management fee (inclusive of irrecoverable VAT) and half of the finance costs to capital.*

[2] *With effect from 1st July 1999, 70% of the management fee (including irrecoverable VAT) and finance costs have been charged to capital. Earlier figures have not been adjusted.*

[3] *The results for the years ended 30th June 2004 and 30th June 2005 have been restated in accordance with Financial Reporting Standard 21. Further details can be found in note 1(i) on page 35. Years prior to 2004 have not been restated.*

[4] *With debt valued at par.*

[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.*

[7] *Source: Standard & Poor's –www.funds-sp.com.*

[8] *Source: Fundamental Data Ltd.*

Ten Largest Investments

Company	Sector	At 30th June 2006 Valuation £'000	% [1]	At 30th June 2005 Valuation £000	% [2]
Bradford & Bingley [3] Bradford & Bingley offers residential mortgages, and loans to housing associations. The Company also offers financial products through its branches and direct channels, including its own retail savings services.	**Financials**	**6,717**	**2.9**	1,250	0.7
Barratt Developments [3] Barratt Developments develops and builds properties. The Group's UK operations include the building of houses and housing complexes, general building and civil engineering services, participation in urban renewal and the development of commercial properties. Barrat also develops housing in the USA.	**Consumer Goods**	**6,408**	**2.8**	3,775	2.2
Go-Ahead [3] The Go-Ahead Group provides a range of public transportation services. The Group operates buses, coaches and trains in the North East of England, Luton, Oxford and Brighton, in addition to providing a range of ground handling services, which encompass both airline and cargo handling. Go-Ahead also owns a taxi company, Go Metro.	**Consumer Services**	**5,684**	**2.5**	–	–
Bunzl [3] Bunzl is an international group which provides business to business consumables. The Group's products include food packaging products, cigarette filters, plastic caps and plugs for protecting engineering products, disposable cleaning items for the healthcare and hygiene sectors, and Supa Strip self adhesive tear tape.	**Industrials**	**5,644**	**2.4**	–	–
Great Portland Estates [3] Great Portland Estates invests in and develops freehold and leasehold properties. The Company's focus is in the office market in central London.	**Financials**	**5,614**	**2.4**	1,092	0.6
Michael Page International Michael Page International provides recruitment consultancy services. The Group places candidates in permanent, contract, temporary, and interim positions. Michael Page conducts operations in the United Kingdom, Europe, Asia-Pacific, and the Americas, focusing on the areas of finance, marketing, retail, sales, legal, technology, human resources and various others.	**Industrials**	**5,556**	**2.4**	4,253	2.4
United Business Media United Business Media provides business information services. The Company's market research, news distribution, publishing, and events organising services are provided to the technology, healthcare, media, automotive, and financial services industries.	**Consumer Services**	**5,426**	**2.3**	4,909	2.8
First Choice Holidays First Choice Holidays is a leisure travel company, which provides holidays and flights to customers around the world. The Group, which has some 300 retail locations, offers vacation packages encompassing golf, skiing and cruises. Their in-house airline, Air 2000, has a fleet of some 26 airplanes, which carry out over 20,000 flights per year. Suncars is the Group's car rental service.	**Consumer Services**	**5,323**	**2.3**	4,450	2.6
Hays [3] Hays provides specialist recruitment and human resource services for clients and candidates requiring permanent and temporary, professional and technical staff.	**Industrials**	**5,181**	**2.2**	–	–
SIG [3] SIG distributes and installs thermal insulation materials and associated products. The Company installs fire protection, thermal insulation and suspended ceiling products, and designs and manufactures partitionings. Through its subsidiaries, SIG distributes its products, including architectural hardware, to the UK, France, Poland, USA and Germany.	***Industrials***	**4,310**	**1.9**	–	–
Total [4]		**55,863**	**24.1**		

[1] *Based on total assets less current liabilities of £231.4m other than loan facilities repayable within one year.*

[2] *Based on total assets less current liabilities of £173.7m.*

[3] *Not included in the ten largest investments at 30th June 2005.*

[4] *As at the 30th June 2005, the value of the ten largest investments amounted to £44,727,000 representing 25.3% of total assets less current liabilities.*

Portfolio Analysis and Investment Activity

at 30th June

Portfolio Analysis

	2006 % of total assets	2005 % of total assets (restated)
Category		
FTSE Mid 250 Index	**94.0**	101.0
FTSE 100 Index	**5.1**	3.0
Small companies	**0.2**	–
Net current assets/(liabilities)	**0.7**	(4.0)

Based on total assets less current liabilities of £231.4m (2005: £186.6m) other than loan facilities repayable within one year.

	As at 30th June 2006		As at 30th June 2005
	Portfolio	***Benchmark***	Portfolio (restated)
	%	**%**	%
Sector			
Industrials	**26.2**	**26.8**	22.2
Financials	**25.6**	**19.8**	17.1
Consumer Services	**20.9**	**27.4**	31.5
Consumer Goods	**12.2**	**10.2**	12.4
Oil & Gas	**4.2**	**4.9**	3.2
Basic Materials	**3.8**	**1.2**	5.0
Technology	**3.0**	**4.4**	3.6
Utilities	**2.5**	**2.5**	6.6
Telecommunications	**0.9**	**2.4**	2.4
Healthcare	–	**0.4**	–
Net Current assets/(liabilities)	**0.7**	–	(4.0)

Based on total assets less current liabilities of £231.4m (2005 £186.6m) other than loan facilities repayable within one year.

No comparison to 2005 benchmark due to re-classification of sectors within benchmark.

Investment Activity

	Value at 30th June 2005		Purchases	Sales	Change in classification*	Change in valuation	**Value at 30th June 2006**	
	£'000	%	£'000	£'000	£'000	£'000	**£'000**	**%**
FTSE Mid 250 Index companies	178,273	97.1	153,711	152,085	(12,556)	50,065	**217,408**	**94.7**
Small companies	–	–	1,118	426	–	(159)	**533**	**0.2**
FTSE 100 Index companies	5,301	2.9	7,758	22,098	12,556	8,191	**11,708**	**5.1**
Total Portfolio	183,574	100.0	162,587	174,609	–	58,097	**229,649**	**100.0**

*Being the re-classification in the period of: Corus, Lonmin, Vedanta and Kelda from Mid 250 to FTSE 100

List of Investments

at 30th June 2006

Company	Value £'000
Industrials	
Bunzl	5,644
Michael Page International	5,556
Hays	5,181
SIG	4,310
Northgate	4,198
Homeserve	3,720
Cobham	3,714
Charter	3,700
Aggreko	3,560
Rotork	3,152
Cookson	2,516
Tomkins	2,496
Kier	1,628
Smith (DS)	1,427
Bodycote	1,392
Morgan Sindall	1,260
Weir	1,193
VT	1,081
Electrocomponents	963
Spirax Sarco Engineering	958
Mitie	732
Ashtead	615
Interserve	477
Atkins	310
Serco	263
Travis Perkins	256
Invensys	200
Spectris	174
Total Industrials	**60,676**

Company	Value £'000
Financials	
Bradford & Bingley	6,717
Great Portland Estates	5,614
Paragon Group of Companies	3,959
St James's Place	3,824
Savills	3,650
IG	3,480
Investec	3,338
Amlin	2,667
ICAP	2,649
Resolution	2,253
Close Brothers	2,175
British Insurance	2,033
Brixton	1,808
Intermediate Capital	1,707
Cattles	1,644
Hiscox	1,407
Admiral	1,386
London Stock Exchange	1,263
Kensington	1,230
Benfield	1,114
Unite	1,026
Shaftesbury	990
Helphire	937
Derwent Valley	628
Provident Financial	566
Rathbone Brothers	466
Grainger Trust	426
Rightmove	327
Total Financials	**59,284**

Company	Value £'000
Consumer Services	
Go-Ahead	5,684
United Business Media	5,426
First Choice Holidays	5,323
FirstGroup	4,272
Easyjet	3,763
Punch Taverns	3,642
Informa	3,336
Carphone Warehouse	2,716
Carpetright	2,657
Greene King	2,608
Findel	2,388
Smith (WH)	1,774
EMAP	1,439
Wolverhampton & Dudley	1,177
Halfords	484
Taylor Nelson Sofres	474
Pendragon	468
Brown	345
Johnston Press	247
Total Consumer Services	**48,223**
Consumer Goods	
Barratt Developments	6,408
Bellway	3,825
GKN	3,275
Dairy Crest	2,807
Inchcape	2,556
McCarthy & Stone	2,550
Wimpey (George)	2,173
Taylor Woodrow	1,303
Burberry	1,136
Berkeley	739
Redrow	625
Headlam	485
Bovis Homes	396
Total Consumer Goods	**28,278**

Company	Value £'000
Oil & Gas	
Tullow Oil	3,140
Petrofac	2,084
John Wood Group	1,401
Venture Production	1,272
Burren Energy	784
Expro International	672
Abbot	451
Total Oil & Gas	**9,804**
Basic Materials	
Croda International	2,593
Lonmin	2,361
Vedanta Resources	2,314
Corus Group	1,024
Victrex	454
Total Basic Materials	**8,746**
Technology	
Logica CMG	3,067
CSR	2,236
Wolfson Microelectronics	849
Misys	669
Total Technology	**6,821**
Utilities	
Drax	3,359
Pennon	2,247
Viridian	207
Total Utilities	**5,813**
Telecommunications	
Cable & Wireless	1,471
Kingston Communications	533
Total Telecommunications	**2,004**
Total Portfolio[1]	**229,649**

[1] Comprises all equity investments.

Shareholder Analysis

at 30th June 2006

	Number of shares	% holding
Unit trusts	4,598,079	14.8
Investment trusts[1]	1,947,460	6.3
Pension funds	1,344,092	4.3
Insurance companies	866,081	2.8
Other institutions	365,099	1.2
Charities	172,187	0.5
Total Institutions	**9,292,998**	**29.9**
Market Trading Accounts	**825,467**	**2.6**
Private client brokers	6,836,206	22.0
Retail investors holding shares directly or through nominee accounts[2]	6,514,937	20.9
Individuals in the Investment Trust Share Plan[3]	4,049,138	13.0
Individuals in the Investment Trust Personal Equity Plan[4]	2,722,011	8.8
Individuals in the Investment Trust Individual Savings Account[3]	467,901	1.5
Individuals in the Investment Trust Pension Account[3]	399,342	1.3
Total Retail Holdings	**20,989,535**	**67.5**
Total Shares in Issue	**31,108,000**	**100.00**

Nominee accounts have been allocated to their appropriate category.

[1] *Includes 829,560 shares held by JPMorgan Elect plc.*

[2] *Includes shares below 10,000 threshold.*

[3] *Savings products managed by JPMorgan.*

Source: Thomson Financial.

Board of Directors

Andrew Barker *†
(Chairman of the Board and Nomination and Remuneration Committee)
Age 61. Joined the Board in October 2004. Appointed Chairman in April 2005. He is Chairman of British Portfolio Trust plc, International Biotechnology Trust plc and Morant Wright Japan Income Trust PLC. He is also a Director of Renaissance US Growth Investment Trust plc and Utilico Investment Trust plc.

John Emly
Age 65. Joined the Board in June 1996.
He retired from Flemings in 2000 after 25 years' service and was appointed Investment Director of The Civil Aviation Authority's Pension Fund in September 2000. He is a Director of F&C Capital & Income Investment Trust plc and a Director of Shaftesbury plc.

Gordon McQueen *†
(Chairman of the Audit Committee)
Age 59. Joined the Board in December 2004.
He served as the Finance Director of Bank of Scotland and on the Board of HBOS plc and Halifax plc until the end of 2003. He is a Non-Executive Director of Scottish Mortgage Investment Trust plc, Alliance Trust plc and Shaftesbury plc.

Alexander Scott *†
(Senior Independent Director)
Age 46. Joined the Board in April 1996.
He is Chairman of Sand Aire Investment Management Limited, a London based investment company, and a Director of Stramongate Assets plc.

* *Member of the Audit Committee*
† *Member of the Nomination and Remuneration Committee*

Directors' Report

The Directors present their report for the year ended 30th June 2006.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30th June 2005. 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 2005 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. The Company is not a close company for taxation purposes.

Investment Objective and Policies

The Company's objective is to achieve capital growth from investments in medium-sized UK companies by consistent out-performance of the Company's benchmark index, The FTSE 250 Index (excluding investment trusts), and a rising share price over the longer term by taking carefully controlled risks through an investment method that is clearly communicated to shareholders.

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

Performance

In the year to 30th June 2006, the Company produced a total return to shareholders of 48.9% and a total return on net assets of 41.3%. This compares with the return on the Company's benchmark index of 31.8%. As at 30th June 2006, the value of the Company's investment portfolio was £229.6m. The Investment Managers' Report on pages 4 to 6 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total return for the year totalled £64,363,000 (2005: £31,274,000) and net total return after deducting interest, administrative expenses and taxation amounted to £60,597,000 (2005: £27,766,000). Distributable income for the year totalled £4,380,000 (2005: £4,383,000).

The Directors recommend a final dividend of 8.5p per share (2005: 8.3p) payable on 10th November 2006 to holders on the register at the close of business on 6th October 2006. This distribution will absorb £2,644,000. An interim dividend of 4.0p per share (2005: 3.0p) was paid on 5th April 2006. Following the payment of the final dividend, the revenue reserve will amount to £4,587,000.

It should be noted that, in accordance with Financial Reporting Standard 21: 'Events after the Balance Sheet date', dividends declared but not paid or approved are not accrued in the accounts. As a result, the dividend recommended by the Board will be accounted for in the period in which it is paid. This has led to an increase in assets as at 30th June 2005 and 30th June 2006. Further details can be found in Note 8(a) on page 38.

Key Performance Indicators ('KPIs')

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

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

Ten Year Performance (Total Return)

Figures have been rebased to 100 at 30th June 1996

Performance Relative to Benchmark Index (Total Return)

Figures have been rebased to 100 at 30th June 1996

- *Performance against the Company's peers*
  The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.
- *Performance Attribution*
  The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock and sector allocation. Details of the attribution analysis for the year ended 30th June 2006 are given in the Investment Managers' Report on page 5.
- *Discount to net asset value ('NAV')*
  The Board has a share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This minimises the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers in the sector. In the year to 30th June 2006, the shares traded between a discount of 13.9% and 10.1% with debt at fair value.

Discount Performance

- *Total expense ratio ('TER')*
  The total expense ratio ('TER') is an expression of the Company's management fees and all other operating expenses (including tax relief, where allowable, but excluding interest payments) as a percentage of average net assets over the year. The TER for the year ended 30th June 2006 was 0.67% (2005: 0.74%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Share Capital

Further to resolutions passed on 2nd November 2005, the Company re-purchased 3,929,000 ordinary shares for cancellation during the year, representing 11.2% of the Company's issued share capital at the beginning of the financial year, for a consideration of £20,295,000. Since the end of the year the Company has repurchased 673,000 ordinary shares for cancellation for a consideration of £3,776,925.

A resolution to renew the authority to repurchase shares at a discount to NAV is due to be put to shareholders at the forthcoming Annual General Meeting. The full text of this resolution is set out in the Notice of Annual General Meeting on page 27.

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

Principal Risks

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- Investment and Strategy: An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. JPMorgan Asset Management (UK) Limited ('JPMAM') provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.
- Market: Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Investment Managers.
- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Should the Company breach Section 842, it may lose investment trust status and as a consequence gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 1985 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules may result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act 1985 and The UKLA Listing Rules.
- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 21 to 24.
- Operational: Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements

designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on pages 23 and 24.

- Financial: The financial risks faced by the Company are disclosed in note 21 on pages 42 to 44.

Future Developments

Clearly the future development of the Company is much dependent upon the success of the Company's investment strategy in the light of economic and equity market developments, but the Investment Managers discuss the outlook in their report on page 6.

Management

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

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

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board considered the investment strategy and process of the Investment Managers, noting consistent out-performance of the benchmark in recent years, and the support that the Company receives from JPMorgan.

Management and Performance Fees

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

The fixed basic annual management fee is 0.4% per annum of the Company's total assets less current liabilities. The management fee includes a contribution towards JPMAM's general marketing and client administration costs.

If the Company invests in funds managed or advised by JPMAM, or any of its associated companies, those investments are excluded from the calculation of the fixed basic annual management fee.

In addition to the basic annual management fee, a performance related fee was introduced with effect from 1st July 2003. This is calculated at 17.5% of outperformance of the Company's net asset value total return (excluding gearing and management fee) over the benchmark. The maximum total fee payable in any one year in respect of the fixed management fee and any performance fee is capped at 1.65% of the Company's total assets less current liabilities at the year end date. The performance fee will be calculated annually and paid within three months of the year end. An estimate will be accrued monthly and reflected in the Company's published net asset value per share. The performance fee calculation restarts when outperformance of the benchmark has been achieved and a performance fee earned. This means that the performance fee is only payable when there has been positive relative performance since the last performance fee was paid. Whilst no performance fee was payable in the year to 30th June 2006, the Company's strong performance over the last three years has offset earlier underperformance.

Going Concern

The Directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for its management 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 policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 30th June 2006, 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.

Ordinary shares	30th June 2006	1st July 2005
Andrew Barker	8,000	8,000
John Emly	4,879	4,759
Gordon McQueen	1,500	1,500
Alexander 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 Andrew Barker, John Emly and Alexander Scott, who, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

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

Disclosure of information to Auditors

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

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

(b) each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

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	%
Puddledock Nominees Limited[1]	7,193,085	23.63
Barclays plc	3,958,652	13.01
JPMorgan Asset Management (UK) Limited	1,744,560	5.73
Co-operative Insurance Society	1,617,900	5.32
Insight Investment Management	1,150,000	3.78
Legal & General	1,141,690	3.75

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

Independent Auditors

Ernst & Young LLP have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment, and to authorise the Directors to determine their remuneration for the ensuing year, will be put to shareholders at the Annual General Meeting.

Accounting Policies

From 1st January 2005, International Financial Reporting Standards ('IFRS') came into force for all listed companies that prepare group accounts. All other companies were permitted to adopt these standards voluntarily, even though it was not a strict requirement. As a solus Company, rather than adopt IFRS, the Company has continued to follow the UK accounting framework, albeit amended for new accounting standards which were released by the UK Accounting Standards Board as the first part of an IFRS convergence programme. This approach is consistent with that of most other investment trust companies that do not prepare group accounts.

The main difference to prior years is that the Company no longer accrues dividends declared but not approved by shareholders. This has resulted in an increase in net assets at both year ends

reported in these accounts. Other changes include investments to be valued at "fair value", which for listed investments means bid price instead of last trade price and the requirement to expense transaction costs on the purchase and sale of investments. The accounts also include two new primary statements, the Statement of Total Recognised Gains and Losses and the Reconciliation of Movements in Shareholders' Funds, which can be found on page 31.

Further details can be found in the accounting policies note on pages 34 and 35 and in note 8 on page 38.

Annual General Meeting

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

(i) Authority to increase the maximum aggregate Directors' fees (resolution 8)

Given the recent increase in Directors' fees the Directors recommend that, in accordance with Article 76 of the Company's Articles of Association, the permitted maximum aggregate of Directors' fees payable be increased from £100,000 to £150,000 per annum with immediate effect.

(ii) Authority to Repurchase the Company's Shares (resolution 9)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at last year's AGM, will expire on 1st May 2007 unless renewed at the forthcoming AGM.

The Board will seek shareholder approval at the AGM to renew this authority, which will last until 6th May 2008 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Annual General Meeting on page 27. 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.

Details of this recommendation are given in the *Chairman's Statement on pages 2 and 3.*

By order of the Board
J Saunders Watson, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
28th September 2006

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 26, indicates how the Company has applied the principles of good governance of the revised Combined Code published in 2003 (the 'Combined Code') and the AITC's Code of Corporate Governance, also published in 2003 (the 'AITC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of Corporate Governance and considers that the Company has complied with the best practice provisions of the Combined Code, insofar as they are relevant to the Company's business, and the AITC Code throughout the year under review.

Role of the Board

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

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

There is an agreed procedure for Directors to take independent professional advice in the furtherance of their duties and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board consists of four non-executive Directors, chaired by Andrew Barker, three of whom are considered to be independent. Given his employment until the year 2000 with the predecessor management company, John Emly is not deemed to be independent. The Board believes that it is appropriate to have a Senior Independent Director, and Alexander Scott fulfils this role. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business.

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

Tenure

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

The terms and conditions of Directors' appointments are set out in formal letters of

appointment, copies of which are available for inspection on request at the Company's registered office and at the AGM.

The Board recommends the re-election of Andrew Barker, who retires by rotation at this year's AGM, and of John Emly and Alexander Scott, who require annual re-election as they have served as Directors for a period in excess of nine years. Before recommending the various Directors for re-election the Nomination and Remuneration Committee conducted a thorough review of their performance and was satisfied that they fulfilled their respective roles in an effective manner.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with the Directors' profiles on page 14. Directors who are not members of Committees may attend at the invitation of the Chairman.

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

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination & Remuneration Committee Meetings Attended
Andrew Barker	4	2	1
John Emly	4	N/A	N/A
Gordon McQueen	4	2	1
Alexander Scott	4	2	1

Training and Appraisal

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

The Board has agreed procedures for the formal evaluation of the Manager, its own performance and of that of its committees and individual Directors as follows: questionnaires, drawn up by the Board, are completed by each Director, the responses are collated and then discussed at a private meeting. The evaluation of individual Directors is led by the Chairman, and the Senior Independent Director leads the evaluation of the Chairman's performance. The Board as a whole evaluates the Manager, its own performance and that of its committees.

Board Committees

Nomination and Remuneration Committee

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

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

Audit Committee

The membership of the Audit Committee, which is chaired by Gordon McQueen, and comprises three of the Directors is set out on page 14. The committee meets at least twice each year. The members of the Committee consider that they have the requisite skills and financial experience to fulfil the responsibilities of the Committee.

The Committee reviews the actions and judgements of the Manager in relation to the interim and annual financial statements and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from

the Manager's compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. Representatives of the Company's auditors attend the Committee meeting at which the draft annual report and financial statements are considered. The Directors' statement on the Company's system of internal control is set out below.

Both the Remuneration and Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on request at the Company's registered office and at the AGM. No non-audit work was undertaken by the auditors in the year under review and the Directors remain satisfied as to their independence.

Relations with Shareholders

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

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. In addition, a presentation is given by the investment managers who review the Company's performance. During the year the Company's brokers, the investment managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 45.

The Company's Annual Report and Accounts are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 45.

Internal Control

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

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

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

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

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

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

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

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

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

By the means of the procedures set out above, which accord with the Turnbull guidance on internal controls, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th June 2006, and to the date of approval of this Annual Report and Accounts.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM. The following is a summary of JPMAM's policy statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from www.jpmorgan.com:

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

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

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues (see below). These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote.

Corporate Social Responsibility

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

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

Directors' Remuneration Report

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

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

For the year to 30th June 2006, the Chairman was paid at the rate of £23,000 per annum, the Audit Committee Chairman at the rate of £17,500 per annum and the other Directors at the rate of £16,000 per annum.

With effect from 1st July 2006, the Board has resolved to increase Directors' remuneration to £26,000 for the Chairman, £19,500 for the Audit Committee Chairman and £17,500 for the other Directors.

Directors' Remuneration[1]

Director's Name	2006 £	2005 £
Andrew Barker[2]	23,000	13,490
Alan Schroeder[3]	–	16,385
John Emly	16,000	14,750
Andrew Gifford[4]	–	8,452
Gordon McQueen[5]	17,500	9,652
Alexander Scott[6]	16,000	15,556

[1]Audited information
[2]Appointed a Director on 1st October 2004. Appointed as Chairman on 14th April 2005.
[3]Retired as Chairman on 14th April 2005.
[4]Resigned as a Director on 8th February 2005.
[5]Appointed a Director on 1st December 2004. Appointed as Chairman of the Audit Committee on 14th April 2005.
[6]Resigned as Chairman of the Audit Committee on 14th April 2005.

The total Directors' fees of £72,500 (2005: £78,285) comprise £66,750 (2005: £64,795) in respect of aggregate emoluments paid to Directors and £5,750 (2005: £13,490) paid to third parties for making available the services of one of the Directors.

The Board has established a Nomination and Remuneration Committee, which reviews fees on a regular basis. Fee levels are set with a view to the Company's ability to attract and retain Directors of a sufficiently high calibre. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited, and industry research, on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance-related. A resolution to increase the aggregate fees payable to Directors from £100,000 to £150,000 has been included in the Notice of Annual General Meeting on page 27.

The terms and conditions of Directors' appointments are set out in formal letters of appointment. Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a three year term. A Director may then be invited by the Board to serve for a further three years. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that one third of the Board must retire by rotation each year.

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

Graphs showing the Company's share price total return compared with the FTSE 250 Index (ex investment trusts), chosen because it is the Company's benchmark index, over the last five years are shown below.

By order of the Board
Andrew Barker
Chairman, Nomination and Remuneration Committee
28th September 2006

Five year share price and index total return performance to 30th June 2006

The Company's benchmark is the FTSE 250 (ex-Investment Trusts) index in sterling terms. Comparison of the Company's performance is made with this benchmark. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or track this index and, consequently, there may be some divergence between its performance and that of the Company.

Directors' Responsibilities in Respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice 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 net return for the year. In preparing those accounts, the Directors are required to:

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

The Directors are responsible for 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-fourth Annual General Meeting of JPMorgan Mid Cap Investment Trust plc will be held at The Library, JPMorgan's offices, 60 Victoria Embankment, London EC4Y 0JP on Tuesday 7th November 2006 at 12 noon for the following purposes:

1 To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 30th June 2006.

2 To approve the Directors' Remuneration Report for the year ended 30th June 2006.

3 To approve a final dividend.

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

5 To re-elect John Emly as a Director of the Company.

6 To re-elect Alexander Scott as a Director of the Company.

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

Special Business

To consider the following resolutions:

Authority to increase the maximum aggregate Directors' fees – Ordinary Resolution

8 THAT in accordance with Article 76 of the Company's Articles of Association, the maximum aggregate Directors' fees payable be increased from £100,000 to £150,000 per annum with immediate effect.

Authority to Repurchase the Company's shares – Special Resolution

9 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of its issued ordinary shares 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 4,562,206 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 the highest of (a) 105% 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 ordinary share is purchased or (b) the price of the last independent trade; or (c) the highest current independent bid;

(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) at the date following not more than seven days before the date of purchase;

(v) the authority hereby conferred shall expire on 6th May 2008 unless the authority is renewed at the Company's Annual General Meeting in 2007 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.

By order of the Board
J Saunders Watson, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
28th September 2006

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 he so wishes.

2 Any instrument appointing a proxy, to be valid, must be lodged at 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 as at 6.00 p.m. on 3rd November 2006 (the 'specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

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

A corporation, which is a shareholder, may appoint an individual to act as its representative and to vote in person at the meeting. The appointment must comply with section 375 of the Companies Act 1985. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless previously given to the Company's registrars.

5 The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays and public holidays excepted). It will also be available for inspection at the Annual General Meeting.

6 No Director has any contract of service with the Company.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's CREST Manual. The CREST message must be transmitted so as to be received by the issuer's agent (ID7RA01) by not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST message by the CREST Applications Host) from which the issuer's agent is able to retrieve the CREST message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s), should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timing and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member(s) is/are a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Independent Auditors' Report

Independent Auditors' Report to the members of JPMorgan Mid Cap Investment Trust plc

We have audited the financial statements of JPMorgan Mid Cap Investment Trust plc for the year ended 30th June 2006 which comprise the Income Statement, Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholder's Funds, Balance Sheet, Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view, the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30th June 2006 and of its net return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

ERNST & YOUNG LLP

Registered Auditor London, 28th September 2006

Income Statement

for the year ended 30th June 2006

	Notes	2006 Revenue return £'000	2006 Capital return £'000	2006 Total return £'000	2005 (Restated)[1] Revenue return £'000	2005 (Restated)[1] Capital return £'000	2005 (Restated)[1] Total return £'000
Gains from investments held at fair value through profit or loss	2	—	**58,752**	**58,752**	—	25,639	25,639
Income from investments	3	**5,557**	—	**5,557**	5,490	—	5,490
Other interest receivable and similar income	3	**54**	—	**54**	145	—	145
Gross return		**5,611**	**58,752**	**64,363**	5,635	25,639	31,274
Management fee	4	**(293)**	**(684)**	**(977)**	(254)	(593)	(847)
Other administrative expenses	5	**(311)**	—	**(311)**	(321)	—	(321)
Net return on ordinary activities before finance costs and taxation		**5,007**	**58,068**	**63,075**	5,060	25,046	30,106
Finance costs	6	**(627)**	**(1,851)**	**(2,478)**	(677)	(1,663)	(2,340)
Net return on ordinary activities before taxation		**4,380**	**56,217**	**60,597**	4,383	23,383	27,766
Taxation	7	—	—	—	—	—	—
Net return on ordinary activities after taxation		**4,380**	**56,217**	**60,597**	4,383	23,383	27,766
Return per share	9	**13.15p**	**168.72p**	**181.87p**	12.07p	64.41p	76.48p

[1] *Restatements and prior year adjustments resulting from the adoption of new accounting policies are detailed in notes 1(b) and 1(i).*

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

The total column of this statement is the profit and loss account of the Company and the revenue and capital columns represent supplementary information.

The notes on pages 34 to 44 form part of these accounts.

Statement of Total Recognised Gains and Losses

for the year ended 30th June 2006

	2006			2005		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Movement in value of cash flow hedge during the year	–	**356**	**356**	–	–	–
Return on ordinary activities	**4,380**	**56,217**	**60,597**	4,383	23,383	27,766
Total recognised gains for the year	**4,380**	**56,573**	**60,953**	4,383	23,383	27,766

Reconciliation of Movements in Shareholders' Funds

for the year ended 30th June 2006

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Other reserve £'000	Revenue reserve £'000	Total £'000
At 30th June 2004 (restated – see note 1(i) and note 8)	**9,644**	**356**	**137,290**	–	**6,260**	**153,550**
Shares bought back and cancelled	(885)	885	(11,771)	–	–	(11,771)
Net return on ordinary activities	–	–	23,383	–	4,383	27,766
Dividends appropriated in the year	–	–	–	–	(3,648)	(3,648)
At 30th June 2005 (restated – see note 1(i) and note 8)	**8,759**	**1,241**	**148,902**	–	**6,995**	**165,897**
Adjustments to opening shareholders' funds at 1st July 2005 to reflect the adoption of bid prices	–	–	(659)	–	–	(659)
Adjustment to opening shareholders' funds at 1st July to reflect value of cash flow hedge	–	–	–	(356)	–	(356)
Change in fair value of cash flow hedge	–	–	–	356	–	356
Shares bought back and cancelled	(982)	982	(20,295)	–	–	(20,295)
Net return on ordinary activities	–	–	56,217	–	4,380	60,597
Dividends appropriated in the year	–	–	–	–	(4,144)	(4,144)
At 30th June 2006	**7,777**	**2,223**	**184,165**	–	**7,231**	**201,396**

The notes on pages 34 to 44 form part of these accounts.

Balance Sheet

at 30th June 2006

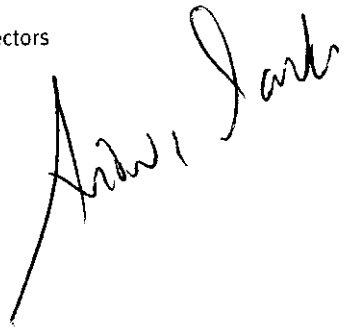
	Notes	2006 £'000	2005 (Restated)[1] £'000
Fixed assets			
Investments at fair value through profit or loss	10	**229,649**	183,574
Current assets	11		
Debtors		**757**	583
Cash and short term deposits		**1,798**	2,934
		2,555	3,517
Current liabilities			
Creditors: amounts falling due within one year	12	**(21,349)**	(10,499)
Net current liabilities		**(18,794)**	(6,982)
Total assets less current liabilities		**210,855**	176,592
Creditors:			
Amounts falling due after more than one year	13	**(9,459)**	(10,695)
Total net assets		**201,396**	165,897
Capital and reserves			
Share capital	14	**7,777**	8,759
Capital redemption reserve	15	**2,223**	1,241
Capital reserve	15	**184,165**	148,902
Revenue reserve	15	**7,231**	6,995
Total equity shareholders' funds		**201,396**	165,897
Net asset value per share	16	**647.4p**	473.5p

[1] *Restatements and prior year adjustments resulting from the adoption of new accounting policies are detailed in notes 1(i) and 8.*

The accounts on pages 30 to 44 were approved by the Directors and authorised for issue on 28th September 2006:

Andrew Barker
Director

The notes on pages 34 to 44 form part of these accounts.



Cash Flow Statement

for the year ended 30th June 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	17	**4,138**	4,189
Returns on investments and servicing of finance			
Interest paid		**(2,559)**	(2,374)
Net cash outflow from returns on investments and servicing of finance		**(2,559)**	(2,374)
Capital expenditure and financial investment			
Purchases of investments		**(160,842)**	(126,892)
Sales of investments		**175,158**	147,784
Transaction costs		**(1,841)**	(1,430)
Other capital charges		**(5)**	(4)
Net cash inflow from capital expenditure and financial investment		**12,470**	19,458
Dividends paid		**(4,144)**	(3,648)
Net cash flow before financing		**9,905**	17,625
Financing			
Repurchase of ordinary shares		**(20,295)**	(11,771)
Drawdown/(repayment) of short term loans		**10,500**	(10,000)
Part repurchase of debenture stock		**(1,246)**	(250)
Net cash outflow from financing		**(11,041)**	(22,021)
Decrease in cash and cash equivalents	18	**(1,136)**	(4,396)

The notes on pages 34 to 44 form part of these accounts.

Notes to the Accounts

for the year ended 30th June 2006

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the "SORP") issued by the AITC in December 2005. Further details can be found on this and the following page as well as in note 8(a). The Company has adopted certain new accounting policies following the issue of new financial reporting standards ("FRSs"). All of the Company's operations are of a continuing nature.

(b) Changes in presentation

The new financial reporting standards, the Listing Rules and the revised SORP have also given rise to some changes in the presentation. The Statement of Total Return is now called the Income Statement and the total return column, as opposed to the revenue column, is now the profit and loss account of the Company. Dividends payable to equity shareholders are no longer reflected in the income statement, although they continue to be shown in the Reconciliation of Movements in Shareholders' Funds which is now presented as a primary statement.

(c) Valuation of investments

Investments are designated as "held at fair value through profit or loss" in accordance with FRS 26: "Financial Instruments: Measurement". Listed investments are valued at bid market prices. This represents a change in accounting policy, *however in accordance with paragraph 108D of FRS 26,* comparatives have not been restated. In prior periods, listed investments were valued at last trade prices. As a consequence, the adoption of bid prices on 1st July 2005 decreased the value of investments by £659,000 as shown in note 10. Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the income statement within "Gains from investments held at fair value through profit or loss". All purchases and sales are accounted for on a trade date basis.

(d) Income

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

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

Interest receivable on deposits is taken to revenue on an accruals basis.

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

(e) Expenses

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

- performance related fees are allocated 100% to capital
- management fees are allocated 30% to revenue and 70% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and include items such as stamp duty and broker commissions. In accordance with the SORP, disclosure of transaction costs is now required and can be found in note 10.

(f) Finance costs

Finance costs are accounted for on an accruals basis and in accordance with the provisions of FRS 25 "Financial Instruments: Disclosure and Presentation" and FRS 26 "Financial Instruments: Measurement".

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

(g) Financial instruments

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

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

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

The Company has used derivative financial instruments, in the form of interest rate swaps as a hedge against interest rate fluctuations. Derivative instruments are valued at fair value in the balance sheet in accordance with FRS 26: "Financial Instruments: Measurement". This represents a change in accounting policy, however, in accordance with paragraph 108D of FRS 26, comparatives have not been restated. Gains or losses arising from changes in the fair value of cash flow hedges in the form of interest rate swaps are taken directly to the Reconciliation of Movements in Shareholders' Funds. Such gains or losses are taken to an "Other Reserve" created specifically for the purpose as shown in note 15.

(h) Taxation

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

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

(i) Dividends

In accordance with FRS 21: "Events after the Balance Sheet Date", dividends should not be accrued in the accounts unless they have been approved by shareholders before the balance sheet date. Dividends payable to equity shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when they have been approved by shareholders and become a liability of the Company. This has led to an increase in net assets at 30th June 2005 and 30th June 2004. Further details are given in note 8.

		2006 £'000	2005 £'000
2.	**Gains from investments held at fair value through profit or loss**		
	Gains from investments held at fair value through profit or loss based on historical cost	**41,906**	23,734
	Amounts recognised as unrealised in the previous year	**(18,279)**	(17,424)
	Realised gains based on carrying value at previous balance sheet date	**23,627**	6,310
	Net movement in unrealised appreciation	**36,970**	20,763
	Transaction costs	**(1,841)**	(1,430)
	Other capital charges	**(4)**	(4)
	Total capital gains on investments held at fair value through profit or loss	**58,752**	25,639

		2006 £'000	2005 £'000
3.	**Income**		
	Income from investments		
	UK dividend income	**5,537**	5,374
	Overseas dividends	**20**	7
	Scrip dividends	**—**	109
		5,557	5,490
	Other income		
	Deposit interest	**44**	145
	Underwriting commission	**10**	—
		54	145
	Total income	**5,611**	5,635
	Total income comprises:		
	Dividends	**5,557**	5,490
	Other income	**54**	145
		5,611	5,635
	Analysis of income from investments:		
	Listed UK	**5,537**	5,483
	Listed Overseas	**20**	7
		5,557	5,490

		2006			2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
4.	**Management fees**						
	Management fee	**249**	**582**	**831**	216	505	721
	Irrecoverable VAT thereon	**44**	**102**	**146**	38	88	126
		293	**684**	**977**	254	593	847

	2006 £'000	2005 £'000
5. Other administrative expenses[1]		
Other management expenses	**208**	215
Directors' fees[2]	**73**	78
Auditors' remuneration – audit services[3]	**20**	20
Safe custody fees	**10**	8
	311	321

[1]Expenses have been adjusted to include the related irrecoverable VAT.

[2]Full disclosure is given in the Directors' Remuneration Report on page 25.

[3]No other payments were made to the auditors during the year (2005: same).

	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000	2005 Revenue £'000	2005 Capital £'000	2005 Total £'000
6. Finance costs						
Bank loans and overdrafts	**287**	**669**	**956**	315	737	1,052
Debenture stock	**340**	**793**	**1,133**	362	847	1,209
Breakage costs incurred on the repurchase of debenture stock	–	**389**	**389**	–	79	79
	627	**1,851**	**2,478**	677	1,663	2,340

	2006 £'000	2005 £'000
7. Taxation		
UK corporation tax at 30% (2005: 30%)	–	–

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 30% (2005: 30%). The difference is explained below.

	2006 £'000	2005 £'000
Revenue return on ordinary activities before taxation	**4,380**	4,383
Revenue return on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2005: 30%)	**1,314**	1,315
Non taxable UK dividends	**(1,661)**	(1,612)
Non taxable scrip dividends	**–**	(33)
Unutilised revenue expenses	**347**	330
	–	–

The Company has an unrecognised deferred tax asset of £10,216,000 (2005: £9,108,000). This has arisen from deductible expenses exceeding taxable income. Given the composition of the Company's portfolio it is unlikely that this asset will be utilised in the foreseeable future.

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

8. Dividends

(a) Change in presentation and restatement

The Income Statement no longer reflects payment of dividends, these are now shown in the Reconciliation of Movements in Shareholders' Funds in the period in which they are approved by shareholders. The Income Statement, Revenue Reserve and Reconciliation of Movements in Shareholders' Funds for the year ended 30th June 2005 have been restated accordingly.

The effect on the Balance Sheet at 30th June 2005	£'000	Per share
Net assets at 30th June 2005 previously stated	162,989	465.2p
Add back 2005 final dividend approved on 2nd November 2005	2,908	8.3p
Restated net assets at 30th June 2005	165,897	473.5p

The effect on the Balance Sheet at 30th June 2004	£'000	Per share
Net assets at 30th June 2004 previously stated	150,850	391.1p
Add back 2004 final dividend approved on 8th November 2004	2,700	7.0p
Restated net assets at 30th June 2004	153,550	398.1p

(b) Dividends paid and declared

	2006 £'000	2005 £'000
Final dividend of 8.3p (2004: 7.0p)	**2,861**[1]	2,571
Interim of 4.0p (2005: 3.0p)	**1,283**	1,077
Total dividends paid in the year	**4,144**	3,648
Final dividend payable of 8.5p (2005: 8.3p)	**2,644**	2,861[1]

[1] The Company declared a dividend of £2,908,000 (2005: £2,700,000), but the dividend paid amounted to £2,861,000 (2005: £2,571,000) as a result of share buybacks.

The final dividend has been proposed in respect of the year ended 30th June 2006 and is subject to approval at the forthcoming Annual General Meeting. In accordance with the revised accounting policy of the Company, this dividend will be reflected in the accounts for the year ended 30th June 2007.

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

We set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 842 of the Income and Corporation Taxes Act 1988 are considered. The revenue available for distribution by way of dividend for the year is £4,380,000 (2005: £4,383,000).

	2006 £'000	2005 £'000
Interim of 4.0p (2005: 3.0p)	**1,283**	1,077
Final dividend 8.5p (2005: 8.3p)	**2,644**	2,861
Total dividends for section 842 purposes	**3,927**	3,938

9. Return per ordinary share

The revenue return per share is based on the earnings attributable to the ordinary shares of £4,380,000 (2005; £4,383,000) and on the weighted average number of shares in issue during the year of 33,319,923 (2005: 36,305,815).

The capital return per share is based on the capital gains attributable to the ordinary shares of £56,217,000 (2005; £23,383,000) and on the weighted average number of shares in issue during the year of 33,319,923 (2005: 36,305,815).

Total return per share is based on the total return attributable to the ordinary shares of £60,597,000 (2005: £27,766,000) and on the weighted average number of ordinary shares in issue during the year of 33,319,923 (2005: 36,305,815).

	2006 £'000	2005 £'000
10. Investments		
Investments listed on a recognised investment exchange	**229,649**	183,574

	2006 £'000
Opening book cost	**152,491**
Opening unrealised gains	**31,083**
Opening valuation	**183,574**
Movements in the year:	
Adjustment to bid valuation	**(659)**
Purchases at cost	**161,295**
Sales – proceeds	**(175,158)**
Sales – realised gains	**23,627**
Net change in unrealised gains	**36,970**
	229,649
Closing book cost	**180,534**
Closing unrealised gains	**49,115**
	229,649

Transaction costs on purchases during the year amounted to £1,292,000 (2005: £969,000) and on sales during the year amounted to £549,000 (2005: £461,000). These costs include stamp duty and broker commission.

During the year, prior year unrealised gains of £18,279,000 on listed investments have been transferred to realised as disclosed in note 15.

	2006 £'000	2005 £'000
11. Current assets		
Debtors		
Dividends and interest receivable	**757**	574
Other debtors	**–**	9
	757	583

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

Cash and short term deposits

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

	2006	2005 (Restated)[1]
	£'000	£'000
12. Creditors: Amounts falling due within one year:		
Purchases for future settlement	**573**	120
Interest payable	**217**	239
Taxation payable on debenture interest	**—**	69
Short term loans	**20,500**	10,000
Other creditors and accruals	**59**	71
	21,349	10,499

[1]*See note 1(i) and note 8.*

The directors consider that the carrying amount of creditors at 30th June 2006 approximates their fair value. The £20,500,000 Loan drawn down at 30th June 2006 comprises four short term loans drawn down on the Company's facility with The Bank of Ireland. Further details are given in note 21(b). These loans are included in the accounts at fair value. At 30th June 2005 the Company had drawn down a £10,000,000 Loan with The Royal Bank of Scotland plc. The interest rate had been fixed at 8.9% by entering into an interest rate swap. This loan was repaid on 24th April 2006. The fair value of the £10,000,000 loan drawn down at 30th June 2005 has been calculated at £10,356,000. Further details are given in note 21(d).

	2006	2005
	£'000	£'000
13. Creditors: Amounts falling due after more than one year:		
£9,500,000 (2005: £10,750,000) 11% debentures 1/12/2011-2016[1]	**9,459**	10,695
	9,459	10,695

[1]Secured by a floating charge on the assets of the Company.

During the year, the Company repurchased £1,250,000 debenture stock for total consideration of £1,639,000 including accrued interest of £25,000.

	2006	2005
	£'000	£'000
14. Share capital		
AUTHORISED:		
48,000,000 ordinary shares of 25p each	**12,000**	12,000
ALLOTTED:		
Ordinary shares of 25p each		
Opening balance of 35,037,000 shares (2005: 38,575,000)	**8,759**	9,644
Repurchase of 3,929,000 shares (2005: 3,538,000)	**(982)**	(885)
Closing balance of 31,108,000 shares (2005: 35,037,000 shares)	**7,777**	8,759

During the year, the Company repurchased 3,929,000 ordinary shares nominal value £982,000, for cancellation, representing 11.2% of the shares outstanding at the beginning of the year. The aggregate consideration paid for these shares was £20,295,000 and the reason for the purchases was to reduce the discount to net asset value.

	Capital redemption reserve £'000	Capital reserve – unrealised £'000	2006 Capital reserve – realised £'000	Other reserve £'000	Revenue reserve £'000
15. Reserves					
Opening balance (as restated)	1,241	31,083	117,819	—	6,995
Adjustment to opening shareholders' funds as at 1st July 2005 to reflect the adoption of bid prices	—	(659)	—	—	—
Adjustment to opening shareholders' funds as at 1st July 2005 to reflect the fair value of the cash flow hedge	—	—	—	(356)	—
Change in fair value of cash flow hedge	—	—	—	356	—
Realised gains on investments	—	—	23,627	—	—
Net change in unrealised gains	—	36,970	—	—	—
Transaction costs	—	—	(1,841)	—	—
Transfer on disposal of investments	—	(18,279)	18,279	—	—
Management fee and finance costs charged to capital	—	—	(2,535)	—	—
Repurchase of ordinary shares	982	—	(20,295)	—	—
Other capital charges	—	—	(4)	—	—
Dividends appropriated in the year	—	—	—	—	(4,144)
Retained revenue for the year	—	—	—	—	4,380
Closing balance	2,223	49,115	135,050	—	7,231

16. Net asset value per share

Net asset value per ordinary share is based on total shareholders' funds attributable to ordinary shareholders of £201,396,00 (2005: 165,897,000 as restated) and on 31,108,000 ordinary shares in issue at the year end (2005: 35,037,000).

	2006 £'000	2005 £'000
17. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Total return on ordinary activities before finance costs and taxation	**63,075**	30,106
Capital return before finance costs and taxation	**(58,068)**	(25,046)
Scrip dividends received as income	**—**	(109)
Increase in accrued income	**(183)**	(157)
Decrease/(increase) in other debtors	**9**	(9)
Decrease in accrued expenses	**(11)**	(3)
Expenses charged to capital	**(684)**	(593)
Net cash inflow from operating activities	**4,138**	4,189
Reconciliation of net cash flow to movement in net debt		
Decrease in cash for the year	**(1,136)**	(4,396)
Cash (inflow)/outflow from changes in debt	**(9,254)**	10,250
Changes in net debt arising from cash flows	**(10,390)**	5,854
Net debt at beginning of the year	**(17,761)**	(23,605)
Amortisation of issue expenses	**(10)**	(10)
Closing net debt	**(28,161)**	(17,761)

	At 30th June 2005 £'000	Cash flow £'000	Other movements £'000	**At 30th June 2006 £'000**
18. Analysis of changes in net debt				
Cash and short-term deposits	2,934	(1,136)	—	**1,798**
Debt due within one year	(10,000)	(10,500)	—	**(20,500)**
Debt due after five years	(10,695)	1,246	(10)	**(9,459)**
Net debt	(17,761)	(10,390)	(10)	**(28,161)**

19. Capital commitments and contingent liabilities

At the balance sheet date there were no capital commitments or contingent liabilities (2005: none).

20. Transactions with JPMorgan

Details of the management contract (which includes a performance fee) are set out on page 18. The terms make allowance for the exclusion of management charges on investments held in funds managed by JPMorgan. No such investments were held during the year. Details of the management fee payable for the year can be found in note 4 on page 36. No amounts were outstanding at 30th June 2006 (2005: nil). Safe custody fees and handling charges amounting to £14,000 (2005: £12,000) were payable to JPMorgan Chase of which £3,000 (2005: £5,000) was outstanding at the year end.

JPMAM 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 £57,000 (2005: £nil).

At the year end a bank balance of £122,000 (2005: £130,000) was held with JPMorgan Chase. During the year ended 30th June 2006, the Company received a net amount of interest of £3,000 (2005: £11,000) from JPMorgan Chase.

21. Financial instruments

(a) Management of risk

The Company's financial instruments comprise:

- Investments in equity shares with mainly UK exposure. These are held in accordance with the Company's investment objectives and policies;
- Short term debtors, creditors and cash amounts arising directly from its operations;
- Sterling bank loans and debenture stock, the main purpose of which is to raise finance for the Company's operations;
- Derivative transactions which the Company may utilise (principally interest rate swaps) the purpose of which would be to manage the interest rate risk arising from bank loans.

As an investment trust, the Company invests in securities for the long term. Accordingly it is the Company's policy that no short term trading in investments or other financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, market price risk, liquidity risk and credit risk. The Board's policies for managing these risks are summarised below.

21. **Financial instruments** continued

Interest rate risk

The Company finances its operations through bank borrowings, debenture stocks and retained profits. The Company borrows at both fixed and floating rates of interest and may also use interest rate swaps to both generate the desired interest rate profile and to manage the exposure to interest rate fluctuations.

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 quarterly to consider the asset allocation of the portfolio and, as part of their review, the risk associated with particular industry sectors. An investment management team has responsibility for monitoring the portfolio which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

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.

Credit Risk

The Company's financial assets are bank balances, debtors and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets. When buying and selling investments, the Company is exposed to the risk that the counterparty will not deliver the investment or cash. The Company will only deal with brokers which have been approved by JPMAM and limits have been set as to the maximum exposure to any one broker at any time. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

(b) Interest Rate Risk Profile of Financial Assets and Financial Liabilities

Financial assets

The Company's financial assets comprise investments, debtors and cash. The investments are all equity shares which neither pay interest nor have a maturity date. The Company's debtors comprise unsettled broker balances for securities sold, dividends receivable, prepayments and other small balances on which no interest accrues. Cash balances in excess of a predetermined amount are placed on short term deposit and earn market rates of interest.

21. Financial instruments continued

Financial liabilities

The interest rate profile of the Company's financial liabilities (which were all in Sterling) at 30th June was:

	2006 £'000	2005 £'000
Fixed rate financial liabilities	**29,959**	20,695
Liabilities on which no interest is paid	**849**	499
	30,808	21,194
For fixed rate financial liabilities:		
Weighted average interest rate	**6.9%**	10.0%
Weighted average period for which the interest rate is fixed	**21 months**	45 months

The Company's liabilities include unsettled broker balances for securities purchased and other accruals on which no interest is payable. The Company has £9.5 million 11% debenture stock in issue which must be redeemed at par on 1st January 2016. However, the whole amount outstanding may be redeemed at par at the option of the Company at any time after 1st December 2011. The Company has arranged a £45 million loan facility with The Bank of Ireland. Under the terms of this agreement the Company may draw down up to £35 million at an interest rate of LIBOR for the loan period plus a margin of 0.4%. Amounts drawn down in excess of £35 million incur interest at LIBOR plus a margin of 0.5%. At 30th June 2006, the Company had drawn down four tranches totalling £20.5 million on this facility for terms ranging between one and three months at a weighted average interest rate of 5.1%.

(c) Maturity of the company's financial liabilities

	2006 £'000	2005 £'000
Falling due in one year or less or on demand	**21,349**	10,499
Falling due after five years	**9,500**	10,750
	30,849	21,249

(d) Fair values of Financial Instruments

All financial assets and liabilities are included in the accounts at fair values except for the following:

	Accounts value		Fair value	
	2006	2005	**2006**	2005
£9.5 million (2005: £10.75 million) debenture stock	**9.5**	10.7	**12.7**	14.3
Short term loan	**—**	10.0	**—**	10.4

The fair value of the debenture stock has been calculated by reference to a similar dated gilt plus a margin. The fair value of the loan drawn down at 30th June 2005 has been calculated by estimating the cost of breaking the loan and interest rate swap. This loan was repaid on 24th April 2006. The £20.5 million short term loans drawn down at 30th June 2006 are included in the accounts at fair value.

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	November, April
11% Debenture Stock 2011/16 interest paid	1st December, 1st June
Annual General Meeting	November

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

Company Numbers
Company registration number: 1047690
London Stock Exchange Sedol number: 0235761
Bloomberg: JMF LN
Reuters: JMF.L

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 Company website at *www.jpmmidcap.com* 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.

Manager and Secretary
JPMorgan Asset Management (UK) Limited

Company's Registered Office
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London EC2Y 9AQ
Telephone: 020 7742 6000

For company secretarial and administrative matters, please contact Andrew Norman.

Registrar
Lloyds TSB Registrars, Reference 1082
The Causeway, Worthing
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 1082.

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

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.

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